

# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

**C-9**

333 West Ocean Boulevard 6<sup>th</sup> Floor • Long Beach, CA 90802 • (562) 570-5400 • Fax (562) 570-5414

May 23, 2017

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Receive and file the Comprehensive Annual Financial Report (CAFR) and Separately Issued Financial Statements for the Fiscal Year Ended September 30, 2016. (Citywide)

## DISCUSSION

### **Comprehensive Annual Financial Report**

The Comprehensive Annual Financial Report (CAFR), prepared by the Department of Financial Management, contains audited financial information on all City funds for the fiscal year ended September 30, 2016 (FY 16), in accordance with generally accepted accounting principles. In accordance with Section 302(e) of the City Charter, the CAFR is submitted annually to the City Council. It is important to note the CAFR is designed to report historical financial information only and is not designed to report financial projections or budgetary priorities.

We are pleased to report the Independent Auditor's Report, found on page one, concluded that the City's financial statements present fairly, in all material respects, the financial position of the City and its related cash flow and budgetary information. The audit was conducted by KPMG, LLP, a certified public accounting firm, under contract with the City Auditor.

The CAFR provides Basic Financial Statements that combine all the City's assets and liabilities in one consolidated statement. The City's total net position, as shown on page 25 of the CAFR, was \$4.8 billion as of September 30, 2016. Of this amount, \$129.4 million was recorded in governmental funds and \$4.7 billion was recorded in enterprise funds such as the Harbor Fund, Water Fund and Tidelands Fund. Net position increased by \$181.1 million from FY 15, primarily as result of increases in net investment in capital assets in the Harbor and Gas Utility funds.

### **Separately Issued Financial Reports and Statements**

In addition to the CAFR, certain City funds are also required to submit audited annual financial statements separately, including the Harbor Department and Water Department. These separate reports are enclosed and are issued annually to meet distinct legal and financial requirements. Also provided are the Long Beach Airport Schedule of Passenger Facilities

HONORABLE MAYOR AND CITY COUNCIL

May 23, 2017

Page 2

Charges for FY 15 and the annual financial report for Long Beach Transit, a discretely presented component unit of the City.

Finally, because of the professionalism and dedication of the Financial Management, Harbor and Water Departments, as well as finance professionals throughout the City, the CAFR and the separately issued financial reports of the Harbor and Water Departments, have been awarded the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for their FY 15 annual financial reports. The receipt of the Certificate of Achievement attests to the City's desire to be fully accountable to residents. In addition, this recognition can be viewed as a positive factor by credit rating agencies.

**TIMING CONSIDERATIONS**

City Council action on this item is not time critical.

**FISCAL IMPACT**

There is no fiscal or local job impact associated with this recommendation.

**SUGGESTED ACTION:**

Approve recommendation.

Respectfully Submitted,



JOHN GROSS  
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

  
PATRICK H. WEST  
CITY MANAGER

DN:SWH  
K:\EXEC\COUNCIL LETTERS\ACCOUNTING\2017\5-23-17 CCL - CAFR AND FINANCIAL STATEMENTS FY 16.DOCX

ATTACHMENTS:

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR), CITY OF LONG BEACH  
HARBOR DEPARTMENT COMPREHENSIVE FINANCIAL REPORT  
LONG BEACH WATER DEPARTMENT COMPREHENSIVE ANNUAL FINANCIAL REPORT  
LONG BEACH AIRPORT SCHEDULE OF PASSENGER FACILITIES

# City of Long Beach

## California

## Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2016

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# Comprehensive Annual Financial Report



**City of Long Beach, California**

**For the Fiscal Year Ended  
September 30, 2016**

**Prepared by the Department of Financial Management  
John Gross, Director**



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**City of Long Beach, California**  
**Comprehensive Annual Financial Report**

For the Fiscal Year Ended September 30, 2016

*Prepared by the Department of Financial Management*

John Gross  
Director of Financial Management

Stephen W. Hannah  
City Controller

<p>Francine Wiegelman Assistant City Controller</p>	<p>Diana Narahara Assistant City Controller</p>
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<p>Olivia Valero Accounting Operations Officer</p>	<p>Michael Carrigg Senior Accountant</p>
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<p>Cathy Pingol Senior Accountant</p>	<p>Mary Hebert Senior Accountant</p>
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<p>Lucy Hong Senior Accountant</p>	<p>Kalpna Desai Senior Accountant</p>	<p>Lilia Hom Senior Accountant</p>
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<p>Angie Tran Accountant</p>	<p>Kim-Hang Nguyen Accountant</p>	<p>Glenda Pakningan Accountant</p>
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<p>Alex Powers Accountant</p>	<p>Amanda Johnson Accountant</p>	<p>Georgia Will Accountant</p>
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<p>Vivian Li Accountant</p>	<p>Jessie Palpallatoc Accountant</p>	<p>Naomi Munoz Accountant</p>
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<p>Mandie Bentley Accounting Technician</p>	<p>Gretchen Monroe Accountant</p>	<p>Jennifer Mota Accounting Technician</p>
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<p>Avneet Brar Accounting Technician</p>	<p>Jackie Pham Accounting Technician</p>	<p>Elaine Harmon Accounting Technician</p>
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<p>Reuben Belleza Accounting Technician</p>	<p>Fidel Aguayo Assistant City Treasurer</p>
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Photography by *Hartono Tai*



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City of Long Beach  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	iii
Directory of City Officials.....	vii
Organizational Chart.....	ix
Certificate of Achievement for Excellence in Financial Reporting Award.....	x
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report .....	1
Management's Discussion and Analysis (Unaudited) .....	5
Basic Financial Statements:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position.....	25
Statement of Activities.....	26
<i>Fund Financial Statements:</i>	
Governmental Funds, Balance Sheet.....	28
Reconciliation of the Governmental Funds Balance Sheet to Governmental Activities in the Statement of Net Position ...	29
Governmental Funds, Statement of Revenues, Expenditures, and Changes in Fund Balances .....	30
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	31
General Fund, Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) .....	32
Proprietary Funds, Statement of Net Position (Deficit).....	34
Proprietary Funds, Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit) .....	38
Proprietary Funds, Statement of Cash Flows .....	40
Fiduciary Funds, Statement of Fiduciary Net Position.....	44
Fiduciary Funds, Statement of Changes in Fiduciary Net Position .....	44
<i>Notes to the Basic Financial Statements:</i>	
Note 1 – Reporting Entity .....	45
Note 2 – Summary of Significant Accounting Policies.....	48
Note 3 – Reconciliation of Government-wide and Fund Financial Statements.....	58
Note 4 – Cash and Investments.....	61
Note 5 – Receivables .....	65
Note 6 – Interfund Receivables, Payables, and Transfers .....	66
Note 7 – Capital Assets.....	68
Note 8 – Change in Long-Term Liabilities .....	70
Note 9 – Bonds Payable.....	71
Note 10 – Notes, Commercial Paper Notes, and Other Long-Term Obligations .....	77
Note 11 – Leasing Arrangements.....	82
Note 12 – Derivative Instruments .....	86
Note 13 – Retirement Programs.....	89
Note 14 – Postemployment Healthcare Benefits.....	97
Note 15 – Self-Insurance Programs .....	99
Note 16 – Governmental Activities Fund Balance.....	100
Note 17 – Gas Utility Fund.....	102
Note 18 – Solid Waste Management Fund .....	105
Note 19 – Oil Abandonment Liability .....	109
Note 20 – Pollution Remediation Obligations .....	110
Note 21 – Investment in Joint Ventures.....	112
Note 22 – Deferred Compensation.....	112
Note 23 – Commitments and Contingencies.....	113
Note 24 – Deferred Outflows and Deferred Inflows of Resources .....	115
<i>Required Supplementary Information (unaudited):</i>	
CalPERS Schedules of Changes in Net Pension Liability .....	117
CalPERS Schedules of Contributions .....	119
Public Agency Retirement System Schedule of Changes in Net Pension Liability .....	121
Public Agency Retirement System Schedule of Contributions .....	122
Postemployment Healthcare Benefits Analysis of Funding Progress .....	122

*Additional Financial Section:*

Nonmajor Governmental Funds, Combining Balance Sheet .....	123
Nonmajor Governmental Funds, Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	124
Nonmajor Special Revenue Funds, Combining Balance Sheet.....	126
Nonmajor Special Revenue Funds, Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit).....	128
Nonmajor Special Revenue Funds, Schedules of Sources, Uses, and Changes in Funds Available – Budget and Actual (Non-GAAP Budgetary Basis).....	130
Nonmajor Debt Service Funds, Combining Balance Sheet.....	142
Nonmajor Debt Service Funds, Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	143
Nonmajor Debt Service Funds, Schedules of Sources, Uses, and Changes in Funds Available – Budget and Actual (Non-GAAP Budgetary Basis).....	144
Nonmajor Capital Projects Funds, Combining Balance Sheet.....	148
Nonmajor Capital Projects Funds, Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	149
Nonmajor Capital Projects Funds, Schedules of Sources, Uses, and Changes in Funds Available – Budget and Actual (Non-GAAP Budgetary Basis).....	150
Nonmajor Enterprise Funds, Combining Statement of Net Position.....	154
Nonmajor Enterprise Funds, Combining Statement of Revenues, Expenses, and Changes in Fund Net Position .....	155
Nonmajor Enterprise Funds, Combining Statement of Cash Flows.....	156
Internal Service Funds, Combining Statement of Net Position (Deficit) .....	158
Internal Service Funds, Combining Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit).....	159
Internal Service Funds, Combining Statement of Cash Flows.....	160
Fiduciary Funds, Private Purpose Trust Funds, Combining Statement of Net Position .....	162
Fiduciary Funds, Private Purpose Trust Funds, Combining Statement of Changes in Net Position .....	162
Fiduciary Funds, Agency Funds, Combining Statement of Changes in Assets and Liabilities.....	163
<i>Other Supplementary Information:</i>	
General Fund – Combining Balance Sheet .....	165
General Fund – Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	166
General Fund – Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis).....	167
Insurance Fund – Combining Schedule of Net Position (Deficit) .....	168
Insurance Fund – Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position (Deficit) .....	169
Fleet Services Fund – Combining Schedule of Net Position (Deficit) .....	170
Fleet Services Fund – Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position (Deficit) .....	171
Segment Information for Tidelands Funds.....	172
Tidelands Fund Segment Information.....	173
<b>STATISTICAL SECTION (Unaudited)</b>	
<i>Schedules of Financial Trends Information</i>	
Net Position by Component – Last Ten Fiscal Years .....	179
Change in Net Position – Last Ten Fiscal Years .....	180
Fund Balances of Governmental Funds – Last Ten Fiscal Years .....	182
Change in Fund Balances of Governmental Funds – Last Ten Fiscal Years .....	183
Governmental Activities Tax Revenues by Source – Last Ten Fiscal Years.....	184
<i>Schedules of Revenue Capacity Information</i>	
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years .....	185
Property Tax Rates – All Overlapping Governments – Last Ten Fiscal Years.....	186
Principal Property Taxpayers – Current Year and Nine Fiscal Years Ago.....	187
Property Tax Levies and Collections – Last Ten Fiscal Years .....	188
<i>Schedules of Debt Capacity Information</i>	
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	189
Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years .....	190
Schedule of Direct and Overlapping Debt.....	191
Legal Debt Margin Information – Last Ten Fiscal Years.....	192
Pledged Revenue Coverage – Last Ten Fiscal Years .....	193
<i>Schedules of Demographic and Economic Information</i>	
Demographic Statistics – Last Ten Fiscal Years .....	196
Principal Employers – Current Year and Nine Years Ago .....	197
<i>Schedules of Operating Information</i>	
Full-time Equivalent City Government Employees by Function – Last Ten Fiscal Years .....	298
Operating Indicators by Function – Last Ten Fiscal Years .....	200
Capital Asset Statistics by Function – Last Ten Fiscal Years.....	202

# INTRODUCTORY SECTION

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# CITY OF LONG BEACH

OFFICE OF THE CITY MANAGER

333 West Ocean Boulevard • Long Beach, CA 90802 • (562) 570-6711 • Fax (562) 570-6583

PATRICK H. WEST  
CITY MANAGER

March 27, 2017

Honorable Mayor and City Council  
City of Long Beach

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Long Beach (City) for the fiscal year ended September 30, 2016. This report was prepared in accordance with all the appropriate rules and guidelines and audited by KPMG LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements are free of material misstatement. The independent auditors concluded that there was a reasonable basis for rendering an unmodified opinion for this fiscal year. The independent auditors' report is presented as the first component of the financial section of this report.

This report contains management's representations concerning the City's finances, is free of material misstatement and management assumes full responsibility for the completeness and reliability of all the information presented. To provide a reasonable basis for making these representations, City management 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 this report. The cost of internal controls should not exceed the benefits so the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.

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

Financial data for all funds of the City, as well as all its blended component units are included within the report. Blended component units, although legally separate entities, are, in substance, part of the City's operations. A discretely presented component unit, Long Beach Transit, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the City and to differentiate its financial position and results of operations from that of the City.

A specialized audit of the basic financial statements called the Single Audit is separately required due to the City's use of Federal funding. The unique standards governing Single Audit engagements require the independent auditor to report on the City's fair presentation of the financial statements, and the City's internal controls and compliance with legal requirements, with a special emphasis on those involving federal awards. The City's separately issued Single Audit report is available by contacting the City's Financial Management Department.

## Our City and How We Serve

Long Beach is a Charter City, incorporated in 1897, and is in Southern California within the County of Los Angeles. With an estimated 485,000 residents, it is the seventh most populous city in the state. The City has a Mayor and a nine-member council, elected by the citizens residing in the district, for four-year terms. The City Auditor, Prosecutor and Attorney are elected at large and serve four-year terms, as well. The City has a diverse economic base including international trade, oil, aerospace, aviation, healthcare, education and tourism making Long Beach a city of opportunity.

The City continues to make great strides toward improving livability. Long Beach has been recognized as having one of the Top 25 Best Parks systems in the U.S, the 10<sup>th</sup> Most Bike Friendly City in America and the 10th most walkable city in the United States. The City was recognized as a Top 10 Digital City for the sixth year in a row earning a national CIO 100 award for the innovative use of technology.

Many award-winning facilities and services are available to our citizens. These include public safety, parks, libraries, health service, public works, water, sewer and gas utilities, oil and gas production, a world class port, and a nationally recognized airport. In 2016, the average response time for police priority calls was just 4.8 minutes which is one of the fastest for any large city in the U.S. The City's fleet operation was recently ranked the 12th best government fleet in the United States. The City-run health department is one of only three in California with a national standing recognized by the Public Health Accreditation Board. The vibrant and growing television and film industry has selected Long Beach for the filming of Scorpion, The Fosters, NCIS: LA, Criminal Minds, Ray Donovan, and American Horror Story. Long Beach airport was ranked in the top 10 in the nation for affordability and Best for Airport Dining.

The Port of Long Beach is, and intends to remain, the world's premier green port. The City's dedication to protecting the environment is demonstrated by the amazing biodiversity found in our port's waters, which are now considered a thriving marine habitat. The port also has one of the highest credit ratings for any US seaport which underscores the City's commitment to compete on the world stage.

#### Economic Outlook

Long Beach has drawn from the strength and adaptability of the local economy to endure the challenges and to benefit from the opportunities in our global world economy. The blend of local, national and international businesses continues to keep Long Beach working. During 2016, the unemployment rate in Long Beach reached a nine-year low at 5.3 percent. As our business community grows, the need for housing of all types also grows. To accommodate this growth, thousands of new residential projects have been approved to provide homes for our citizens, old and new.

With an improving economy and a new voter-approved tax to help ensure public safety and to address the City's infrastructure needs, the City has a renewed sense of optimism. From the foundations of the new Civic Center to the opening of the new Michelle Obama Library, this outlook can be seen on the City's skyline. The restoration of public safety funding, the increased resources for streets and infrastructure, awards for technology, equality, city planning and more all demonstrate that Long Beach is making continuing improvements in providing better, more efficient service to the entire community. The good Long Beach economic is also providing jobs, including jobs being created by a multitude of multi-family housing projects, the Port's Middle Harbor redevelopment and Gerald Desmond Bridge replacement projects.

The City is committed to protecting the environment and the City's resources. The Port continues to actively manage the pollution generated by the vessels stopping in Long Beach. Fourteen additional miles of bike paths have been added to the more than 120 miles of the City's existing bike-friendly infrastructure, Long Beach Transit has plans for a battery powered bus fleet and the Water Department has encouraged the significant reduction of water usage throughout the City.

Through a unique public-private partnership, the City is constructing a new Civic Center complex that will be a key part of the continued revitalization of the Downtown. The Civic Center will be super-block of public-private development. The public buildings will be highly energy efficient to be good for the environment and reduce costs.

While the economy is expected to continue growing, there are still challenges that will require the continued commitment of the City. Long Beach has accomplished many goals and will address the challenges of the future. Long Beach will continue to be "Many unique neighborhoods, one great city."

The voters of Long Beach showed strong support for the City by passing Measure A. Measure A added a one percent general purpose transaction and use tax (sales tax). The voters also approved a new tax on medical marijuana (Measure MA) to better support the cost of providing for medical marijuana enforcement and other services. Although the new taxes are for general purposes, the Mayor and City Council intend to

use the revenue from the new taxes to maintain and enhance public safety services. In the case of Measure A, the associated tax is also intended to provide and maintain capital and infrastructure; in the case of Measure MA, the associated tax is also intended to provide health and other services.

The Mayor and City Council have been continuing to emphasize economic development, in part, to improve City revenues. This is expected to be a long-term effort and an important component of addressing the City's ability to continue to maintain and improve services.

From a budget viewpoint, the City intends to continue to use innovation and increased efficiency as a way to maintain and improve services with limited new revenue. As the City looks to the future, the 2017 budget includes several innovative changes throughout the City's organization to improve efficiency of service delivery. The development of a High-Tech Infrastructure Master Plan, use of FUSE Corps, and the establishment of a project management division within the Public Works Department will improve the speed and efficiency of these services.

The City continues to invest in its future with \$3 million in funding, awarded by Bloomberg Philanthropies, to support the Long Beach Innovation Team (i-team) in its efforts to enhance economic development. The Fire and Police emergency call and dispatch units have been merged, additional funds have been added for enhanced violence prevention programs, and outreach to the homeless community, including the rising numbers of homeless veterans, has been infused with one-time resources for a Rapid Response service.

#### Acknowledgments and Certificate of Achievement for Financial Reporting

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

For the ninth year in a row, the Government Finance Officers Association (GFOA) of the United States and Canada has awarded the Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2015. To be awarded a Certificate of Achievement, a government must publish an easy to read and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Respectfully submitted,



PATRICK H. WEST  
CITY MANAGER



JOHN GROSS  
DIRECTOR OF FINANCIAL MANAGEMENT



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**Directory of City Officials**  
**As of September 30, 2016**

***Dr. Robert Garcia***

Mayor

***Rex Richardson***

Vice-Mayor - 9<sup>th</sup> District

***Lena Gonzalez***

Councilmember - 1<sup>st</sup> District

***Suzie A. Price***

Councilmember - 3<sup>rd</sup> District

***Stacy Mungo***

Councilmember - 5<sup>th</sup> District

***Roberto Uranga***

Councilmember - 7<sup>th</sup> District

***Jeannine Pearce***

Councilmember - 2<sup>nd</sup> District

***Daryl Supernaw***

Councilmember - 4<sup>th</sup> District

***Dee Andrews***

Councilmember - 6<sup>th</sup> District

***Al Austin***

Councilmember - 8<sup>th</sup> District

**Elected Department Heads**

City Attorney

Charles Parkin

City Auditor

Laura L. Doud

City Prosecutor

Douglas P. Haubert

**Appointed by Council or Commission**

City Clerk

Maria de la Luz Garcia

Executive Director - Civil Service

Kandice Taylor-Sherwood

Interim Chief Executive - Harbor

Duane L. Kenagy

General Manager - Water

Christopher J. Garner

**City Management**

City Manager

Patrick H. West

Assistant City Manager

Tom Modica

Deputy City Manager

Arturo Sanchez

Chief of Police

Robert G. Luna

Fire Chief

Michael A. DuRee

Director of Financial Management

John Gross

Director of Health and Human Services

Kelly Colopy

Director of Development Services

Amy J. Bodek

Director of Economic and Property Development

Kathryn McDermott

Director of the Long Beach Airport

Jess L. Romo

Director of Human Resources

Alejandrina Basquez

Director of Library Services

Glenda Williams

Director of Long Beach Gas and Oil

Robert Dowell

Director of Parks, Recreation, and Marine

Marie Knight

Director of Public Works

Craig Beck

Director of Technology and Innovation

Bryan Sastokas

Director of Disaster Preparedness and Emergency Communications

Reginald I. Harrison



Council District 1  
Lena Gonzalez



Council District 2  
Jeannine Pierce



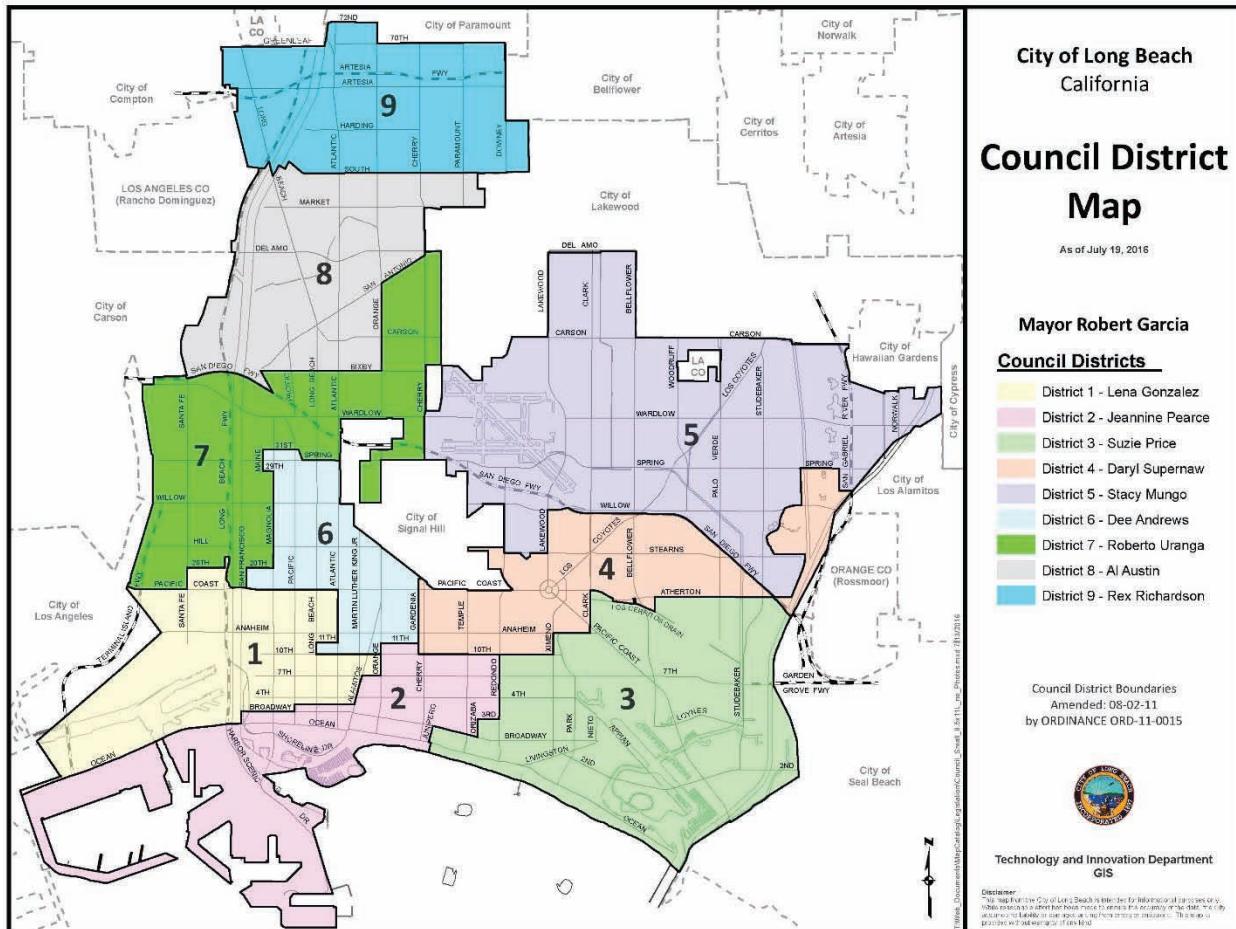
Mayor  
Robert Garcia



Council District 3  
Suzie Price



Council District 4  
Daryl Supernaw



Council District 5  
Stacy Mungo



Council District 6  
Dee Andrews



Council District 7  
Roberto Uranga



Council District 8  
Al Austin



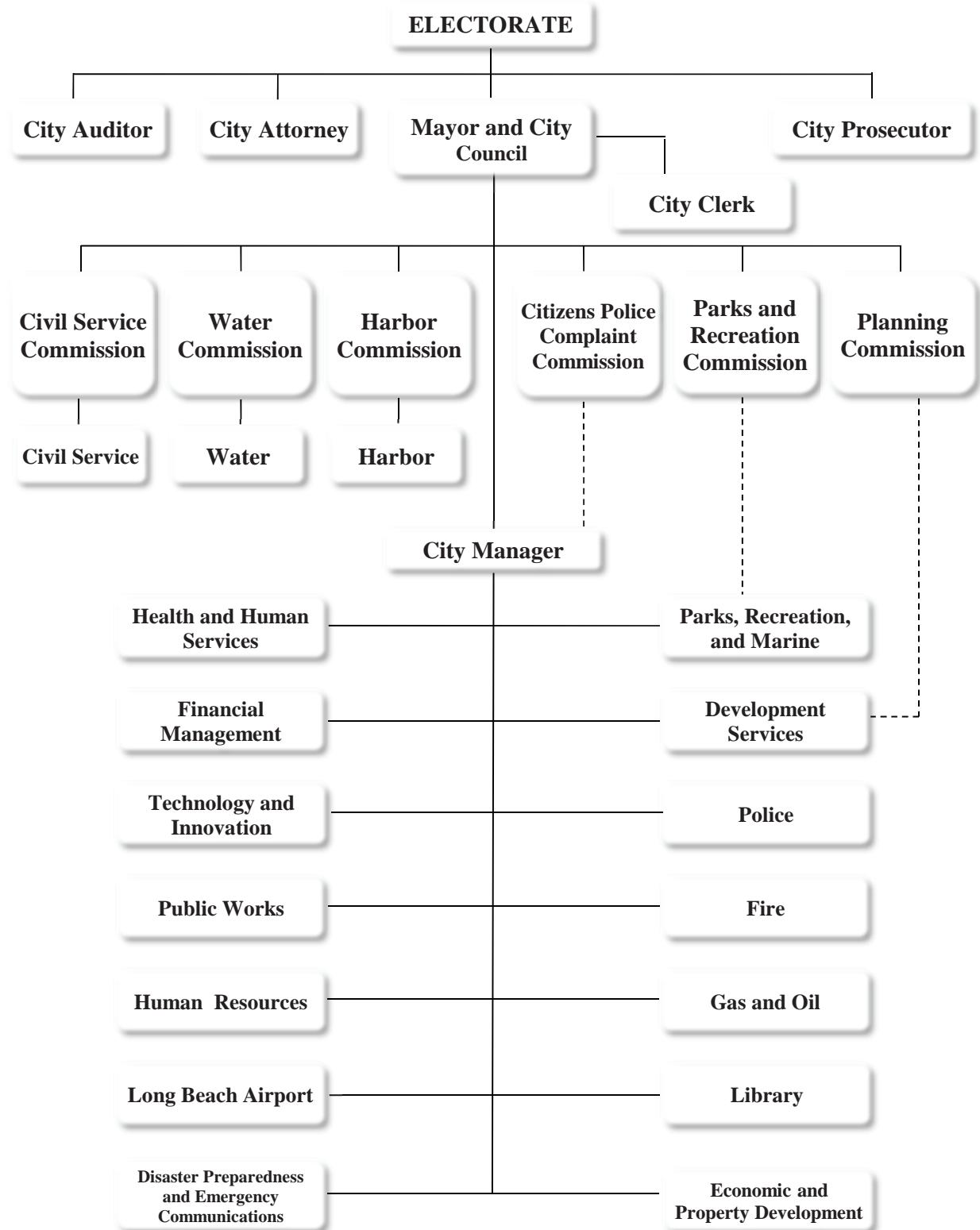
Council District 9  
Rex Richardson

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# LONG BEACH CITY GOVERNMENT

## ORGANIZATIONAL CHART

As of September 30, 2016





Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Long Beach  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

*Jeffrey P. Emer*

Executive Director/CEO

# FINANCIAL SECTION

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KPMG LLP  
Suite 1500  
550 South Hope Street  
Los Angeles, CA 90071-2629

## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Long Beach Public Transportation Company (the Company), which is the City's only discretely presented component unit. Those statements were audited by another auditor whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Company, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



### *Opinions*

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California, as of September 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparison for the City's General Fund for the year then ended in accordance with U.S. generally accepted accounting principles.

### *Emphasis of Matter*

#### *Adoption of New Accounting Pronouncements*

As discussed in note 2 to the financial statements, in 2016, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, as well as GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information identified in the table of contents as the introductory section, additional financial section, other supplementary information, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional financial and the other supplementary information sections are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional financial section and the other supplementary information section are fairly stated in all material respects in relation to the basic financial statements as a whole.



The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*KPMG LLP*

Los Angeles, California  
March 27, 2017



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# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2016

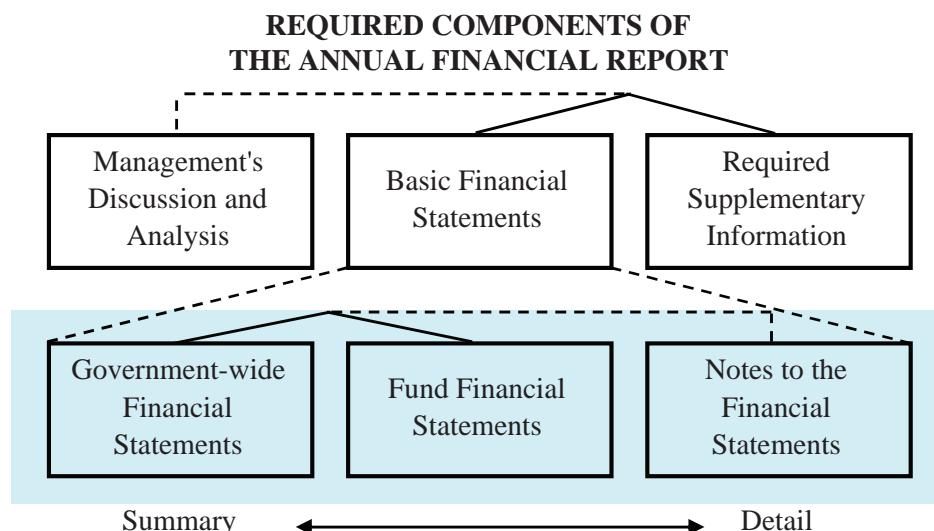
As the management team for the City of Long Beach (the City), we present to the readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. We encourage readers to consider this information in conjunction with the information found in the letter of transmittal.

### **Financial Highlights**

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$4.8 billion. Of this amount, \$4.6 billion represents net investment in capital assets, and \$717.4 million represents resources that are subject to restrictions on how they may be used (*restricted net position*). After the application of new reporting standards relating to other postemployment benefits (see Note 1), the City reports a deficit unrestricted net position of \$449.8 million.
- At the close of the fiscal year, the City's governmental funds reported combined fund balances of \$314.9 million, a decrease of \$1.9 million, or less than minus 1.0% percent, from the prior fiscal year end. Of these balances, \$2.7 million are nonspendable, \$178.1 million are restricted, \$65.0 million are committed, \$65.2 million are assigned, and \$3.9 million is unassigned.
- The fund balance of the General Fund was \$110.6 million. This represents a \$1.4 million, or minus 1.3 percent, decrease from the prior fiscal year. Of this balance, \$102 thousand is nonspendable, \$4.5 million is restricted, \$63.6 million is committed, \$38.5 million is assigned, and \$3.9 million is unassigned.
- The City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (GASB 75) and, as a result, beginning fiscal year balances were adjusted to reflect the impact. See note 2 for the details of the effects implementation on beginning balances.

### **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 include three components: the *government-wide financial statements*, the *fund financial statements*, and the *Notes to the Basic Financial Statements*. This report also contains other supplementary information in addition to the basic financial statements, including non-major fund financial statements and a statistical section.



**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2016 (Continued)

## **Basic Financial Statements**

The Basic Financial Statements contain the Government-wide Financial Statements, the Fund Financial Statements and the Notes to the Financial Statements. This report also includes supplementary information intended to furnish additional detail to support the Basic Financial Statements.

**Government-wide financial statements:** The Government-wide Financial Statements provide a longer-term view of the City's activities as a whole. They include the Statement of Net Position and the Statement of Activities.

The *statement of net position* includes the City's capital assets and long-term liabilities on a full accrual basis of accounting similar to that used by private sector companies. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* provides information about the City's revenues and expenses on a full accrual basis, with an emphasis on measuring net revenues or expenses for each of the City's programs. The Statement of Activities explains in detail the change in net position for the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The amounts in the Statement of Net Position and the Statement of Activities are separated into Governmental and Business-type Activities in order to provide a summary of each type of activity.

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Long Beach Transit (LBT) for which the City is the sole stakeholder and, therefore, has authority to affect the company. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

**Fund financial statements:** The *fund financial statements* focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts, established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The funds of the City can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*. The focus of governmental and proprietary fund financial statements is on major funds. Major funds are determined based on minimum criteria set forth in Government Accounting Standards Board (GASB). Like other state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting is also used to aid financial management by segregating transactions related to certain government functions or activities.

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

**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2016 (Continued)

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

The City maintains numerous individual governmental funds. Information is presented separately for the General Fund and the aggregate of all non-major governmental funds. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements*, located in the Additional Financial Information section of this report.

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

**Proprietary funds:** *Proprietary funds* are generally used to account for operations that provide services to the general public on a continuing basis or to internal City departments. Enterprise and Internal Service Fund Financial Statements are prepared on the full accrual basis of accounting, similar to that used by private sector companies. These statements include all of their assets, deferred outflows and inflows of resources and liabilities, both current and long-term.

Since the City's Internal Service Funds provide goods and services exclusively to the City's governmental and business-type activities, their activities are only reported in total at the fund level. Internal Service Funds cannot be considered major funds because their revenues are derived from other City funds. Revenues between funds are eliminated in the Government-wide Financial Statements, and any related profits or losses in Internal Service Funds are returned to the activities in which they were created, along with any residual net assets of the Internal Service Funds.

**Fiduciary funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds include *Private Purpose Trust Funds* such as the Miller Library Fund and the Mayor's Fund for the Homeless, and *Agency Funds* such as special parking and business assessment districts. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Position and the supplemental Agency and Private Purpose Trust fund combining statements. These activities are excluded from the City's other financial statements because the City cannot utilize these assets to finance its own operations. The fiduciary fund financial statements can be found in the Basic Financial Statements section of this report.

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

**Other Supplementary Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and post-employment healthcare benefits to its employees. The combining statements referred to above in connection with non-major governmental funds and internal service funds are presented in the Required Supplementary Information and Other Supplementary Information section, along with information regarding capital assets. The table of the following page provides a summary of the significant features of the financial statements as well as insight into how the information is compiled for statement presentation:

**The City of Long Beach**  
 Management's Discussion and Analysis (Unaudited)  
 For the Year Ended September 30, 2016 (Continued)

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

#### **Government-Wide Financial Analysis - Analysis of Net Position**

As noted earlier, *net position* may serve over time as a useful indicator of a government's financial position. As of September 30, 2016, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$4.8 billion, an increase of \$181.1 million, or 3.9 percent, from the prior fiscal year.

Net investment in capital assets accounted for \$4.6 billion, or 94.5 percent, of the City's total net position. This component of net position consists of capital assets (land, structures and improvements, equipment, infrastructure, and construction-in-progress) net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of the assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources as the capital assets themselves cannot be used to liquidate these liabilities. Net investment in capital assets increased by \$401.1 million, or 9.6 percent, from the prior fiscal year. The \$399.7 million increase in business-type activities is primarily attributable to increases in net investment in capital assets in the Harbor and Gas Utility funds of \$365.0 million and \$17.9 million, respectively. The increase in Harbor resulted from the defeasement of related debt, investment in their new headquarters building, and continued investment in the Middle Harbor and Gerald Desmond Bridge projects. The increase in the Gas Utility fund resulted from their investment in automated meter technology and pipeline replacement programs.

Restricted net position amounted to \$717.4 million, representing 14.8 percent of total net position. This component of net position represents resources that are subject to external restrictions imposed by creditors and grantors, laws and regulations of other governments, and restrictions imposed by law

**The City of Long Beach**  
 Management's Discussion and Analysis (Unaudited)  
 For the Year Ended September 30, 2016 (Continued)

through constitutional provisions or enabling legislation. This component of the City's net position decreased \$128.2 million, or minus 15.2 percent, from the prior fiscal year.

The remaining deficit balance of \$449.8 million, or minus 9.3 percent, is the net of the \$610.4 million governmental activities deficit unrestricted net position and the \$160.6 million business-type activities unrestricted net position balance. The unrestricted component of net position decreased \$91.8 million from the prior fiscal year. The change is primarily attributable to an increase in the City's net pension liability of \$237 million as CalPERS missed its investment return goals.

**Net Position**  
**September 30, 2016 and 2015**  
**(In Thousands)**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and Other Assets	\$ 995,770	\$ 964,015	\$ 2,356,785	\$ 2,545,319	\$ 3,352,555	\$ 3,509,334
Capital Assets	771,722	723,109	5,516,616	5,218,971	6,288,338	5,942,080
Deferred Outflows	264,237	136,764	123,078	74,203	387,315	210,967
Total Assets and Deferred Outflows	2,031,729	1,823,888	7,996,479	7,838,493	10,028,208	9,662,381
Liabilities:						
Current Liabilities	190,308	173,192	278,737	289,161	469,045	462,353
Noncurrent Liabilities, Net	1,537,565	1,373,414	2,438,732	2,464,465	3,976,297	3,837,879
Deferred Inflows	174,453	177,245	565,130	522,754	739,583	699,999
Total Liabilities and Deferred Inflows	1,902,326	1,723,851	3,282,599	3,276,380	5,184,925	5,000,231
Net Position:						
Net Investment in Capital Assets	346,224	344,839	4,229,484	3,829,779	4,575,708	4,174,618
Restricted	393,588	351,055	323,827	494,526	717,415	845,581
Unrestricted	(610,409)	(595,857)	160,569	237,808	(449,840)	(358,049)
Total Net Position	\$ 129,403	\$ 100,037	\$ 4,713,880	\$ 4,562,113	\$ 4,843,283	\$ 4,662,150

**Key Changes in the Statement of Net Position:**

The City implemented GASB 75 effective October 1, 2015. The beginning balance of the fiscal year 2016 net position was adjusted to reflect the impact of the implementation. The effects of an experience study significantly impacted this adjustment the City's adjusted OPEB liability decreased by \$38.8 million from \$81.3 million to \$42.5 million. On September 30, 2016, the City's total OPEB liability was \$45.1 million. Of this amount, \$35.5 million was attributable to Governmental Activities and \$9.6 million was attributable to Business-Type Activities.

There are 2 major components of GASB 75 that affect the Statements of Net Position for the Government-wide and each of the Proprietary Funds:

- Net OPEB Liability represents the actuarially valued liabilities for Termination Benefits (offered to certain Police and Fire employees who retired in 2009) and Postemployment Healthcare Benefits for covered employees as of September 30, 2016. This includes current-period service cost and interest accruing on the liability.
- A deferred outflow for amounts paid subsequent to the measurement date of the City's actuarial study. These amounts relate to accumulated unused sick leave for covered employees.

Compliance with GASB 75 requires that the City's Net OPEB Liability be recorded on the Statement of Net Position and changes in the total OPEB liability be recognized immediately, such as current-period service cost, interest on the total OPEB liability, changes in benefit terms, actuarial assumptions, inflation,

**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2016 (Continued)

and discount rates. Additional information about the City's Postemployment Healthcare benefits can be found in Note 14.

The City's current and other assets decreased \$156.8 million, or 4.5 percent, from the prior fiscal year. Governmental activities increased \$31.7 million, primarily due to higher cash balances in the City pool and fair values of the City's pooled investments, and a prepayment to the developer to break ground on the construction of the new Civic Center complex. The prepayment which will be fully amortized over the life of the construction project. Business-type activities decreased \$188.5 million. This decrease mostly resulted from the Harbor's decrease in current and other assets of \$257.0 million as they used available resources to defease existing debt, such as the \$95.0 million reduction in the use of their lines of credit, and the funding of large projects such as their Middle Harbor project.

Citywide, capital assets increased \$346.2 million or 5.8 percent. Governmental activities increased \$48.6 million, or 6.7 percent, and is primarily attributable to the ongoing construction of the new Civic Center complex. Business-type activities increased \$297.6 million, or 5.7 percent. The change in governmental activities resulted from the construction of a new City hall while the change in business-type activities resulted from ongoing construction of the new Port of Long Beach Headquarters and improvements to the Middle Harbor and Gerald Desmond Bridge projects along with the ongoing construction of Tidelands improvements such as the Alamitos Bay Marina rebuild.

Deferred outflows increased \$176.3 million. Governmental activities deferred outflows increased \$127.4 million and business-type activities increased \$48.9 million. The net increase is mostly attributable to lower investment returns reported by CalPERS than originally anticipated for the City's Miscellaneous and Safety pension plans as well as the effects of the change in the fair market value of the City's interest rate swap.

The City's current liabilities increased \$6.7 million, or 1.4 percent. Governmental activities increased \$17.1 million, or 9.9 percent, and business-type activities decreased \$10.4 million or 3.6 percent. The increase in governmental activities current liabilities resulted from increase in accounts payable of \$16.5 million.

Noncurrent liabilities increased \$138.4 million, or 3.6 percent, City-wide. Governmental activities increased \$164.1 million, or 12.0 percent, and business-type activities decreased \$25.7 million or 1.0 percent. Significant contributors to the increase in governmental activities non-current liabilities were a \$169.9 million increase in net pension liability as CalPERS missed their investment return goals. This increase was offset by a \$36.2 million decrease in the liability resulting from the City's post-retirement healthcare plan. Business-type activities saw an increase of \$67.1 million in net pension liability which was more than offset by the Harbor fund paying off a \$95.0 million of their outstanding balance on an existing revolving line of credit.

Deferred inflows increased \$39.6 million, or 5.7 percent. The change was primarily due to a \$42.4 million increase in business-type activities, offset by a decline of minus \$2.8 million in governmental activities. This citywide change was attributable to a favorable change in the fair value of the Gas Utility's natural gas commodity swap.

#### **Analysis of Changes in Net Position**

The following table presents condensed information from the statement of activities for the fiscal years 2016 and 2015. As previously stated, all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

**The City of Long Beach**  
 Management's Discussion and Analysis (Unaudited)  
 For the Year Ended September 30, 2016 (Continued)

**Changes in Net Position**  
**September 30, 2016 and 2015**  
**(In Thousands)**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 120,993	\$ 123,652	\$ 824,979	\$ 869,959	\$ 945,972	\$ 993,611
Operating Grants and Contributions	170,614	164,621	758	753	171,372	165,374
Capital Grants and Contributions	2,085	3,780	150,510	140,618	152,595	144,398
General Revenues:						
Taxes:						
Property	200,766	180,989	-	-	200,766	180,989
Sales	67,658	64,177	-	-	67,658	64,177
Utility Users	37,079	38,419	-	-	37,079	38,419
Other	47,746	45,517	-	-	47,746	45,517
Franchise Fees	24,911	25,915	-	-	24,911	25,915
Unrestricted Investment Earnings	13,182	6,061	10,802	8,887	23,984	14,948
Total Revenues	685,034	653,131	987,049	1,020,217	1,672,083	1,673,348
Expenses:						
Legislative and Legal	11,814	10,632	-	-	11,814	10,632
General Government	23,869	22,400	-	-	23,869	22,400
Public Safety	344,358	307,116	-	-	344,358	307,116
Public Health	46,150	43,710	-	-	46,150	43,710
Community and Cultural	155,792	165,501	-	-	155,792	165,501
Public Works	103,772	104,744	-	-	103,772	104,744
Oil Operations	6,466	3,961	-	-	6,466	3,961
Interest on Long-Term Debt	19,104	22,738	-	-	19,104	22,738
Gas	-	-	66,896	68,414	66,896	68,414
Water	-	-	93,959	102,501	93,959	102,501
Tidelands	-	-	107,313	121,547	107,313	121,547
Tideland Oil Revenue	-	-	70,949	81,565	70,949	81,565
Harbor	-	-	307,546	236,186	307,546	236,186
Non-major Enterprise Funds	-	-	162,678	157,368	162,678	157,368
Total Expenses	711,325	680,802	809,341	767,581	1,520,666	1,448,383
Increase (Decrease) in Net Position before Transfers	(26,291)	(27,671)	177,708	252,636	151,417	224,965
Capital Assets Transfers	-	-	-	-	-	-
Transfers	16,855	21,661	(16,855)	(21,661)	-	-
Total Change in Net Position	(9,436)	(6,010)	160,853	230,975	151,417	224,965
Net Position, Beginning of Year	100,037	665,794	4,562,113	4,555,761	4,662,150	5,221,555
Adjustments for GASB 75 implementation	38,802	(559,747)	(9,086)	(224,623)	29,716	(784,370)
Net Position, End of Year	\$ 129,403	\$ 100,037	\$ 4,713,880	\$ 4,562,113	\$ 4,843,283	\$ 4,662,150

**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2016 (Continued)

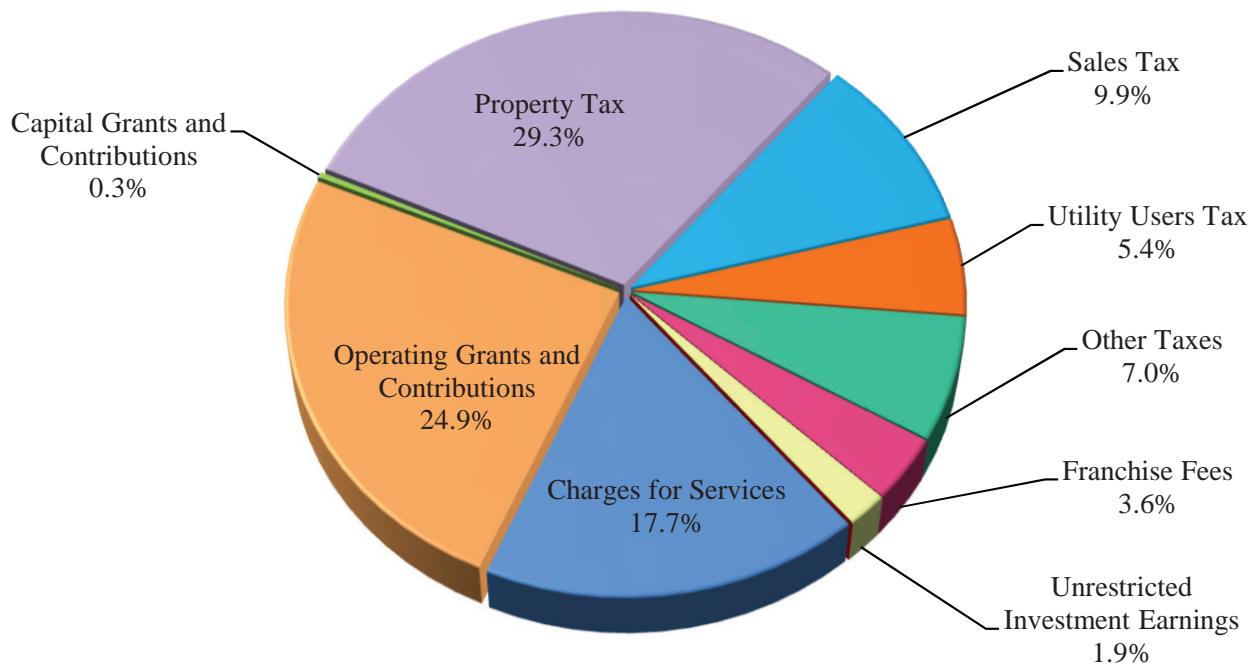
### **Governmental activities**

Governmental activities net position increased \$29.4 million when compared to the fiscal year 2015 financial report.

Total revenues for governmental activities (excluding transfers) increased \$31.9 million, or 4.9 percent. Contributing to this increase were increases in general revenues, such as property taxes and sales taxes, which increased by 10.9 percent and 5.4 percent, respectively. This was offset by minor declines in utility user taxes and franchise fees. Overall, program revenues remained stable from the prior year. Unrestricted investment earnings were also up considerably (an increase of \$7.1 million). Program expenses increased \$30.5 million, or 4.5 percent. These changes are further discussed in the paragraphs that follow.

The following chart illustrates governmental activities revenues by source.

**Governmental Activities - Revenues by Source  
For the Year Ended September 30, 2016**



The three largest revenue sources for governmental activities are property taxes, operating grants and contributions, and charges for services. Excluding transfers, these sources accounted for 71.9 percent of revenues. Together, these primary sources of governmental revenues increased \$23.1 million, or 4.9 percent, from the previous year. Property tax revenues increased \$19.8 million, or 10.9 percent. This was due to distributions of allocated property tax by the County Auditor-Controller relating to the City's former redevelopment agency activities. Both operating grants and contributions and charges for services remained relatively stable with operating grants increasing \$6.0 million, or 3.6 percent and charges for services decreased \$2.7 million, or 2.2 percent.

Capital grants and contributions decreased 44.8 percent, or \$1.7 million, as reimbursements from grantor agencies decreased.

**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2016 (Continued)

Sales tax revenues increased 5.4 percent or \$3.5 million as a result of an improving economy. Other taxes, inclusive of transient occupancy and business license taxes, increased 4.9 percent or \$2.2 million.

Governmental activities expenses, excluding transfers, increased 4.5 percent, or \$30.5 million. Legislative and legal expenses increased \$1.2 million, or 11.1 percent. The change is primarily attributable to an increase in City Clerk expenditures due to costs associated with the 2016 election.

General government expenses increased \$1.5 million, or 6.6 percent. The change is primarily attributable to the application of \$2.1 million in pension expense.

Public safety expenses increased 12.1 percent, or \$37.2 million. The change is attributable to the application of \$26.7 million pension expenses and an increase in staffing levels.

Public health expenses increased \$2.4 million, or 5.6 percent. The change is attributable to the application of \$3.5 million pension related expenses offset by a decrease in operating costs.

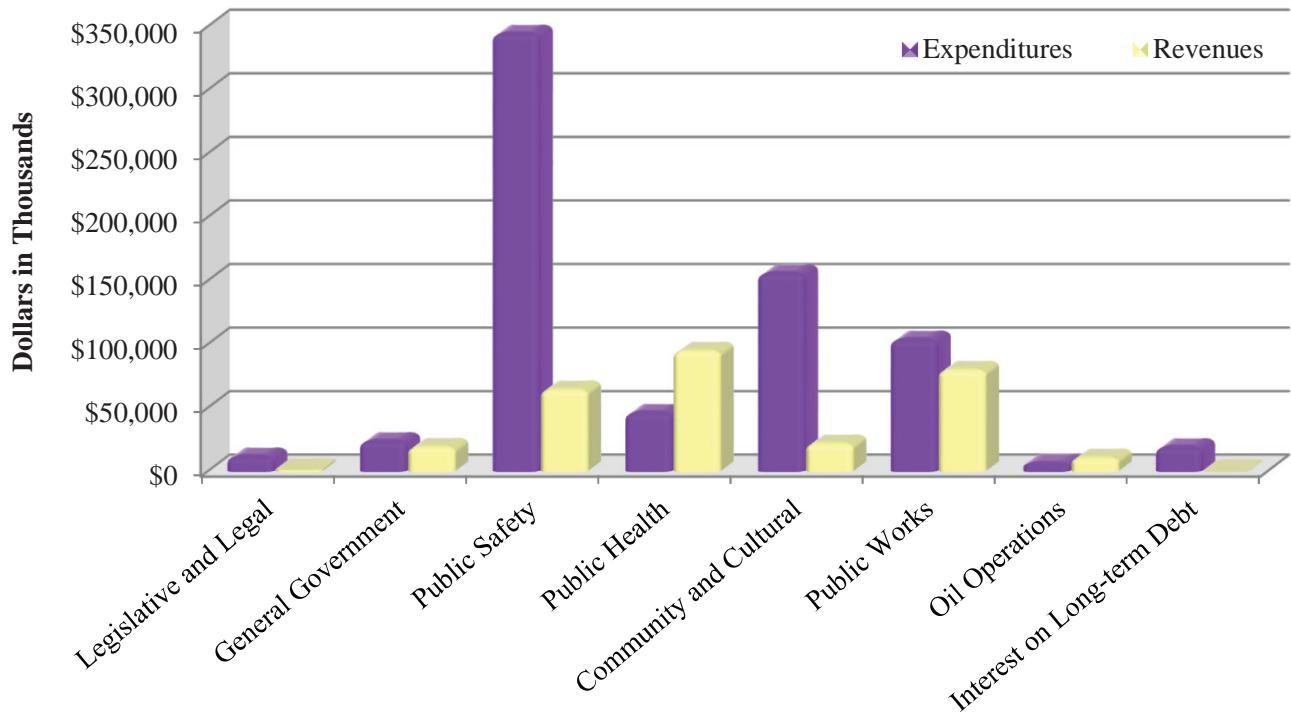
Community and cultural expenses decreased \$9.7 million or 5.9 percent primarily resulting from the continued wind down of redevelopment activities.

Public works expenses overall, remained stable since the prior year. The year-over-year change was less than minus 1.0% percent.

Oil operations expenses increased \$2.5 million, or 63.2 percent, reflecting an increase in estimated oil field abandonment costs.

The following chart illustrates governmental activities program expenses and revenues by function.

**Governmental Activities - Program Expenditures and Revenues  
For the Year Ended September 30, 2016**

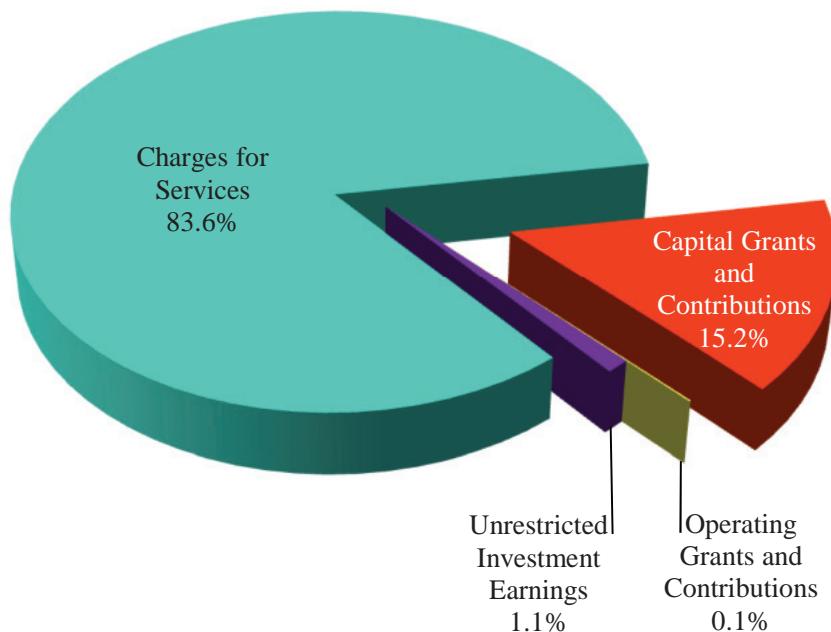


**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2016 (Continued)

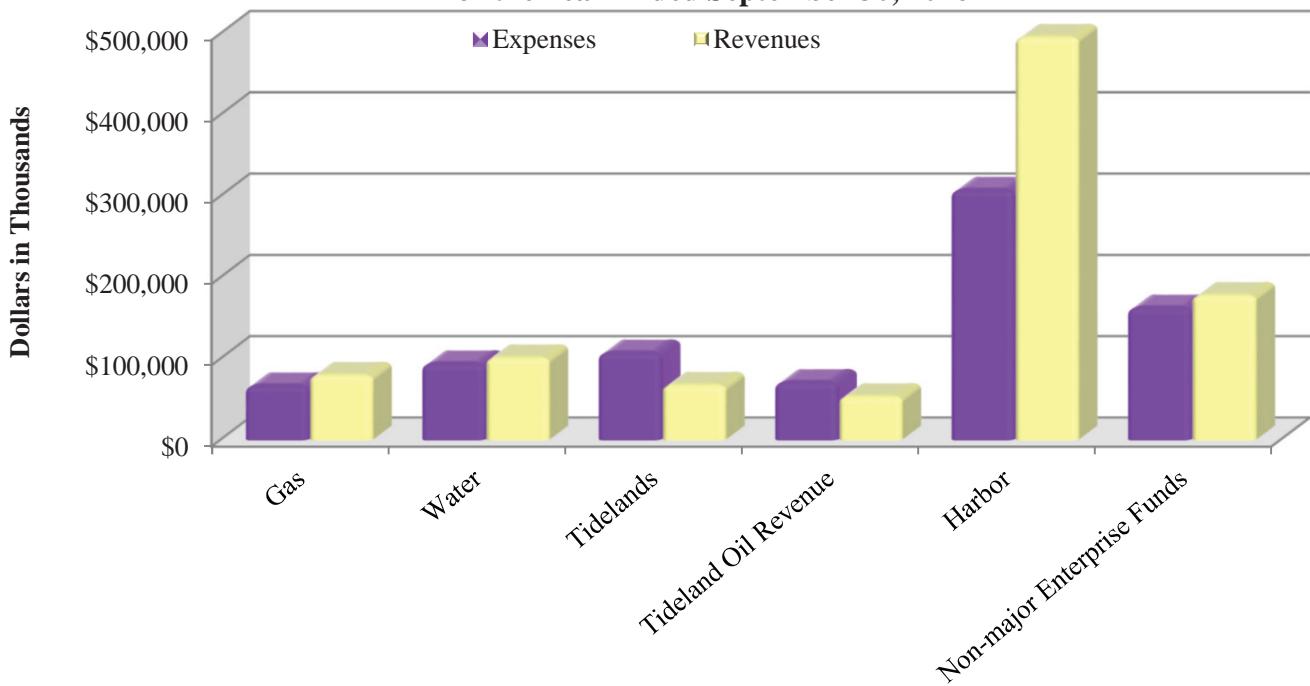
**Business-type activities**

The City's major enterprise funds include Gas Utility, Water Utility, Tidelands, Tidelands Oil, and Harbor. The non-major enterprise funds ("other proprietary funds") comprise Sewer, Airport, Solid Waste Management, Towing, Subsidence, and Development Services.

**Business-type Activities - Revenues by Source  
For the Year Ended September 30, 2016**



**Business-type Activities - Program Expenditures and Revenues  
For the Year Ended September 30, 2016**



## The City of Long Beach

Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2016 (Continued)

Business-type activities increased net position \$151.8 million or 3.3 percent. Key elements in the current year's change in net position for various funds include:

- Gas Utility net position at fiscal year-end was deficit \$13.1 million, a \$373 thousand increase from the prior fiscal year.
- Water Utility net position at fiscal year-end was \$276.0 million, a \$6.0 million increase over the prior fiscal year.
- Tidelands net position decreased \$11.8 million, or 3.5 percent, totaling \$324.6 million at fiscal year-end. Net loss before contributions and transfers amounted to \$38.6 million. Transfers from Tidelands Oil and Harbor amounted to \$27.7 million. Harbor transferred \$18.0 million, consistent with City Charter mandated revenue sharing; and Tidelands Oil transferred \$9.7 million.
- The Tidelands Oil Revenue Fund posted a deficit net position of \$57.7 million, a deficit increase of \$27.4 million from the prior year. The change resulted from the recognition of \$29.7 million in additional oil field abandonment costs.
- Harbor's net position increased \$170.2 million, or 4.7 percent, reaching \$3.8 billion at fiscal year-end. The increase primarily resulted from operating income of \$70.1 million along with the receipt of \$132.3 million in capital grants. Transfers to the City amounted to \$18.0 million.
- Total net position for non-major business-type activities increased \$10.3 million, or 2.4 percent.

### Governmental Funds Financial Analysis

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

As of September 30, 2016, the City's governmental funds reported combined fund balances of \$314.9 million, a decrease of \$1.9 million, less than one percent, from the prior year. Further information can be found in *Note 16 – Government Activities Fund Balance*.

Governmental fund assets decreased \$13.7 million, or 2.0 percent, from the prior fiscal year. Pooled cash increased \$3.7 million, amounts due from other government increased \$2.8 million, and non-current receivables increased \$3.5 million. These increases were offset by decreases of \$13.8 and \$11.8 million in amounts due from other funds and advances to other funds, respectively.

Governmental fund liabilities decreased \$16.2 million, or 17.4 percent. Amounts due to other funds and advances from other funds decreased \$12.1 million and \$12.3 million respectively. This was offset by increases in accounts payable and wages payable of \$5.8 million and \$2.2 million.

Of the \$314.9 million total fund balances, \$178.1 million or 56.6 percent have some form of external limitation on their use. Significant restrictions of fund balance at the close of the fiscal year include:

#### Restricted for Debt Service

Amounts restricted for debt service totaled \$23.8 million. Of this, \$20.6 is restricted for payment of Agency related debt and the balance for various debt issuances of other governmental funds.

#### Restricted for Public Safety

Amounts restricted for public safety totaled \$6.5 million. Restrictions include:

- Asset seizure funds from federal and state court forfeitures are restricted to support the Police Department. These funds amounted to \$3.0 million at the end of the fiscal year.

**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2016 (Continued)

- Proposition H (Prop H), the Police and Fire Public Safety Oil Production Tax proceeds may be used only for police officers, fire fighters, and related costs, including but not limited to equipment, facilities, and training in order to ensure timely responses to public needs. As of September 30, 2016, Prop H funds for police and fire amounted to \$757 thousand and \$644 thousand, respectively.
- Impact fees restricted for police and fire amounted to \$1.6 million and \$565 thousand, respectively.

**Restricted for Public Health**

Fund balance restricted for public health amounted to \$9.8 million.

**Restricted for Community and Cultural**

Amounts restricted for community and cultural activities totaled \$89.1 million. Restrictions include the following:

- Fund balance restricted within the Housing Fund for the provision of low-and-moderate-income housing amounted to \$40.8 million. Of this, \$3.8 million offsets advances to other funds and \$3.5 million is for Land Held for Resale.
- Fund balance restricted within the Housing Assistance Fund for programs to assist very low-income families, the elderly, and the disabled amounted to \$9.4 million.
- Agency capital projects fund balance restricted for the purposes of winding down the activities of the former Redevelopment Agency amounted to \$10.2 million.
- The Belmont Shore Parking Meter Fund has restricted \$1.0 million as the first pledge of revenue for special assessment debt that benefited the Belmont Shore area of Long Beach.
- Grant funding in the amount of \$3.0 million is restricted in the General Grants fund.
- Fund balance restricted within the Community Development Grant Fund amounted to \$1.9 million.
- Fund balance restricted within the Other Special Revenue Fund for economic development totaled \$2.6 million at the close of the fiscal year. Additionally, fund balance restricted for special advertising and promotion totaled \$8.7 million.
- Capital Projects Fund balance restricted for parks development amounted to \$8.5 million.

**Restricted for Public Works**

As of September 30, 2016, fund balance restricted for public works amounted to \$47.3 million. Restrictions include:

- General Capital Projects Fund balance restricted for traffic mitigation impact fees and special assessment bond proceeds amounted to \$2.6 million at the close of the fiscal year.
- Gas Tax Fund balance restricted for the research, planning, construction, improvement, maintenance, and operation of public street and highways, including the mitigation of their environmental effects, totaled \$12.5 million.
- Transportation Fund balance restrictions totaled \$29.7 million and include: \$11.3 million pursuant to the provisions of Proposition A; \$12.7 million pursuant to the provisions of Proposition C; \$1.9 million pursuant to Measure R; and \$3.8 million pursuant to Air Quality Management District AB2766 requirements. Proposition A funds are to be used exclusively to benefit public transit and may be traded with other jurisdiction in exchange for general or other funds. Proposition C also benefits public transit, but has a wider range of uses including congestion management programs, bikeways and bike lanes, street improvement supporting public transit, and pavement management projects. Measure R is a one-half cent sales tax approved by Los Angeles County voters and is restricted for transportation purposes, including bus and highway corridor projects, streets and roads, and traffic control management. AB2766 funding is used to assist the City in meeting federal and state Clean Air Acts.

## The City of Long Beach

Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2016 (Continued)

Additionally, \$1.5 million is restricted under the provisions of the City Charter for the purpose of providing funding for new grant operations.

### General Fund Revenues and Other Financing Sources

The table below illustrates general fund revenues and other financing sources for the current and prior fiscal years:

**General Fund Revenues and Other Financing Sources**  
**September 30, 2016 and 2015**  
**(In Thousands)**

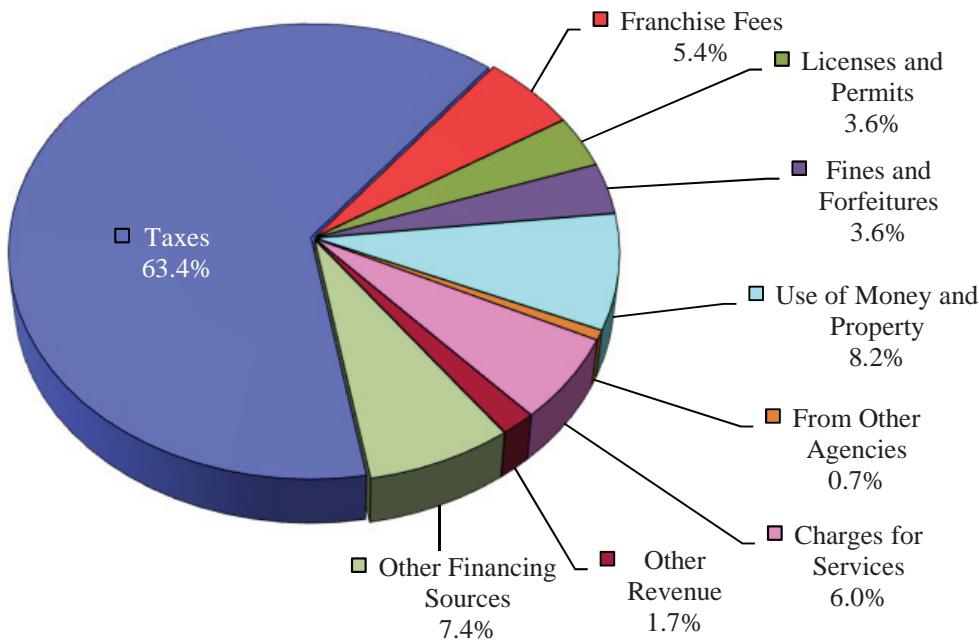
<i>Revenues and Other Financing Sources</i>	<i>Fiscal Year 2016</i>	<i>Percent of Total</i>	<i>Fiscal Year 2015</i>	<i>Percent of Total</i>
Taxes	\$ 289,395	63.4%	\$ 286,040	66.0%
Franchise Fees	24,911	5.4%	25,915	6.0%
Licenses and Permits	16,469	3.6%	15,170	3.5%
Fines and Forfeitures	16,292	3.6%	15,988	3.7%
Use of Money and Property	37,704	8.2%	36,327	8.4%
From Other Agencies	3,040	0.7%	4,668	1.1%
Charges for Services	27,514	6.0%	26,310	6.0%
Other Revenue	7,884	1.7%	6,139	1.4%
Other Financing Sources	33,602	7.4%	16,944	3.9%
	<b>\$ 456,811</b>	<b>100%</b>	<b>\$ 433,501</b>	<b>100%</b>

General Fund revenues and other financing sources increased \$23.3 million, or 5.4 percent, from the prior fiscal year. Significant year-over-year changes include:

- Taxes increased \$3.4 million, or 1.2 percent reflecting an improved local economy and the effects of tax sharing agreements.
- Licenses and Permits increased \$1.3 million or 8.6 percent again reflecting an improved local economy.
- Use of money and property increased \$1.4 million or 3.8 percent as the average investment return interest rate has increased 25.8 percent.
- Revenues derived from other financing sources increased \$16.7 million, or 98.3 percent, and was primarily attributable to the proceeds from \$14.0 million issuance of debt for the demolition of the old courthouse to make way for the new civic center and port headquarters.
- These gains were offset by a decreases in revenues from other agencies of \$1.6 million, or minus 34.9 percent, and in franchise fees of \$1.0 million or 3.9 percent.

**The City of Long Beach**  
 Management's Discussion and Analysis (Unaudited)  
 For the Year Ended September 30, 2016 (Continued)

**General Fund Revenues and Other Financing Sources  
 For the Year Ended September 30, 2016**



**General Fund Expenditures**

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

**General Fund Expenditures and Other Financing Uses  
 September 30, 2016 and 2015  
 (In Thousands)**

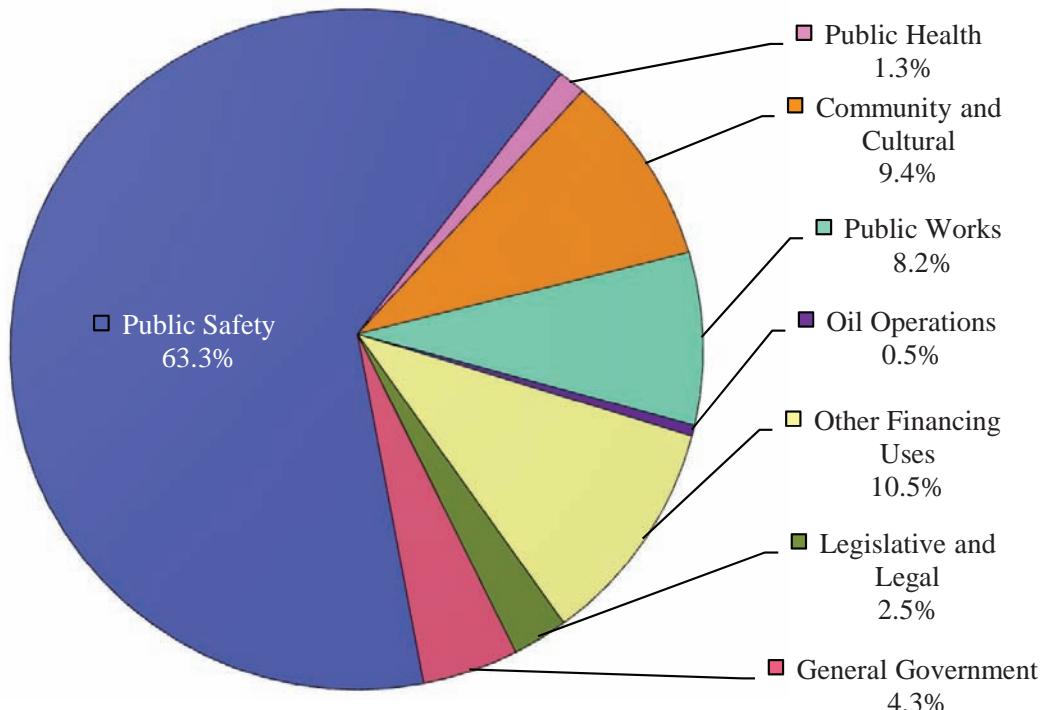
<i>Expenditures and Other Financing Uses</i>	<i>Fiscal Year 2016</i>		<i>Fiscal Year 2015</i>	
		<i>Percent of Total</i>		<i>Percent of Total</i>
Legislative and Legal	\$ 11,420	2.5%	\$ 9,604	2.2%
General Government	19,669	4.3%	16,900	3.8%
Public Safety	290,142	63.3%	282,516	64.3%
Public Health	6,106	1.3%	5,876	1.3%
Community and Cultural	42,847	9.4%	41,849	9.5%
Public Works	37,415	8.2%	34,917	8.0%
Oil Operations	2,352	0.5%	3,512	0.8%
Other Financing Uses	47,967	10.5%	44,575	10.1%
	<b>\$ 457,918</b>	<b>100%</b>	<b>\$ 439,749</b>	<b>100%</b>

Expenditures, including other financing uses, increased \$18.2 million, or 4.1 percent, from fiscal year 2015. The largest increase was in public safety which increased \$7.6 million, or 2.7 percent. This increase reflects an increase in staffing for both the police and fire departments. Other notable changes include increases in legislative and legal expenditures of \$1.8 million related to the 2016 elections, general

**The City of Long Beach**  
 Management's Discussion and Analysis (Unaudited)  
 For the Year Ended September 30, 2016 (Continued)

government of \$2.8 million reflecting increased personnel costs; Public works of \$2.5 million and other financing uses of \$3.4 million, related to the new civic center project. Oil operations expenditures decreased \$1.2 million primarily related to lower oil prices.

**General Fund Expenditures and Other Financing Uses  
 For the Year Ended September 30, 2016**



**Proprietary Funds Financial Analysis**

**Enterprise Funds:** The combined net position of enterprise funds totaled \$4.7 billion at the close of the fiscal year. Total unrestricted net position amounted to \$192.5 million before the allocation of internal service fund activities. The total growth in net position was \$152.0 million after the internal service fund activities allocation to enterprise funds. Other factors affecting the finances of these funds are addressed in the discussion of the City's business-type activities.

Tidelands and Harbor funds reported unrestricted net position of \$126.4 million and \$248.2 million, respectively. The Water Utility reported a total net position of \$276.0 million, an increase of \$6.0 million. Tidelands Oil Fund had a deficit net position of \$57.7 million as result of the future oil field abandonment liability exceeding net book value of the West Wilmington oil field. The Gas Utility Fund reported a deficit net position of \$13.1 million. Other Proprietary funds reported unrestricted net position of \$41.4 million.

**Internal Service Funds:** Internal service funds are used to finance and account for goods and services provided internally to City departments. As of September 30, 2016, internal service funds reported a \$97.9 million deficit net position. This is attributable to the deficit net positions of the Insurance Fund and Employee Benefits fund, which reported deficit balances of \$89.7 million and \$126.0 million, respectively. The City's implementation of GASB 75 affected the beginning fund balance of the Employee Benefits fund net position as the effects of an experience study significantly impacted the City's adjusted beginning OPEB liability which decreased by \$36.8 million. It is the City's practice to bill City departments on a pay-as-you-go basis for functions performed by both funds, therefore, the long-term portion of related liabilities associated with these funds are not fully funded. City management believes that, over the long-term, current and future billing rates are sufficient to remediate any net asset deficit. In

**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2016 (Continued)

addition, City management believes that the cash position of each fund is sufficient to cover the current costs related to health insurance, workers' compensation, and general liability claims. The Civic Center, General Services, and Fleet Services funds reported net positions of \$43.1 million, \$25.5 million, and \$49.1 million, respectively.

### **Fiduciary Funds**

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

### **General Fund Budgetary Highlights**

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

- The General Fund's fiscal year 2016 final budget for estimated revenues and expenditure appropriations reflected a net decrease to budgeted fund balance of \$23.6 million. The change between original and final budgeted amounts was \$7.0 million and consisted of additional appropriation for expenditures and other financing uses of \$37.3 million offset by an increase in revenue and other financing sources of \$30.1 million.

Significant changes in revenue forecasts include:

- A \$14.2 million increase in proceeds from the issuance of debt related to the demolition of the old courthouse to make way for the new civic center complex.
- A \$4.1 million increase in projected transfers in. \$2.7 million of this amount were from former redevelopment agency loan repayments.

Significant changes in the appropriations budget include:

- A \$27.2 million increase in transfers to other funds. \$16.0 million was transferred to the Civic Center fund for the new civic center, \$2.8 million was to fund the old courthouse demolition and \$2.7 million was to transfer funds to the debt service fund for bond payments.

The actual budgetary basis results of the General Fund as compared to the final budget reflect a net positive variance of \$21.9 million. This consists of favorable variances in both revenues and other financing sources of \$10.9 million and expenditures and other financing uses of \$11.0 million.

General Fund revenues and other financing sources reflect a positive budget to actual variance of \$10.9 million. For the year, the General Fund received 102.4 percent of total budgeted revenues and other financing sources. Noticeable positive variances between the final budget and actual results include a \$2.3 million in property tax revenues; sales tax revenues of \$6.6 million; \$3.8 million in other taxes. Significant shortfalls include \$2.3 million in utility user tax, \$2.1 million in Franchise Fees and \$2.0 million in revenues from other agencies.

General Fund expenditures and other financing uses reflect a positive budget to actual variance of \$11.0 million. 2.3 percent of the General Fund appropriations and other financing uses went unspent. Saving occurred in general government, \$2.6 million, public safety, \$5.3 million, legislative and legal, \$2.0 million, and public works, \$1.6 million.

**The City of Long Beach**  
 Management's Discussion and Analysis (Unaudited)  
 For the Year Ended September 30, 2016 (Continued)

**Capital Assets and Debt Administration**

**Capital assets:** As of September 30, 2016, the City's capital assets held by governmental and business-type activities amounted to \$6.3 billion (net of accumulated depreciation). There was an overall increase of \$346.3 million, or 5.8 percent, in the City's capital assets over the prior fiscal year.

**Capital Assets, Net of Depreciation**  
**September 30, 2016 and 2015**  
**(In Thousands)**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 238,176	\$ 244,124	\$ 1,014,067	\$ 993,728	\$ 1,252,243	\$ 1,237,852
Rights-of-way	81,340	81,340	212,451	212,451	293,791	293,791
Water Rights	-	-	40	40	40	40
Construction in Progress	66,689	16,847	1,547,329	1,320,321	1,614,018	1,337,168
Buildings	168,754	154,273	1,856,353	1,841,199	2,025,107	1,995,472
Improvements Other than Buildings	48,279	52,271	284,986	285,267	333,265	337,538
Infrastructure	114,814	126,677	525,333	518,347	640,147	645,024
Machinery and Equipment	9,272	11,295	22,112	25,369	31,384	36,664
Vehicles and Aircrafts	33,257	24,142	43,950	10,386	77,207	34,528
Software and Patents	11,141	12,140	9,995	11,863	21,136	24,003
Total Net Capital Assets	\$ 771,722	\$ 723,109	\$ 5,516,616	\$ 5,218,971	\$ 6,288,338	\$ 5,942,080

Governmental activities' net capital assets increased \$48.6 million, or 6.7 percent. Construction in progress increased \$49.8 million attributable to the recognition of \$56.4 million as for work performed on the new civic center complex. Buildings increased by \$14.5 million as the Michelle Obama Neighborhood Library and the East Long Beach Police substation were completed. Land decreased \$5.9 million over the prior fiscal year mostly as a result of sale of land to the Harbor for their new headquarters building. Routine depreciation charges amounted to \$34.3 million at the close of the fiscal year.

Business-type activities' net capital assets increased \$297.7 million, or 5.7 percent, over the prior fiscal year. Significant capital asset activities during the year include:

- Harbor capital assets increased \$268.9 million. The increase includes a pre-depreciation increase of \$117.7 million in building, structures and facilities, \$233.1 million increase in construction in progress, \$35.2 million pre-depreciation increase in machinery and equipment, and a \$12.0 million increase in land, primarily related to the Harbor's Middle Harbor, new headquarters building and Gerald Desmond bridge projects.
- Repair and replacement of aging gas pipelines and the automated metering infrastructure replacement program increased Gas Utility capitals assets \$16.3 million over the prior fiscal year.
- Continued investment in the replacement of the water distribution system increased Water Utility capital assets \$6.1 million.
- Routine depreciation charges decreased Solid Waste Management capital assets \$4.3 million.
- In total, Tidelands capital assets increased \$7.3 million. During the year \$29.0 million was invested into the ongoing Alamitos Bay Marina Rebuild Project, Construction in Progress saw a reduction \$4.5 million. Additionally, the fund recognized \$19.9 million in depreciation.

## The City of Long Beach

### Management's Discussion and Analysis (Unaudited) For the Year Ended September 30, 2016 (Continued)

Additional information on the City's capital assets can be found in Note 7 of the Basic Financial Statements, and information related to commitments for future capital asset acquisitions can be found in Note 23.

**Long-Term Indebtedness:** As of September 30, 2016, the City's net long-term obligations outstanding totaled \$4.1 billion. Of this amount, \$2.5 billion relates to notes, bonds, and capital leases, \$90.1 million to the new Civic Center complex, and \$1.1 billion is NPL. The remainder pertains to estimated oil field abandonment costs, environmental remediation, self-insurance, employee' benefit obligations, and amounts due to the state of California.

The implied issuer ratings assigned to the City's bond issues are as follows:

- Moody's Investors Services: Aa2, Stable Outlook
- Fitch Ratings: AA, Stable Outlook
- Standard & Poor's: AA, Stable Outlook

The table below provides summarized information for the City's outstanding long-term debt obligations at the close of the current and prior fiscal years-end.

**Outstanding Debt Obligations  
September 30, 2016 and 2015  
(In Thousands)**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Notes Payable	\$ 5,258	\$ 5,117	\$ 379,893	\$ 499,248	\$ 385,151	\$ 504,365
Bonds Payable	398,818	407,961	1,621,957	1,696,772	2,020,775	2,104,733
Capital Leases	30,682	33,978	18,167	19,752	48,849	53,730
Other Obligation	41,007	-	49,067	-	90,074	-
Total Outstanding	\$ 475,765	\$ 447,056	\$ 2,069,084	\$ 2,215,772	\$ 2,544,849	\$ 2,662,828

Major changes in long-term obligations during the year include:

#### Governmental Activities

- Bonds payable decreased \$9.1 million as a result of annual principal payments and premium amortization of \$23.3 million offset by a new issuance of \$14.2 million. Additionally, a liability of \$41.0 million was added related to the City's commitment to a new City hall and civic center complex currently under construction.

#### Business-Type Activities

- Notes payable decreased by \$119.4 million primarily as result of the Harbor reducing their outstanding balance on their lines of credit by \$95.0 million and Sewer redeemed \$11.3 million of their commercial paper as part of their 2016 bond issue. The remaining reduction is attributable to annual principal payments and premium amortization.
- Bonds payable decreased by \$74.8 million. The reduction was mostly attributable to annual principal payments and premium amortization. In addition, the Sewer fund and the Tidelands fund issued \$9.8 million and \$19.1 million, respectively, in new bonds.
- Additionally, a liability of \$49.1 million was added related to the Harbor's commitment to the construction of a new headquarters building.

**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2016 (Continued)

Additional information on the City's long-term obligations can be found in Notes 8 through 11 of the Basic Financial Statements.

**Economic Outlook**

The economy of the City is discussed in the accompanying Transmittal Letter.

**Requests for Information**

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



**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2016 (Continued)



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# BASIC FINANCIAL STATEMENTS

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**City of Long Beach**  
**Statement of Net Position**  
**September 30, 2016**  
**(In Thousands)**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Long Beach
				Public Transportation Company
<b>ASSETS</b>				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 110,570	\$ 197,354	\$ 307,924	\$ -
Non-Pooled Cash and Cash Equivalents	39,382	67,580	106,962	43,162
Pooled Investments	119,136	212,642	331,778	-
Interest Receivable	189	401	590	-
Property Tax Receivable, Net	85,668	-	85,668	-
Accounts and Loans Receivables, Net	18,791	91,284	110,075	5,877
Due from Other Governments	46,305	70,015	116,320	-
Internal Balances	34,749	(34,749)	-	-
Inventory	2,314	6,116	8,430	1,154
Other Assets	9,212	29,552	38,764	578
Land Held for Resale	4,215	-	4,215	-
Total Current Assets:	470,531	640,195	1,110,726	50,771
Noncurrent Restricted Assets:				
Non-Pooled Cash and Cash Equivalents	-	1,765	1,765	26,222
Non-Pooled Investments	-	131,279	131,279	-
Total Noncurrent Restricted Assets:	-	133,044	133,044	26,222
Other Noncurrent Assets:				
Pooled Investments	315,325	562,813	878,138	-
Other Noncurrent Receivables	199,149	5,793	204,942	-
Prepaid Gas - Long-term	-	427,365	427,365	-
Fair Value - Commodity Swap	-	537,334	537,334	-
Land and Other Capital Assets not being Depreciated	386,205	2,773,887	3,160,092	10,258
Capital Assets, net of Accumulated Depreciation	385,517	2,742,729	3,128,246	72,897
Other Assets	10,765	50,241	61,006	-
Total Other Noncurrent Assets:	1,296,961	7,100,162	8,397,123	83,155
Total Assets	1,767,492	7,873,401	9,640,893	160,148
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows	264,237	123,078	387,315	13,798
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	49,190	113,079	162,269	2,010
Accrued Wages and Benefits Payable	61,269	6,518	67,787	4,234
Accrued Interest Payable	5,299	34,265	39,564	-
Due to Other Governments	305	-	305	-
Unearned Revenue, Credits, and Other Payables	19,554	30,388	49,942	23,405
Employee Benefits and Accrued Long-Term Obligations	26,147	8,600	34,747	14,347
Bonds, Loans, Capital Leases, and Other Long-Term Obligations	28,544	85,887	114,431	-
Total Current Liabilities:	190,308	278,737	469,045	43,996
Noncurrent Liabilities:				
Fair Value - Interest Rate Swap	-	16,919	16,919	-
Unearned Revenue, Credits, and Other Payables	-	13,256	13,256	25,768
Employee Benefits and Accrued Long-Term Obligations	262,322	95,483	357,805	3,625
Bonds, Loans, Capital Leases, and Other Long-Term Obligations	447,221	1,991,972	2,439,193	-
Net OPEB Liability	35,473	9,649	45,122	-
Net Pension Liability	792,549	311,453	1,104,002	30,539
Total Noncurrent Liabilities:	1,537,565	2,438,732	3,976,297	59,932
Total Liabilities	1,727,873	2,717,469	4,445,342	103,928
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows	174,453	565,130	739,583	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	346,224	4,229,484	4,575,708	83,155
Restricted for:				
Debt Service	23,781	25,535	49,316	-
Capital Projects	48,310	103,275	151,585	52
Public Safety	6,537	-	6,537	-
Public Health	9,824	-	9,824	-
Community and Cultural	286,528	-	286,528	-
Healthcare Insurance	18,608	-	18,608	-
Tidelands	-	9,730	9,730	-
Airport	-	8,114	8,114	-
Subsidence	-	177,173	177,173	-
Unrestricted	(610,409)	160,569	(449,840)	(13,189)
Total Net Position	\$ 129,403	\$ 4,713,880	\$ 4,843,283	\$ 70,018

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, 2016  
(In Thousands)

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b><u>FUNCTIONS/PROGRAMS</u></b>				
GOVERNMENTAL ACTIVITIES:				
Legislative and Legal	\$ 11,814	\$ 1,804	\$ -	\$ -
General Government	23,869	17,955	505	953
Public Safety	344,358	38,050	26,455	-
Public Health	46,150	7,284	87,744	-
Community and Cultural	155,792	17,051	5,013	-
Public Works	103,772	27,949	50,897	1,132
Oil Operations	6,466	10,900	-	-
Interest on Long-Term Debt	19,104	-	-	-
Total Governmental Activities	711,325	120,993	170,614	2,085
BUSINESS-TYPE ACTIVITIES				
Gas	66,896	79,826	-	-
Water	93,959	98,677	-	2,710
Tidelands	107,313	67,205	434	-
Tideland Oil Revenue	70,949	53,630	-	-
Harbor	307,546	363,343	-	132,290
Non-major Enterprise Funds	162,678	162,298	324	15,510
Total Business-Type Activities	809,341	824,979	758	150,510
Total Primary Government	<u>\$ 1,520,666</u>	<u>\$ 945,972</u>	<u>\$ 171,372</u>	<u>\$ 152,595</u>
COMPONENT UNIT				
Long Beach Public Transportation Company	<u>\$ 94,729</u>	<u>\$ 18,556</u>	<u>\$ 61,704</u>	<u>\$ 10,234</u>
Taxes:				
Property				
Sales				
Utility Users				
Other				
Franchise Fees				
Unrestricted Investment Earnings				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position, Beginning of Year				
Adjustments for GASB 75 Implementation				
Net Position, End of Year				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Long Beach	Public Transportation Company
\$ (10,010)	\$ -	\$ (10,010)	\$ -	
(4,456)	-	(4,456)	-	
(279,853)	-	(279,853)	-	
48,878	-	48,878	-	
(133,728)	-	(133,728)	-	
(23,794)	-	(23,794)	-	
4,434	-	4,434	-	
(19,104)	-	(19,104)	-	
<u>(417,633)</u>	<u>-</u>	<u>(417,633)</u>	<u>-</u>	
-	12,930	12,930	-	
-	7,428	7,428	-	
-	(39,674)	(39,674)	-	
-	(17,319)	(17,319)	-	
-	188,087	188,087	-	
-	15,454	15,454	-	
<u>-</u>	<u>166,906</u>	<u>166,906</u>	<u>-</u>	
<u>(417,633)</u>	<u>166,906</u>	<u>(250,727)</u>	<u>-</u>	
			(4,235)	
200,766	-	200,766	-	
67,658	-	67,658	-	
37,079	-	37,079	-	
47,746	-	47,746	-	
24,911	-	24,911	-	
13,182	10,802	23,984	384	
16,855	(16,855)	-	-	
<u>408,197</u>	<u>(6,053)</u>	<u>402,144</u>	<u>384</u>	
(9,436)	160,853	151,417	(3,851)	
100,037	4,562,113	4,662,150	73,869	
38,802	(9,086)	29,716	-	
<u>\$ 129,403</u>	<u>\$ 4,713,880</u>	<u>\$ 4,843,283</u>	<u>\$ 70,018</u>	

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

**City of Long Beach**  
**Governmental Funds**  
**Balance Sheet**  
**September 30, 2016**  
**(In Thousands)**

	General	Other Governmental Funds	Total September 30, 2016
<b>ASSETS</b>			
Pooled Cash and Cash Equivalents	\$ 105,373	\$ 169,504	\$ 274,877
Non-Pooled Cash and Cash Equivalents	6,115	33,170	39,285
Receivables:			
Property Taxes	90,005	-	90,005
Accounts Receivable	38,661	2,245	40,906
Notes and Loans Receivable	1,446	-	1,446
Due from Other Governments	18,984	27,281	46,265
Due from Other Funds	6,091	1,008	7,099
Allowance for Receivables	(28,243)	(1,070)	(29,313)
Other Assets	102	2,577	2,679
Advances to Other Funds	-	3,809	3,809
Land Held for Resale	-	4,215	4,215
Other Noncurrent Receivables	-	199,149	199,149
Total Assets	<b>\$ 238,534</b>	<b>\$ 441,888</b>	<b>\$ 680,422</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 14,529	\$ 18,172	\$ 32,701
Accrued Wages and Benefits Payable	8,457	1,268	9,725
Due to Other Governments	297	8	305
Due to Other Funds	5,401	6,193	11,594
Unearned Revenues	3,680	6,226	9,906
Deposits and Collections Held in Trust	3,197	3,221	6,418
Advances from Other Funds	2,614	3,809	6,423
Total Liabilities	<b>38,175</b>	<b>38,897</b>	<b>77,072</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows	<b>89,775</b>	<b>198,720</b>	<b>288,495</b>
<b>FUND BALANCES</b>			
Nonspendable	102	2,577	2,679
Restricted	4,498	173,562	178,060
Committed	63,568	1,422	64,990
Assigned	38,482	26,710	65,192
Unassigned	3,934	-	3,934
Total Fund Balances	<b>110,584</b>	<b>204,271</b>	<b>314,855</b>
Total Liabilities, Deferred Inflows and Fund Balances	<b>\$ 238,534</b>	<b>\$ 441,888</b>	<b>\$ 680,422</b>

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

**City of Long Beach**  
**Reconciliation of the Governmental Fund Balance Sheet to**  
**Governmental Activities in the Statement of Net Position**  
**September 30, 2016**  
**(In Thousands)**

Total governmental fund balances	\$ 314,855
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, consisting of \$325,454 of non-depreciable assets and \$300,349 of depreciable assets, used in the governmental activities, which are not included in the internal service funds, are not financial resources and, therefore, are not reported in the funds.	625,803
Deferred outflows related to pension related items and economic losses from the refinancing of debt are not included in the governmental funds.	242,436
Deferred inflows related to pension related items are not included in the governmental fund activity.	119,123
Governmental long-term liabilities, excluding those liabilities in the internal service funds, are not due and payable in the current period and, therefore, are not reported in the funds. Liability amounts have been reduced by interest receivables for federal subsidy on Build America and Recovery Zone Economic Development Bonds.	(1,106,794)
Internal service funds are used by management to charge the cost of operations and financing related to the Civic Center complex; operations, maintenance, financing, timely replacement of information technology assets and vehicles; and to account for the City's risk management, self-insurance, and employee benefits' programs to individual user funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>(66,020)</u>
Net position of governmental activities	<u><u>\$ 129,403</u></u>

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

**City of Long Beach**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

	General	Other Governmental Funds	Total
			September 30, 2016
<b>Revenues:</b>			
Taxes:			
Property	\$ 151,167	\$ 50,040	\$ 201,207
Sales	65,148	2,510	67,658
Utility Users	37,079	-	37,079
Other Taxes	36,001	11,745	47,746
Franchise Fees	24,911	-	24,911
Licenses and Permits	16,469	8,987	25,456
Fines and Forfeitures	16,292	-	16,292
Use of Money and Property	37,704	3,287	40,991
From Other Agencies	3,040	167,740	170,780
Charges for Services	27,514	1,968	29,482
Contributions and Donations	-	249	249
Other	7,884	5,283	13,167
<b>Total Revenues</b>	<b>423,209</b>	<b>251,809</b>	<b>675,018</b>
<b>Expenditures:</b>			
Current:			
Legislative and Legal	11,420	-	11,420
General Government	19,669	2,124	21,793
Public Safety	290,142	16,923	307,065
Public Health	6,106	36,713	42,819
Community and Cultural	42,847	109,158	152,005
Public Works	37,415	37,165	74,580
Oil Operations	2,352	-	2,352
<b>Total Current Expenditures</b>	<b>409,951</b>	<b>202,083</b>	<b>612,034</b>
Capital Improvements	-	38,629	38,629
Debt Service:			
Principal	-	18,717	18,717
Interest	-	16,763	16,763
Debt Administration Fees	340	94	434
<b>Total Expenditures</b>	<b>410,291</b>	<b>276,286</b>	<b>686,577</b>
Excess of Revenues over (under) Expenditures	12,918	(24,477)	(11,559)
<b>Other Financing Sources (Uses):</b>			
Debt Issuance	13,150	-	13,150
Premium on Debt Issuance	1,045	-	1,045
Transfers In	19,407	41,234	60,641
Transfers Out	(47,967)	(17,228)	(65,195)
<b>Total Other Financing Sources (Uses)</b>	<b>(14,365)</b>	<b>24,006</b>	<b>9,641</b>
Net Change in Fund Balances	(1,447)	(471)	(1,918)
Fund Balances - October 1	112,031	204,742	316,773
<b>Fund Balances - September 30</b>	<b>\$ 110,584</b>	<b>\$ 204,271</b>	<b>\$ 314,855</b>

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

**City of Long Beach**  
**Reconciliation of Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended September 30, 2016**  
**(In Thousands)**

Excess of expenditures and other uses over revenue and other sources - total governmental funds	\$ (1,918)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost associated with the acquisition of those assets is allocated over their estimated useful life and reported as depreciation expense. This is the amount by which capital outlay (\$25,879) is greater than depreciation (\$24,811) in the current period.	1,069
The net effect of miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) results in a decrease to net position. The transfer of \$76.1 million from Land Held for Resale to Land as part of the Successor Agency wind down results in an increase to Net Position.	(13,501)
Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period. Under accrual accounting, revenue is recognized when it is earned regardless of its availability. In addition, governmental funds report expenditures pertaining to the establishment of certain long-term loans. Payments on these long-term receivables are recorded as revenue in the governmental funds. These deferred credits are not reported on the statement of net position and, therefore, the corresponding net expense is not reported on the statement of activities.	3,783
Pension contributions made subsequent to the measurement date are an expenditure in the governmental funds, but reported as a deferred outflow of resources in the statement of net position.	12,290
Pension 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.	(38,829)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes current financial resources. Neither transaction, however, has any affect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	6,641
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.	(16,669)
Internal service funds are used by management to charge the cost of certain services to individual funds. The net loss of certain activities of internal service funds is reported as governmental activities.	37,698
Change in net position of governmental activities	\$ (9,436)

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, 2016**  
**(In Thousands)**

	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>Sources:</b>				
Property Taxes	\$ 148,876	\$ 148,876	\$ 151,167	\$ 2,291
Sales Taxes	58,500	58,500	65,148	6,648
Utility Users Taxes	39,332	39,332	37,079	(2,253)
Other Taxes	32,234	32,234	36,001	3,767
Franchise Fees	27,053	27,053	24,911	(2,142)
Licenses and Permits	15,234	16,332	16,469	137
Fines and Forfeitures	15,783	15,783	16,292	509
Use of Money and Property	28,774	37,364	37,863	499
From Other Agencies	3,856	5,027	3,040	(1,987)
Charges for Services	25,901	25,881	27,514	1,633
Other	5,086	6,034	7,884	1,850
Proceeds from Long-term Debt	14,196	14,196	14,195	(1)
Transfers In	15,318	19,456	19,407	(49)
Total Sources	430,143	446,068	456,970	10,902
<b>Uses:</b>				
Legislative and Legal				
Mayor and City Council	5,629	5,838	5,353	485
City Attorney	2,431	2,431	2,067	364
City Clerk	5,141	5,143	4,006	1,137
General Government				
City Auditor	2,574	2,698	2,575	123
City Manager	3,272	3,522	3,180	342
Civil Service	2,577	2,637	2,611	26
Financial Management	12,786	12,572	10,457	2,115
Planning and Building	975	1,036	1,007	29
Public Safety				
Police	194,101	198,412	192,781	5,631
Fire	73,731	76,126	74,839	1,287
Disaster Preparedness	11,874	12,041	11,818	223
City Prosecutor	5,285	5,285	5,183	102
Planning and Building - Code Enforcement	3,891	3,901	3,716	185
Police and Fire Annuity	-	-	2,120	(2,120)
Public Health	5,845	6,172	6,106	66
Community and Cultural				
Community Development	779	948	796	152
Library	15,072	15,117	15,088	29
Parks and Recreation	26,976	27,246	26,964	282
Public Works	37,115	39,056	37,415	1,641
Oil Operations	2,324	2,324	2,352	(28)
Debt Service	-	-	340	(340)
Transfers Out	19,989	47,189	47,967	(778)
Total Uses	432,367	469,694	458,741	10,953
Net Change in Budgetary Fund Balance:	\$ (2,224)	\$ (23,626)	\$ (1,771)	\$ 21,855
<b>Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis</b>				
Change in Fund Balance - September 30, Budgetary Basis			\$ (1,771)	
Add: Encumbrances			483	
Less: Change in Mark-to-Market and Other Adjustments			(159)	
Change in Fund Balance - September 30, GAAP Basis			(1,447)	
Fund Balance, October 1, GAAP Basis			112,031	
Fund Balance, September 30, GAAP Basis			\$ 110,584	
<b>Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis</b>				
Fund Balance, September 30, GAAP Basis			\$ 110,584	
Less: Nonspendable Fund Balance			(102)	
Restricted for Public Safety			(3,012)	
Restricted for Operations			(1,486)	
Committed for Public Safety			(1,000)	
Committed for Emergencies			(43,986)	
Committed for Operations			(12,382)	
Committed for Oil Field Abandonment			(6,200)	
Assigned for Future Infrastructure			(25)	
Assigned for Subsequent Year's Appropriations			(9,911)	
Assigned for Unfunded Liabilities			(28,546)	
Total Adjustments			(106,650)	
Budgetary Funds Available - September 30			\$ 3,934	

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



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**City of Long Beach**  
**Proprietary Funds**  
**Statement of Net Position (Deficit)**  
**September 30, 2016**  
(In Thousands)

	Business-type Activities - Enterprise Funds			
	Gas Utility	Water Utility	Tidelands	Tideland Oil Revenue
<b>ASSETS</b>				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 18,980	\$ 33,678	\$ 159,030	\$ 29,769
Non-Pooled Cash and Cash Equivalents	11,061	44	49,235	-
Receivables:				
Interest Receivable	20	10	74	-
Accounts Receivable	4,974	6,275	4,906	11,080
Due from Other Governments	-	-	28	-
Due from Other Funds	30	23	20,167	-
Allowance for Receivables	(224)	(265)	(434)	-
Deposits	-	-	-	-
Inventory	1,850	3,497	-	-
Prepaid Gas - Current	22,927	-	-	-
Other Assets - Current	13	2,552	168	-
Total Current Asset	<u>59,631</u>	<u>45,814</u>	<u>233,174</u>	<u>40,849</u>
Noncurrent Assets:				
Restricted Noncurrent assets:				
Non-Pooled Cash and Cash Equivalents	-	2,646	-	-
Non-Pooled Investments	20,910	-	14,721	-
Noncurrent Receivables:				
Other Noncurrent Receivables (net)	-	-	-	-
Advances to Other Funds	-	-	-	-
Fair Value - Commodity Swap	537,334	-	-	-
Capital Assets:				
Land and Other Capital Assets not being Depreciated	1,602	33,305	65,721	-
Capital Assets net of Accumulated Depreciation	153,302	269,954	300,306	12,532
Prepaid Gas - Long Term	427,365	-	-	-
Other Assets - Long-Term	-	106	-	-
Total Noncurrent Assets	<u>1,140,513</u>	<u>306,011</u>	<u>380,748</u>	<u>12,532</u>
Total Assets	<u>1,200,144</u>	<u>351,825</u>	<u>613,922</u>	<u>53,381</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows	<u>26,292</u>	<u>11,526</u>	<u>22,401</u>	<u>2,006</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	Total Proprietary Funds		
\$ 417,517	\$ 313,835	\$ 972,809	\$ 270,154	
1	7,239	67,580	97	
190	107	401	21	
51,947	14,977	94,159	1,546	
66,290	3,697	70,015	40	
-	648	20,868	10,574	
(1,340)	(612)	(2,875)	(131)	
-	-	-	6,533	
679	90	6,116	2,314	
-	-	22,927	-	
<u>3,736</u>	<u>156</u>	<u>6,625</u>	<u>-</u>	
<u>539,020</u>	<u>340,137</u>	<u>1,258,625</u>	<u>291,148</u>	
1,765	-	4,411	-	
73,846	19,156	128,633	-	
5,211	582	5,793	-	
1,300	2,614	3,914	-	
-	-	537,334	-	
2,643,838	29,421	2,773,887	60,751	
1,721,538	285,097	2,742,729	85,168	
-	-	427,365	-	
<u>50,135</u>	<u>-</u>	<u>50,241</u>	<u>10,765</u>	
<u>4,497,633</u>	<u>336,870</u>	<u>6,674,307</u>	<u>156,684</u>	
<u>5,036,653</u>	<u>677,007</u>	<u>7,932,932</u>	<u>447,832</u>	
<u>41,883</u>	<u>18,970</u>	<u>123,078</u>	<u>21,801</u>	

*(Continued)*

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

**City of Long Beach**  
**Proprietary Funds**  
**Statement of Net Position (Deficit)**  
**September 30, 2016**  
**(In Thousands)**

*(Continued)*

	Business-type Activities - Enterprise Funds			
	Gas Utility	Water Utility	Tidelands	Tideland Oil Revenue
<b>LIABILITIES</b>				
Current Liabilities Payable from Current Assets:				
Accounts Payable	2,621	10,733	7,244	9,399
Accrued Wages	468	540	690	96
Accrued Interest Payable	11,018	485	3,931	-
Due to Other Funds	445	2,181	399	1,327
Unearned Revenues	1,326	-	2,004	225
Collections Held in Trust	-	-	172	1,404
Customers Deposits	3,020	1,065	-	-
Advances from Developers	-	456	-	-
Accrued Self-Insurance Claims - Current	-	-	-	-
Environmental Remediation - Current	-	-	-	-
Due to State of California	-	-	-	8,775
Obligations Under Capital Leases - Current	1,478	-	34	-
Bonds Payable Due Within One Year	8,120	2,730	6,930	-
Other Long-Term Obligations - Current	-	-	25	-
Total Current Liabilities	<u>28,496</u>	<u>18,190</u>	<u>21,429</u>	<u>21,226</u>
Noncurrent Liabilities:				
Advances from Other Funds	-	-	1,300	-
Unearned Revenues	-	-	4,750	-
Accrued Self-Insurance Claims	-	-	-	-
Accrued Oil Field Abandonment Costs	-	-	-	83,600
Site Restoration	-	1,000	-	-
Due to State of California	-	-	-	-
Fair Value - Interest Rate Swap	16,919	-	-	-
Obligations Under Capital Leases	16,319	-	336	-
Other Long-Term Obligations	-	-	417	-
Bonds Payable	604,157	27,213	229,708	-
Accrued Employee Benefits	-	-	-	-
Net OPEB Liability	1,543	1,549	916	354
Net Pension Liability	32,550	36,007	47,943	7,202
Total Noncurrent Liabilities	<u>671,488</u>	<u>65,769</u>	<u>285,370</u>	<u>91,156</u>
Total Liabilities	<u>699,984</u>	<u>83,959</u>	<u>306,799</u>	<u>112,382</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows	<u>539,599</u>	<u>3,362</u>	<u>4,886</u>	<u>702</u>
<b>NET POSITION (DEFICIT)</b>				
Net Investment in Capital Assets	137,107	277,393	177,438	12,532
Restricted for:				
Debt Service	-	1,716	8,484	-
Capital Projects	-	-	2,627	-
Healthcare Insurance	-	-	-	-
Tidelands	-	-	9,730	-
Airport	-	-	-	-
Subsidence	-	-	-	-
Unrestricted	<u>(150,254)</u>	<u>(3,079)</u>	<u>126,359</u>	<u>(70,229)</u>
Total Net Position (Deficit)	<u>\$ (13,147)</u>	<u>\$ 276,030</u>	<u>\$ 324,638</u>	<u>\$ (57,697)</u>

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

Net Position of Business-type Activities

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

Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
Harbor	Other Proprietary Funds	Total Proprietary Funds	
70,452	12,630	113,079	16,489
3,704	1,020	6,518	51,544
16,055	2,776	34,265	1,738
21,099	900	26,351	596
7,116	5,756	16,427	-
-	7,783	9,359	7,070
-	6	4,091	-
-	55	511	-
8,600	-	8,600	25,915
-	-	-	166
-	-	8,775	-
-	-	1,512	2,450
44,905	12,890	75,575	5,530
-	-	25	-
<b>171,931</b>	<b>43,816</b>	<b>305,088</b>	<b>111,498</b>
-	-	1,300	-
3,685	4,821	13,256	-
-	-	-	109,038
-	-	83,600	-
-	-	1,000	-
-	-	-	2,475
-	-	16,919	-
-	-	16,655	21,173
429,589	-	430,006	41,007
543,487	140,746	1,545,311	49,681
10,883	-	10,883	125,872
3,103	2,184	9,649	35,473
124,170	63,581	311,453	66,235
<b>1,114,917</b>	<b>211,332</b>	<b>2,440,032</b>	<b>450,954</b>
<b>1,286,848</b>	<b>255,148</b>	<b>2,745,120</b>	<b>562,452</b>
<b>11,661</b>	<b>4,920</b>	<b>565,130</b>	<b>5,081</b>
3,442,251	182,763	4,229,484	58,711
13,962	1,373	25,535	-
75,610	25,038	103,275	-
-	-	-	18,608
-	-	9,730	-
-	8,114	8,114	-
-	177,173	177,173	-
<b>248,204</b>	<b>41,448</b>	<b>192,449</b>	<b>(175,219)</b>
<b>\$ 3,780,027</b>	<b>\$ 435,909</b>	<b>4,745,760</b>	<b>\$ (97,900)</b>
		<b>(31,880)</b>	
		<b>\$ 4,713,880</b>	

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

**City of Long Beach**  
**Proprietary Funds**

Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit)  
For the Fiscal Year Ended September 30, 2016  
(In Thousands)

**Business-type Activities - Enterprise Funds**

	Gas Utility	Water Utility	Tidelands	Tideland Oil Revenue
<b>Operating Revenues:</b>				
Licenses and Permits	\$ -	\$ -	\$ 318	\$ -
Fines and Forfeitures	- -	- -	205	- -
Fees, Concessions, and Rentals	81	- -	40,408	49,333
From Other Agencies	- -	- -	126	- -
Charges for Services	78,512	97,650	26,074	4,269
Other	933	- -	74	- -
<b>Total Operating Revenues</b>	<b>79,526</b>	<b>97,650</b>	<b>67,205</b>	<b>53,602</b>
<b>Operating Expenses:</b>				
Personnel Services	16,324	18,404	31,106	3,562
Purchases of Gas and Water	(314)	28,744	- -	- -
Maintenance and Other Operations	12,125	33,938	48,484	3,987
Insurance Premiums	- -	- -	- -	- -
Self-Insured Losses	- -	- -	- -	- -
Compensated Absences	- -	- -	- -	- -
Employee Benefits	- -	- -	- -	- -
Payments to Other Entities	- -	- -	- -	33,768
Amortization	- -	- -	427	- -
Depreciation	6,302	11,169	19,476	- -
<b>Total Operating Expenses</b>	<b>34,437</b>	<b>92,255</b>	<b>99,493</b>	<b>41,317</b>
<b>Operating Income (Loss)</b>	<b>45,089</b>	<b>5,395</b>	<b>(32,288)</b>	<b>12,285</b>
<b>Non-Operating Income (Expenses):</b>				
Interest Income	865	299	1,788	- -
Interest Expense	(30,839)	(433)	(8,117)	- -
Gain (Loss) on Disposition of Capital Assets	(1,379)	(283)	- -	- -
Oil Field Abandonment Costs	- -	- -	- -	(29,700)
Operating Grants	- -	- -	434	- -
Other Income	300	1,027	- -	28
Other Expense	(735)	(1,280)	(444)	- -
<b>Total Non-Operating Income (Expenses)</b>	<b>(31,788)</b>	<b>(670)</b>	<b>(6,339)</b>	<b>(29,672)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>13,301</b>	<b>4,725</b>	<b>(38,627)</b>	<b>(17,387)</b>
<b>Capital Grants and Contributions</b>	<b>- -</b>	<b>2,710</b>	<b>- -</b>	<b>- -</b>
<b>Transfers:</b>				
Transfers In	- -	- -	27,714	- -
Transfers Out	(11,475)	- -	- -	(9,681)
Change in Net Position	1,826	7,435	(10,913)	(27,068)
Net Position (Deficit) - October 1	(13,520)	270,054	336,414	(30,296)
Adjustments for GASB 75 Implementation	(1,453)	(1,459)	(863)	(333)
<b>Net Position (Deficit) - September 30</b>	<b>\$ (13,147)</b>	<b>\$ 276,030</b>	<b>\$ 324,638</b>	<b>\$ (57,697)</b>

Change in Net Position of Business - Enterprise Funds

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

Change in Net Position of Business-type Activities

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

Business-Type Activities - Enterprise Funds			Governmental Activities
Harbor	Other Proprietary Funds	Total Proprietary Funds	Internal Service Funds
\$ -	\$ 21,775	\$ 22,093	\$ -
-	- 205	-	-
358,129	36,621	484,572	-
-	324	450	-
-	100,663	307,168	345,126
2,531	29	3,567	8,718
<u>360,660</u>	<u>159,412</u>	<u>818,055</u>	<u>353,844</u>
67,220	44,838	181,454	40,304
-	- 28,430	-	-
76,653	93,862	269,049	50,980
-	-	-	2,639
-	-	-	27,498
-	-	-	51,686
-	-	-	152,907
-	- 33,768	-	-
-	53	480	161
146,721	17,113	200,781	9,504
<u>290,594</u>	<u>155,866</u>	<u>713,962</u>	<u>335,679</u>
<u>70,066</u>	<u>3,546</u>	<u>104,093</u>	<u>18,165</u>
4,637	3,213	10,802	942
(13,244)	(7,897)	(60,530)	(3,409)
48	(146)	(1,760)	190
-	- (29,700)	-	-
-	324	758	-
2,683	2,886	6,924	3,242
(4,656)	(380)	(7,495)	(5)
<u>(10,532)</u>	<u>(2,000)</u>	<u>(81,001)</u>	<u>960</u>
59,534	1,546	23,092	19,125
132,290	15,510	150,510	1,270
-	- 27,714	-	26,998
<u>(18,693)</u>	<u>(4,720)</u>	<u>(44,569)</u>	<u>(5,589)</u>
173,131	12,336	156,747	41,804
3,609,818	425,629	4,598,099	(178,506)
(2,922)	(2,056)	(9,086)	38,802
<u>\$ 3,780,027</u>	<u>\$ 435,909</u>	<u>4,745,760</u>	<u>\$ (97,900)</u>
		156,747	
		4,106	
		<u>\$ 160,853</u>	

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

**City of Long Beach**

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended September 30, 2016

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Gas Utility	Water Utility	Tidelands	Tideland Oil Revenue
<b><u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>				
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 79,595	\$ 97,576	\$ 48,286	\$ -
Receipts from Oil Companies	-	-	-	53,565
Receipts from Other Governments	-	-	23,698	-
Receipts from Other Funds	-	-	540	-
Payments for Employee Salaries	(15,989)	(17,791)	(29,573)	(3,244)
Payments for Goods and Services	(19,791)	(53,888)	(52,437)	(7)
Payments for Compensated Absences	-	-	-	-
Payments for Employee Benefits	-	-	-	-
Payments for Liability Claims	-	-	-	-
Payments to Other Entities	-	-	-	(32,089)
Payments in Lieu of Taxes	-	(5,968)	-	-
Other Income	23,239	-	74	28
Other Expense	(737)	(622)	(12)	(29,700)
Net Cash Provided by (Used for) Operating Activities	<b>66,317</b>	<b>19,307</b>	<b>(9,424)</b>	<b>(11,447)</b>
Cash Flows from Non-Capital Financing Activities:				
Other Income	-	-	-	-
Operating Grants Received from Other Governments	-	-	-	-
Receipts for Oil Well Abandonment Reserve	-	-	-	29,700
Clean Air Action Plan	-	-	-	-
ACTA shortfall advance	-	-	-	-
Receipts from Prepayment of Gas Supply	7,554	-	-	-
Payments of Principal on Bonds Payable	(7,150)	-	-	-
Payments of Interest	(31,376)	-	-	-
Transfers In	-	-	39,255	-
Transfers Out	(11,475)	-	(11,388)	(9,681)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<b>(42,447)</b>	<b>-</b>	<b>27,867</b>	<b>20,019</b>
Cash Flows from Capital and Related Financing Activities:				
Receipt of Capital Grants	-	-	-	-
Proceeds from the Sale of Capital Assets	-	84	-	-
Proceeds from Issuance of Long-Term Obligations	-	-	-	-
Proceeds from Issuance of Bonds	-	-	19,115	-
Original Issue Premium	-	-	2,674	-
Payment of Cost of Issuance	-	-	(292)	-
Receipts of Contributed Capital	-	2,678	-	-
Receipts from Passenger Facility Charges	-	-	-	-
Payments to Developers	-	-	-	-
Payments for Capital Acquisitions	(23,566)	(16,420)	(25,053)	-
Payments of Principal on Bonds Payable	-	(2,630)	(6,930)	-
Payments of Principal on Other Long-Term Obligations	(1,554)	-	(70)	-
Redemption Premium	-	-	(25,405)	-
Payments of Interest, Net of Amounts Capitalized	(338)	(1,264)	(11,231)	-
Receipt of Federal Subsidy	-	-	-	-
Net Cash Used for Capital and Related Financing Activities	<b>(25,458)</b>	<b>(17,552)</b>	<b>(47,192)</b>	<b>-</b>
Cash Flows from Investing Activities:				
Proceeds from the Sale of Investments	(762)	-	-	-
Payments for Investments	-	-	5,764	-
Payment from Joint Venture (Note 21)	-	-	-	-
Receipts of Interest	858	298	1,817	-
Net Cash Provided by Investing Activities	<b>96</b>	<b>298</b>	<b>7,581</b>	<b>-</b>
Net Increase (Decrease) in Cash and Cash Equivalents	<b>(1,492)</b>	<b>2,053</b>	<b>(21,168)</b>	<b>8,572</b>
Cash and Cash Equivalents - October 1	<b>31,533</b>	<b>34,315</b>	<b>229,433</b>	<b>21,197</b>
Cash and Cash Equivalents - September 30	<b>\$ 30,041</b>	<b>\$ 36,368</b>	<b>\$ 208,265</b>	<b>\$ 29,769</b>

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	Total Proprietary Funds	
\$ 361,226	\$ 160,437	\$ 747,120	\$ 8,710
-	-	53,565	-
-	9	23,707	-
-	11,141	11,681	343,859
(86,585)	(30,783)	(183,965)	(40,085)
(54,831)	(97,702)	(278,656)	(47,589)
-	-	-	(56,833)
-	-	-	(162,111)
-	-	-	(9,723)
-	-	(32,089)	(885)
-	(5,775)	(11,743)	-
-	(6,091)	17,250	3,189
-	23	(31,048)	(5)
<u>219,810</u>	<u>31,259</u>	<u>315,822</u>	<u>38,527</u>
-	-	-	4
-	441	441	9
-	-	29,700	-
(4,656)	-	(4,656)	-
1,025	-	1,025	-
-	-	7,554	-
-	-	(7,150)	-
-	-	(31,376)	-
-	2	39,257	(5,589)
<u>(18,432)</u>	<u>(4,953)</u>	<u>(55,929)</u>	<u>26,998</u>
<u>(22,063)</u>	<u>(4,510)</u>	<u>(21,134)</u>	<u>21,422</u>
160,168	8,755	168,923	-
48	9	141	194
25,000	9,830	34,830	-
-	-	19,115	-
-	1,728	4,402	-
-	(298)	(590)	-
12,008	-	14,686	1,270
-	5,069	5,069	-
-	-	-	(10,765)
(354,289)	(16,167)	(435,495)	(29,319)
(45,360)	(23,085)	(78,005)	-
(120,000)	-	(121,624)	(6,837)
-	-	(25,405)	-
(43,309)	(8,698)	(64,840)	(3,609)
-	1,123	1,123	-
<u>(365,734)</u>	<u>(21,734)</u>	<u>(477,670)</u>	<u>(49,066)</u>
-	1,907	1,145	-
-	-	5,764	-
3,000	-	3,000	-
4,447	3,233	10,653	952
7,447	5,140	20,562	952
(160,540)	10,155	(162,420)	11,835
579,823	310,919	1,207,220	258,416
<u>\$ 419,283</u>	<u>\$ 321,074</u>	<u>\$ 1,044,800</u>	<u>\$ 270,251</u>

(continued)

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

(Continued)

Business-Type Activities - Enterprise Funds

<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	Gas Utility	Water Utility	Tidelands	Tideland Oil Revenue
Operating Income (Loss)	\$ 45,089	\$ 5,395	\$ (32,288)	\$ 12,285
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for)				
Operating Activities:				
Depreciation and Amortization Expense	6,302	11,206	19,903	-
Other Income	23,239	(622)	435	28
Other Expense	(735)	423	(12)	(29,700)
(Increase) Decrease in Accounts Receivable, Net	(185)	(82)	1,481	(155)
Increase (Decrease) in Amounts Due to Other Governments	-	-	868	1,903
Decrease in Amounts Due from Other Governments	-	15	(20)	-
(Increase) Decrease in Amounts Due from Other Funds	(30)	-	-	-
Decrease in Inventory	216	(249)	-	-
(Increase) Decrease in Other Assets	(7,448)	-	(37)	-
Increase (Decrease) in Accounts Payable	1,903	1,464	(1,631)	3,980
Increase in Accrued Wages Payable	282	191	1,533	308
Increase (Decrease) in Amounts Due to Other Funds	(2,600)	1,572	-	(214)
Increase in Accrued Claims Payable	-	-	-	-
Increase (Decrease) in Unearned Revenues	269	(39)	290	166
Increase (Decrease) in Collections Held in Trust	15	33	54	(48)
Total Adjustments	21,228	13,912	22,864	(23,732)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 66,317</u>	<u>\$ 19,307</u>	<u>\$ (9,424)</u>	<u>\$ (11,447)</u>

NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

Contribution of Capital Assets	\$ -	\$ -	\$ -	\$ -
Contributed Capital Assets	-	532	-	-
Amortization of Bond Premium (Discount), Net	22,939	(400)	(1,184)	-
Accrued Capital Asset Costs	-	1,810	-	-
Accrued Oilfield Abandonment Costs	-	-	-	29,700
Amortization of Deferred Outflows on Debt Refunding	-	198	485	-
Amortization of Deferred Inflows on Debt Refunding	-	-	(60)	-
Other Accrued Liabilities	-	-	-	-

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

Business-Type Activities - Enterprise Funds			Governmental Activities	
	Other Proprietary Funds	Total Proprietary Funds	Internal Service Funds	
Harbor				
\$ 70,066	\$ 3,546	\$ 104,093	\$ 18,165	

146,721	17,166	201,298	9,665
-	1,655	24,735	3,229
139	23	(29,862)	(5)
(29,926)	(31)	(28,898)	149
-	-	2,771	-
-	90	85	(40)
-	2,144	2,114	(402)
(95)	(23)	(151)	(317)
-	36	(7,449)	202
12,901	2,360	20,977	6,302
12,182	2,046	16,542	(1,497)
(1,987)	471	(2,758)	(2,005)
8,600	-	8,600	4,332
1,209	503	2,398	-
-	1,273	1,327	749
149,744	27,713	211,729	20,362
\$ 219,810	\$ 31,259	\$ 315,822	\$ 38,527

\$ 4,007	\$ -	\$ 4,007	\$ -
12	-	544	-
19,628	(360)	40,623	-
-	252	2,062	-
-	-	29,700	-
235	-	918	80
(792)	-	(852)	-
49,067	-	49,067	41,007

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

**City of Long Beach**  
 Statement of Fiduciary Net Position  
 Fiduciary Funds  
 September 30, 2016  
 (In Thousands)

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS:</b>		
Pooled Cash and Cash Equivalents	\$ 834	\$ 15,510
Non-pooled Investments	-	1,701
Non-Pooled Cash and Cash Equivalents	-	7,771
Property Taxes Receivable	-	41
Interest Receivable	-	6
Accounts Receivable	-	975
Land	-	11,000
<b>Total Assets</b>	<b>\$ 834</b>	<b>\$ 37,004</b>
<b>LIABILITIES:</b>		
Accounts Payable	-	1,381
Due to Special Assessment Bondholders	-	4,411
Collections Held in Trust	-	31,212
<b>Total Liabilities</b>	<b>-</b>	<b>\$ 37,004</b>
<b>NET POSITION:</b>		
Held in Trust for Private Purpose Trust Funds	<b>\$ 834</b>	

**City of Long Beach**  
 Statement of Changes in Fiduciary Net Position  
 Fiduciary Funds  
 For the Fiscal Year Ended September 30, 2016  
 (In Thousands)

	Private Purpose Trust Funds
<b>ADDITIONS:</b>	
Interest Income	\$ 2
<b>Total Additions</b>	<b>2</b>
<b>DEDUCTIONS:</b>	
Community and Cultural	31
Change in Net Position	(29)
<b>Net Position, October 1</b>	<b>863</b>
<b>Net Position, September 30</b>	<b>\$ 834</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

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**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

**NOTE 1 – REPORTING ENTITY**

Organization

The City of Long Beach (City) operates under a City Charter originally adopted in 1921 and last amended in 2010. The City Charter establishes the current Mayor-Council-City Manager form of government, sets forth the powers and duties of the Mayor and City Council, and defines the roles, duties, and form of organization of the City's various boards, commissions, and other offices. The City is divided into nine council districts, with Councilpersons 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 social services, library, parks and recreation, planning and community development, and public works improvements. The City also provides for sanitation, gas, water, and towing services. The City operates its own airport, five golf courses, international harbor facility, and a tidelands trust area (consisting of the beaches, Convention Center, Queen Mary, Rainbow Harbor, the Aquarium of the Pacific, marinas, and oil extraction administrative operations), under a trust agreement with the State of California. It is the City's policy to establish fees and charges designed to recover the full cost of providing services, including capital costs such as depreciation and debt service. Accordingly, the financial activities of these operations are accounted for as enterprise funds.

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

Blended Component Entities

*Housing Authority of the City of Long Beach* (the Authority) is a public agency created by action of the City Council in 1969 to administer housing assistance programs for qualified residents. The Authority is governed by an 11-member Board of Commissioners, comprised of the nine City Council members and two representatives elected by housing assistance benefit recipients. The Authority's administrative functions are directed and performed by City employees. The financial activity of the Authority is included in the Housing Assistance Fund, a non-major governmental fund.

*Successor Agency to the Redevelopment Agency of the City of Long Beach* (Agency): Consistent with the dissolution legislation, the Redevelopment Agency ceased operation effective February 1, 2012. The City exercised its option to become the Successor Agency for the former Redevelopment Agency and the Housing Successor Agency (HSA) for the Low and Moderate Income Housing function. The City is responsible for the winding down of Agency business to include the completion of ongoing projects and the disposition of assets. As the HSA, the City is responsible for executing the former mission of the Low and Moderate Income Housing function as long as funding permits. Like its predecessor, the Agency is considered a blended component unit of the City. The financial activities of the Agency were blended with those of the City in the accompanying basic financial statements and are reported as the Agency's Capital Projects and Debt Service Funds.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

*Long Beach Community Investment 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 responsibility to provide adequate housing to low-and-moderate-income residents, senior citizens, and disabled persons. The Company provides services that indirectly benefit the City even though it does not provide services directly to the City. 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 and the City's management has operational responsibility for the Company. The financial activities are blended with those of the City in the accompanying basic financial statements and are accounted for in the Housing Development Fund. By electing to form a non-profit corporation to carry out functions that would ordinarily revert to the City, it is the City Council's intention that a greater potential for public/private partnerships be created.

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

**Non-profit Financing Corporations and Authorities**

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

For the most part, these non-profit corporations enter into capitalizable leases with the City. However, for financial reporting purposes, such lease transactions are eliminated, and the related financing obligations and related capital assets are carried at cost in the accompanying basic financial statements. There is no requirement to separately issue financial statements for these component units.

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

Entity	Fund Type	Affected Funds
Long Beach Financing Authority	Governmental	Agency Funds
Long Beach Bond Financing Authority	Governmental and Business-type	Internal Service Funds Enterprise Funds Governmental Funds
Long Beach Capital Improvement Company	Business-type	Enterprise Funds
Finance Authority of Long Beach	Governmental and Business-type	Internal Service Funds Enterprise Funds Governmental Funds

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

**Discretely Presented Component Unit**

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

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

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



**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-wide and Fund Financial Statements**

The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements with the exception of exchange or exchange-like transactions between governmental functions that if eliminated would distort direct cost and program revenue. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities and for each function of governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: (a) charges paid by the recipients for goods and services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented 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**

Measurement focus is concerned with what financial transactions and events, the inflow and outflow of resources, will be recognized in the accounting records and reported in the financial statements. The term "basis of accounting" is used to describe the timing of recognition or when the effects of transactions or events should be recognized.

The government-wide, proprietary, and private trust fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds have no measurement focus, but do employ the accrual basis of accounting for purposes of asset and liability recognition. Revenues are recorded when earned and an expense is 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.

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

- Revenue is recorded when it becomes both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, and except for reimbursement-basis government revenues that are recognized when earned, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes and taxpayer-assessed tax revenues (e.g., franchise taxes, sales taxes, motor vehicle fees, etc.), net of estimated refunds and uncollectible amounts, and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

- An expenditure is recorded when the related liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- Expenditures are presented in functional categories such as general government and public safety. For the City, the amounts presented include an allocation of indirect costs.
- Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as other financing sources.

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

The City reports the following major governmental and enterprise funds:

**Major Governmental Funds**

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

**Major Enterprise Funds**

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

The *Water Fund* is used to account for the activities associated with the sourcing, purification, and delivery of water to the City's customers by the Long Beach Water Department.

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

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

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

**Other Fund Types**

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

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

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

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

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

**City of Long Beach Investment Pool**

The City pools the cash resources of its various funds into the City of Long Beach Investment Pool (the Pool). The Pool is an internal investment pool that is used to facilitate the management of cash and for the purpose of increasing income through investment activities. The Pool is used as a demand deposit account by the various funds.

The Pool's investments are designed to meet any demand for funding by using a combination of short-term on demand accounts and highly liquid investments. Interest income arising from pooled 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.

One of the Pool's highly liquid investments is the Local Agency Investment Fund (LAIF), a money market like external investment pool. The City is a voluntary participant in the LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California.

**Cash Equivalents**

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

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

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
Software, Machinery and Equipment	5 - 20 years
Office Furniture, Fixtures, and Equipment	3 - 20 years
Patent	20 years

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

#### Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Initial-issue bond premiums and discounts are amortized using the effective-interest-rate method. Bonds payable are reported net of the unamortized portion of applicable premium, discount, and the gain or loss on refunding. Bond issuance costs, including underwriters' discount, are expensed during the period issued. Amortization of bond premiums or discounts, and the gain or loss on refunding are generally included in interest expense unless otherwise noted.

In the City's governmental fund statements bond premiums, discounts, and issuance costs are recognized during the period the debt is 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.

#### Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Employee Benefits, Compensated Absences and Termination Benefits

Excluding the residual balance of a City-administered Police and Fire Annuity Benefit Program that was terminated in 1945, benefits for City employees are paid from the City's Employee Benefits Internal Service Fund (EBF). The EBF is reimbursed through payroll charges to other funds based on estimates of benefits earned. The City's policy is to pay all accumulated vacation and holiday pay when an employee retires or terminates. Beginning August 1, 2007, management employees, upon retirement, may have 75 percent of their outstanding vacation leave converted to sick leave. Vacation and holiday benefits are recognized when earned. The City also allows retirees the option of purchasing additional pension benefits from CalPERS with their unused sick leave balances.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

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

Accumulated sick leave becomes vested only when an employee meets the City's minimum requirements for retirement. Accumulated sick leave is forfeited upon termination for reasons other than retirement. In accordance with the City's Personnel Ordinance, upon retirement from the City, 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 until such time as the unused sick leave is exhausted.

The conversion of unused sick leave for postemployment benefits is reflected as accrued employee benefits in the accompanying financial statements. As of September 30, 2016, the City has recorded a liability in the Employee Benefits Internal Service Fund of \$125.9 million and \$9.3 million in the Harbor fund based on an actuarial study of current and future retiree accumulated sick leave. The liability takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees.

The actuarial study assumes an investment return of 4.3 percent and wage increases of 3.3 percent per year for safety employees. The \$135.2 million long-term liability is being funded over time through burden rates, applied as a percentage of current productive salaries, and charged to the various City funds.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. The separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Property Tax Calendar**

Under the State Constitution, the property tax rate is limited to one percent of assessed value, but may be adjusted for specific voter-approved indebtedness. Property taxes are levied by the Los Angeles County (County) Tax Assessor and shared among all other local taxing authorities within the City. Accordingly, the County collects property taxes and distributes such taxes on the basis of the taxing authorities' tax rate percentages, allowing for such adjustments as may be authorized for voter-approved debt.

Secured property taxes are levied during September of every year and become a lien on real property on January 1 of the calendar year for which taxes are levied. These tax payments can be made in two equal installments: the first is due November 1<sup>st</sup> and the second is due February 1<sup>st</sup>. The City recognizes property tax receivable when levied and defers the portion that is neither intended nor available to finance current year expenditures.

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**Net Position and Fund Balance**

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

Fund balance reported in a governmental funds is calculated as assets and deferred outflows less liabilities and deferred inflows. There are five separate components of fund balance, each of which is based upon the extent to which the City is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The fund balances reported on the governmental fund statements consist of the following categories:

<b>Classification</b>	<b>Definition</b>	<b>Examples</b>
<b>Nonspendable</b>	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	1. Inventories, prepaid items, long-term receivables, and permanent principal of endowment funds.
<b>Restricted</b>	Fund balance should be reported as restricted when constraints placed on the use of resources are either (a) Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) Imposed by law through constitutional provisions or enabling legislation.	1. Restricted by state statute; 2. Unspent bond proceeds; 3. Grants earned but not spent; 4. Debt covenants; 5. Taxes dedicated to a specific purpose; 6. Revenues restricted by enabling legislation.
<b>Unrestricted</b>	<b>Committed</b>	Used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
	<b>Assigned</b>	Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
	<b>Unassigned</b>	Unassigned fund balance is the residual classification for the General Fund. This is fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other governmental funds would report deficit fund balances as unassigned.

Committed fund balance classifications may be created by formal action of the City Council through either adopted resolution or ordinance. Commitments can be modified or rescinded through the same formal action that created the commitment. Both of these actions are binding upon the City.

Consistent with the City's adopted Fund Balance Policy, assignments may be designated for a purpose by the City Council or, if delegated, the Council's designee who, for the purpose of this disclosure, is the City Manager. It is a policy goal of the City to maintain an overall unrestricted fund balance of no less than two months or 16.7 percent of General Fund expenditures. This percentage includes committed, assigned, and unassigned balances.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

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

**Budgetary Principles**

The City Council adopted the fiscal year 2016 budget prior to September 30, 2016 for all funds except for fiduciary funds. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations. 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.

Budgeted appropriations are presented in the accompanying financial statements on a non-GAAP accrual plus encumbrances budgetary basis with the exception of transactions related to long-term debt, which are recorded on a cash basis. Budgeted revenues are presented on a GAAP based budgetary basis as revenues are recognized when they become measurable, available and earned. 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 may not exceed fund appropriations, and total expenditures for each department may not exceed departmental appropriations. For budgetary purposes, the City records an encumbrance as a charge against appropriations in the accounting period in which a purchase order is issued, rather than in the accounting period when goods or services are received.

**Implementation of New Accounting Pronouncements**

Application of the following Statements was effective for the City's fiscal year ended September 30, 2016:

In February of 2015, GASB issued Statement No. 72 – *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

In June of 2015, GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions. It also amends certain provisions of Statement No. 67 and Statement 68 for pension plans and pensions that are within their respective scopes. Statement 73 was effective for this financial report except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

In June of 2015, GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is not applicable to the City.

In June of 2015, GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City has chosen to implement the provisions of this Statement for fiscal year 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. This Statement is applicable to the City in fiscal year 2016 as the City invests in external investment pools. However, this statement had no effect on the financial statements of the City as none of the external investment pools that the City invests with meet the criteria in this statement.

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

In August of 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. This information is intended, among other things, to assist users of financial statements in assessing whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity); whether a government complied with finance-related legal and contractual obligations; where a government's financial resources come from and how it uses them; and a government's financial position and economic condition and how they have changed over time. The provisions of this Statement are effective for fiscal years beginning after December 15, 2015.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 as the City's pension liability is measured as of a date other than the City's most recent fiscal year-end.

**Estimates and Rounding**

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

**Adjustments as a Result of Implementing GASB 75**

The table on the following page summarizes the adjustment to the September 30, 2015 amounts for Net Position due to implementation GASB 75 for both the Government-wide and fund financial statements (in thousands):

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

***Government-wide Financial Statements***

<i><b>Governmental Activities</b></i>			<i><b>Business-type Activities</b></i>				
	<i>As Previously Reported</i>	<i>GASB 75 Adjustment</i>	<i>As Adjusted</i>		<i>As Previously Reported</i>	<i>GASB 75 Adjustment</i>	<i>As Adjusted</i>
Total Net Position	\$ 100,037	\$ 38,802	\$ 138,839	Total Net Position	\$4,562,113	\$ (9,086)	\$ 4,553,027

***Fund Financial Statements - Proprietary Funds***

<i><b>Gas Utility</b></i>			<i><b>Water Utility</b></i>				
	<i>As Previously Reported</i>	<i>GASB 75 Adjustment</i>	<i>As Adjusted</i>		<i>As Previously Reported</i>	<i>GASB 75 Adjustment</i>	<i>As Adjusted</i>
Total Net Position	(13,520)	(1,453)	(14,973)	Total Net Position	270,054	(1,459)	268,595

<i><b>Tidelands</b></i>			<i><b>Tidelands Oil</b></i>				
	<i>As Previously Reported</i>	<i>GASB 75 Adjustment</i>	<i>As Adjusted</i>		<i>As Previously Reported</i>	<i>GASB 75 Adjustment</i>	<i>As Adjusted</i>
Total Net Position	336,414	(863)	335,551	Total Net Position	(30,296)	(333)	(30,629)

<i><b>Harbor</b></i>			<i><b>Non-Major Enterprise Funds</b></i>				
	<i>As Previously Reported</i>	<i>GASB 75 Adjustment</i>	<i>As Adjusted</i>		<i>As Previously Reported</i>	<i>GASB 75 Adjustment</i>	<i>As Adjusted</i>
Total Net Position	3,609,818	(2,922)	3,606,896	Total Net Position	425,629	(2,056)	423,573

<i><b>Internal Service Funds</b></i>				
	<i>As Previously Reported</i>	<i>GASB 75 Adjustment</i>	<i>As Adjusted</i>	
Total Net Position	(178,506)	38,802	(139,704)	

**The City of Long Beach**  
**The Notes to the Basic Financial Statements**  
**September 30, 2016**

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

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

	Total Governmental Funds (Page 28)	Long-term Assets and Liabilities	Internal Service Funds	Eliminations and Conversions	Total Statement of Net Position (Page 25)
<b>ASSETS</b>					
Current Assets:					
Pooled Cash and Cash Equivalents	\$ 274,877	\$ -	\$ 270,154	\$ (434,461)	\$ 110,570
Non-Pooled Cash and Cash Equivalents	39,285	-	97	-	39,382
Pooled Investments	-	-	-	119,136	119,136
Interest Receivable	-	168	21	-	189
Property Taxes Receivable, Net	90,005	-	-	(4,337)	85,668
Accounts Receivable	40,906	-	1,546	(42,452)	-
Notes and Loans Receivable	1,446	-	-	(1,446)	-
Due from Other Governments	46,265	-	40	-	46,305
Due from Other Funds	7,099	-	10,574	(17,673)	-
Allowance for Receivables	(29,313)	-	(131)	29,444	-
Accounts and Loans Receivables, Net	-	-	-	18,791	18,791
Internal Balances	-	-	-	34,749	34,749
Deposits	-	-	6,533	(6,533)	-
Inventory	-	-	2,314	-	2,314
Other Assets	2,679	-	-	6,533	9,212
Advances to Other Funds	3,809	-	-	(3,809)	-
Land Held for Resale	4,215	-	-	-	4,215
Other Noncurrent Assets:					
Noncurrent Pooled Investments	-	-	-	315,325	315,325
Other Noncurrent Receivables	199,149	-	-	-	199,149
Capital Assets:					
Nondepreciable	-	325,454	60,751	-	386,205
Depreciable, Net	-	300,349	85,168	-	385,517
Other Noncurrent Assets	-	-	10,765	-	10,765
Total Assets	680,422	625,971	447,832	13,267	1,767,492
Deferred Outflows of Resources	-	242,436	21,801	-	264,237
Total Assets and Deferred Outflows of Resources	\$ 680,422	\$ 868,407	\$ 469,633	\$ 13,267	\$ 2,031,729

*(continued)*

**The City of Long Beach**  
**The Notes to the Basic Financial Statements**  
**September 30, 2016**

**LIABILITIES**

Current Liabilities:

Accounts Payable	\$ 32,701	\$ -	\$ 16,489	\$ -	\$ 49,190
Accrued Wages and Benefits Payable	9,725	-	51,544	-	61,269
Accrued Interest Payable	-	3,561	1,738	-	5,299
Due to Other Governments	305	-	-	-	305
Due to Other Funds	11,594	-	596	(12,190)	-
Unearned Revenue	9,906	(3,840)	-	13,488	19,554
Deposits and Collections Held in Trust	6,418	-	7,070	(13,488)	-
Advances from Other Funds	6,423	-	-	(6,423)	-
Long-term Liabilities Due Within One Year:					
Bonds Payable	-	18,595	5,530	(24,125)	-
Capital Leases Payable	-	1,969	2,450	(4,419)	-
Environmental Remediation	-	66	166	(232)	-
Accrued Self Insurance Claims Payable	-	-	25,915	(25,915)	-
Total Employee Benefits and Accrued LT Obligations	-	-	-	26,147	26,147
Total LT Debt and Other LT Obligations	-	-	-	28,544	28,544
Long-term Liabilities Due Beyond One Year:					
Bonds Payable	-	325,012	49,681	(374,693)	-
Notes Payable	-	5,258	-	(5,258)	-
Capital Leases Payable	-	5,090	21,173	(26,263)	-
Other Long-term Obligation	-	-	41,007	(41,007)	-
Police and Fire Annuities Payable	-	10,574	-	(10,574)	-
Estimated Oil Field Abandonment Costs Payable	-	14,000	-	(14,000)	-
Environmental Remediation	-	363	2,475	(2,838)	-
Accrued Self Insurance Claims Payable	-	-	109,038	(109,038)	-
Employee Benefits Payable	-	-	125,872	(125,872)	-
Net OPEB Liability	-	-	35,473	-	35,473
Net Pension Liability	-	726,314	66,235	-	792,549
Total Employee Benefits and Accrued LT Obligations	-	-	-	262,322	262,322
Total LT Debt and Other LT Obligations	-	-	-	447,221	447,221
Total Liabilities	<u>77,072</u>	<u>1,106,962</u>	<u>562,452</u>	<u>(18,613)</u>	<u>1,727,873</u>
Deferred Inflows of Resources	<u>288,495</u>	<u>-</u>	<u>5,081</u>	<u>(119,123)</u>	<u>174,453</u>
Fund Balance / Net Position					
Total Fund Balance / Net Position	<u>314,855</u>	<u>(238,555)</u>	<u>(97,900)</u>	<u>151,003</u>	<u>129,403</u>
Total Liabilities, Deferred Inflows and					
Fund Balance / Net Position	<u>\$ 680,422</u>	<u>\$ 868,407</u>	<u>\$ 469,633</u>	<u>\$ 13,267</u>	<u>\$ 2,031,729</u>

**The City of Long Beach**  
**The Notes to the Basic Financial Statements**  
**September 30, 2016**

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

	Total Governmental Funds (Page 30)	Debt and Capital Related Transactions	Internal Service Funds	Reclass and Adjust- ments	Statement of Activities (Pages 26 - 27)
<b>Revenues:</b>					
Taxes	\$ 353,690	\$ -	\$ -	\$ (441)	\$ 353,249
Franchise Fees	24,911	-	-	-	24,911
Licenses and Permits	25,456	-	-	(25,456)	-
Fines and Forfeitures	16,292	-	-	(16,292)	-
Use of Money and Property /					
Unrestricted Investment Earnings	40,991	-	942	(28,751)	13,182
From Other Agencies	170,780	-	-	(170,780)	-
Charges for Services	29,482	-	-	(29,482)	-
Other Contributions	249	-	-	(249)	-
Other	13,167	-	-	(13,167)	-
Program Revenue:					
Charges for Services	-	-	8,718	112,275	120,993
Operating Grants and Contributions	-	-	-	170,614	170,614
Capital Grants and Contributions	-	-	-	2,085	2,085
Other Financing Sources :					
Issuance of Long-term Debt	14,195	-	-	(14,195)	-
Transfers, Net	(4,554)	-	21,409	-	16,855
<b>Total Revenues</b>	<b>684,659</b>	<b>-</b>	<b>31,069</b>	<b>(13,839)</b>	<b>701,889</b>
<b>Expenditures / Expenses:</b>					
Current:					
Legislative and Legal	11,420	935	(541)	-	11,814
General Government	21,793	2,559	(483)	-	23,869
Public Safety	307,065	43,066	(5,773)	-	344,358
Public Health	42,819	3,903	(572)	-	46,150
Community and Cultural	152,005	8,551	(1,337)	(3,427)	155,792
Public Works	74,580	30,522	(1,330)	-	103,772
Oil Operations	2,352	4,114	-	-	6,466
Capital Improvements	.	.	.	.	.
Capital Improvements	38,629	(38,629)	-	-	-
Debt Service:					
Principal	18,717	(18,717)	-	-	-
Interest on Long-Term Debt	16,763	(1,068)	3,409	-	19,104
Debt Administration Fees	434	(434)	-	-	-
<b>Total Expenditures / Expenses</b>	<b>686,577</b>	<b>34,802</b>	<b>(6,627)</b>	<b>(3,427)</b>	<b>711,325</b>
<b>Net Change in Fund Balances</b>	<b>\$ (1,918)</b>	<b>\$ (34,802)</b>	<b>\$ 37,696</b>	<b>\$ (10,412)</b>	<b>\$ (9,436)</b>

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**NOTE 4 – CASH AND INVESTMENTS**

Cash and Investments as of September 30, 2016 are classified in the accompanying financial statements as follows (in thousands):

Cash and Investments

Cash and investments in Pool	\$ 1,534,184
Non-pooled cash and investments	<u>249,478</u>
Total cash and investments	<u><u>\$ 1,783,662</u></u>

Cash and investments as of September 30, 2016 consist of the following:

Cash and deposits	\$ 219,252
Investments	<u>1,564,410</u>
Total cash and investments	<u><u>\$ 1,783,662</u></u>

A breakdown of cash, cash equivalents, and investments between the basic financial statements and the fair value of the investment portfolio at September 30, 2016 is as follows (in thousands):

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Fiduciary Funds</i>	<i>Total</i>
Pool Cash and Cash Equivalents	\$ 110,570	\$ 197,354	\$ 16,344	\$ 324,268
Non-pooled Cash and Cash Equivalents	39,382	67,580	7,771	114,733
Pool Investments	119,136	212,642	-	331,778
Non-pooled Investments	-	-	1,701	1,701
Noncurrent Pool Investments	315,325	562,813	-	878,138
Restricted Assets:				
Non-pooled Cash and Cash Equivalents	-	1,765	-	1,765
Non-pooled Investments	-	131,279	-	131,279
Total Deposits and Investments	<u><u>\$ 584,413</u></u>	<u><u>\$ 1,173,433</u></u>	<u><u>\$ 25,816</u></u>	<u><u>\$ 1,783,662</u></u>

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

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

Investments Authorized by Debt Agreements

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

Investments with Fair Values Highly Sensitive to Interest Rate Risk

The City had no investments that were highly sensitive to market interest rate changes as of September 30, 2016. Highly sensitive investments are investments whose sensitivity to market interest rate fluctuations are not fully addressed by use of one of the five methods for reporting interest rate risk.

**The City of Long Beach**  
**The Notes to the Basic Financial Statements**  
**September 30, 2016**

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

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

#### Disclosures Relating to Interest Rate Risk

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

The following schedule indicates the interest rate risk of the City's investments as of September 30, 2016 (in thousands):

<b><i>Investment Type</i></b>		<b><i>Weighted Average Maturity (in years)</i></b>
	<b><i>Fair Value</i></b>	
Cash and investments in Pool		
Money market account	\$ 463	-
U.S. Treasury notes	246,620	1.73
Federal agency securities	1,043,474	1.86
Local Agency Investment Fund (LAIF)	27,049	-
Subtotal Pool	1,317,606	
Cash and deposits	216,578	N/A
Total Pool	\$ 1,534,184	
Non-pooled cash and investments		
Money market funds	\$ 113,824	-
U.S. Treasury notes	112,070	1.94
Guaranteed investment contracts	20,910	21.14
Subtotal Non-pooled	246,804	
Cash and deposits	2,674	N/A
Total non-pooled cash and investments	\$ 249,478	

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**Disclosures Relating to Credit Risk**

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

The following are the actual ratings as of September 30, 2016 for each investment type (in thousands):

Investment Type	Legal Rating	Rating as of Year End				
		Total	Not Required to be Rated	AAA	AA+	Unrated
Cash and investments in Pool						
Money market account	AAA	\$ 463	\$ -	\$ 463	\$ -	\$ -
U.S. Treasury notes	N/A	246,620	246,620	-	-	-
Federal agency securities	N/A	1,043,474	-	43,364	1,000,110	-
Local Agency Investment Fund (LAIF)	N/A	27,049	-	-	-	27,049
Subtotal Pool		1,317,606	246,620	43,827	1,000,110	27,049
Cash and deposits	N/A	216,578	-	-	-	216,578
Total Pool		\$ 1,534,184	\$ 246,620	\$ 43,827	\$ 1,000,110	\$ 243,627
Non-pooled cash and investments						
Cash and deposits	N/A	\$ 2,674	\$ -	\$ -	\$ -	\$ 2,674
Money market funds	AAA	113,824	-	-	-	113,824
U.S. Treasury notes	N/A	112,070	-	112,070	-	-
Guaranteed Investment Contracts	N/A	20,910	-	-	-	20,910
Total non-pooled cash and investments		\$ 249,478	\$ -	\$ 112,070	\$ -	\$ 137,408

**Concentration of Credit Risk**

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

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal agency securities	\$ 377,231
Federal Home Loan Mortgage Corporation	Federal agency securities	269,040
Federal National Mortgage Association	Federal agency securities	337,440
U.S. Treasuries	U.S. Treasury bills and notes	246,620

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits

**The City of Long Beach**  
**The Notes to the Basic Financial Statements**  
**September 30, 2016**

or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. All securities owned by the City are deposited in trust for safekeeping with a custodial bank different from the City's primary bank.

As of September 30, 2016, the City reported deposits of \$230 million, collateralized in compliance with California Government Code, less \$11 million for checks outstanding.

**Fair Value Hierarchy**

The City has the following recurring fair value measurements as of September 30, 2016:

U.S. Treasury Notes, valued at \$35.4 million, are classified in Level 1 of the fair value hierarchy as the valuation is based on quoted prices in active markets.

U.S. Treasury Notes totaling \$323.3 million and Federal Agencies securities totaling \$1.04 billion, are classified in Level 2 of the fair value hierarchy, as the valuation uses a market-based model which considers yield, price of comparable securities, coupon rate, maturity, credit quality and dealer-provided prices. These prices are obtained from various pricing sources by our custodian bank.

Local Agency Investment Funds (LAIF) totaling \$27.0 million is measured at fair value, however, the investment is not required to be leveled.

Money Market Funds and Guaranteed Investment Contracts totaling \$114.3 million and \$20.9 million, respectively, are not subject to the fair value hierarchy as the investments are reported at amortized cost and contract value, respectively.

The following table categorizes the City's investments within the fair value Hierarchy as of September 30, 2016 (in thousands):

<b><i>Investments at Fair Value Level</i></b>	<b>Total</b>	<b><i>Fair Value Measurement</i></b>		
		<b><i>Level 1</i></b>	<b><i>Level 2</i></b>	<b><i>Level 3</i></b>
Debt Securities				
U.S. Treasury notes	\$ 358,690	\$ 35,421	\$ 323,269	\$ -
Federal agency securities	<u>1,043,474</u>	-	<u>1,043,474</u>	-
Total investments at fair value	<u>1,402,164</u>	<u>\$ 35,421</u>	<u>\$ 1,366,743</u>	<u>\$ -</u>

**Other Investments at Fair Value**

Local Agency Investment Fund (LAIF)	27,049
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**Other Investments at Cost or Contract Value**

Money market funds	114,287
Guaranteed investment contracts	<u>20,910</u>
Total investments	<u>\$ 1,564,410</u>

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**NOTE 5 – RECEIVABLES**

Receivables at September 30, 2016 for the City's individual major funds, nonmajor and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows (in thousands). Governmental activities interest receivable in the Statement of Net Position includes \$168 thousand in federal interest subsidies of the Agency's Build America and Recovery Zone Economic Development Bonds. All receivables are expected to be collected within one year except for delinquent property taxes, notes and loans and Other Noncurrent Receivables.

	<i>General Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Internal Service Funds</i>	<i>Total</i>
<b>Governmental Activities:</b>				
Receivables:				
Interest	\$ -	\$ -	\$ 21	\$ 21
Taxes	90,005	-	-	90,005
Accounts, Unrestricted	38,661	2,245	1,546	42,452
Notes and Loans	1,446	-	-	1,446
Due from Other Governments	18,984	27,281	40	46,305
Other Noncurrent Receivables	<u>-</u>	<u>199,149</u>	<u>-</u>	<u>199,149</u>
Total Receivables	149,096	228,675	1,607	379,378
Less Allowance for Receivables	<u>(28,243)</u>	<u>(1,070)</u>	<u>(131)</u>	<u>(29,444)</u>
Net Receivables	<u>\$ 120,853</u>	<u>\$ 227,605</u>	<u>\$ 1,476</u>	<u>\$ 349,934</u>
 <b>Business-Type Activities:</b>				
Receivables:				
Interest, Unrestricted	\$ 20	\$ 10	\$ 74	\$ 107
Accounts, Unrestricted	4,974	6,275	4,906	14,977
Due from Other Governments	<u>-</u>	<u>-</u>	<u>28</u>	<u>3,697</u>
Total Receivables	4,994	6,285	5,008	18,781
Less Allowance for Receivables	<u>(224)</u>	<u>(265)</u>	<u>(434)</u>	<u>(612)</u>
Net Receivables	<u>\$ 4,770</u>	<u>\$ 6,020</u>	<u>\$ 4,574</u>	<u>\$ 161,700</u>

**The City of Long Beach**  
**The Notes to the Basic Financial Statements**  
**September 30, 2016**

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of September 30, 2016 is as follows (in thousands):

	<i>Receivable - Due to:</i>								
	<i>Nonmajor</i>		<i>Water</i>			<i>Nonmajor</i>		<i>Internal</i>	
	<i>Gov'tal</i>	<i>Gas</i>	<i>Utility</i>	<i>Utility</i>	<i>Tidelands</i>	<i>Proprietary</i>	<i>Service</i>	<i>Funds</i>	<i>Total</i>
<b>Payable- Due from:</b>									
General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ 4,901	\$ 5,401	
Nonmajor Gov'tal	5,361	75	-	-	-	20	737	6,193	
Gas Utility	177	-	-	-	-	-	268	445	
Water Utility	307	3	-	-	-	48	1,823	2,181	
Tidelands	-	-	-	-	-	-	399	399	
Tidelands Oil Revenue	-	-	-	-	1,272	-	55	1,327	
Harbor	234	914	-	23	18,895	71	962	21,099	
Nonmajor Proprietary	12	16	-	-	-	9	863	900	
Internal Service	-	-	30	-	-	-	566	596	
<b>Total Due to</b>	<b>\$ 6,091</b>	<b>\$ 1,008</b>	<b>\$ 30</b>	<b>\$ 23</b>	<b>\$ 20,167</b>	<b>\$ 648</b>	<b>\$ 10,574</b>	<b>\$ 38,541</b>	

	<i>Receivable - Advances from:</i>		
	<i>Nonmajor</i>		<i>Total</i>
	<i>Govern-</i>	<i>Proprietary</i>	<i>Advances</i>
<b>Payable - Advances to:</b>			
General	\$ -	\$ -	\$ 2,614
Nonmajor Governmental	3,809	-	3,809
Tidelands	-	1,300	-
<b>Total Advances from</b>	<b>\$ 3,809</b>	<b>\$ 1,300</b>	<b>\$ 7,723</b>

Due to / Due from Other Funds

The General Fund has provided \$5.4 million to non-major governmental funds. Of this amount, \$2.5 million was provided to the Community Development Grants Fund to cover operating expenses prior to receipt of grant funds from the Home Investment Partnership Act, Community Development Block Grant, and the Workforce Investment Act. In addition, the General Fund provided the General Grants Fund \$2.3 million for temporary cash flow in order to cover expenses for the Urban Area Security Initiative Grant.

As of September 30, 2016, \$1.3 million is payable from the Tidelands Oil Revenue Fund to the Tidelands Fund. This is comprised of approximately \$600 thousand of in net oil profits and \$700 thousand in amounts due under the '1992 Optimized Waterflood Program Agreement.' Under the Agreement, the Tidelands Fund receives 8.5 percent of the incremental oil revenue generated by the injection of water into the Tidelands area oil fields.

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 5 percent of the Harbor operating revenues to the Tidelands Fund. The amount accrued for the Harbor's 2016 operating revenues is \$18.9 million and will be paid in fiscal year 2017.

Advances from Other Funds

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

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

The Subsidence Fund advanced interest earnings on reserves to the General fund in the amount of \$4.1 million in both fiscal years 2005 and 2006. In fiscal year 2007, the General Fund started repayment of \$500 thousand per year at zero percent interest. The balance outstanding as of September 30, 2016 is \$3.1 million, of which \$2.1 million is long-term and \$500 thousand is current.

In fiscal year 2001, The Company, a subset of the Housing Development Fund, entered into a \$4.0 million zero interest loan agreement with the City for the acquisition of 26 parcels of land, each containing a four-plex apartment building for low and very low-income affordable rental housing. The Company is required to make the principal payments to the City using 25 percent of the proceeds from repayments of promissory notes from the developer. Any remaining balance of the promissory note owed on April 1, 2034 shall be immediately due and payable. The Company's outstanding loan balance with Community Development Grants Fund is \$3.8 million at September 30, 2016.

**Interfund Transfers**

The City regularly transfers current financial resources from one fund to another, such as for the reimbursement of services. At September 30, 2016, interfund transfers are as follows (in thousands):

	<i>Transfers To:</i>				
	<i>Nonmajor Governmental Funds</i>		<i>Tidelands Operating</i>	<i>Internal Service Funds</i>	<i>Total Transfers Out</i>
	<i>General</i>	<i>Funds</i>			
Transfers Out of:					
General	\$ -	\$ 31,166	\$ -	\$ 16,801	\$ 47,967
Nonmajor Governmental	4,089	8,783	-	4,356	17,228
Gas	10,351	63	-	1,061	11,475
Nonmajor Proprietary	-	538	-	4,182	4,720
Tideland Oil Revenue	-	-	9,681	-	9,681
Harbor	-	660	18,033	-	18,693
Internal Service Funds	4,967	24	-	598	5,589
Total Transfers In	<u>\$ 19,407</u>	<u>\$ 41,234</u>	<u>\$ 27,714</u>	<u>\$ 26,998</u>	<u>\$ 115,353</u>

Significant transfers include the following:

The General Fund transferred a total of \$31.2 million to non-major governmental funds in fiscal year 2016. Of this \$10.8 million was transferred to the General Debt Service Fund for the payment of principal, interest, and fiscal agent fees; \$18.3 million was transferred to the General Capital Projects Fund for ongoing projects such as street and sidewalk construction, building improvements, maintenance and repair; and \$1.4 million was transferred to the Agency to cover disallowed costs.

Non-major governmental funds transferred \$8.8 million to other non-major governmental funds. Significant transfers include the Agency transferring \$5.1 million to the Capital Projects Fund for the North Library Project; \$1.3 million to the Agency and the Housing Development Fund for debt service payments. The agency transferred \$1.3 million to Employee Benefit Fund to offset unfunded pension liability related to former Redevelopment Agency employees.

The Harbor transferred \$18.0 million to the Tidelands Fund as allowed by the City Charter. The Tidelands Oil Revenue Fund transferred \$2.4 million under the optimized water flood program and an additional \$7.3 million in accordance with Measure D to the Tidelands Fund. The Gas Utility Fund transferred \$10.4 million to the General Fund as allowed by City Charter.

**The City of Long Beach**  
**The Notes to the Basic Financial Statements**  
**September 30, 2016**

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for governmental activity for the year ended September 30, 2016 is as follows (in thousands):

<i>Governmental Activities:</i>	<i>Balance at October 1, 2015</i>				<i>Balance at September 30, 2016</i>
	<i>Increase</i>	<i>Decrease</i>	<i>Transfers</i>		
<b>Capital Assets not being Depreciated:</b>					
Land <sup>1</sup>	\$ 244,124	\$ 7,533	\$ (1,473)	\$ (12,008)	\$ 238,176
Rights-of-way	81,340	-	-	-	81,340
Construction In Progress	16,847	83,040	(1,901)	(31,297)	66,689
Total Capital Assets not being Depreciated	<u>342,311</u>	<u>90,573</u>	<u>(3,374)</u>	<u>(43,305)</u>	<u>386,205</u>
<b>Capital Assets being Depreciated:</b>					
Buildings	296,551	-	-	22,324	318,875
Improvements Other than Buildings	110,917	-	-	961	111,878
Infrastructure	425,940	-	-	480	426,420
Machinery and Equipment	61,752	838	(1,732)	-	60,858
Vehicles and Aircraft	99,756	14,453	(2,319)	-	111,890
Software and Patents	23,628	27	-	-	23,655
Total Capital Assets being Depreciated	<u>1,018,544</u>	<u>15,318</u>	<u>(4,051)</u>	<u>23,765</u>	<u>1,053,576</u>
<b>Less Accumulated Depreciation for:</b>					
Buildings	(142,278)	(7,843)	-	-	(150,121)
Improvements Other than Buildings	(58,646)	(4,953)	-	-	(63,599)
Infrastructure	(299,263)	(12,343)	-	-	(311,606)
Machinery and Equipment	(50,457)	(2,816)	1,687	-	(51,586)
Vehicles and Aircraft	(75,614)	(5,334)	2,315	-	(78,633)
Software and Patents	(11,488)	(1,026)	-	-	(12,514)
Total Accumulated Depreciation	<u>(637,746)</u>	<u>(34,315)</u>	<u>4,002</u>	<u>-</u>	<u>(668,059)</u>
Total Capital Assets being Depreciated, Net	<u>380,798</u>	<u>(18,997)</u>	<u>(49)</u>	<u>23,765</u>	<u>385,517</u>
Governmental Activities Capital Assets, Net	<u>\$ 723,109</u>	<u>\$ 71,576</u>	<u>\$ (3,423)</u>	<u>\$ (19,540)</u>	<u>\$ 771,722</u>

<sup>1</sup> During fiscal year 2016, the old Long Beach Superior Courthouse was demolished to make way for a new Long Beach Civic center. A segment of the related land, 232,000-square-feet, was transferred to Harbor for a new Port of Long Beach headquarters building.

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

General Government	\$ 102
Public Safety	4,616
Public Health	463
Community and Cultural	5,633
Public Works	13,997
Capital Assets held by City's internal services funds allocated to various functions on a prorated basis based on their usage of the assets	9,504
Total governmental activities depreciation	<u>\$ 34,315</u>

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

Capital asset activity for business-type activities for the year ended September 30, 2016 is as follows (in thousands):

<i><b>Business-type Activities:</b></i>	<i><b>Balance at</b></i>				<i><b>Balance at</b></i>
	<i><b>October 1, 2015</b></i>	<i><b>Increase</b></i>	<i><b>Decrease</b></i>	<i><b>Transfers</b></i>	<i><b>September 30, 2016</b></i>
Capital Assets not being Depreciated:					
Land	\$ 993,728	\$ 8,365	\$ (34)	\$ 12,008	\$ 1,014,067
Rights-of-way	212,451	-	-	-	212,451
Water Rights	40	-	-	-	40
Construction In Progress	1,320,321	492,835	(37,491)	(228,336)	1,547,329
Total Capital Assets not being Depreciated	<u>2,526,540</u>	<u>501,200</u>	<u>(37,525)</u>	<u>(216,328)</u>	<u>2,773,887</u>
Capital Assets being Depreciated:					
Buildings	3,386,307	-	(8,436)	160,316	3,538,187
Improvements Other than Buildings	569,666	-	(181)	19,577	589,062
Infrastructure	1,269,644	-	(12,730)	48,443	1,305,357
Machinery and Equipment	83,918	4,274	(68)	-	88,124
Vehicles and Aircraft	32,237	35,870	(3,521)	-	64,586
Software and Patents	21,618	3,405	(1,374)	-	23,649
Total Capital Assets being Depreciated	<u>5,363,390</u>	<u>43,549</u>	<u>(26,310)</u>	<u>228,336</u>	<u>5,608,965</u>
Less Accumulated Depreciation for:					
Buildings	(1,545,108)	(136,824)	98	-	(1,681,834)
Improvements Other than Buildings	(284,399)	(19,699)	22	-	(304,076)
Infrastructure	(751,297)	(30,572)	1,845	-	(780,024)
Machinery and Equipment	(58,549)	(7,486)	23	-	(66,012)
Vehicles and Aircraft	(21,851)	(2,301)	3,516	-	(20,636)
Software and Patents	(9,755)	(3,899)	-	-	(13,654)
Total Accumulated Depreciation	<u>(2,670,959)</u>	<u>(200,781)</u>	<u>5,504</u>	<u>-</u>	<u>(2,866,236)</u>
Total Capital Assets being Depreciated, Net	<u>2,692,431</u>	<u>(157,232)</u>	<u>(20,806)</u>	<u>228,336</u>	<u>2,742,729</u>
Business-type Activities Capital Assets, Net	<u>\$ 5,218,971</u>	<u>\$ 343,968</u>	<u>\$ (58,331)</u>	<u>\$ 12,008</u>	<u>\$ 5,516,616</u>

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

Gas	\$ 6,302
Tidelands	19,476
Harbor	146,721
Water	11,169
Non-major Business-type Funds:	
Sewer	2,187
Solid Waste Management	4,318
Airport	10,590
Development Services	18
Total Business-type Activities Depreciation	<u>\$ 200,781</u>

**Capitalized Interest**

The Harbor, Airport, Tidelands, Gas Utility, Water Utility and Sewer Utility capitalized interest of \$11.5 million, \$95 thousand, \$1.8 million, \$414 thousand, \$587 thousand, and \$117 thousand, respectively, in capital assets.

**The City of Long Beach**  
**The Notes to the Basic Financial Statements**  
September 30, 2016

**NOTE 8 – CHANGES IN LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended September 30, 2016 are as follows (in thousands).

	<i>Balance at October 1, 2015</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at September 30, 2016</i>	<i>Due Within One Year</i>
<b>Governmental Activities:</b>					
Bonds Payable:					
Revenue Bonds	\$ 122,960	\$ 13,150	\$ (8,519)	\$ 127,591	\$ 9,945
Tax Allocation Bonds	267,415	-	(13,539)	253,876	14,180
Plus (Less) Unamortized Amounts:					
Premium	17,741	1,045	(1,300)	17,486	-
Discount	(155)	-	20	(135)	-
Total Bonds Payable	<u>407,961</u>	<u>14,195</u>	<u>(23,338)</u>	<u>398,818</u>	<u>24,125</u>
Notes, Loans and LOC Payable	5,117	141	-	5,258	-
Capital Leases	33,978	1,200	(4,496)	30,682	4,419
Police and Fire Annuities	11,213	1,481	(2,120)	10,574	-
Estimated Oil Field Abandonment Costs	10,000	4,000	-	14,000	-
Environmental Remediation	7,730	6	(4,666)	3,070	232
Accrued Self-Insured Claims	130,621	27,498	(23,166)	134,953	25,915
Accrued Employee Benefits	210,291	9,057	(93,476)	125,872	-
Net OPEB Liability <sup>1</sup>	33,406	2,067	-	35,473	-
Net Pension Liability	622,672	169,962	(85)	792,549	-
Other Long-term Obligations	-	41,007	-	41,007	-
Total, Governmental Activities	<u>\$ 1,472,989</u>	<u>\$ 270,614</u>	<u>\$ (151,347)</u>	<u>\$ 1,592,256</u>	<u>\$ 54,691</u>
<b>Business-Type Activities:</b>					
Bonds Payable:					
Revenue Bonds	\$ 1,610,130	\$ 28,945	\$ (99,170)	\$ 1,539,905	\$ 75,575
Plus (Less) Unamortized Amounts:					
Premium	86,740	4,850	(9,463)	82,127	-
Discount	(98)	-	23	(75)	-
Total Bonds Payable	<u>1,696,772</u>	<u>33,795</u>	<u>(108,610)</u>	<u>1,621,957</u>	<u>75,575</u>
Notes, Loans and LOC Payable	456,730	25,000	(131,288)	350,442	25
Premium	42,519	-	(13,068)	29,451	-
Discount	(1)	1	-	-	-
Total Notes, Loans and Lines of Credit Payable	<u>499,248</u>	<u>25,001</u>	<u>(144,356)</u>	<u>379,893</u>	<u>25</u>
Capital Leases	19,752	-	(1,585)	18,167	1,512
Due to State of California	6,872	33,768	(31,865)	8,775	8,775
Estimated Oil Field Abandonment Costs	53,900	29,700	-	83,600	-
Fair Value of Derivative	15,189	1,730	-	16,919	-
Accrued Claims Liability	-	8,600	-	8,600	8,600
Accrued Employee Benefits	-	9,324	-	9,324	-
Net OPEB Liability <sup>1</sup>	9,087	562	-	9,649	-
Net Pension Liability	244,335	67,118	-	311,453	-
Other Long-term Obligations	-	49,067	-	49,067	-
Site Restoration	1,000	-	-	1,000	-
Total, Business-Type Activities	<u>\$ 2,546,155</u>	<u>\$ 258,665</u>	<u>\$ (286,416)</u>	<u>\$ 2,518,404</u>	<u>\$ 94,487</u>

<sup>1</sup> Beginning balance adjusted due to GASB 75 implementation

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**NOTE 9 – BONDS PAYABLE**

At September 30, 2016, bonded indebtedness consisted of the following (in thousands):

<i>Description</i>	<i>Date Issued</i>	<i>Final Maturity</i>	<i>Range of Interest Rates</i>	<i>Authorized and Issued</i>	<i>Outstanding September 30, 2016</i>
<b>GOVERNMENTAL ACTIVITIES</b>					
LEASE REVENUE BONDS:					
LB Bond Finance Auth LBBFA 2012A	11/28/12	08/01/31	4.0% - 5.0%	\$ 32,969	\$ 32,969
LB Bond Finance Auth LBBFA 2012B	11/28/12	08/01/18	1.1% - 5.0%	15,120	4,831
Parks and Open Spaces	11/07/06	05/01/31	4.0% - 5.0%	24,320	24,320
Courthouse Demolition Revenue Bonds 2016	01/13/16	08/01/26	2.0% - 5.0%	13,150	13,150
Premium (Discount)				-	5,465
Subtotal, General City Bonds				85,559	80,735
TAX ALLOCATION BONDS:					
1992 Multiple Series -					
Downtown Project Refunding	12/01/92	11/01/17	5.5% - 6.0%	81,020	7,976
West Long Beach Industrial	12/01/92	11/01/17	5.5% - 6.0%	36,470	3,595
2002B West Long Beach Industrial Project	12/05/02	11/01/24	2.25% - 5.5%	21,860	12,055
2002B Downtown	12/05/02	11/01/22	2.25% - 5.5%	25,920	22,615
2005C Downtown Project	02/01/06	08/01/24	3.25% - 5.50%	7,900	5,800
2005C North Long Beach Project	02/01/06	08/01/31	3.25% - 5.50%	27,145	22,500
2010A North Long Beach Recover Zone	05/12/10	08/01/40	2.39% - 8.36%	22,235	22,235
2010B North Long Beach Build America	05/12/10	08/01/25	2.39% - 8.36%	10,745	7,015
2015AB SA Tax Alloc Rev	06/23/15	08/01/40	4.00% - 5.00%	155,820	150,085
Premium/Discount				-	8,996
Subtotal, Tax Allocation Bonds				389,115	262,872
INTERNAL SERVICE FUND BONDS:					
2012A LB Bond Fin Auth Lease Revenue	11/28/12	08/01/31	4.0% - 5.0%	21,661	21,661
2002 Pension Obligation Refunding Bonds	08/15/02	09/01/21	5.18%	76,550	30,660
Premium/Discount				-	2,890
Subtotal, Internal Service Fund Bonds				98,211	55,211
Total, Governmental Activities				\$ 572,885	\$ 398,818

(continued)

**The City of Long Beach**  
**The Notes to the Basic Financial Statements**  
**September 30, 2016**

<i>Description</i>	<i>Date Issued</i>	<i>Final Maturity</i>	<i>Range of Interest Rates*</i>	<i>Authorized and Issued</i>	<i>Outstanding September 30, 2016</i>
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>					
ENTERPRISE FUND BONDS:					
Gas Utility Fund:					
2007A Natural Gas Purchase	10/18/07	11/15/37	4.25% - 5.5%	\$ 635,665	\$ 530,780
2007B Natural Gas Purchase	10/18/07	11/15/33	4.9% - 5.07%	251,695	69,005
Premium/Discount				-	12,492
Subtotal, Gas Utility Bonds				887,360	612,277
Tidelands Fund:					
2012 Aquarium Bonds	03/14/12	11/01/30	3.5% - 5.0%	102,580	85,655
2015 Marina Revenue Bonds	06/03/15	05/15/45	4.0% - 5.0%	114,015	114,015
2016 Rainbow Refunding bonds	07/26/16	08/01/23	3.0% - 5.0%	19,115	19,115
Premium/Discount				-	17,853
Subtotal, Tidelands Bonds				235,710	236,638
Harbor Fund:					
1998 Harbor	02/01/98	05/15/19	5.0% - 6.0%	206,330	47,030
2010A Harbor	04/22/10	05/15/25	0.4% - 5.0%	200,835	136,715
2010B Harbor	05/12/10	05/15/27	3.0% - 5.0%	158,085	127,660
2014A Harbor	04/24/14	05/15/17	2.0% - 5.0%	38,465	12,730
2014B Harbor	04/24/14	05/15/27	3.0% - 5.0%	20,570	20,570
2015A Harbor	04/16/15	05/15/23	4.0% - 5.0%	44,845	44,845
2015B Harbor	04/16/15	05/15/25	5.0%	20,130	20,130
2015C Harbor	07/15/15	05/15/32	5.0%	66,085	66,085
2015D Harbor	07/15/15	05/15/42	5.0%	66,865	66,865
Premium/Discount				-	45,762
Subtotal, Harbor Bonds				822,210	588,392
Water Utility Fund:					
2010A Water	09/15/10	05/01/24	3.0% - 5.0%	22,740	19,795
2012 Water	08/30/12	05/01/27	2.0% - 5.0%	9,850	7,845
Premium/Discount				-	2,303
Subtotal, Water Utility Bonds				32,590	29,943
Non-Major Enterprise Funds:					
2009A Airport	12/08/09	06/01/22	4.0% - 5.0%	9,795	8,925
2009C Airport	12/08/09	06/01/39	7.0% - 7.8%	44,890	44,890
2010A Airport	11/23/10	06/01/40	4.0% - 5.0%	48,435	44,715
2010B Airport	11/23/10	06/01/40	3.0% - 5.0%	12,965	11,685
2003 SERRF	11/12/03	12/01/18	4.0% - 5.375%	120,235	31,020
2016 Sewer	08/24/16	05/01/36	4.0% - 5.0%	9,830	9,830
Premium/Discount				-	2,571
Subtotal, Non-Major Enterprise Bonds				246,150	153,636
Total, Business-Type				2,224,020	1,620,886
Grand Total, Primary Government Bonds Payable				\$ 2,796,905	\$ 2,019,704

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**Governmental Funds**

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

<b>Year Ending</b>	<b>Government Funds</b>		<b>Internal Service Funds</b>		<b>Annual Debt Service Requirements</b>		
	<b>Lease Revenue</b>	<b>Tax Allocation</b>	<b>Pension Obligation</b>	<b>Lease Revenue</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 4,415	\$ 14,180	\$ 5,530	\$ -	\$ 24,125	\$ 18,158	\$ 42,283
2018	5,087	14,530	5,815	773	26,205	17,191	43,396
2019	4,675	15,300	6,115	1,410	27,500	16,108	43,608
2020	4,887	15,945	6,435	1,473	28,740	14,899	43,639
2021	5,113	15,405	6,765	1,542	28,825	13,582	42,407
2022 - 2026	29,167	69,290	-	8,938	107,395	50,609	158,004
2027 - 2031	21,926	46,590	-	7,525	76,041	29,260	105,301
2032 - 2036	-	39,000	-	-	39,000	12,548	51,548
2037 - 2040	-	23,636	-	-	23,636	3,225	26,861
Subtotal	75,270	253,876	30,660	21,661	381,467	175,580	557,047
Premium / Discount	5,465	8,996	(63)	2,953	17,351	-	17,351
<b>Totals</b>	<b>\$ 80,735</b>	<b>\$ 262,872</b>	<b>\$ 30,597</b>	<b>\$ 24,614</b>	<b>\$398,818</b>	<b>\$175,580</b>	<b>\$574,398</b>

**New Debt Issuance - Courthouse Demolition Revenue Bonds**

In January 2016, the Long Beach Bond Financing Authority issued \$13.2 million in Lease Revenue Bonds 2016 Series A (Courthouse Demolition Project) to finance the costs of hazardous materials abatement and demolition of the old County of Los Angeles Courthouse located on property owned by the City, the relocation of the 3rd Street and Pacific Avenue storm drain, and one-time and construction costs related to the City's Civic Center project. The 2016 Series A bonds are payable through August 1, 2026 with total debt service in the amount of \$15,933,000. The interest rates range from 2.0 percent to 5.0 percent. The bonds are secured by revenues, consisting primarily of Lease Payments made by the City.

**Advance Refundings**

In December 2002, the Agency issued \$47.8 million in LBBFA Downtown and West Long Beach Industrial Redevelopment Project Areas 2002 Series B Tax Allocation Revenue Bonds (Series B bonds). These 2002 Series B bonds were issued (a) to refund \$25.7 million of the outstanding Series 1992A Downtown and West Long Beach Industrial Bonds with interest rates ranging from 0.0 percent to 6.0 percent, (b) to repay certain amounts owed by the Agency to the Harbor, (c) to make a deposit to the reserve account and (d) to pay certain issuance costs for the 2002 Series B bonds. The 2002 Series B interest rates range from 2.0 percent to 5.5 percent for the West Long Beach Industrial Project and 2.3 percent to 5.5 percent for Downtown Project.

In February 2006, the Agency issued \$35.0 million in LBBFA Tax Allocation Revenue Bonds Downtown and North Long Beach Redevelopment Project Areas 2005 Series C bonds (Series C bonds). The Series C bonds were issued to (a) purchase a portion of the outstanding Redevelopment Agency of the City of Long Beach 2002 Subordinate Tax Allocation Bonds (Downtown Redevelopment Project) and (b) the outstanding Redevelopment Agency of the City of Long Beach 2002 Tax Allocation bonds (North Long Beach Redevelopment Project) in order to advance refund a portion of the outstanding LBBFA Tax Allocation Revenue Bonds (Downtown, North Long Beach, Poly High, and West Beach Redevelopment Project Areas) 2002 Series A and to finance certain

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

Agency projects within or of benefit to the Downtown Project Area. The interest rates for the Series C bonds range from 3.3 percent to 5.5 percent.

**Business-Type Funds**

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

**Business-Type Activities**

Year Ending	<i>Enterprise Funds</i>					Non Major Funds	Annual Debt Service Requirements		
	<i>Major Funds</i>				Principal	Interest	Total		
	Gas Utility	Tidelands	Harbor	Water					
2017	\$ 8,120	\$ 6,930	\$ 44,905	\$ 2,730	\$ 12,890	\$ 75,575	\$ 78,127	\$ 153,702	
2018	8,925	7,900	47,190	2,815	13,400	80,230	74,643	154,873	
2019	10,290	8,315	45,965	2,930	14,105	81,605	70,643	152,248	
2020	11,905	8,805	37,300	3,050	3,375	64,435	66,677	131,112	
2021	13,990	9,345	39,110	3,170	3,535	69,150	63,456	132,606	
2022 - 2026	100,815	45,315	200,160	12,085	20,260	378,635	259,755	638,390	
2027 - 2031	151,285	52,705	52,740	860	25,615	283,205	173,384	456,589	
2032 - 2036	146,365	22,410	31,305	-	32,610	232,690	116,142	348,832	
2037 - 2041	148,090	28,595	35,710	-	25,275	237,670	30,990	268,660	
2042 - 2045	-	28,465	8,245	-	-	36,710	4,057	40,767	
Subtotal	599,785	218,785	542,630	27,640	151,065	1,539,905	937,874	2,477,779	
Premium / Discount	12,492	17,853	45,762	2,303	2,571	80,981	-	80,981	
Totals	\$ 612,277	\$ 236,638	\$ 588,392	\$ 29,943	\$ 153,636	\$ 1,620,886	\$ 937,874	\$ 2,558,760	

During fiscal year 2016, the City had the following new debt issuances in the business-type funds:

**Rainbow Harbor Refunding Bonds**

In July 2016, the Long Beach Bond Finance Authority issued \$19.1 million in Lease Revenue Bonds 2016 Series B (Rainbow Harbor Refinancing Project) (2016 Series B) to refinance costs of improvements in the Rainbow Harbor area of the City of Long Beach including the refunding of the Long Beach Bond Finance Authority Lease Revenue Refunding Bonds 2006 Series A (Rainbow Harbor Refinancing Project) and pay costs of issuance for the bonds. The 2016 Series B bonds are payable through August 1, 2023 with total debt service in the amount of \$22,688,000. The interest rates range from 3.0 percent to 5.0 percent. The refunding resulted in an accounting loss of \$107,000, which will be recognized over the life of the bonds. Aggregate debt service decreased by \$2,629,000, thereby resulting in an economic gain of \$3,334,000.

**Senior Sewer Revenue Refunding Bonds - Series 2016A**

On September 7, 2016, the Sewer Fund issued \$9.8 million in Senior Sewer Revenue Refunding Bonds, Series 2016A (Bonds) to provide funds to (a) refund the outstanding principal for the Wells Fargo Revolving Line of Credit and (b) pay the cost of issuing the Series 2016A Bonds. The objective of this debt refinancing was to take advantage of low fixed rates and provide the Sewer Utility with certainty in its future debt service payment requirements.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

The Bonds bear interest ranging from 4.0 percent to 5.0 percent per annum payable in May and November of each year, commencing in November of 2016. Principal payments are due every May commencing on in 2017 with bond terms maturing through the year 2036. The Bonds and any Parity Obligations are secured by a first lien upon and pledge of all of the net revenues of the Sewer Utility.

**Pledged Revenues**

The Agency has pledged a portion of property tax revenues attributable to the Project Areas of the former Redevelopment Agency to repay tax allocation bonds issued in between 1992 and 2015. The bonds were issued to finance either redevelopment activities within various project areas or to refinance existing debt that was originally issued for the same purpose. Property tax revenues attributable to the Project Areas of the former Redevelopment Agency are projected to produce 100 percent of the debt service requirements over the life of the bonds. As of September 30, 2016, total principal and interest requirement for the bonds is \$388.3 million (\$253.9 million for principal and \$134.4 for interest), payable semiannually through 2040. For the current year, tax increment revenues received and total debt service paid were \$26.5 million.

**Special Assessment Debt**

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

At September 30, 2016, aggregate special assessment debt issued through the City consisted of eight issues and is summarized as follows:

• Dates Issued:	7/11/02 – 6/15/10
• Final Maturities:	10/01/25 – 10/1/40
• Range of Interest Rates:	2.0% – 6.30%
• Amounts Authorized and Issued:	\$1,060,000 – \$43,000,000
• Range of Amounts Outstanding:	\$835,000 – \$33,060,000
• Aggregate Outstanding at September 30, 2016:	\$56,655,000

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

**Pike Public Improvements**

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

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

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

In December 2009, Community Facilities District No. 2007-2 (Belmont Shore) issued \$3.7 million of Special Tax Bonds. The Bonds are payable solely from proceeds of a special assessment tax to be levied annually on land within the district and certain pledged Belmont Shore area parking meter revenues. Proceeds will be used to finance a new City parking lot in the Belmont Shore area and to finance other improvements to enhance parking. The bonds do not constitute a debt of the City; therefore, no liability has been recorded in the City's books. The Bonds will mature in October 2040 and carry interest rates ranging from 2.0 percent to 6.0 percent.

**Toledo Utility Underground**

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

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

**Conduit Debt**

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

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

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

At September 30, 2016, the City's Conduit Debt outstanding consisted of the following (in thousands):

<b>Description</b>	<b>Final Maturity</b>	<b>Amount Authorized</b>	<b>Outstanding at September 30, 2016</b>
Carnival Bonds	2030	\$ 30,000	\$ 25,255
Grisham Housing Bonds Series A	2035	10,245	1,176
Total Conduit Debt		<u>\$ 40,245</u>	<u>\$ 26,431</u>

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**NOTE 10 – NOTES, LOANS PAYABLE AND OTHER LONG-TERM OBLIGATIONS**

At September 30, 2016, the City had notes, loans payable and other long-term obligations, consisting of the following (in thousands):

<i>Description</i>	<i>Date Issued</i>	<i>Final Maturity</i>	<i>Range of Interest Rates</i>	<i>Authorized and Issued</i>	<i>Outstanding at September 30, 2016</i>
<b><u>GOVERNMENTAL ACTIVITIES</u></b>					
NOTES, LOANS AND LINES OF CREDIT PAYABLE:					
Successor Agency Fund:					
Los Angeles County	01/21/92	12/10/31	3.75%	\$ 5,258	\$ 5,258
OTHER LONG-TERM OBLIGATIONS:					
Civic Center Fund:					
New Civic Center Complex	N/A	N/A	N/A	-	41,007
General Fund:					
Police and Fire Annuity	N/A	N/A	N/A	37,600	10,574
Total, Governmental Activities				\$ 42,858	\$ 56,839

**BUSINESS-TYPE ACTIVITIES**

NOTES, LOANS AND LINES OF CREDIT PAYABLE:

Tidelands Fund:						
State of Calif DBAW - Lighthouse	06/23/00	08/01/30	4.5%	\$ 700	\$ 435	
Southern Calif Edison Project 2417	04/06/12	10/20/21	0.0%	13	7	
Total Tidelands Fund				713	442	

Harbor Fund:

Harbor Short Term Note 2014c	06/12/14	11/15/18	Variable	325,000	325,000	
Premium/Discount				-	30,522	
Line of Credit 2016	07/12/16	07/11/19	Variable	200,000	25,000	
Total Harbor Fund				525,000	380,522	

OTHER LONG-TERM OBLIGATIONS:

Harbor Fund						
Port of Long Beach Headquarters	N/A	N/A	N/A	-	49,067	
Total, Business-Type Activities				\$ 525,713	\$ 430,031	

**Governmental Activities**

**Successor Agency Fund Loans**

The Agency has an agreement with the Los Angeles County Office of Education and the County of Los Angeles (County Entities) whereby the County Entities' share of the net tax increment generated by the Los Altos Project area shall be deferred through 2020. The deferral accrues simple interest at a rate of 3.8%. The outstanding balance of the deferral and any accrued interest are due prior to the termination of the project area in 2031. The balance at September 30, 2016 totaled \$5.3 million.

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

Payments over the next five years will be made as follows (in thousands):

<i>Year ending</i>	<i>Governmental Activities</i>			<i>Total</i>
	<i>Successor Agency</i>	<i>Annual Debt Service Requirements</i>		
		<i>Principal</i>	<i>Interest</i>	
2017	\$ -	\$ -	\$ -	\$ -
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022 - 2026	-	-	-	-
2027 - 2031	-	-	-	-
2032 - 2035	<u>5,258</u>	<u>5,258</u>	-	<u>5,258</u>
Total	<u><u>\$ 5,258</u></u>	<u><u>\$ 5,258</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,258</u></u>

**Police and Fire Annuity Obligation Program**

The City administers a Police and Fire Annuity Program (Program). Enrollment in the Program was terminated in 1945. The Program covers a diminishing number of public safety retirees or their surviving spouses. Total expenditures amounted to \$2.1 million for the fiscal year ended September 30, 2016. Program benefits are funded on a *pay-as-you-go* basis and the Program has no assets.

At September 30, 2016, the program liability was \$10.6 million and there were 24 remaining participants. The change in the Program's accrued liability is as follows (in thousands):

Accrued Program Liability at October 1, 2015	\$ 11,213
Increase (Decrease) During the Year Attributable to:	
Benefits Paid	(2,120)
Estimated Change in Annualized Value of Benefits	<u>1,481</u>
Accrued Program Liability at September 30, 2016	<u><u>\$ 10,574</u></u>

The number of program participants diminishes each year. Since fiscal year 2011, participation in the Program has decreased by 25 individuals to 24 total participants. The following table summarizes total annuity benefits paid, accrued liability and number of participants in the Program for the last five fiscal years (dollars in thousands):

<i>Year Ending</i>	<i>Number of Participants</i>	<i>Annuity Benefits Paid</i>	<i>Accrued Program Liability</i>
2012	49	\$ 3,260	\$ 14,224
2013	43	3,067	14,183
2014	38	2,826	12,514
2015	31	2,400	11,213
2016	24	2,120	10,574

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

### **Business-Type Activities**

Notes and loan payments relating to business-type activities over the next five years will be made as follows (in thousands):

<b><i>Year ending</i></b>	<b><i>Business-Type Activities</i></b>					
	<b><i>Principal Payments</i></b>		<b><i>Annual Debt Service Requirements</i></b>			<b><i>Total</i></b>
	<b><i>Tidelands</i></b>	<b><i>Harbor</i></b>	<b><i>Principal</i></b>	<b><i>Interest</i></b>		
2017	\$ 25	\$ -	\$ 25	\$ 15,663	\$ 15,688	
2018	26	-	26	15,662	15,688	
2019	27	350,000	350,027	7,839	357,866	
2020	28	-	28	16	44	
2021	28	-	28	15	43	
2022 - 2026	157	-	157	56	213	
2027 - 2031	152	-	152	18	170	
Subtotal	443	350,000	350,443	39,269	389,712	
Premium / Discount	(1)	30,522	30,521	-	30,521	
<b>Totals</b>	<b>\$ 442</b>	<b>\$ 380,522</b>	<b>\$ 380,964</b>	<b>\$ 39,269</b>	<b>\$ 420,233</b>	

### **Tidelands Loans**

The Tidelands Fund entered into a loan agreement with the Department of Boating and Waterways for construction and improvements to the lighthouse with a harbormaster's office. The total amount authorized and issued was \$700 thousand as of September 30, 2016, with an interest rate of 4.50%. The amount outstanding at September 30, 2016 was \$435 thousand.

During fiscal years 2012 and 2013, the City entered into loan agreements with Southern California Edison (SCE) to fund municipal energy efficiency projects. The amount outstanding at September 30, 2016 was \$7 thousand.

### **Harbor Revenue Short-Term Notes**

In June 2014, the City issued \$325.0 million of Harbor Revenue Short/Term Notes Series 2014C, (a) to finance and refinance a portion of the costs of the Gerald Desmond Bridge Replacement Project, (b) to fund capital interest on the Series 2014C Senior Notes through November 15, 2018, (c) to repay \$20.0 million aggregate principal amount of outstanding Subordinate Revolving Obligations that were originally issued to finance cost of the Gerald Desmond Bridge Replacement Project, and (d) to pay the costs of issuing the Series 2014C Senior Notes.

The Series 2014C Senior Notes are secured by a pledge of revenues and funds of the Harbor Department. The Notes bear interest payable semiannually and will mature on November 2018.

### **Harbor Revolving Lines of Credit**

In July 2016, the Harbor authorized the issuance of \$200.0 million in Subordinate Harbor Revenue Revolving Obligations. Union Bank will provide two revolving lines of credit (a tax-exempt and taxable revolving line of credit) that will allow the Harbor to borrow up to \$200.0 million at any one time. Interest rates for both the Subordinate Harbor Revenue Revolving Obligation Series B (Tax Exempt) and the Subordinate Harbor Revenue Revolving Obligation Series C (Taxable) will be based on a percentage of the one-month LIBOR rate. At September 30, 2016, the outstanding balance on this line of credit was \$25.0 million.

## The City of Long Beach

The Notes to the Basic Financial Statements  
September 30, 2016

The revolving LOCs will be available for three years (unless the revolving line of credit is terminated earlier or extended pursuant to its terms). Any amounts borrowed are secured with a subordinate lien on the Harbor revenues.

### **Other Long-term Obligation**

#### **New Civic Center Complex**

During fiscal 2016, the City entered into a multi-party Public-Private Partnership (P3) agreement (Project Agreement) with an unrelated third party that will result in the construction of a new LEED-certified City Hall, headquarters building for the Port of Long Beach (Harbor), Main Library, and a revitalized Lincoln Park (the Project). The Project Agreement requires Plenary Edgemore Civic Partners, LLC (PECP) to arrange for the financing of the Civic Center Project through privately placed taxable debt and equity.

The estimated \$522.5 million Project comprises two components; a \$300.7 million City project consisting of a new City Hall, new Main Library and revitalized Lincoln Park (City Project Assets) and a \$221.8 million new Harbor headquarters building. Certain common areas will be jointly owned by both the City and the Harbor. The Project Agreement requires PECP to design, build, operate, and maintain the Civic Center complex.

The Project Agreement requires limited City funding during the construction phase of the Project which commenced in the spring of 2016. The Project has a scheduled completion/occupancy date of June 2019 for all Project assets except Lincoln Park which has a scheduled completion date of November 30, 2020.

Upon occupancy of the Harbor headquarters building, the Harbor will be required to make a one-time payment of \$212.6 million to PECP, net of a 9.2M true up payment from the City. This payment will be made from Harbor cash and investments on hand or possible future borrowings.

Upon occupancy of the new City Hall and the new Library, the City is required to begin paying PECP the Base Service fees, as defined, over 40 years consisting of a Fixed Growth Fee attributable to construction costs of the City Project Assets and a Variable Growth Fee attributable primarily to operation and maintenance services and life-cycle replacement costs of City Project Assets. Both the Fixed Growth and Variable Growth Fee have scheduled annual increases. The Fixed Growth component is a stable 2.18% per annum and the Variable Growth is subject to annual increases in the CPI-U index.

The City will also pay PECP for various operating and maintenance and life-cycle replacement costs related to the Harbor Headquarters building and for the Harbor's portion of the jointly owned common areas. These costs, referred to as FM charges, have a fixed component totaling \$71 thousand a month and a variable component ranging from zero to \$128 thousand a month depending on the scope of lifecycle costs. The FM charges are also to be paid over a 40-year term.

For accounting purposes, due to the build-to-suit nature of the Project Agreement coupled with the Project being constructed on City and Harbor owned land, the City and Harbor are deemed to be the owners of the Project during construction. Accordingly, at September 30, 2016, the City and Harbor have recorded construction-in-progress and a corresponding long-term obligation of \$41,007 and \$49,067, respectively, for their share of construction contract costs to date.

**The City of Long Beach**  
**The Notes to the Basic Financial Statements**  
**September 30, 2016**

The following schedule presents the expected long-term outflow of resources related to the City's new Civic Center.

Year	Payments		
	Fixed	Variable	Total
2017	\$ -	\$ -	\$ -
2018	-	-	-
2019	2,550	1,382	3,932
2020	10,422	5,660	16,082
2021	10,649	5,796	16,445
2022 - 2026	56,831	31,135	87,966
2027 - 2031	63,301	35,055	98,356
2032 - 2036	70,509	39,469	109,978
2037 - 2041	78,537	44,438	122,975
2042 - 2046	87,478	50,032	137,510
2047 - 2051	97,438	56,332	153,770
2052 - 2056	108,533	63,424	171,957
2057 - 2061	99,863	58,937	158,800
Totals	<u>\$ 686,111</u>	<u>\$ 391,660</u>	<u>\$ 1,077,771</u>

The Project Agreement also calls for the exchange of other remuneration including a \$17.8 million payment from the PECP to the City on or before September 26, 2019 which will fund or reimburse the City's retirement of any outstanding debt on existing City Hall and expedite the conveyance of existing City Hall to PECP for redevelopment purposes. The conveyance of the existing City Hall will occur post-occupancy of new City Hall and is valued at approximately \$13.7 million. The items discussed herein are not reflected in the table above.

The City and the Harbor have entered into a separate memorandum of understanding which among other topics requires Harbor to reimburse the City monthly for any FM charges.



**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**NOTE 11 – LEASING ARRANGEMENTS**

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

<i>Description</i>	<i>Date Issued</i>	<i>Final Maturity</i>	<i>Range of Interest Rates</i>	<i>Authorized and Issued</i>	<i>Outstanding at September 30, 2016</i>
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>					
General Fund:					
City Light and Power (a)	05/29/96	10/31/19	8.73%	\$ 20,968	\$ 6,617
Modular Trailers (b)	11/15/11	11/15/16	1.94%	302	11
Digital X-Ray (c)	03/30/12	03/15/19	2.06%	311	116
Tasers and Accessories (d)	08/26/14	08/26/19	3.53%	1,012	315
Total General Fund				<u>22,593</u>	<u>7,059</u>
Internal Service Funds:					
Civic Center Fund:					
Civic Center Projects (e)	08/13/10	04/01/27	4.30%	<u>31,450</u>	<u>21,855</u>
Total Civic Center Fund				<u>31,450</u>	<u>21,855</u>
General Services Fund:					
Virtual Storage Platform (f)	06/06/12	06/15/17	1.89%	261	41
Personal Computers & Equipment (g)	11/14/13	11/15/17	1.80%	939	281
Computer Equipment and Servers (h)	11/26/14	12/15/18	1.93%	900	515
Computer Equipment and Servers (i)	11/23/15	10/23/19	1.34%	<u>1,200</u>	<u>931</u>
Total General Services Fund				<u>3,300</u>	<u>1,768</u>
Total Governmental Activities Leases				<u>\$ 57,343</u>	<u>\$ 30,682</u>
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>					
Gas Utility Fund:					
Utility Customer Information Software (j)	09/15/11	09/15/18	2.06%	\$ 3,025	\$ 909
Advanced Metering Infrastructure (k)	08/03/15	05/01/30	2.40%	18,000	16,888
Tidelands Fund:					
Convention Center (l)	10/01/05	10/01/25	4.99%	<u>649</u>	<u>370</u>
Total Business-type Activities Leases				<u>\$ 21,674</u>	<u>\$ 18,167</u>

- (a) The City entered into a capital lease agreement in May 1996 to improve and replace the street lighting infrastructure in the City. The lease amount varies by year ranging from \$57 thousand per month at inception to \$169 thousand per month from year six through year 25.
- (b) In November 2011, the City entered into a capital lease agreement to finance the acquisition of five modular trailers to provide office and meeting space in several City parks. The lease is payable in monthly installments of \$5 thousand through November 2016.
- (c) The City entered into capital lease agreement in March 2012 to finance the acquisition of a digital x-ray system for use by the Health and Human Services Department. Monthly installments of \$4 thousand are due through March 2019.
- (d) The City entered into a capital lease agreement for the purchase of tasers and accessories. The lease is payable in annual installments of \$ 1.0 million through August 2019.

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

- (e) The City entered into a private placement capital lease to redeem the 1997 Series A Lease Revenue and Refunding Bonds. The original bonds were used for Civic Center complex capital projects. The advanced refunding resulted in an accounting loss of \$1.3 million and an economic gain of \$1.2 million. The City pays annual debt service payment of approximately \$2.6 million per annum through 2027.
- (f) In June 2012, the City entered into a capital lease agreement to replace computer servers. Lease payments are \$5 thousand a month through June 2017.
- (g) The City entered into a capital lease agreement for the purchase of computers, computer-related equipment, and servers in November 2013. The lease is payable in monthly installments of \$20 thousand through November 2017.
- (h) The City entered into a capital lease agreement for the purchase of computers, computer-related equipment, and servers in November 2014. The lease is payable in monthly installments of \$19 thousand through December 2018.
- (i) The City entered into a capital lease agreement for the purchase of computers, server equipment and server storage equipment in November 2015. The lease is payable in monthly installments of \$26 thousand through November 2019.

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

Year ending	Governmental Activities					
	Principal Payments by Fund			Annual Debt Service Requirements		
	General	Civic Center	General Services	Principal	Interest	Total
2017	\$ 1,969	\$ 1,645	\$ 805	\$ 4,419	\$ 1,443	\$ 5,862
2018	2,092	1,730	573	4,395	1,193	5,588
2019	2,998	1,810	364	5,172	940	6,112
2020	-	1,900	26	1,926	697	2,623
2021	-	1,990	-	1,990	614	2,604
2022 - 2026	-	11,495	-	11,495	1,686	13,181
2027 - 2031	-	1,285	-	1,285	28	1,313
Totals	\$ 7,059	\$ 21,855	\$ 1,768	\$ 30,682	\$ 6,601	\$ 37,283

- (j) The City entered into a capital lease agreement for the purchase and implementation of a utility customer information system in September 2011. The lease is payable in monthly installments of \$39 thousand through September 2018.
- (k) The City entered into a capital lease agreement for the purchase and implementation of an Advanced Metering Infrastructure (AMI) in August 2015. The lease is payable in monthly installments of \$713 thousand through May 2030.
- (l) The City entered into a capital lease agreement to finance the installation of a surface membrane to the Convention Center roof. The lease is payable in annual installments of \$52 thousand through October 2025.

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

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

<i><b>Year ending</b></i>	<i><b>Business-type Activities</b></i>				
	<i><b>Principal Payments by Fund</b></i>		<i><b>Annual Debt Service Requirements</b></i>		
	<i><b>Gas Utility</b></i>	<i><b>Tidelands</b></i>	<i><b>Principal</b></i>	<i><b>Interest</b></i>	<i><b>Total</b></i>
2017	\$ 1,478	\$ 34	\$ 1,512	\$ 432	\$ 1,944
2018	1,513	35	1,548	396	1,944
2019	1,078	37	1,115	364	1,479
2020	1,104	39	1,143	336	1,479
2021	1,131	41	1,172	307	1,479
2022 - 2026	6,080	184	6,264	1,083	7,347
2027 - 2031	5,413	-	5,413	296	5,709
Totals	<u>\$ 17,797</u>	<u>\$ 370</u>	<u>\$ 18,167</u>	<u>\$ 3,214</u>	<u>\$ 21,381</u>

Operating Leases

The City's operating leases consist primarily of rental properties occupied by various City departments. Lease obligations for City-leased properties include rent, utility charges, common area maintenance, storage, and parking.

The following is a schedule of current-year rental costs, as well as future minimum rental obligations required under a number of operating lease agreements entered into by the City for properties that have initial or remaining non-cancelable lease terms in excess of one year as of September 30, 2016 (in thousands):

<i><b>Year ending</b></i>	<i><b>Total</b></i>
2016	\$ 5,933
2017	4,522
2018	3,708
2019	3,748
2020	3,606
2021 - 2025	11,739
2026 - 2030	9,389
2031 - 2035	10,160
2036 - 2040	<u>4,841</u>
Total	<u>\$ 57,646</u>

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**Lease Revenues**

The City is the lessor for a number of operating lease agreements. Future rental income under non-cancelable operating leases having an initial term in excess of one year is as follows (in thousands):

<i>Year ending</i>	<i>Total</i>
2017	\$ 358,303
2018	358,393
2019	357,345
2020	350,969
2021	347,683
2022 - 2026	1,536,981
2027 - 2031	669,191
2032 - 2036	483,749
2037 - 2041	1,280,613
2042 - 2046	65,963
2047 - 2051	66,796
2052 - 2056	34,737
2057 - 2061	26,022
2062 - 2066	26,663
2067 - 2071	11,562
2072 - 2076	7,796
2077 - 2081	7,290
2082 - 2086	3,207
<hr/>	<hr/>
Total	<hr/> <hr/> \$ 5,993,263



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**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**NOTE 12 – DERIVATIVE INSTRUMENTS**

At September 30, 2016, the City had the following hedging derivative instruments outstanding within business-type activities:

Type	Objective	Notional Amount	Effective Date	Various Maturity Dates to:	Terms
Pay-Fixed Interest	To reduce the risks associated with the change in interest rates related to the 2007 Series B Variable-rate Bonds.	\$69.0 million	11/18/2007	11/15/2033	Receive 67% LIBOR plus 1.432%, pay fixed at 4.931%
Commodity Forward Contract	To hedge against a reduction in revenues resulting from changes in monthly commodity prices.	120.9 million MMBtu <sup>1</sup>	11/18/2007	9/30/2037	Pay variable receive fixed for scheduled notional quantities.

<sup>1</sup> MMBtu is one million British Thermal Units.

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

Maturity Date	Notional Amounts (in thousands)	Synthetic Fixed		
		Rate	Variable Rate	Spread
11/15/2025	\$ 19,195	4.903%	1.982%	1.410%
11/15/2026	25,175	4.930%	2.002%	1.430%
11/15/2027	24,630	4.955%	2.022%	1.450%
11/15/2033	5	5.067%	2.122%	1.550%
	<u>\$ 69,005</u>	<u>4.931%</u> <sup>2</sup>	<u>2.004%</u> <sup>3</sup>	<u>1.432%</u> <sup>2</sup>

<sup>2</sup> Percentages are weighted average.

<sup>3</sup> The weighted average floating rate is based on the present value of 67% of the forward three-month LIBOR rate curve at September 30, 2016, plus the indicative spread.

The objective of the swap was to effectively change the variable interest rate on the Prepay Bonds to a synthetic weighted average fixed rate of 4.9 percent (pay-fixed interest rate swap). The Prepay Bonds and the related swap agreements mature on the dates specified above and the swap's notional amount of \$69.0 million matches the \$69.0 million variable-rate Prepay Bonds. The swap was effective at the same time the Prepay Bonds were issued on October 18, 2007.

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

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

(BBA), plus a spread as defined above, not to exceed a rate of 15 percent per annum for any calculation period.

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

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

*Fair Value:* The interest rate swap, with the market price quoted by Bank of America-Merrill Lynch, had a negative fair value of approximately \$15.2 million at October 1, 2015. During the current period, ending September 30, 2016, the fair value decreased \$1.7 million to a negative fair value of \$16.9 million. The fair value for the interest rate swap is described as the exit price, which is based on the London Interbank Offered Rate (LIBOR) swap rate. The interest rate swap is classified as Level 2 in the fair value hierarchy as the LIBOR swap rate is observable for the full term of the swap.

The commodity swap, with the market price quoted by RBC, had a fair value of \$491 million at October 1, 2015. During the current period, fair value increased \$46.7 million to a fair value of \$537 million as of September 30, 2016. The fair value for the commodity swap is based on RBC's quoted price. The commodity swap is classified as Level 3 as the valuation relies primarily on unobservable inputs.

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

<i>Maturity Date</i>	<i>Fair Value, October 1, 2015</i>	<i>Change in Fair Value</i>	<i>Fair Value, September 2016</i>
<i>Interest Rate Swap</i>			
11/15/2025	\$ (3,957)	\$ (342)	\$ (4,299)
11/15/2026	(5,521)	(619)	(6,140)
11/15/2027	(5,710)	(768)	(6,478)
11/15/2033	(1)	(1)	(2)
	(15,189)	(1,730)	(16,919)
<i>Commodity Swap</i>			
9/30/2037	490,592	46,742	537,334
Total	<u>\$ 475,403</u>	<u>\$ 45,012</u>	<u>\$ 520,415</u>

Information on the effects of these transactions on the financial statement presentation can be found in Note 24 – Deferred Outflows and Deferred Inflows of Resources.

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

*Credit Risks:* As of September 30, 2016, the interest rate swap counterparty was rated Baa1 by Moody's Investor Services. As of September 30, 2016, the commodity swap counterparty was rated AA- by Standard & Poor's and Aa3 by Moody's.

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

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

*Interest Rate Swap Payment and Associated Debt:* Using rates as of September 30, 2016, debt service requirements of the variable-rate debt and net swap payments, assuming the current interest rate remains the same for their term, were as follows (in thousands):

<b>Fiscal Year</b>		<b>Variable-Rate Bonds</b>		<b>Net Swap Payments</b>		<b>Total Interest</b>	
<b>Ending</b>	<b>September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Payments</b>		<b>Interest</b>	
2017	\$ -	\$ 3,403	\$ 305	\$ 3,708			
2018	-	3,403	290	3,693			
2019	-	3,403	266	3,669			
2020	-	3,403	208	3,611			
2021	-	3,403	226	3,629			
2022 - 2026	19,195	16,309	989	17,298			
2027 - 2031	49,805	1,837	118	1,955			
2032 - 2034	5	1	-	1			
<b>Total</b>	<b>\$ 69,005</b>	<b>\$ 35,162</b>	<b>\$ 2,402</b>	<b>\$ 37,564</b>			

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

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

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**NOTE 13 – RETIREMENT PROGRAMS**

**Plan Description – Public Employees’ Retirement System (CalPERS)**

*Plan Description* – The City contributes to the California Public Employees’ Retirement System (CalPERS) agent multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans including benefit provisions, assumptions and membership information. All qualified permanent employees are eligible to participate in the City’s separate Safety (police and fire) or Miscellaneous (all other) Plans. The reports can be found on the CalPERS website.

*Benefits Provided* – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment, age at retirement and final compensation. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at September 30, 2016, are summarized in the following table:

<i>Miscellaneous</i>			
Hire date	Prior to October 1, 2006	On or after October 1, 2006 and prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.5% @ 55	2.0% @ 62
Benefit vesting schedule		5 years of service	
Benefit payments		Monthly for life	
Retirement age	50- 55	50 - 55	52 - 60
Required Contribution Rates			
Employee	8.0%	8.0%	6.5%
Employer	18.380%	18.380%	18.380%
Percentage of Eligible Compensation			
Monthly benefits	2.0% to 2.7%	2.0% to 2.5%	1.0% to 2.0%
<i>Safety</i>			
Hire date	Prior to October 1, 2006	On or after October 1, 2006 and prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 55	3.0% @ 50	2.7% @ 57
Benefit vesting schedule		5 years of service	
Benefit payments		Monthly for life	
Retirement age	50 - 55	50	50 - 57
Required Contribution Rates			
Employee	9.0%	9.0%	12.3%
Employer	27.151%	27.151%	27.151%
Percentage of Eligible Compensation			
Monthly benefits	2.4% to 3.0%	2.0% to 2.7%	2.0% to 2.7%

**The City of Long Beach**  
**The Notes to the Basic Financial Statements**  
**September 30, 2016**

*Employees Covered* – Based on the Actuarial Valuation Report as of June 30, 2013, the following employees were covered by the benefit terms for each Plan:

	<i>Miscellaneous</i>	<i>Safety</i>
Active employees	3,260	1,160
Inactive employees or beneficiaries currently receiving benefits	3,938	1,654
Inactive employees entitled to but not yet receiving benefits	3,222	302

*Contributions* – California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

#### CalPERS Net Pension Liability

The City’s net pension liability for both Plans is measured as the total pension liability, less the plan’s fiduciary net position. Net pension liability is measured as of June 30, 2016 (measurement date), using the actuarial valuation report as of June 30, 2015 rolled forward using standard update procedures. At September 30, 2016 the City reported net pension liability of \$1.1 billion for both plans. A summary of principal assumptions and methods used to determine the net pension liability is as follows:

*Actuarial Assumptions* – The total pension liabilities were determined using the following actuarial assumptions:

	<i>Miscellaneous</i>	<i>Safety</i>
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method		Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	Varies by entry age and service	
Investment Rate of Return	7.5% <sup>1</sup>	7.5% <sup>1</sup>
Mortality	2	2

<sup>1</sup> Net of Pension Plan Investment and Administrative Expenses; includes inflation.

<sup>2</sup> The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scal AA. For more details on this table, refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 Actuarial Valuation Report were based on the results of an actuarial experience study for the period from 1997 to 2011. Further details of the experience study can be found on the CalPERS website.

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**Discount Rate** – The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB Statement No. 68 section.

The long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference to the Plans.

The long-term expected rate of return on pension plan investments of 7.50% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects the long-term expected real rate of return by asset class for both Safety and Miscellaneous Plans. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<i>Asset Class</i>	<i>New Strategic Allocation</i>	<i>Real Return Years 1 - 10<sup>a</sup></i>	<i>Real Return Years 11+<sup>b</sup></i>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	12.0	4.50	5.13
Infrastructure and Forestland	0.0	4.50	5.09
Liquidity	1.0	(0.55)	(1.05)

<sup>a</sup> An expected inflation of 2.5% used for this period

<sup>b</sup> An expected inflation of 3.0% used for this period

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**Changes in the CalPERS Net Pension Liability**

The following tables show the changes in the net pension liability for each Plan (in thousands):

<i>Miscellaneous Plan</i>	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability/(Asset)</i>
Balance at June 30, 2015	\$ 2,368,500	\$ 1,857,249	\$ 511,251
Changes in the year:			
Service Cost	37,306	-	37,306
Interest on Total Pension Liability	175,727	-	175,727
Differences between Actual and Expected Experience	(29,800)	-	(29,800)
Changes in Assumptions	-	-	-
Contribution - Employer	-	39,877	(39,877)
Contribution - Employee	-	17,959	(17,959)
Net Investment Income	-	9,355	(9,355)
Administrative Expenses	-	(1,132)	1,132
Benefit Payments, including Refunds of Employee Contributions	(120,522)	(120,522)	-
Net changes	62,711	(54,463)	117,174
Balance at June 30, 2016	<u>\$ 2,431,211</u>	<u>\$ 1,802,786</u>	<u>\$ 628,425</u>

<i>Safety Plan</i>	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability/(Asset)</i>
Balance at June 30, 2015	\$ 2,222,223	\$ 1,866,598	\$ 355,625
Changes in the year:			
Service Cost	34,636	-	34,636
Interest on Total Pension Liability	165,092	-	165,092
Differences between Actual and Expected Experience	(27,528)	-	(27,528)
Changes in Assumptions	-	-	-
Contribution - Employer	-	32,845	(32,845)
Contribution - Employee	-	11,733	(11,733)
Net Investment Income	-	9,115	(9,115)
Administrative Expenses	-	(1,138)	1,138
Benefit Payments, including Refunds of Employee Contributions	(107,895)	(107,895)	-
Net Changes	64,305	(55,340)	119,645
Balance at June 30, 2016	<u>\$ 2,286,528</u>	<u>\$ 1,811,258</u>	<u>\$ 475,270</u>

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following table presents the net pension liability of the City for each plan as of the measurement date, calculated using the discount rate of 7.65 percent, compared to a discount rate that is 1 percentage point lower (6.65%) or 1 percentage point higher (8.65%). Amounts shown below are in thousands:

<b><i>Net Pension Liability/ (Asset)</i></b>	<b><i>Miscellaneous</i></b>	<b><i>Safety</i></b>
1% Decrease (6.65%)	\$ 941,300	\$ 781,170
Current Discount Rate (7.65%)	628,425	475,270
1% Increase (8.65%)	369,110	223,530

*Pension Plan Fiduciary Net Position* – Detailed information about each Plan's fiduciary net position is available in the separately issued CalPERS financial report.

**Pension Expense and Deferred Outflows/Inflows of Resources Related to CalPERS Pensions**

For the year ended September 30, 2016, the City recognized pension expense of \$61.4 million and \$67.9 million for the Miscellaneous and Safety Plan respectively.

At September 30, 2016, the City reported pension related deferred outflows of resources and deferred inflows of resources from the following sources (in thousands):

	<b><i>Deferred Outflows of Resources</i></b>	<b><i>Deferred Inflows of Resources</i></b>
Pension Contributions Subsequent to Measurement Date	\$ 18,984	\$ -
Differences Between Actual and Expected Experience	-	(71,237)
Changes in Assumptions	-	(31,029)
Net Differences between Projected and Actual Earnings on		
Plan Investments	329,093	-
Total	\$ 348,077	\$ (102,266)

The \$19.0 million reported as a deferred outflow of resources relates to contributions made by the City subsequent to the measurement date of June 30, 2016 which will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

<b><i>Year Ending</i></b>	
<b><i>September 30</i></b>	<b><i>Amount</i></b>
2017	\$ 29,698
2018	58,413
2019	86,496
2020	52,220
2021	-

**The City of Long Beach**  
**The Notes to the Basic Financial Statements**  
**September 30, 2016**

**Plan Description – Public Agency Retirement Services (PARS)**

*Plan Description* – Special Status Contractors and Seasonal and Temporary Employees of the City are eligible to participate in the City's Public Agency Retirement Services (PARS) Plan, a defined benefit, single-employer retirement plan. Public Agency Retirement Services is the Trust Administrator for the Plan.

*Benefits Provided* – The Plan provides for retirement as well as disability and death benefits to Plan members, who must be Contractor Special Status (hired after January 1, 1995) or Seasonal or Temporary employees (hired after November 11, 1995) and beneficiaries. The Plan benefit is a lifetime monthly annuity equal to 1.5 percent times the final average of the participant's highest 36 consecutive month's salary times the years of service.

*Employees Covered* – Based on the Actuarial Valuation Report as of September 30, 2015, the following employees were covered by the benefit terms of the Plan:

Active employees	1,153
Inactive employees or beneficiaries currently receiving benefits	-
Inactive Employees entitled to but not yet receiving benefits	2,099

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

The City contributes an amount determined by an actuarial study performed at least every two years. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended September 30, 2015, the City's contribution rate was 3.1% of earnings.

**PARS Net Pension Liability**

The City's net pension liability for PARS is measured as the total pension liability, less the Plan's fiduciary net position. A summary of principal assumptions and methods used to determine the net pension liability is as follows:

Valuation Date	September 30, 2015
Measurement Date	September 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	4.75%
Inflation	3.00%
Payroll Growth	5.00%
Projected Salary Increase	5.00%
Investment Rate of Return <sup>a</sup>	4.75%
Mortality	1983 GAM (lump sum mortality table)
Retirement	Age 65
Form of Benefit	Lump Sum
Future Service Accrual	Same as current hours worked

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

*Discount Rate* – The discount rate used to measure the total pension liability was 4.75 percent. An actuarially determined crossover analysis showed the Plan's fiduciary net position to be sufficient to make projected benefit payments.

The table below reflects the long-term expected real rates of return for each asset class, net of investment expenses.

Asset Class	<i>PARS Moderate Allocation</i>	50% <sup>a</sup>	55% <sup>a</sup>
Mutual Funds	98.1%	4.98%	4.76%
Cash	1.9	0.00%	0.00%

<sup>a</sup>chance that returns will equal or exceed percent shown, not reduced for anticipated expenses

#### Changes in the PARS Net Pension Liability

The following tables show the changes in the net pension liability for the Plan:

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balance at September 30, 2015	\$ 5,549	\$ 5,418	\$ 131
Changes in the year:			
Service Cost	486	-	486
Interest on Total Pension Liability	276	-	276
Differences between Actual and Expected Experience	(82)	-	(82)
Contribution - Employer	-	326	(326)
Contribution - Employee	-	328	(328)
Net Investment Income	-	(63)	63
Benefit Payments, including Refunds	(460)	(460)	-
Administrative Expenses	-	(87)	87
Net changes	220	44	176
Balance at September 30, 2016	<u>\$ 5,769</u>	<u>\$ 5,462</u>	<u>\$ 307</u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following table presents the net pension liability of the City for the Plan as of the measurement date, calculated using the discount rate of 4.75 percent, compared to a discount rate that is 1 percentage point lower (3.75%) or 1 percentage point higher (5.75%). Amounts shown below (in thousands):

	<i>Discount Rate -1%</i> (3.75%)	<i>Current Discount Rate</i> (4.75%)	<i>Discount Rate +1%</i> (5.75%)
Net Pension Liability	\$723	\$307	(\$9)

*Pension Plan Fiduciary Net Position* – Detailed information about the Plan's fiduciary net position is available in the separately issued PARS financial report.

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

Pension Expenses and Deferred Outflows/Inflows of Resources Related to PARS Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$307 thousand and reported deferred outflows of resources and deferred inflows of resources from the following sources (in thousands):

<i>Deferred Outflows and Inflows of Resources</i>	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Net Differences between Projected and Actual		
Earnings on Plan Investments	\$ 193	\$ (45)
Employer Contributions made Subsequent to the Measurement Date	370	n/a
Total	<u>\$ 563</u>	<u>\$ (45)</u>

The \$370 thousand reported as deferred outflows of resources relates to contributions made by the City subsequent to the measurement date of September 30, 2015 which will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

<i>Measurement Period ending September 30:</i>	<i>Deferred Outflows / (Inflows)</i>
2017	42
2018	43
2019	63
2020	-
Thereafter	-

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

**NOTE 14 – POSTEMPLOYMENT HEALTHCARE BENEFITS**

Plan Description

The City provides postemployment healthcare benefits through its City of Long Beach Retiree Health Care plan (the Plan), a single-employer plan. The Plan covers all eligible full-time employees of the City. City Council has the authority to establish and amend the benefit terms currently permitted by Ordinance No. C-7556. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Plan provides health, dental and long-term care insurance for retirees and their dependents as long as (a) that employee participated in a City provided insurance program of that type during the year immediately preceding retirement, (b) the employee has not attained the eligibility age for Medicare payments, and (c) the employee has attained the minimum retirement age for the employee's retirement plan.

Benefits are administered through a third-party provider, and the full cost of the benefits is covered by the plan up to the point where the value of the retirees unused sick leave has been exhausted. Retirees who have exhausted their unused sick leave can still access the plan by paying the plans premium out of pocket. At September 30, 2016, the count of employees covered by the benefit terms was:

Inactive employees currently receiving benefits	1,730
Eligible employees	<u>4,251</u>
Total	<u><u>5,981</u></u>

Total OPEB Liability

At September 30, 2016, the City's total OPEB liability of \$45.1 million. Actuarial assumptions and other inputs. The total OPEB liability in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	September 30, 2015				
Measurement Date	September 30, 2015				
Actuarial Cost Method	Entry Age				
<b>Actuarial Assumptions:</b>					
Inflation	3.00%				
Discount Rate	3.76%	Based on Fidelity Municipal Bond GO AA 20-year Bond Index			
Payroll Increases	Aggregate	3.25%			
	Merit	CalPERS 1997-2011 Experience Study			
Medical Trend Rates	Non-Medicare – 7.50% for 2016, decreasing to an ultimate rate of 5.00% for 2021 and beyond				
	Medicare – 7.80% for 2016, decreasing to an ultimate rate of 5.00% for 2021 and beyond				
Mortality, Withdrawal, Disability, Retirement	CalPERS 1997-2011 Experience Study				

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**Changes in the Total OPEB Liability (in thousands)**

Balance at September 30, 2015		\$ 42,493
Service Cost	\$ 2,077	
Interest	1,655	
Benefit Payments	(1,103)	
Net Change		2,629
Balance at September 30, 2016		<u>\$ 45,122</u>

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.76 percent) or 1-percentage-point higher (4.76 percent) than the current discount rate (in thousands):

	<i>1 Percent Decrease (2.76 %)</i>	<i>Discount Rate (3.76 %)</i>	<i>1 Percent Increase (4.76 %)</i>
Total OPEB Liability	\$ 49,385	\$ 45,122	\$ 41,240

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate**

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 5.0 percent for non-Medicare plans or 6.8 percent decreasing to 5.0 percent for Medicare plans) or 1-percentage-point higher (8.5 percent decreasing to 5.0 percent for non-Medicare plans or 8.8 percent decreasing to 5.0 percent for Medicare plans) than the current healthcare cost trend rates:

	<i>1 Percent Decrease (6.5 % to 6.8 %)</i>	<i>Healthcare Cost Trend Rate (7.5 % to 7.8 %)</i>	<i>1 Percent Increase (8.5 % to 8.8 %)</i>
Total OPEB Liability	\$ 40,085	\$ 45,122	\$ 51,016

**OPEB Expense and Deferred Outflows and Deferred Inflows Related to OPEB**

For the year ended September 30, 2016, the City recognized an OPEB expense of \$3.7 million. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	<i>Deferred Outflows</i>
Amounts paid subsequent to measurement date	<u>\$ 1,254</u>

The \$1.3 million reported as deferred outflow of resources relates to contributions made by the City subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2017.

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**NOTE 15 – SELF-INSURANCE PROGRAMS**

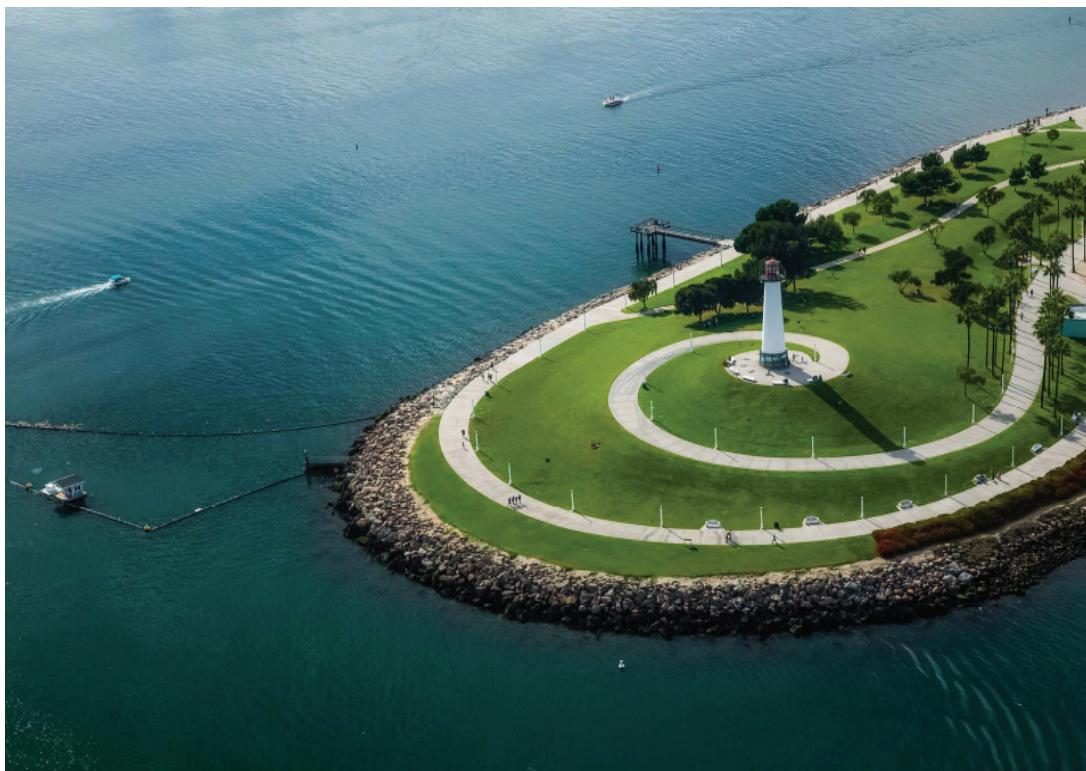
The City has adopted separate insurance programs for workers' compensation and general liability claims. The City is self-insured for workers' compensation and general liability for the first \$4 million and first \$3 million per occurrence, respectively. In addition, the City has excess insurance coverage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

At September 30, 2016, the City accrued non-discounted estimates totaling \$135.0 million for workers' compensation and general liability claims. This represents estimates of amounts to be paid for actual and incurred-but-not-reported claims based upon past experience, modified for current trends and developments. The City has recorded a current liability of \$25.9 million and a long-term liability of \$109.1 million in the Insurance Internal Service Fund.

The ultimate amount of losses incurred through September 30, 2016 is dependent on future developments. Based upon actuary evaluation, City's management believes that the aggregate accrual adequately represents such losses.

A summary of the City's claims activity for the fiscal years ended September 30, 2016 and 2015 is as follows (in thousands):

	<i>Workers' Compensation Claims</i>	<i>General Liability Claims</i>	<i>Total</i>
Balance at October 1, 2014	\$ 111,835	\$ 16,123	\$ 127,958
Additions	11,677	4,811	16,488
Payments	<u>(12,253)</u>	<u>(1,572)</u>	<u>(13,825)</u>
Balance at September 30, 2015	111,259	19,362	130,621
Additions	16,535	10,963	27,498
Payments	<u>(13,443)</u>	<u>(9,723)</u>	<u>(23,166)</u>
Balance at September 30, 2016	<u><u>\$ 114,351</u></u>	<u><u>\$ 20,602</u></u>	<u><u>\$ 134,953</u></u>



**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**NOTE 16 – GOVERNMENTAL ACTIVITIES FUND BALANCE**

As of September 30, 2016, total fund balances for the City's major and non-major governmental funds are as follows (in thousands):

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Fund Balances (Deficit):</b>			
<b>Nonspendable</b>			
Prepaid Expense and Deposits	\$ 102	\$ 2,577	\$ 2,679
Subtotal	<u>102</u>	<u>2,577</u>	<u>2,679</u>
<b>Restricted for:</b>			
Debt Service	-	23,781	23,781
Public Safety	3,012	3,525	6,537
Public Health	-	9,824	9,824
Community and Cultural	-	89,126	89,126
Other Purposes - Operating Reserve	1,486	-	1,486
Public Works	-	47,306	47,306
Subtotal	<u>4,498</u>	<u>173,562</u>	<u>178,060</u>
<b>Committed to:</b>			
Public Safety	1,000	-	1,000
Community and Cultural	-	1,422	1,422
Other Purposes - Emergency Reserve	43,986	-	43,986
Other Purposes - Operating Reserve	12,382	-	12,382
Oil Abandonment	6,200	-	6,200
Subtotal	<u>63,568</u>	<u>1,422</u>	<u>64,990</u>
<b>Assigned to:</b>			
Subsequent Year's Appropriations	9,911	-	9,911
Unfunded Liabilities and Commitments	28,546	-	28,546
Infrastructure Reserve	25	-	25
Community and Cultural	-	790	790
Public Works	-	25,920	25,920
Subtotal	<u>38,482</u>	<u>26,710</u>	<u>65,192</u>
<b>Unassigned</b>			
	<u>3,934</u>	<u>-</u>	<u>3,934</u>
<b>Total Fund Balances</b>	<b><u>\$ 110,584</u></b>	<b><u>\$ 204,271</u></b>	<b><u>\$ 314,855</u></b>

**Fund Deficits**

The Gas Utility Fund, a major proprietary fund, reported a deficit net position of \$13.1 million as of September 30, 2016. This deficit resulted from the recognition of a net pension liability of \$32.6 million and a Net OPEB liability of \$1.5 million. City management believes that the cash position of the fund is sufficient to support the utilities ongoing operations.

The Tidelands Oil Revenue Fund, a major proprietary fund, reported a deficit net position of \$57.7 million as of September 30, 2016. Tidelands Oil Revenue Fund deficit net position is due to a future oil field abandonment liability. City's management intends to accumulate futures resources to pay for the oil field abandonment liability.

The Towing Fund, a nonmajor enterprise fund, reported a deficit net position of \$2.1 million as of September 30, 2016. This deficit resulted from the recognition of a net pension liability of \$3.3 million. City management believes that the cash position of the fund is sufficient to support ongoing operations.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

The Development Services Fund, a nonmajor enterprise fund, reported a deficit net position of \$4.0 million as of September 30, 2016. This deficit resulted from the recognition of a net pension liability of \$20.8 million. City management believes that the cash position of the fund is sufficient to support ongoing operations.

The Internal Service Funds include accumulated deficits in the Insurance and Employee Benefits Internal Service Funds, which aggregate \$89.7 million and \$126.0 million, respectively. The City's management believes the cash position is sufficient to cover the current costs related to retired health insurance, workers' compensation, general liability claims, and current operating costs in the Insurance and Employee Benefits Internal Service Funds. The City's management intends to make reasonable adjustments to amounts charged to City departments to ensure that adequate cash positions are maintained.



**The City of Long Beach**  
**The Notes to the Basic Financial Statements**  
**September 30, 2016**

**NOTE 17 – GAS UTILITY FUND**

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

**Gas Utility Fund  
Consolidated Schedule of Net Position  
(In Thousands)**

	<i>Gas Operating Function</i>	<i>LBBFA Gas Prepay Function</i>	<i>Total Before Elimination</i>	<i>Elimination Debit (Credit)</i>	<i>Gas Utility Fund</i>
<b>ASSETS</b>					
Current Assets:					
Pooled Cash and Cash Equivalents	\$ 18,834	\$ 146	\$ 18,980	\$ -	\$ 18,980
Non-Pooled Cash and Cash Equivalents	10,895	166	11,061	-	11,061
Receivables:					
Interest Receivable	9	11	20	-	20
Accounts Receivable	3,632	2,496	6,128	(1,154)	4,974
Due from Other Funds	643	-	643	(613)	30
Allowance for Receivables	(224)	-	(224)	-	(224)
Inventory	1,850	-	1,850	-	1,850
Prepaid Gas - Current	-	22,927	22,927	-	22,927
Other Assets	13	-	13	-	13
Total Current Assets	<u>35,652</u>	<u>25,746</u>	<u>61,398</u>	<u>(1,767)</u>	<u>59,631</u>
Noncurrent Assets:					
Restricted Noncurrent assets:					
Non-Pooled Investments	-	20,910	20,910	-	20,910
Fair Value - Commodity Swap	-	537,334	537,334	-	537,334
Capital Assets:					
Land and Other Assets Not Being Depreciated	1,602	-	1,602	-	1,602
Capital Assets Net of Accumulated Depreciation	153,302	-	153,302	-	153,302
Prepaid Gas - Long-term	-	427,365	427,365	-	427,365
Total Noncurrent Assets	<u>154,904</u>	<u>985,609</u>	<u>1,140,513</u>	<u>-</u>	<u>1,140,513</u>
Total Assets	<u>190,556</u>	<u>1,011,355</u>	<u>1,201,911</u>	<u>(1,767)</u>	<u>1,200,144</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows	<u>9,373</u>	<u>16,919</u>	<u>26,292</u>	<u>-</u>	<u>26,292</u>
<b>LIABILITIES</b>					
Current Liabilities Payable from Current Assets:					
Accounts Payable	3,758	17	3,775	(1,154)	2,621
Accrued Wages	468	-	468	-	468
Accrued Interest Payable	170	10,848	11,018	-	11,018
Due to Other Funds	445	613	1,058	(613)	445
Unearned Revenues	1,326	-	1,326	-	1,326
Customers Deposits	3,020	-	3,020	-	3,020
Obligations under Capital Leases - Current	1,478	-	1,478	-	1,478
Bonds Payable Due within One Year	-	8,120	8,120	-	8,120
Total Current Liabilities	<u>10,665</u>	<u>19,598</u>	<u>30,263</u>	<u>(1,767)</u>	<u>28,496</u>
Noncurrent Liabilities:					
Fair Value - Interest Rate Swap	-	16,919	16,919	-	16,919
Obligations under Capital Leases	16,319	-	16,319	-	16,319
Bonds Payable	-	604,157	604,157	-	604,157
Net Pension Liability	32,550	-	32,550	-	32,550
Net OPEB Liability	1,543	-	1,543	-	1,543
Total Noncurrent Liabilities	<u>50,412</u>	<u>621,076</u>	<u>671,488</u>	<u>-</u>	<u>671,488</u>
Total Liabilities	<u>61,077</u>	<u>640,674</u>	<u>701,751</u>	<u>(1,767)</u>	<u>699,984</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows	<u>2,265</u>	<u>537,334</u>	<u>539,599</u>	<u>-</u>	<u>539,599</u>
<b>NET POSITION (DEFICIT)</b>					
Net Investment in Capital Assets	137,107	-	137,107	-	137,107
Unrestricted	(520)	(149,734)	(150,254)	-	(150,254)
Total Net Position (Deficit)	<u>\$ 136,587</u>	<u>\$ (149,734)</u>	<u>\$ (13,147)</u>	<u>\$ -</u>	<u>\$ (13,147)</u>

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

Gas Utility Fund  
 Consolidated Schedule of Revenues, Expenses, and Changes in Fund Net Position  
 (In Thousands)

	<i>Gas Operating Function</i>	<i>LBBFA Gas Prepay Function</i>	<i>Total Before Elimination</i>	<i>Elimination Debit (credit)</i>	<i>Gas Utility Fund</i>
Operating Revenues:					
Fees, Concessions and Rentals	\$ 81	\$ -	\$ 81	\$ -	\$ 81
Charges for Services	78,512	8,878	87,390	8,878	78,512
Other	933	-	933	-	933
Total Revenues	<u>79,526</u>	<u>8,878</u>	<u>88,404</u>	<u>8,878</u>	<u>79,526</u>
Operating Expenses:					
Personnel Services	16,322	2	16,324	-	16,324
Purchases of Gas	16,118	(7,554)	8,564	(8,878)	(314)
Maintenance and Other Operations	12,094	31	12,125	-	12,125
Depreciation	6,302	-	6,302	-	6,302
Total Operating Expenses	<u>50,836</u>	<u>(7,521)</u>	<u>43,315</u>	<u>(8,878)</u>	<u>34,437</u>
Operating Income	<u>28,690</u>	<u>16,399</u>	<u>45,089</u>	<u>-</u>	<u>45,089</u>
Non-Operating Income (Expense):					
Interest Income	214	651	865	-	865
Interest Expense	(23)	(30,816)	(30,839)	-	(30,839)
Loss on Disposition of Capital Assets	(1,379)	-	(1,379)	-	(1,379)
Other Income	300	-	300	-	300
Other Expense	(57)	(678)	(735)	-	(735)
Total Non-Operating Income (Expense)	<u>(945)</u>	<u>(30,843)</u>	<u>(31,788)</u>	<u>-</u>	<u>(31,788)</u>
Income before Contributions and Transfers	<u>27,745</u>	<u>(14,444)</u>	<u>13,301</u>	<u>-</u>	<u>13,301</u>
Transfers:					
Transfers Out	<u>(11,475)</u>	<u>-</u>	<u>(11,475)</u>	<u>-</u>	<u>(11,475)</u>
Change in Net Position	<u>16,270</u>	<u>(14,444)</u>	<u>1,826</u>	<u>-</u>	<u>1,826</u>
Net Position (Deficit), October 1	<u>121,770</u>	<u>(135,290)</u>	<u>(13,520)</u>	<u>-</u>	<u>(13,520)</u>
Adjustments for GASB 75 Implementation	<u>(1,453)</u>	<u>-</u>	<u>(1,453)</u>	<u>-</u>	<u>(1,453)</u>
Net Position (Deficit), September 30	<u><u>\$ 136,587</u></u>	<u><u>\$ (149,734)</u></u>	<u><u>\$ (13,147)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (13,147)</u></u>

**The City of Long Beach**  
**The Notes to the Basic Financial Statements**  
**September 30, 2016**

**Gas Utility Fund**  
**Consolidated Schedule of Cash Flows**  
**(In Thousands)**

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<i>Gas Operating Function</i>	<i>LBBFA Gas Prepay Function</i>	<i>Eliminations Increase (decrease)</i>	<i>Gas Utility Fund</i>
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 79,595	\$ 8,880	\$ (8,880)	\$ 79,595
Payments for Employee Salaries	(15,987)	(2)	-	(15,989)
Payments for Goods and Services	(28,657)	(14)	8,880	(19,791)
Other Income	300	22,939	-	23,239
Other Expense	(57)	(680)	-	(737)
Net Cash Provided by Operating Activities	<u>35,194</u>	<u>31,123</u>	<u>-</u>	<u>66,317</u>
Cash Flows from Non-Capital Financing Activities:				
Receipts from Prepayment of Gas Supply	-	7,554	-	7,554
Payments of Principal on Bonds Payable	-	(7,150)	-	(7,150)
Payments of Interest	-	(31,376)	-	(31,376)
Transfers Out	(11,475)	-	-	(11,475)
Net Cash Provided by (Used for)				
Net Cash Used for Non-Capital Financing Activities	<u>(11,475)</u>	<u>(30,972)</u>	<u>-</u>	<u>(42,447)</u>
Cash Flows from Capital and Related Financing Activities:				
Payments for Capital Acquisitions	(23,566)	-	-	(23,566)
Payments of Principal on Other Long-Term Obligations	(1,554)	-	-	(1,554)
Payments of Interest, Net of Amounts Capitalized	(338)	-	-	(338)
Net Cash Used for Capital and Related Financing Activities	<u>(25,458)</u>	<u>-</u>	<u>-</u>	<u>(25,458)</u>
Cash Flows from Investing Activities:				
Proceeds from the Sale of Investments	-	(762)	-	(762)
Receipts of Interest	218	640	-	858
Net Cash Provided by (Used for) Investing Activities	<u>218</u>	<u>(122)</u>	<u>-</u>	<u>96</u>
Net Decrease in Cash and Cash Equivalents	<u>(1,521)</u>	<u>29</u>	<u>-</u>	<u>(1,492)</u>
Cash and Cash Equivalents - October 1	<u>31,250</u>	<u>283</u>	<u>-</u>	<u>31,533</u>
Cash and Cash Equivalents - September 30	<u><u>\$ 29,729</u></u>	<u><u>\$ 312</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,041</u></u>
 <u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>				
Operating Income	<u>\$ 28,690</u>	<u>\$ 16,399</u>	<u>\$ -</u>	<u>\$ 45,089</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Depreciation and Amortization Expense	6,302	-	-	6,302
Other Income	300	22,939	-	23,239
Other Expense	(57)	(678)	-	(735)
(Increase) Decrease in Accounts Receivable, Net	(187)	2	-	(185)
(Increase) in Amounts Due from Other Funds	(28)	(2)	-	(30)
Decrease in Inventory	216	-	-	216
(Increase) Decrease in Other Operating Assets/Gas Prepay	106	(7,554)	-	(7,448)
Decrease in Accounts Payable	1,886	17	-	1,903
Decrease in Accrued Wages Payable	282	-	-	282
Increase in Amounts Due to Other Funds	(2,600)	-	-	(2,600)
Decrease in Unearned Revenues	269	-	-	269
Decrease in Collections Held in Trust	15	-	-	15
Total Adjustments	<u>6,504</u>	<u>14,724</u>	<u>-</u>	<u>21,228</u>
Net Cash Provided by Operating Activities	<u><u>\$ 35,194</u></u>	<u><u>\$ 31,123</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 66,317</u></u>

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

**Gas Rates**

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

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

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

**NOTE 18 – SOLID WASTE MANAGEMENT FUND**

The Solid Waste Management Fund is used to account for the City's refuse collection and resource recovery operations and includes the City's Solid Waste Management Function and the SERRF Function. SERRF was formed as a joint powers authority between the City and Los Angeles County Sanitation District Number 2 in December 1984. Subsequent to SERRF's formation, lease revenue bonds were issued to construct a waste-to-energy facility, and contracts for the design, construction, and demonstration of a plant were executed and completed. Subsequent complex contractor litigation ensued and was settled in 1994.

A final settlement to the contractor litigation provided that the City would receive \$6 million in cash and approximately \$10 million over a 20-year period in monthly installments which began in 1999. Additionally, a \$6 million payment from the present operator for future improvements has been accounted for as contributed capital. The long-term portion of future payments receivable from the former contractor of approximately \$10 million has been accounted for as a long-term receivable with a balance at September 30, 2016 of \$582 thousand.

In October 1995, the lease, between the joint powers authority and the City's SERFF operations, was revised when SERFF refunded the 1985, 1985-1, and 1986 bond issues. The lease was revised again in conjunction with the 2003 refunding of the 1995 Bonds. Base rental payments are calculated to be sufficient to pay the principal and interest of the Series 2003 Bonds when due.

**The City of Long Beach**  
**The Notes to the Basic Financial Statements**  
**September 30, 2016**

**Solid Waste Management Fund**  
**Consolidating Schedule of Net Position (Deficit)**  
**(In Thousands)**

	<i>Solid Waste Management</i>		<i>Total</i>	<i>Eliminations</i>	<i>Solid Waste</i>
	<i>Refuse</i>	<i>SERRF</i>	<i>Before</i>	<i>Debit</i>	<i>Management</i>
	<i>Function</i>	<i>Function</i>	<i>Authority</i>	<i>(Credit)</i>	<i>Fund</i>
<b>ASSETS</b>					
Current Assets:					
Pooled Cash and Cash Equivalents	\$ 13,923	\$ 25,229	\$ 1	\$ 39,153	\$ 39,153
Non-Pooled Cash and Cash Equivalents	3	-	1,278	1,281	1,281
Receivables:					
Interest Receivable	5	-	35	40	40
Accounts Receivable	2,715	7,095	539	10,349	(539) 9,810
Due from Other Governments	-	102	-	102	102
Due from Other Funds	35	-	-	35	35
Capital Leases Receivable - Current	-	-	9,805	9,805	(9,805) -
Allowance for Receivables	(124)	(53)	-	(177)	- (177)
Other Assets-Current	-	88	-	88	88
Total Current Assets	<u>16,557</u>	<u>32,461</u>	<u>11,658</u>	<u>60,676</u>	<u>(10,344)</u> <u>50,332</u>
Noncurrent Assets:					
Restricted Noncurrent assets:					
Non-Pooled Investments	-	-	10,563	10,563	- 10,563
Noncurrent Receivables:					
Capital Lease Receivable	-	-	21,215	21,215	(21,215) -
Other Noncurrent Receivables	-	582	-	582	- 582
Capital Assets:					
Land and Capital Assets not being Depreciated	483	6,520	-	7,003	- 7,003
Capital Assets Net of Accumulated Depreciation	47	3,805	-	3,852	- 3,852
Total Noncurrent Assets	<u>530</u>	<u>10,907</u>	<u>31,778</u>	<u>43,215</u>	<u>(21,215)</u> <u>22,000</u>
Total Assets	<u>17,087</u>	<u>43,368</u>	<u>43,436</u>	<u>103,891</u>	<u>(31,559)</u> <u>72,332</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows	<u>4,423</u>	<u>212</u>	<u>173</u>	<u>4,808</u>	<u>(173)</u> <u>4,635</u>
<b>LIABILITIES</b>					
Current Liabilities Payable from Current Assets:					
Accounts Payable	1,046	6,133	-	7,179	539 6,640
Accrued Wages	280	13	-	293	- 293
Accrued Interest Payable	-	-	537	537	- 537
Due to Other Funds	163	7	-	170	- 170
Collections Held in Trust	778	64	-	842	- 842
Obligations under Capital Leases - Current	-	9,805	-	9,805	9,805 -
Bonds Payable Due within One Year	-	-	9,805	9,805	- 9,805
Total Current Liabilities	<u>2,267</u>	<u>16,022</u>	<u>10,342</u>	<u>28,631</u>	<u>10,344</u> <u>18,287</u>
Noncurrent Liabilities:					
Deferred Credits and Other Deferred Liabilities	-	173	-	173	173 -
Obligations under Capital Leases	-	21,215	-	21,215	21,215 -
Bonds Payable	-	-	22,111	22,111	- 22,111
Net OPEB Liability	639	105	-	744	- 744
Net Pension Liability	<u>15,891</u>	<u>754</u>	<u>-</u>	<u>16,645</u>	<u>-</u> <u>16,645</u>
Total Noncurrent Liabilities	<u>16,530</u>	<u>22,247</u>	<u>22,111</u>	<u>60,888</u>	<u>21,388</u> <u>39,500</u>
Total Liabilities	<u>18,797</u>	<u>38,269</u>	<u>32,453</u>	<u>89,519</u>	<u>31,732</u> <u>57,787</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows	<u>1,196</u>	<u>148</u>	<u>-</u>	<u>1,344</u>	<u>-</u> <u>1,344</u>
<b>NET POSITION (DEFICIT)</b>					
Net Investment in Capital Assets	530	(20,695)	10,229	(9,936)	- (9,936)
Restricted for:					
Debt Service	-	-	925	925	- 925
Unrestricted	987	25,858	2	26,847	- 26,847
Total Net Position (Deficit)	<u>\$ 1,517</u>	<u>\$ 5,163</u>	<u>\$ 11,156</u>	<u>\$ 17,836</u>	<u>\$ -</u> <u>\$ 17,836</u>

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**Solid Waste Management Fund**  
 Consolidating Schedule of Revenues, Expenses, and Changes in Fund Net Position (Deficit)  
 (In Thousands)

	<i>Solid Waste Management</i>			Total Before Elimination	Eliminations Debit (Credit)	Solid Waste Management Fund
	Refuse Function	SERRF Function	SERRF Authority			
Fees, Concessions, and Rentals	\$ -	\$ -	\$ 1,694	\$ 1,694	\$ 1,694	\$ -
Charges for Services	42,523	41,219	-	83,742	8,196	75,546
<b>Total Operating Revenues</b>	<b>42,523</b>	<b>41,219</b>	<b>1,694</b>	<b>85,436</b>	<b>9,890</b>	<b>75,546</b>
Operating Expenses:						
Personnel Services	13,838	388	-	14,226	-	14,226
Maintenance and Other Operations	28,210	33,850	-	62,060	(8,196)	53,864
Rental Expense	-	1,694	-	1,694	(1,694)	-
Amortization	-	(80)	80	-	-	-
Depreciation	7	4,311	-	4,318	-	4,318
<b>Total Operating Expenses</b>	<b>42,055</b>	<b>40,163</b>	<b>80</b>	<b>82,298</b>	<b>(9,890)</b>	<b>72,408</b>
Operating Income (Loss)	468	1,056	1,614	3,138	-	3,138
Non-Operating Income (Expenses):						
Interest Income	140	159	83	382	-	382
Interest Expense	-	-	(1,279)	(1,279)	-	(1,279)
Operating Grants	324	-	-	324	-	324
Other Income	3	88	-	91	-	91
<b>Total Non-Operating Income (Expenses)</b>	<b>467</b>	<b>247</b>	<b>(1,196)</b>	<b>(482)</b>	<b>-</b>	<b>(482)</b>
Income (Loss) before Contributions and Transfers	935	1,303	418	2,656	-	2,656
Transfers:						
Transfers Out	(450)	-	-	(450)	-	(450)
Change in Net Position	485	1,303	418	2,206	-	2,206
Net Position (Deficit) - October 1	1,634	3,959	10,738	16,331	-	16,331
Adjustments for GASB 75 Implementation	(602)	(99)	-	(701)	-	(701)
<b>Net Position (Deficit) - September 30</b>	<b>\$ 1,517</b>	<b>\$ 5,163</b>	<b>\$11,156</b>	<b>\$ 17,836</b>	<b>\$ -</b>	<b>\$ 17,836</b>

**The City of Long Beach**  
**The Notes to the Basic Financial Statements**  
**September 30, 2016**

**Solid Waste Management Fund**  
**Consolidating Schedule of Cash Flows**  
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>Refuse Function</u>	<u>SERRF Function</u>	<u>SERRF Authority</u>	<u>Total Before Elimination</u>	<u>Eliminations Increase (Decrease)</u>	<u>Solid Waste Management Fund</u>
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 41,882	\$ 33,871	\$ -	\$ 75,753	\$ -	\$ 75,753
Receipts from Capital Lease	-	-	1,848	1,848	(1,848)	-
Receipts from Other Funds	424	8,214	-	8,638	-	8,638
Payments for Employee Salaries	(14,086)	(422)	-	(14,508)	-	(14,508)
Payments for Goods and Services	(28,184)	(35,537)	-	(63,721)	1,848	(61,873)
Other Income	3	88	-	91	-	91
Net Cash Provided by Operating Activities	<u>39</u>	<u>6,214</u>	<u>1,848</u>	<u>8,101</u>	<u>-</u>	<u>8,101</u>
Cash Flows from Non-Capital Financing Activities:						
Operating Grants Received from Other Governments	341	-	-	341	-	341
Transfers In	-	2	-	2	-	2
Transfers Out	(422)	-	-	(422)	-	(422)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(81)</u>	<u>2</u>	<u>-</u>	<u>(79)</u>	<u>-</u>	<u>(79)</u>
Cash Flows from Capital and Related Financing Activities:						
Payments of Principal on Bonds Payable	-	-	(9,320)	(9,320)	-	(9,320)
Payments of Principal on Other Long-Term Obligations	-	(9,320)	-	(9,320)	9,320	-
Payments of Interest	-	-	(1,848)	(1,848)	-	(1,848)
Net Cash Used for Capital and Related Financing Activities	<u>-</u>	<u>(9,320)</u>	<u>(11,168)</u>	<u>(20,488)</u>	<u>9,320</u>	<u>(11,168)</u>
Cash Flows from Investing Activities:						
Proceeds from the Sale of Investments	-	-	1,066	1,066	-	1,066
Principal Received under Capital Lease	-	-	9,320	9,320	(9,320)	-
Receipts of Interest	142	159	86	387	-	387
Net Cash Provided by Investing Activities	<u>142</u>	<u>159</u>	<u>10,472</u>	<u>10,773</u>	<u>(9,320)</u>	<u>1,453</u>
Net Increase (Decrease) in Cash and Cash Equivalents	100	(2,945)	1,152	(1,693)	-	(1,693)
Cash and Cash Equivalents - October 1	<u>13,826</u>	<u>28,174</u>	<u>127</u>	<u>42,127</u>	<u>-</u>	<u>42,127</u>
Cash and Cash Equivalents - September 30	<u>\$ 13,926</u>	<u>\$ 25,229</u>	<u>\$ 1,279</u>	<u>\$ 40,434</u>	<u>\$ -</u>	<u>\$ 40,434</u>

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

Operating Income (Loss)	<u>Refuse Function</u>	<u>SERRF Function</u>	<u>SERRF Authority</u>	<u>Total before Elimination</u>	<u>Eliminations Increase (Decrease)</u>	<u>Solid Waste Management Fund</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Depreciation and Amortization Expense	7	4,231	80	4,318	-	4,318
Other Income	3	88	-	91	-	91
(Increase) Decrease in Accounts Receivable, Net	(256)	785	154	683	(154)	529
Decrease in Amounts Due from Other Governments	-	81	-	81	-	81
Decrease in Amounts Due from Other Funds	32	-	-	32	-	32
(Increase) Decrease in Other Assets	-	36	-	36	-	36
Increase (Decrease) in Accounts Payable	26	(31)	-	(5)	154	149
Decrease in Accrued Wages Payable	(248)	(34)	-	(282)	-	(282)
Increase in Amounts Due to Other Funds	-	2	-	2	-	2
Increase in Collections Held in Trust	7	-	-	7	-	7
Total Adjustments	<u>(429)</u>	<u>5,158</u>	<u>234</u>	<u>4,963</u>	<u>-</u>	<u>4,963</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 39</u>	<u>\$ 6,214</u>	<u>\$ 1,848</u>	<u>\$ 8,101</u>	<u>\$ -</u>	<u>\$ 8,101</u>

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

**NOTE 19 – OIL ABANDONMENT LIABILITY**

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

**Tideland Oil Revenues**

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

Annually, the City estimates the State's share in the costs of future abandonment and site clearance of the oil properties. At September 30, 2016, the State's total estimated abandonment cost liability is \$837.5 million increasing by \$203.5 million from fiscal year 2015. This estimate is based on the number and life of productive wells, general changes in the life of the oil field, and changes in oil prices. As of September 30, 2016, and as provided for in Assembly Bill (AB) 137, the State has put aside and deposited approximately \$300.0 million of the \$837.5 million estimated liability into the State's Oil Trust Fund - Abandonment Reserve.

At September 30, 2016, the Tidelands Fund recorded an estimated oil field abandonment cost liability of \$83.6 million increasing by \$29.7 million from fiscal year 2015. 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.

The City's ownership interests in the Wilmington Oil Field bear a proportionate share of oil field abandonment costs and is presently estimated at \$14.0 million of which \$4.0 million has been funded in the Upland Oil Fund as of September 30, 2016.

**Subsidence**

In accordance with State legislation, the City established a Reserve for Subsidence Contingencies to indemnify the City, State, and contractors for claims or costs arising from subsidence alleged to have resulted from oil operations. A maximum of \$40.0 million, plus accrued interest, was originally set aside for this purpose. At present, 100 percent of the interest accrues to the Reserve for Subsidence. As of September 30, 2016, the reserve balance within the Subsidence Fund is \$177.2 million.

As part of the adoption of the State's 2005 fiscal year budget, 100 percent of this fund's interest earnings for calendar years 2004 and 2005 were eligible to be loaned to the City's General Fund, with repayment commencing in fiscal year 2008, without interest, in equal annual installments of \$500 thousand for up to 20 years. This action was taken to assist the City in making \$5 million contributions to the State in fiscal years 2005 and 2006. At September 30, 2016, total loan to the City's General Fund and interest retained amounts to \$3.1 million.

## The City of Long Beach

The Notes to the Basic Financial Statements  
September 30, 2016

### **NOTE 20 – POLLUTION REMEDIATION OBLIGATIONS**

#### BKK Sites

Victoria Golf Course: Between 1947 and 1949, the City disposed of municipal waste in a landfill owned by BKK Corp located in Carson, California. It has been determined that the site is the source of groundwater contamination. The State Department of Toxic Substances Control (DTSC) has identified the City as a potentially responsible party (PRP) under the Resources Conservation and Recovery Act and has threatened enforcement action. The County of Los Angeles has threatened a cross-claim against the City for contribution. As of September 30, 2016, there was insufficient information to develop an estimate of potential remediation costs attributable to the City. The City has an Environmental Pollution Insurance Policy that may cover some costs for the period in question.

West Covina: From the mid-1960s through 1987, the City disposed of municipal waste in a landfill owned by BKK Corp located in West Covina, California. It has been determined that the site is the source of groundwater contamination. The State Department of Toxic Substances Control has a cleanup order to PRPs under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). The primary PRPs have entered into a consent decree. Those parties in turn have threatened to compel the City to contribute part of the clean-up costs. As of September 30, 2016, there was insufficient information to develop an estimate of potential remediation costs attributable to the City. The City has an Environmental Pollution Insurance Policy that may cover some costs for the period in question.

#### West Covina Site

Chevron (USA), Exxon Mobile Corporation, Conocophillips Company, Long Beach Oil Development Company (LBOD), and American Energy Operations, Inc. have been named in cleanup actions (Imminent and Substantial Endangerment Determination and Order and a Remedial Action Order from the California Department of Toxic Substance Control). The site is located in West Covina. In response, the parties have filed claims against the City seeking unspecified damages. In 2005 and 2006, the parties entered into tolling agreements with the City. To date, no costs have been incurred in this matter. As of September 30, 2016, there was insufficient information to develop an estimate of potential remediation costs attributable to the City. The City has an Environmental Pollution Insurance Policy that may cover some costs for the period in question.

#### 55<sup>th</sup> Way Landfill (formerly Paramount Landfill)

The City operated the Paramount Landfill from 1945 to 1948. After closure, the landfill was partitioned and all but one parcel has been sold. The remaining parcel was developed into Davenport Park in 2006. The City purchased an adjacent parcel in 2006 and is currently developing plans to expand Phase II of Davenport Park to this parcel. In May 2009, the Los Angeles Regional Water Quality Control Board (LA Board) notified the City that additional groundwater monitoring is required for this site. The original estimated remaining liability associated with the groundwater monitoring, based on a cost estimate from the monitoring service provider, is \$60 thousand. The City implements an ongoing Solid Waste Assessment Test (SWAT) groundwater monitoring program for the 55<sup>th</sup> Way Landfill pursuant to an LA BOARD Water Discharge Requirements Order (WDRO) and General Monitoring and Reporting Program Order (MRPO). Groundwater monitoring is now required on a recurring semi-annual basis until such time that the LA Board rescinds the WDRO or otherwise approves a reduction or elimination of the MRPO. As of September 30, 2016, the cost estimate for groundwater monitoring is approximately \$12 thousand per year. There is no reasonable expectation of any recovery associated with these remediation efforts.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

El Cortez (formerly El Ranchito)

In 2009, the Agency purchased property at 5301 Long Beach Blvd. In fiscal year 2012, the Agency initiated a voluntary remediation project at the site. In July of 2015, the LA Board requested specific remedial and groundwater monitoring action be implemented. The original estimated remaining liability associated with the groundwater monitoring, based on a cost estimate from the monitoring service provider, is \$485 thousand. As of September 30, 2016, the remaining liability for the monitoring was \$375 thousand. There is a possibility that the cost of monitoring may increase. There is no reasonable expectation of any recovery associated with these remediation efforts.

Cowelco

In November of 2012, the LA Board notified the Agency that additional groundwater monitoring was necessary at 1669 W. Anaheim Street based on their review of the Site Assessment Report. The LA Board again notified the Agency that additional assessment was necessary after their review of the soil data and groundwater monitoring performed in 2014. In August of 2015, the California State Water Resources Control Board (Control Board) issued a letter denying the City's request for closure and requiring further action. Compliance with the Control Board's current request is anticipated to cost approximately \$42 thousand. It is not known if additional monitoring or remediation will be required. There is no reasonable expectation of any recovery associated with these remediation efforts.

Metropolitan Transportation Authority (MTA) Bus Parking Lot

The LA Board has notified the City that additional ground water monitoring for the former MTA bus parking lot may be required. MTA pledged \$300 thousand to pay for any future monitoring costs when the City acquired the property. Management has not recorded a liability because it is believed that the costs associated with any future monitoring would be less than the pledge by the MTA. At September 30, 2016, the site is still being evaluated and the City is waiting for final determination from the LA Board as to the extent of any additional monitoring activities.

Leaking Underground Storage Tanks (LUST)

In the early 1990s, the City was named a responsible party for a number of City owned LUST sites located at Fire Station 7, Fire Station 10, Fire Station 11, and Fire Station 17 by the LA Board. All of the LUSTS have been removed. The LA Board has directed remediation and continued monitoring activities. In June of 2016, the City submitted Remedial Action Plans (RAPs) for Fire Station 10 and Fire Station 11. In August of 2016, the LA Board sent the City a directive to take corrective action and develop a work plan for Fire Station 7. As of September 30, 2016, the City remains under a LA Board order to continue monitoring the sites. The estimated related liability for the future remediation was \$2.6 million. The City has submitted claims for reimbursable remediation costs to the State UST Cleanup Fund. As of September 30, 2016, the City obtained a partial reimbursement of costs related to the closed sites amounting to \$1.4 million.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

**Leaking Sewer Line**

In the early 2015, the Board issued a cleanup and abatement order to Tesoro Refining and Marketing Company LLC and Tesoro So Cal Pipeline Company LLC (Tesoro). The order required Tesoro to remediate contamination of leaking 30" sewer line constructed of vitrified clay at the site located in the vicinity of Golden Avenue and Baker Street in Long Beach. The Board maintains that the contamination at the site is from leaking pipes owned and/or controlled by Tesoro. Tesoro claims that the sewer line is owned by either the County of Los Angeles or the City of Long Beach. According to the City Water Department, the sewer line in question is owned by the County. Tesoro has filed a Government Claim with the City seeking that the City pay its costs for the environmental cleanup and remediation. As of September 30, 2016, there was insufficient information to develop an estimate of potential remediation costs attributable to the City.

**NOTE 21 – INVESTMENT IN JOINT VENTURES**

**Intermodal Container Transfer Facility Joint Powers Authority (ICTF)**

The City's Harbor Department and the Port of Los Angeles (the Venturers) have entered into a joint venture agreement to form ICTF for the purposes of financing and constructing an intermodal container transfer facility (the facility) to transfer cargo containers between trucks and railroad cars. The facility has been leased to Southern Pacific, now merged with Union Pacific (the Tenant). The facility was developed by the Tenant who assumed operational responsibility for the facility. The Venturers' share net income and equity distributions from ICTF equally. During fiscal year 2016, the Harbor received a distribution of \$3.0 million from the Joint Venture. The ICTF financial statements for the year ended June 30, 2016 can be obtained from the Harbor.

**NOTE 22 – DEFERRED COMPENSATION**

The City offers 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 and all amounts of compensation deferred under the Plan and all income attributable to those amounts are held in trust accounts for the exclusive benefit of the 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.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

**NOTE 23 – COMMITMENTS AND CONTINGENCIES**

**Commitments**

At September 30, 2016, business-type fund and governmental-type fund commitments for construction projects and for purchases of goods and services are as follows (in thousands):

<u>Governmental Activities</u>	
General Fund	\$ 482
Non-major Governmental funds	32,484
Internal Service Funds	443
Total	<u>\$ 33,409</u>

<u>Business-Type Activities</u>	
Gas Utility	\$ 839
Water	5,441
Tidelands	24,156
Harbor	78,130
Non-major business-type funds	6,068
Total	<u>\$ 114,634</u>

**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 15, 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 within the basic financial statements.

**Potential Obligations Related to the Alameda Corridor Transportation Authority**

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

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2016

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

ACTA's latest Notice of Estimated Shortfall Advances and Reserve Accounting Funding (Notice) was transmitted to the Department on May 25, 2016. Estimates included in the Notice are dependent upon the accuracy of the assumptions used in their formulation. Notice submitted by ACTA indicated no projected shortfall for the fiscal year ended June 30, 2016, the leaving the cumulative shortfall at \$4.0 million. Any shortfall advance made by the Harbor and the Port of Los Angeles is reimbursable, with interest, by ACTA. Reimbursement could begin as soon as 2018. In prior years the Harbor funded a cash reserve to satisfy claims related to the shortfall advance potential obligation.

**New Gerald Desmond Bridge Matching Contribution**

The Harbor continues to pursue the replacement of the Gerald Desmond Bridge. The total cost to replace the bridge is estimated at \$1.5 billion. The Harbor anticipates that funding of this project will come primarily from federal and state sources. Local matching funds will also be required.

**Environmental Mitigation Credits**

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

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

During fiscal year 2007, the Department completed landfills that required the utilization of \$9.6 million of the available credits. No further acquisition of environmental credits or utilization of credits has occurred during the two years ended September 30, 2016. The balance of the Environmental Mitigation Credits was \$40.2 million as of September 30, 2016.

**Pike Public Improvements**

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

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**NOTE 24 – DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES**

**Deferred Outflows of Resources**

At September 30, 2016, Deferred Outflows of Resources and Deferred Inflows of Resources are as follows:

Governmental Funds  
 Schedule of Deferred Outflows and Deferred Inflows  
 (In Thousands)

	<i>General</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>	<i>GASB 34 Conversion Adjustments</i>	<i>Total Government- wide Statements</i>
<b><i>Deferred Outflows of Resources:</i></b>					
Economic loss from the refunding of debt	\$ -	\$ -	\$ -	\$ 1,479	\$ 1,479
Pension contributions after measurement date	- -	- -	- -	12,292	12,292
Difference between actual and expected investment returns	- -	- -	- -	228,665	228,665
<b>Total deferred outflows of resources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 242,436</b>	<b>\$ 242,436</b>
<b><i>Deferred Inflows of Resources:</i></b>					
Economic gain from the refunding of debt	\$ -	\$ -	\$ -	\$ 2,620	\$ 2,620
Unavailable revenue and property taxes	89,775	198,720	288,495	(198,641)	89,854
CalPERS difference between actual and expected experience	- -	- -	- -	52,459	52,459
CalPERS change in assumptions	- -	- -	- -	24,353	24,353
Change in pension allocation proportion	- -	- -	- -	86	86
<b>Total deferred inflows of resources</b>	<b>\$ 89,775</b>	<b>\$ 198,720</b>	<b>\$ 288,495</b>	<b>\$ (119,123)</b>	<b>\$ 169,372</b>

Internal Service Funds  
 Schedule of Deferred Outflows and Deferred Inflows  
 (In Thousands)

	<i>Civic Center</i>	<i>General Services</i>	<i>Fleet Services</i>	<i>Insurance</i>	<i>Employee Benefits</i>	<i>Total Internal Service Funds</i>
<b><i>Deferred Outflows of Resources:</i></b>						
Economic loss from the refunding of debt	\$ 840	\$ -	\$ 1,196	\$ -	\$ -	\$ 2,036
Pension contributions after measurement date	53	470	210	240	496	1,469
Difference between actual and expected investment returns	829	7,329	3,286	3,768	1,968	17,180
Change in pension allocation proportion	- -	44	- -	- -	86	130
OPEB contributions after measurement date	- -	37	21	6	922	986
<b>Total deferred outflows of resources</b>	<b>\$ 1,722</b>	<b>\$ 7,880</b>	<b>\$ 4,713</b>	<b>\$ 4,014</b>	<b>\$ 3,472</b>	<b>\$ 21,801</b>
<b><i>Deferred Inflows of Resources</i></b>						
Difference between actual and expected investment returns	\$ -	\$ -	\$ -	\$ -	\$ 45	\$ 45
CalPERS difference between actual and expected experience	162	1,434	643	738	385	3,362
CalPERS change in assumptions	59	523	235	270	140	1,227
Change in pension allocation proportion	215	- -	40	192	- -	447
<b>Total deferred inflows of resources</b>	<b>\$ 436</b>	<b>\$ 1,957</b>	<b>\$ 918</b>	<b>\$ 1,200</b>	<b>\$ 570</b>	<b>\$ 5,081</b>

**The City of Long Beach**  
**The Notes to the Basic Financial Statements**  
**September 30, 2016**

**Enterprise Funds**  
**Schedule of Deferred Outflows and Deferred Inflows**  
**(In Thousands)**

	<i>Gas Utility</i>	<i>Water Utility</i>	<i>Tidelands</i>	<i>Tideland Oil Revenue</i>	<i>Harbor</i>	<i>Nonmajor Enterprise Funds</i>	<i>Total Enterprise Funds</i>
<b><i>Deferred Outflows of Resources:</i></b>							
Economic loss from the refunding of debt	\$ -	\$ 1,501	\$ 6,939	\$ -	\$ 4,667	\$ -	\$ 13,107
Pension contributions after measurement date	543	601	826	120	2,072	1,061	5,223
Difference between actual and expected investment returns	8,481	9,381	14,589	1,876	32,351	16,569	83,247
Change in pension allocation proportion	306	-	22	-	2,707	1,279	4,314
OPEB contributions after measurement date	43	43	25	10	86	61	268
Derivative instrument							
Interest rate swap	16,919	-	-	-	-	-	16,919
Total deferred outflows of resources	<u>\$ 26,292</u>	<u>\$ 11,526</u>	<u>\$ 22,401</u>	<u>\$ 2,006</u>	<u>\$ 41,883</u>	<u>\$ 18,970</u>	<u>\$ 123,078</u>
<b><i>Deferred Inflows of Resources:</i></b>							
Economic gain from the refunding of debt	\$ -	\$ -	\$ -	\$ -	\$ 3,020	\$ -	\$ 3,020
CalPERS difference between actual and expected experience	1,660	1,836	1,976	367	6,332	3,243	15,414
CalPERS change in assumptions	605	669	549	134	2,309	1,183	5,449
Change in pension allocation proportion	-	857	2,361	201	-	494	3,913
Derivative instrument							
Commodity swap	537,334	-	-	-	-	-	537,334
Total deferred inflows of resources	<u>\$ 539,599</u>	<u>\$ 3,362</u>	<u>\$ 4,886</u>	<u>\$ 702</u>	<u>\$ 11,661</u>	<u>\$ 4,920</u>	<u>\$ 565,130</u>



# REQUIRED SUPPLEMENTARY INFORMATION

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**Schedule of Changes in the Net Pension Liability (NPL) and Related Ratios**  
**Miscellaneous Plan**

(Calculated as of June 30 and reported as of September 30, dollars in thousands)

Last 10 Years<sup>1</sup>

(unaudited)

	<b>2015</b>	<b>2016</b>
<b>Total Pension Liability (TPL)</b>		
<b>TPL - beginning</b>	<b>\$ 2,362,579</b>	<b>\$ 2,368,500</b>
Service cost	37,502	37,306
Interest in the TPL	171,128	175,727
Differences between actual and expected experience	(45,118)	(29,800)
Changes in assumptions <sup>2</sup>	(40,892)	-
Benefit payments <sup>3</sup>	(116,699)	(120,522)
<b>Net change in TPL</b>	<b>5,921</b>	<b>62,711</b>
<b>TPL - ending (a)</b>	<b>\$ 2,368,500</b>	<b>\$ 2,431,211</b>
<b>Plan Fiduciary Net Position</b>		
<b>Plan fiduciary net position - beginning</b>	<b>\$ 1,881,680</b>	<b>\$ 1,857,249</b>
Contribution - employer	35,136	39,877
Contribution - employees	17,652	17,959
Net investment income	41,570	9,355
Administrative expenses	(2,090)	(1,132)
Benefit payments <sup>3</sup>	(116,699)	(120,522)
<b>Net change in fiduciary net position</b>	<b>(24,431)</b>	<b>(54,463)</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 1,857,249</b>	<b>\$ 1,802,786</b>
<b>Net pension liability - ending (a)-(b)</b>	<b>\$ 511,251</b>	<b>\$ 628,425</b>
<b>Fiduciary net position as a percentage of the TPL</b>	<b>78.41%</b>	<b>74.15%</b>
Covered employee payroll	\$ 239,867	\$ 250,298
<b>NPL as percentage of covered-employee payroll</b>	<b>213.14%</b>	<b>251.07%</b>

**Notes to Schedule:**

<sup>1</sup> Fiscal year 2015 was the first year of implementation.

<sup>2</sup> Changes in assumptions: the discount rate (net of administrative expense) was changed from 7.5 percent to 7.65 percent.

<sup>3</sup> Benefit payments include refunds of employee contributions

See accompanying independent auditors' report.

**Schedule of Changes in the Net Pension Liability (NPL) and Related Ratios  
Safety Plan**

(Calculated as of June 30 and reported as of September 30, dollars in thousands)

Last 10 Years<sup>1</sup>  
(unaudited)

	<b>2015</b>	<b>2016</b>
<b>Total Pension Liability</b>		
<b>TPL - beginning</b>	<b>\$ 2,209,454</b>	<b>\$ 2,222,223</b>
Service cost	34,835	34,636
Interest in the TPL	160,374	165,092
Differences between actual and expected experience	(38,807)	(27,528)
Changes in assumptions <sup>2</sup>	(39,710)	-
Benefit payments <sup>3</sup>	(103,922)	(107,895)
<b>Net change in TPL</b>	<b>12,770</b>	<b>64,305</b>
<b>TPL - ending (a)</b>	<b>\$ 2,222,224</b>	<b>\$ 2,286,528</b>
<b>Plan Fiduciary Net Position</b>		
<b>Plan fiduciary net position - beginning</b>	<b>\$ 1,889,902</b>	<b>\$ 1,866,598</b>
Contribution - employer	29,815	32,845
Contribution - employees	11,737	11,733
Net investment income	41,167	9,115
Administrative expenses	(2,101)	(1,138)
Benefit payments <sup>3</sup>	(103,922)	(107,895)
<b>Net change in fiduciary net position</b>	<b>(23,304)</b>	<b>(55,340)</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 1,866,598</b>	<b>\$ 1,811,258</b>
<b>Net pension liability - ending (a)-(b)</b>	<b>\$ 355,626</b>	<b>\$ 475,270</b>
<b>Fiduciary net position as a percentage of the TPL</b>	<b>84.00%</b>	<b>79.21%</b>
Covered employee payroll	\$ 155,208	\$ 159,226
<b>NPL as percentage of covered-employee payroll</b>	<b>229.13%</b>	<b>298.49%</b>

**Notes to Schedule:**

<sup>1</sup> Fiscal year 2015 was the first year of implementation.

<sup>2</sup> Changes in assumptions: the discount rate (net of administrative expense) was changed from 7.5 percent to 7.65 percent.

<sup>3</sup> Benefit payments include refunds of employee contributions

See accompanying independent auditors' report.

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**Schedule of Contributions  
 Miscellaneous Plan**

As of and for the year ended September 30, 2016 (dollars in thousands)

	Last 10 Years <sup>1</sup> (unaudited)	<b>2015</b>	<b>2016</b>
Actuarially Determined Contribution <sup>2</sup>		\$ 35,136	\$ 39,877
Contributions in relation to the actuarially determined contribution <sup>3</sup>		<u>(35,136)</u>	<u>(39,877)</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll		\$ 239,867	\$ 246,490
Contributions as a percentage of covered-employee payroll		14.65%	16.18%

**Notes to schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016 were from June 30, 2013 public agency valuations.

Valuation Date:	6/30/2013
Actuarial Cost Method	Entry age normal
Amortization Method	For details, see June 30, 2013 Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2013 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by entry age and service
Payroll Growth	3.00%
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation
Retirement Age	Probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007
Mortality	Probabilities of mortality are based on the 2010 CalPERS Experience Study for the period 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**Notes**

<sup>1</sup>Historical information is required only for years for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation.

<sup>2</sup>Actuarially Determined Calculation is based on a CalPERS projection of the Miscellaneous payroll

<sup>3</sup>Amount represents actual contributions as recorded by CalPERS

See accompanying independent auditors' report.

**The City of Long Beach**  
**The Notes to the Basic Financial Statements**  
**September 30, 2016**

**Schedule of Contributions  
Safety Plan**

As of and for the year ended September 30, 2016 (dollars in thousands)

Last 10 Years <sup>1</sup> (unaudited)	<b>2015</b>	<b>2016</b>
Actuarially Determined Contribution <sup>2</sup>	\$ 29,815	\$ 32,845
Contributions in relation to the actuarially determined contribution <sup>3</sup>	<u>(29,815)</u>	<u>(32,845)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 155,208	\$ 159,773
Contributions as a percentage of covered-employee payroll	19.21%	20.56%

**Notes to schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016 were from June 30, 2013 public agency valuations.

Valuation Date:	6/30/2013
Actuarial Cost Method	Entry age normal
Amortization Method	For details, see June 30, 2013 Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2013 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by entry age and service
Payroll Growth	3.00%
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation
Retirement Age	Probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007
Mortality	Probabilities of mortality are based on the 2010 CalPERS Experience Study for the period 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of

**Notes**

<sup>1</sup>Historical information is required only for years for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation.

<sup>2</sup>Actuarially Determined Calculation is based on a CalPERS projection of the Miscellaneous payroll

<sup>3</sup>Amount represents actual contributions as recorded by CalPERS

See accompanying independent auditors' report.

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**PARS Retirement Enhancement Plan**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
 As of and for the year ended September 30, 2016 (dollars in thousands)

Last 10 years<sup>1</sup>  
 (unaudited)

	<b>2015</b>	<b>2016</b>
<b>Total Pension Liability (TPL)</b>		
<b>TPL - beginning</b>	<b>\$ 5,108</b>	<b>\$ 5,549</b>
Service cost	417	486
Interest in the TPL	254	276
Differences between actual and expected experience	140	(82)
Benefit payments, including refunds of employee contributions	(370)	(460)
<b>Net changes in TPL</b>	<b>441</b>	<b>220</b>
<b>TPL - ending (a)</b>	<b>\$ 5,549</b>	<b>\$ 5,769</b>
<b>Plan fiduciary net position</b>		
<b>Plan fiduciary net position - beginning</b>	<b>\$ 4,854</b>	<b>\$ 5,418</b>
Contribution - employer	331	326
Contribution - employees	334	328
Net investment income	350	(63)
Administrative expenses	(370)	(460)
Benefit payments, including refunds of employee contributions	(81)	(87)
<b>Net change in fiduciary net position</b>	<b>564</b>	<b>44</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 5,418</b>	<b>\$ 5,462</b>
<b>Net pension liability - ending (a)-(b)</b>	<b>\$ 131</b>	<b>\$ 307</b>
<b>Plan fiduciary net position as a percentage of the TPL</b>	<b>97.64%</b>	<b>94.68%</b>
Covered employee payroll	\$ 11,340	\$ 10,560
<b>NPL as a percentage of covered-employee payroll</b>	<b>1.16%</b>	<b>2.91%</b>

**Notes to Schedule:**

<sup>1</sup> Fiscal year 2015 was the first year of implementation, therefore only two years of information are shown.

See accompanying independent auditors' report.

**The City of Long Beach**  
 The Notes to the Basic Financial Statements  
 September 30, 2016

**Schedule of Contributions - PARS Plan**

As of and for the year ended September 30, 2016 (dollars in thousands)

	Last 10 Years*	<b>2015</b>	<b>2016</b>
Actuarially Determined Contribution		\$ 280	\$ 273
Contributions in relation to the actuarially determined contribution		332	326
Contribution deficiency (excess)		<u>\$ (52)</u>	<u>\$ (53)</u>
Covered-employee payroll		\$ 11,340	\$ 10,560
Contributions as a percentage of covered-employee payroll		2.93%	3.09%

**Notes to schedule:**

Significant Actuarial Assumptions Used in Actuarially Determined Contribution for Fiscal Year 2016

Actuarial Valuation Date:	September 30, 2013
Contribution Policy	Normal Cost plus 2.37 year amortization of the 9/30/13 UAAL
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level dollar
Amortization Period	2.37 years
Asset Valuation Method	Market value investment gains and losses spread over 5-year rolling period; not less than 80% nor more than
Future New Entrants	Closed group, no new hires

**Schedule of Changes in Total OPEB Liability and Related Ratios<sup>1</sup>**

(As of September 30, dollars in thousands)

Last 10 Years<sup>1</sup>  
 (unaudited)

	<b>2016</b>
<b>Total OPEB liability - beginning</b>	<b>\$ 42,493</b>
Service cost	\$ 2,077
Interest on total OPEB liability	1,655
Benefit payments	<u>(1,103)</u>
<b>Net change in total OPEB liability</b>	<b>2,629</b>
<b>Total OPEB liability - ending</b>	<b>\$ 45,122</b>
Covered-employee payroll	\$ 406,263
Total OPEB liability as a percentage of covered-employee payroll	11.1%

**Notes to Schedule:**

<sup>1</sup> No assets are accumulated in a trust to pay related benefits

<sup>2</sup> Fiscal year 2016 was the first year of implementation.

See accompanying independent auditors' report.

# ADDITIONAL FINANCIAL SECTION

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**City of Long Beach**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2016**  
**(In Thousands)**

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 117,971	\$ 48,882	\$ 2,651	\$ 169,504
Non-Pooled Cash and Cash Equivalents	2,487	8,311	22,372	33,170
Receivables:				
Accounts Receivable	2,229	16	-	2,245
Due from Other Governments	24,132	3,149	-	27,281
Due from Other Funds	274	734	-	1,008
Allowance for Receivables	(1,070)	-	-	(1,070)
Other Assets	1,036	1,541	-	2,577
Advances to Other Funds	3,809	-	-	3,809
Land Held for Resale	4,215	-	-	4,215
Other Noncurrent Receivables	193,036	6,113	-	199,149
Total Assets	<u>\$ 348,119</u>	<u>\$ 68,746</u>	<u>\$ 25,023</u>	<u>\$ 441,888</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 10,647	\$ 7,519	\$ 6	\$ 18,172
Accrued Wages and Benefits Payable	1,128	140	-	1,268
Due to Other Governments	8	-	-	8
Due to Other Funds	6,112	81	-	6,193
Unearned Revenues	4,706	1,520	-	6,226
Deposits and Collections Held in Trust	1,872	113	1,236	3,221
Advances from Other Funds	3,809	-	-	3,809
Total Liabilities	<u>28,282</u>	<u>9,373</u>	<u>1,242</u>	<u>38,897</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows	<u>192,656</u>	<u>6,064</u>	<u>-</u>	<u>198,720</u>
<b>FUND BALANCES</b>				
Nonspendable	1,036	1,541	-	2,577
Restricted	123,933	25,848	23,781	173,562
Committed	1,422	-	-	1,422
Assigned	790	25,920	-	26,710
Total Fund Balance	<u>127,181</u>	<u>53,309</u>	<u>23,781</u>	<u>204,271</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 348,119</u>	<u>\$ 68,746</u>	<u>\$ 25,023</u>	<u>\$ 441,888</u>

See accompanying independent auditors' report.

**City of Long Beach**  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Fiscal Year Ended September 30, 2016  
 (In Thousands)

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
<b>Revenues:</b>				
Taxes:				
Property	\$ 6,044	\$ 17,631	\$ 26,365	\$ 50,040
Sales	2,510	-	-	2,510
Other Taxes	11,745	-	-	11,745
Licenses and Permits	6,266	2,721	-	8,987
Use of Money and Property	2,385	642	260	3,287
From Other Agencies	166,627	1,113	-	167,740
Charges for Services	1,968	-	-	1,968
Other Contributions	-	249	-	249
Other	4,105	1,178	-	5,283
<b>Total Revenues</b>	<b>201,650</b>	<b>23,534</b>	<b>26,625</b>	<b>251,809</b>
<b>Expenditures:</b>				
Current:				
General Government	2,122	2	-	2,124
Public Safety	16,923	-	-	16,923
Public Health	36,713	-	-	36,713
Community and Cultural	106,306	2,852	-	109,158
Public Works	37,165	-	-	37,165
<b>Total Current Expenditures</b>	<b>199,229</b>	<b>2,854</b>	<b>-</b>	<b>202,083</b>
Capital Improvements	-	38,629	-	38,629
Debt Service:				
Principal	-	-	18,717	18,717
Interest	-	-	16,763	16,763
Debt Administration Fees	-	-	94	94
<b>Total Expenditures</b>	<b>199,229</b>	<b>41,483</b>	<b>35,574</b>	<b>276,286</b>
Excess of Revenues over (under) Expenditures	2,421	(17,949)	(8,949)	(24,477)
<b>Other Financing Sources (Uses):</b>				
Transfers In	2,216	26,995	12,023	41,234
Transfers Out	(4,175)	(13,053)	-	(17,228)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,959)</b>	<b>13,942</b>	<b>12,023</b>	<b>24,006</b>
Net Change in Fund Balances	462	(4,007)	3,074	(471)
Fund Balances - October 1	126,719	57,316	20,707	204,742
Fund Balances - September 30	<b>\$ 127,181</b>	<b>\$ 53,309</b>	<b>\$ 23,781</b>	<b>\$ 204,271</b>

See accompanying independent auditors' report.

## **NONMAJOR SPECIAL REVENUE FUNDS**

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

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

The Police and Fire Public Safety Oil Production Act Fund accounts for the impact fee assessed to oil producers on a per barrel basis and the associated police and fire expenditures that the revenue supports.

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

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

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

The Housing Assistance Fund is used to account for programs administered by the City's Housing Authority under regulations of HUD.

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

The Gasoline Tax Fund was established to account for the apportionment of Highway User Tax collected by the State to finance street-related projects, including the maintenance thereof. The fund also accounts Non Harbor, U.S. Department of Transportation, and Federal Highway Administration Grants that finance certain transportation projects.

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

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

**City of Long Beach**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**September 30, 2016**  
**(In Thousands)**

	Special Revenue							Belmont Shore Parking Meter Revenue	Housing Assistance		
	General Grants	Police and Fire		Community		Health					
		Public Safety	Oil Production	Development	Grants						
<b>ASSETS</b>											
Pooled Cash and Cash Equivalents	\$ 3,656	\$ 1,421	\$ 1	\$ 3,971	\$ 1,064	\$ 8,222					
Non-Pooled Cash and Cash Equivalents	-	-	12	1	72	2,377					
Receivables:											
Accounts Receivable	167	325	39	638	-	1					
Due from Other Governments	6,703	-	6,704	7,791	-	421					
Due from Other Funds	243	-	15	16	-	-					
Allowance for Receivables	-	-	(379)	(478)	-	-					
Other Assets-Current	-	-	153	-	-	-					
Advances to Other Funds	-	-	3,809	-	-	-					
Land Held for Resale	-	-	759	-	-	-					
Other Noncurrent Receivables (net)	-	-	61,692	-	-	-					
Total Assets	<u>\$ 10,769</u>	<u>\$ 1,746</u>	<u>\$ 72,805</u>	<u>\$ 11,939</u>	<u>\$ 1,136</u>	<u>\$ 11,021</u>					
<b>LIABILITIES</b>											
Accounts Payable	\$ 615	\$ -	\$ 2,471	\$ 1,969	\$ 154	\$ 98					
Accrued Wages	122	24	195	588	-	115					
Due to Other Governments	-	-	-	-	-	8					
Due to Other Funds	2,461	14	2,617	371	-	66					
Unearned Revenues	3,787	306	208	388	-	17					
Deposits and Collections Held in Trust	-	-	182	175	10	1,324					
Advances from Other Funds	-	-	-	-	-	-					
Total Liabilities	<u>6,985</u>	<u>344</u>	<u>5,673</u>	<u>3,491</u>	<u>164</u>	<u>1,628</u>					
<b>DEFERRED INFLOWS OF RESOURCES</b>											
Deferred Inflows	-	-	61,312	-	-	-					
<b>FUND BALANCES (DEFICIT)</b>											
Nonspendable	-	-	153	-	-	-					
Restricted	2,994	1,402	5,667	8,448	972	9,393					
Committed	-	-	-	-	-	-					
Assigned	790	-	-	-	-	-					
Total Fund Balances	<u>3,784</u>	<u>1,402</u>	<u>5,820</u>	<u>8,448</u>	<u>972</u>	<u>9,393</u>					
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 10,769</u>	<u>\$ 1,746</u>	<u>\$ 72,805</u>	<u>\$ 11,939</u>	<u>\$ 1,136</u>	<u>\$ 11,021</u>					

See accompanying independent auditors' report.

Housing Development	Gasoline Tax	Transportation	Other Special Revenue Funds	Total Special Revenue Funds	
ASSETS					
\$ 41,051	\$ 14,167	\$ 31,641	\$ 12,777	\$ 117,971	Pooled Cash and Cash Equivalents
25	-	-	-	2,487	Non-Pooled Cash and Cash Equivalents
					Receivables:
11	1	7	1,040	2,229	Accounts Receivable
507	1,851	155	-	24,132	Due from Other Governments
-	-	-	-	274	Due from Other Funds
-	-	-	(213)	(1,070)	Allowance for Receivables
-	843	32	8	1,036	Other Assets-Current
-	-	-	-	3,809	Advances to Other Funds
3,456	-	-	-	4,215	Land Held for Resale
130,087	-	-	1,257	193,036	Other Noncurrent Receivables
<b>\$ 175,137</b>	<b>\$ 16,862</b>	<b>\$ 31,835</b>	<b>\$ 14,869</b>	<b>\$ 348,119</b>	<b>Total Assets</b>
LIABILITIES					
\$ 127	\$ 2,967	\$ 2,020	\$ 226	\$ 10,647	Accounts Payable
21	-	-	63	1,128	Accrued Wages
-	-	-	-	8	Due to Other Governments
12	514	20	37	6,112	Due to Other Funds
-	-	-	-	4,706	Unearned Revenues
26	-	-	155	1,872	Deposits and Collections Held in Trust
3,809	-	-	-	3,809	Advances from Other Funds
<b>3,995</b>	<b>3,481</b>	<b>2,040</b>	<b>481</b>	<b>28,282</b>	<b>Total Liabilities</b>
DEFERRED INFLOWS OF RESOURCE					
<b>130,087</b>	<b>-</b>	<b>-</b>	<b>1,257</b>	<b>192,656</b>	<b>Deferred Inflows</b>
FUND BALANCES (DEFICIT)					
-	843	32	8	1,036	Nonspendable
40,833	12,538	29,763	11,923	123,933	Restricted
222	-	-	1,200	1,422	Committed
-	-	-	-	790	Assigned
<b>41,055</b>	<b>13,381</b>	<b>29,795</b>	<b>13,131</b>	<b>127,181</b>	<b>Total Fund Balances</b>
<b>\$ 175,137</b>	<b>\$ 16,862</b>	<b>\$ 31,835</b>	<b>\$ 14,869</b>	<b>\$ 348,119</b>	<b>Total Liabilities, Deferred Inflows and Fund Balances</b>

**City of Long Beach**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

	Special Revenue					
	General Grants	Police and Fire Public Safety Oil Production Act	Community Development Grants	Health	Belmont Shore Parking Meter Revenue	Housing Assistance
<b>Revenues:</b>						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ 6,044	\$ -	\$ -
Sales	-	-	-	2,510	-	-
Other Taxes	-	3,679	-	-	-	-
Licenses and Permits	-	-	2	3,205	-	-
Use of Money and Property	36	11	340	51	754	52
From Other Agencies	16,734	-	25,068	23,580	-	63,958
Charges for Services	602	-	48	1,312	-	-
Other	662	-	1,845	74	-	89
Total Revenues	18,034	3,690	27,303	36,776	754	64,099
<b>Expenditures:</b>						
Current:						
General Government	1,672	-	117	-	-	8
Public Safety	12,448	3,525	950	-	-	-
Public Health	237	-	-	35,050	-	-
Community and Cultural	4,935	-	24,637	-	770	65,303
Public Works	50	-	32	-	-	-
Total Current Expenditures	19,342	3,525	25,736	35,050	770	65,311
Excess of Revenues over (under) Expenditures	(1,308)	165	1,567	1,726	(16)	(1,212)
<b>Other Financing Sources (Uses)</b>						
Transfers In	446	-	297	393	-	-
Transfers Out	-	-	(1,806)	(202)	-	-
Total Other Financing Sources (Uses)	446	-	(1,509)	191	-	-
Net Change in Fund Balances	(862)	165	58	1,917	(16)	(1,212)
Fund Balances - October 1	4,646	1,237	5,762	6,531	988	10,605
Fund Balances - September 30	\$ 3,784	\$ 1,402	\$ 5,820	\$ 8,448	\$ 972	\$ 9,393

See accompanying independent auditors' report.

Special Revenue						
Housing Development	Gasoline Tax	Transportation	Other Special Revenue Funds	Total Special Revenue Funds		
Revenues:						
\$ -	\$ -	\$ -	\$ -	\$ 6,044	Taxes:	
-	-	-	-	2,510	Property	
-	-	-	8,066	11,745	Sales	
79	-	-	2,980	6,266	Other Taxes	
610	115	269	147	2,385	Licenses and Permits	
331	15,524	21,432	-	166,627	Use of Money and Property	
-	-	-	6	1,968	From Other Agencies	
1,178	-	-	257	4,105	Charges for Services	
2,198	15,639	21,701	11,456	201,650	Other	
					Total Revenues	
Expenditures:						
Current:						
101	-	190	34	2,122	General Government	
-	-	-	-	16,923	Public Safety	
-	-	-	1,426	36,713	Public Health	
2,933	-	171	7,557	106,306	Community and Cultural	
-	20,669	16,414	-	37,165	Public Works	
3,034	20,669	16,775	9,017	199,229	Total Current Expenditures	
(836)	(5,030)	4,926	2,439	2,421	Excess of Revenues Over (Under) Expenditures	
Other Financing Sources (Uses)						
975	-	-	105	2,216	Transfers In	
(162)	-	-	(2,005)	(4,175)	Transfers Out	
813	-	-	(1,900)	(1,959)	Total Other Financing Sources (Uses)	
(23)	(5,030)	4,926	539	462	Net Change in Fund Balances	
41,078	18,411	24,869	12,592	126,719	Fund Balances - October 1	
\$ 41,055	\$ 13,381	\$ 29,795	\$ 13,131	\$ 127,181	Fund Balances - September 30	

**City of Long Beach**  
**Nonmajor Special Revenue Funds**  
**Schedule of Sources, Uses, and Changes in Funds Available**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

	<b>General Grants</b>				Variance with Final Budget - Favorable (unfavorable)	
	Budgeted Amounts		Actual on Budgetary Basis			
	Original	Final				
<b>Sources:</b>						
Use of Money and Property	\$ (8)	\$ (2)	\$ 36	\$ 38		
From Other Agencies	18,984	35,068	16,734	(18,334)		
Charges for Services	(817)	(188)	602	790		
Other Revenues	83	1,394	662	(732)		
Transfers In	972	1,262	446	(816)		
Total Sources	<u>19,214</u>	<u>37,534</u>	<u>18,480</u>	<u>(19,054)</u>		
<b>Uses:</b>						
General Government	2,788	3,160	1,687	1,473		
Public Safety	13,580	29,330	12,605	16,725		
Public Health	432	643	237	406		
Community and Cultural	6,156	8,136	4,935	3,201		
Public Works	305	305	50	255		
Total Uses	<u>23,261</u>	<u>41,574</u>	<u>19,514</u>	<u>22,060</u>		
Net Change in Budgetary Fund Balance	<u>\$ (4,047)</u>	<u>\$ (4,040)</u>	<u>\$ (1,034)</u>	<u>\$ 3,006</u>		
Fund Balances - October 1, Budgetary Basis	4,646	4,646	374			
Fund Balances - September 30, Budgetary Basis	<u>\$ 599</u>	<u>\$ 606</u>	<u>\$ (660)</u>			

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	<u>\$ (1,034)</u>
<b>Add:</b> Encumbrances	<u>172</u>
<b>Change in Fund Balance - September 30, GAAP Basis</b>	<u>(862)</u>
<b>Fund Balance, October 1, GAAP Basis</b>	<u>4,646</u>
<b>Fund Balance, September 30, GAAP Basis</b>	<u><u>\$ 3,784</u></u>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ 3,784</u>
<b>Less:</b> Commitments to Grant Funded Programs	<u>(20,610)</u>
<b>Add:</b> Future Grant Funding	<u>17,933</u>
<b>Total Adjustments</b>	<u>(2,677)</u>
<b>Budgetary Funds Available - September 30</b>	<u><u>\$ 1,107</u></u>

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Special Revenue Funds**  
**Schedule of Sources, Uses, and Changes in Funds Available**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

	<b>Police and Fire Public Safety Oil Production Tax</b>				Variance with Final
	<b>Budgeted Amounts</b>		<b>Actual on Budgetary Basis</b>	<b>Budget - Favorable (unfavorable)</b>	
	<b>Original</b>	<b>Final</b>			
<b>Sources:</b>					
Other Taxes	\$ 1,371	\$ 1,371	\$ 3,679	\$ 2,308	
Use of Money and Property	(41)	(41)	14	55	
Total Sources	<u>1,330</u>	<u>1,330</u>	<u>3,693</u>	<u>2,363</u>	
<b>Uses:</b>					
General Government	400	400	-	400	
Public Safety	5,211	5,519	3,525	1,994	
Total Uses	<u>5,611</u>	<u>5,919</u>	<u>3,525</u>	<u>2,394</u>	
Net Change in Budgetary Fund Balance	<u>\$ (4,281)</u>	<u>\$ (4,589)</u>	<u>\$ 168</u>	<u>\$ 4,757</u>	
Fund Balances - October 1, Budgetary Basis	1,239	1,239	1,237		
Fund Balances - September 30, Budgetary Basis	<u>\$ (3,042)</u>	<u>\$ (3,350)</u>	<u>\$ 1,405</u>		

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	<b>\$ 168</b>
Less: Change in Mark-to-Market and Other Adjustments	<u>(3)</u>
<b>Change in Fund Balance - September 30, GAAP Basis</b>	<b>165</b>
<b>Fund Balance, October 1, GAAP Basis</b>	<b>1,237</b>
<b>Fund Balance, September 30, GAAP Basis</b>	<b><u>\$ 1,402</u></b>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	<b>\$ 1,402</b>
<b>Budgetary Funds Available - September 30</b>	<b><u>\$ 1,402</u></b>

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Special Revenue Funds**  
**Schedule of Sources, Uses, and Changes in Funds Available**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

	<b>Community Development Grants</b>			Variance with Final
	<b>Budgeted Amounts</b>		Actual on Budgetary Basis	Budget - Favorable (unfavorable)
	Original	Final		
<b>Sources:</b>				
Licenses and Permits	\$ (8)	\$ (8)	\$ 2	\$ 10
Use of Money and Property	(312)	(309)	340	\$ 649
From Other Agencies	34,582	44,778	25,068	(19,710)
Charges for Services	(50)	(50)	48	98
Other Revenues	5,356	5,985	1,845	(4,140)
Transfers In	(107)	23	297	274
Total Sources	<u>39,461</u>	<u>50,419</u>	<u>27,600</u>	<u>(22,819)</u>
<b>Uses:</b>				
General Government	24,654	24,677	117	24,560
Public Safety	1,287	909	950	(41)
Community and Cultural	18,845	29,663	25,591	4,072
Public Works	27	27	32	(5)
Transfers Out	(3,020)	(3,020)	1,806	(4,826)
Total Uses	<u>41,793</u>	<u>52,256</u>	<u>28,496</u>	<u>23,760</u>
Net Change in Budgetary Fund Balance	<u>\$ (2,332)</u>	<u>\$ (1,837)</u>	<u>\$ (896)</u>	<u>\$ 941</u>
Fund Balances - October 1, Budgetary Basis	<u>4,395</u>	<u>3,302</u>	<u>5,762</u>	
Fund Balances - September 30, Budgetary Basis	<u>\$ 2,063</u>	<u>\$ 1,465</u>	<u>\$ 4,866</u>	

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	<b>\$ (896)</b>
<b>Add:</b> Encumbrances	<b>954</b>
<b>Change in Fund Balance - September 30, GAAP Basis</b>	<b>58</b>
<b>Fund Balance, October 1, GAAP Basis</b>	<b>5,762</b>
<b>Fund Balance, September 30, GAAP Basis</b>	<b>\$ 5,820</b>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	<b>\$ 5,820</b>
<b>Less:</b> Nonspendable Fund Balance	<b>(153)</b>
Amounts Restricted by Long-term Advances	<b>(3,809)</b>
Land Held for Resale	<b>(759)</b>
Commitments to Grant Funded Programs	<b>(21,139)</b>
<b>Add:</b> Future Grant Funding	<b>20,653</b>
<b>Total Adjustments</b>	<b>(5,207)</b>
<b>Budgetary Funds Available - September 30</b>	<b>\$ 613</b>

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Special Revenue Funds**  
**Schedule of Sources, Uses, and Changes in Funds Available**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

	<b>Health</b>			Variance with Final Budget - Favorable (unfavorable)	
	<b>Budgeted Amounts</b>		Actual on Budgetary Basis		
	Original	Final			
<b>Sources</b>					
Property Taxes	\$ 8,344	\$ 8,344	\$ 6,044	\$ (2,300)	
Sales Taxes	2,500	2,500	2,510	10	
Licenses and Permits	3,099	3,099	3,205	106	
Use of Money and Property	30	30	51	21	
From Other Agencies	43,717	47,427	23,580	(23,847)	
Charges for Services	1,630	1,627	1,312	(315)	
Other Revenues	1,905	2,173	74	(2,099)	
Transfers In	80	1,065	393	(672)	
<b>Total Sources</b>	<b>61,305</b>	<b>66,265</b>	<b>37,169</b>	<b>(29,096)</b>	
<b>Uses</b>					
Public Health	61,150	66,105	35,055	31,050	
Transfers Out	48	202	202	-	
<b>Total Uses</b>	<b>61,198</b>	<b>66,307</b>	<b>35,257</b>	<b>31,050</b>	
<b>Net Change in Budgetary Fund Balance</b>	<b>\$ 107</b>	<b>\$ (42)</b>	<b>\$ 1,912</b>	<b>\$ 1,954</b>	
Fund Balances - October 1, Budgetary Basis	6,531	6,531	6,531		
Fund Balances - September 30, Budgetary Basis	<b>\$ 6,638</b>	<b>\$ 6,489</b>	<b>\$ 8,443</b>		

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	<b>\$ 1,912</b>
<b>Add:</b> Encumbrances	5
<b>Change in Fund Balance - September 30, GAAP Basis</b>	<b>1,917</b>
<b>Fund Balance, October 1, GAAP Basis</b>	<b>6,531</b>
<b>Fund Balance, September 30, GAAP Basis</b>	<b>\$ 8,448</b>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	<b>\$ 8,448</b>
Commitments to Grant Funded Programs	(26,348)
Internal Designations	(108)
<b>Add:</b> Future Grant Funding	<b>26,055</b>
<b>Total Adjustments</b>	<b>(401)</b>
<b>Budgetary Funds Available - September 30</b>	<b>\$ 8,047</b>

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Special Revenue Funds**  
**Schedule of Sources, Uses, and Changes in Funds Available**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

<b>Belmont Shore Parking Meter Revenues</b>				
	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	Variance with Final
	<u>Original</u>	<u>Final</u>		Budget - Favorable (unfavorable)
<b>Sources</b>				
Use of Money and Property	\$ 702	\$ 702	\$ 1,456	\$ 754
Total Sources	702	702	1,456	754
<b>Uses</b>				
Community and Cultural	831	933	770	163
Total Uses	831	933	770	163
Net Change in Budgetary Fund Balance	\$ (129)	\$ (231)	\$ 686	\$ 917
Fund Balances - October 1, Budgetary Basis	-	-	988	
Fund Balances - September 30, Budgetary Basis	\$ (129)	\$ (231)	\$ 1,674	

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	\$ 686
<b>Change in Fund Balance - September 30, GAAP Basis</b>	(16)
<b>Fund Balance, October 1, GAAP Basis</b>	988
<b>Fund Balance, September 30, GAAP Basis</b>	\$ 972

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	\$ 972
<b>Budgetary Funds Available - September 30</b>	\$ 972

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Special Revenue Funds**  
**Schedule of Sources, Uses, and Changes in Funds Available**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

	<b>Housing Assistance</b>				Variance with Final Budget - Favorable (unfavorable)	
	Budgeted Amounts		Actual on Budgetary Basis			
	Original	Final				
<b>Sources</b>						
Use of Money and Property	\$ 14	\$ 14	\$ 52	\$ 38		
From Other Agencies	70,556	70,162	63,958	(6,204)		
Other Revenues	120	514	89	(425)		
Total Sources	<u>70,690</u>	<u>70,690</u>	<u>64,099</u>	<u>(6,591)</u>		
<b>Uses</b>						
General Government	13	13	8	5		
Public Health	93	93	93	-		
Community and Cultural	71,940	71,940	65,303	6,637		
Total Uses	<u>72,046</u>	<u>72,046</u>	<u>65,404</u>	<u>6,642</u>		
Net Change in Budgetary Fund Balance	<u>\$ (1,356)</u>	<u>\$ (1,356)</u>	<u>\$ (1,305)</u>	<u>\$ 51</u>		
Fund Balances - October 1, Budgetary Basis	10,605	10,605	10,605			
Fund Balances - September 30, Budgetary Basis	<u>\$ 9,249</u>	<u>\$ 9,249</u>	<u>\$ 9,300</u>			

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	<b>\$ (1,305)</b>
<b>Change in Fund Balance - September 30, GAAP Basis</b>	<b>(1,305)</b>
<b>Fund Balance, October 1, GAAP Basis</b>	<b>10,605</b>
<b>Fund Balance, September 30, GAAP Basis</b>	<b>\$ 9,300</b>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	<b>\$ 9,300</b>
<b>Less:</b> Commitments to Grant Funded Programs	<b>(24)</b>
<b>Add:</b> Future Grant Funding	<b>34</b>
<b>Total Adjustments</b>	<b>10</b>
<b>Budgetary Funds Available - September 30</b>	<b>\$ 9,310</b>

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Special Revenue Funds**  
**Schedule of Sources, Uses, and Changes in Funds Available**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

	<b>Housing Development</b>				Variance with Final Budget - Favorable (unfavorable)	
	<u>Budgeted Amounts</u>		Actual on Budgetary Basis			
	Original	Final				
<b>Sources</b>						
Licenses and Permits	\$ 218	\$ 218	\$ 79	\$ (139)		
Use of Money and Property	66	72	682	610		
From Other Agencies	3,472	3,472	331	(3,141)		
Other Revenues	(42)	1,148	1,178	30		
Transfers In	11,444	12,596	975	(11,621)		
Total Sources	<u>15,158</u>	<u>17,506</u>	<u>3,245</u>	<u>(14,261)</u>		
<b>Uses</b>						
General Government	16,973	17,049	101	16,948		
Community and Cultural	6,844	7,524	2,933	4,591		
Transfers Out	791	1,206	162	1,044		
Total Uses	<u>24,608</u>	<u>25,779</u>	<u>3,196</u>	<u>22,583</u>		
Net Change in Budgetary Fund Balance	<u>\$ (9,450)</u>	<u>\$ (8,273)</u>	<u>\$ 49</u>	<u>\$ 8,322</u>		
Fund Balances - October 1, Budgetary Basis	41,078	41,078	41,078			
Fund Balances - September 30, Budgetary Basis	<u>\$ 31,628</u>	<u>\$ 32,805</u>	<u>\$ 41,127</u>			

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	<u>\$ 49</u>
<b>Change in Fund Balance - September 30, GAAP Basis</b>	<u>(23)</u>
<b>Fund Balance, October 1, GAAP Basis</b>	<u>41,078</u>
<b>Fund Balance, September 30, GAAP Basis</b>	<u><u>\$ 41,055</u></u>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ 41,055</u>
<b>Less:</b> Land Held for Resale	(3,456)
Commitments to Grant Funded Programs	(22,602)
<b>Add:</b> Future Grant Funding	<u>4,352</u>
<b>Total Adjustments</b>	<u>(21,706)</u>
<b>Budgetary Funds Available - September 30</b>	<u><u>\$ 19,349</u></u>

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Special Revenue Funds**  
**Schedule of Sources, Uses, and Changes in Funds Available**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

	<b>Gasoline Tax</b>			Variance with Final Budget - Favorable (unfavorable)	
	<b>Budgeted Amounts</b>		Actual on Budgetary Basis		
	Original	Final			
<b>Sources</b>					
Use of Money and Property	\$ 50	\$ 115	\$ 230	\$ 115	
From Other Agencies	<u>26,524</u>	<u>26,910</u>	<u>15,524</u>	<u>(11,386)</u>	
Total Sources	<u>26,574</u>	<u>27,025</u>	<u>15,754</u>	<u>(11,271)</u>	
<b>Uses</b>					
Public Works	46,676	47,126	25,742	21,384	
Total Uses	<u>46,676</u>	<u>47,126</u>	<u>25,742</u>	<u>21,384</u>	
Net Change in Budgetary Fund Balance	<u>\$ (20,102)</u>	<u>\$ (20,101)</u>	<u>\$ (9,988)</u>	<u>\$ 10,113</u>	
Fund Balances - October 1, Budgetary Basis	18,411	18,411	18,411		
Fund Balances - September 30, Budgetary Basis	<u>\$ (1,691)</u>	<u>\$ (1,690)</u>	<u>\$ 8,423</u>		

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	<b>\$ (9,988)</b>
Less: Encumbrances	5,073
<b>Change in Fund Balance - September 30, GAAP Basis</b>	<b>(5,030)</b>
<b>Fund Balance, October 1, GAAP Basis</b>	<b>18,411</b>
<b>Fund Balance, September 30, GAAP Basis</b>	<b>\$ 13,381</b>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	<b>\$ 13,381</b>
Less: Nonspendable Fund Balance	(843)
Commitments to Grant Funded Programs	(23,386)
Add: Future Grant Funding	10,892
<b>Total Adjustments</b>	<b>(13,337)</b>
<b>Budgetary Funds Available - September 30</b>	<b>\$ 44</b>

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Special Revenue Funds**  
**Schedule of Sources, Uses, and Changes in Funds Available**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

	<b>Transportation</b>				Variance with Final Budget - Favorable (unfavorable)
	<u>Budgeted Amounts</u>		Actual on Budgetary Basis		
	Original	Final			
<b>Sources</b>					
Use of Money and Property	\$ 98	\$ 269	\$ 538	\$ 269	
From Other Agencies	<u>20,270</u>	<u>20,082</u>	<u>21,432</u>	<u>1,350</u>	
Total Sources	<u>20,368</u>	<u>20,351</u>	<u>21,970</u>	<u>1,619</u>	
<b>Uses</b>					
Community and Cultural	82	82	171	(89)	
Public Works	<u>38,645</u>	<u>38,904</u>	<u>21,321</u>	<u>17,583</u>	
Total Uses	<u>38,727</u>	<u>38,986</u>	<u>21,492</u>	<u>17,494</u>	
Net Change in Budgetary Fund Balance	<u>\$ (18,359)</u>	<u>\$ (18,635)</u>	<u>\$ 478</u>	<u>\$ 19,113</u>	
Fund Balances - October 1, Budgetary Basis	24,916	24,916	24,869		
Fund Balances - September 30, Budgetary Basis	<u>\$ 6,557</u>	<u>\$ 6,281</u>	<u>\$ 25,347</u>		

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	<u>\$ 478</u>
<b>Add:</b> Encumbrances	4,717
<b>Change in Fund Balance - September 30, GAAP Basis</b>	<u>4,926</u>
<b>Fund Balance, October 1, GAAP Basis</b>	<u>24,869</u>
<b>Fund Balance, September 30, GAAP Basis</b>	<u><u>\$ 29,795</u></u>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ 29,795</u>
<b>Less:</b> Nonspendable Fund Balance	(32)
Commitments to Projects	<u>(21,050)</u>
<b>Total Adjustments</b>	<u>(21,082)</u>
<b>Budgetary Funds Available - September 30</b>	<u><u>\$ 8,713</u></u>

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Special Revenue Funds**  
**Schedule of Sources, Uses, and Changes in Funds Available**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

	<b>Other Special Revenue Funds</b>				Variance with Final Budget - Favorable (unfavorable)
	<u>Budgeted Amounts</u>		Actual on Budgetary Basis		
	Original	Final			
<b>Sources</b>					
Other Taxes	\$ 6,300	\$ 6,300	\$ 8,066	\$ 1,766	
Licenses and Permits	2,709	2,715	2,980	265	
Use of Money and Property	24	24	171	147	
From Other Agencies	400	400	-	(400)	
Charges for Services	-	-	6	6	
Other Revenues	1,565	1,602	257	(1,345)	
Transfers In	1,004	1,004	105	(899)	
Total Sources	<u>12,002</u>	<u>12,045</u>	<u>11,585</u>	<u>(460)</u>	
<b>Uses</b>					
General Government	2,038	(77)	34	(111)	
Public Safety	131	138	-	138	
Public Health	1,522	1,515	2,941	(1,426)	
Community and Cultural	7,515	11,673	7,557	4,116	
Transfers Out	400	2,400	2,005	395	
Total Uses	<u>11,606</u>	<u>15,649</u>	<u>12,537</u>	<u>3,112</u>	
Net Change in Budgetary Fund Balance	<u>\$ 396</u>	<u>\$ (3,604)</u>	<u>\$ (952)</u>	<u>\$ 2,652</u>	
Fund Balances - October 1, Budgetary Basis	<u>(2,400)</u>	<u>-</u>	<u>12,592</u>		
Fund Balances - September 30, Budgetary Basis	<u>\$ (2,004)</u>	<u>\$ (3,604)</u>	<u>\$ 11,640</u>		

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	<u>\$ (952)</u>
<b>Change in Fund Balance - September 30, GAAP Basis</b>	<u>539</u>
<b>Fund Balance, October 1, GAAP Basis</b>	<u>12,592</u>
<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ 13,131</u>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ 13,131</u>
<b>Less:</b> Nonspendable Fund Balance	(8)
Commitments to Projects	(1,364)
Internal Designations	(5,000)
<b>Add:</b> Future Grant Funding	1,744
<b>Total Adjustments</b>	<u>(4,628)</u>
<b>Budgetary Funds Available - September 30</b>	<u>\$ 8,503</u>

See accompanying independent auditors' report.



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## **NONMAJOR DEBT SERVICE FUND**

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

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

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

**City of Long Beach**  
**Nonmajor Debt Service Funds**  
**Combining Balance Sheet**  
**September 30, 2016**  
**(In Thousands)**

	General Debt Service Fund	Agency Debt Service Fund	Successor Total Debt Service Funds
<b>ASSETS</b>			
Pooled Cash and Cash Equivalents	\$ 2,651	\$ -	\$ 2,651
Non-Pooled Cash and Cash Equivalents	1,775	20,597	22,372
Total Assets	<b>\$ 4,426</b>	<b>\$ 20,597</b>	<b>\$ 25,023</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ 6	\$ 6
Deposits and Collections Held in Trust	1,236	-	1,236
Total Liabilities	<b>1,236</b>	<b>6</b>	<b>1,242</b>
<b>FUND BALANCES</b>			
Restricted	3,190	20,591	23,781
Total Fund Balance	<b>3,190</b>	<b>20,591</b>	<b>23,781</b>
Total Liabilities and Fund Balances	<b>\$ 4,426</b>	<b>\$ 20,597</b>	<b>\$ 25,023</b>

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Debt Service Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

	General Debt Service Fund	Agency Debt Service Fund	Successor Total Debt Service Funds
<b>Revenues:</b>			
Taxes:			
Property	\$ -	\$ 26,365	\$ 26,365
Use of Money and Property	<u>163</u>	<u>97</u>	<u>260</u>
Total Revenues	<u>163</u>	<u>26,462</u>	<u>26,625</u>
<b>Expenditures:</b>			
Debt Service:			
Principal	5,177	13,540	18,717
Interest	3,807	12,956	16,763
Debt Administration Fees	<u>8</u>	<u>86</u>	<u>94</u>
Total Expenditures	<u>8,992</u>	<u>26,582</u>	<u>35,574</u>
Excess of Revenues over (under) Expenditures	<u>(8,829)</u>	<u>(120)</u>	<u>(8,949)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In	<u>11,643</u>	<u>380</u>	<u>12,023</u>
Total Other Financing Sources	<u>11,643</u>	<u>380</u>	<u>12,023</u>
Net Change in Fund Balances	2,814	260	3,074
Fund Balances - October 1	<u>376</u>	<u>20,331</u>	<u>20,707</u>
Fund Balances - September 30	<u>\$ 3,190</u>	<u>\$ 20,591</u>	<u>\$ 23,781</u>

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Debt Service Funds**  
**Schedule of Sources, Uses, and Changes in Funds Available**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2016**  
**(In Thousands)**

<b>General Debt Service Fund</b>				
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final		
<b>Sources:</b>				
Use of Money and Property Transfers In	\$ 751 8,479	\$ 751 8,879	\$ 163 11,643	\$ (588) 2,764
Total Sources	<u>9,230</u>	<u>9,630</u>	<u>11,806</u>	<u>2,176</u>
<b>Uses:</b>				
Debt Service	9,230	8,992	8,992	-
Total Uses	<u>9,230</u>	<u>8,992</u>	<u>8,992</u>	<u>-</u>
Net Change in Budgetary Fund Balance	<u>\$ -</u>	<u>\$ 638</u>	<u>\$ 2,814</u>	<u>\$ 2,176</u>
Fund Balances - October 1, Budgetary Basis	376	376	376	
Fund Balances - September 30, Budgetary Basis	<u>\$ 376</u>	<u>\$ 1,014</u>	<u>\$ 3,190</u>	
<b>Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis</b>				
Change in Fund Balance - September 30, Budgetary Basis			\$ 2,814	
Change in Fund Balance - September 30, GAAP Basis			<u>2,814</u>	
Fund Balance, October 1, GAAP Basis			376	
Fund Balance, September 30, GAAP Basis			<u>\$ 3,190</u>	
<b>Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis</b>				
Fund Balance, September 30, GAAP Basis			\$ 3,190	
Budgetary Funds Available - September 30			<u>\$ 3,190</u>	

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Debt Service Funds**  
**Schedule of Sources, Uses, and Changes in Funds Available**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

	<b>Successor Agency Debt Service Fund</b>				Variance with Final Budget - Favorable (unfavorable)	
	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	Original	Final	
	Original	Final	Budgetary Basis			
<b>Sources:</b>						
Property Taxes	\$ -	\$ -	\$ 26,365	\$ 26,365		
Use of Money and Property Transfers In	- 30,162	- 30,162	97 380	97 (29,782)		
Total Sources	<u>30,162</u>	<u>30,162</u>	<u>26,842</u>	<u>26,842</u>	<u>(3,320)</u>	
<b>Uses:</b>						
Debt Service	30,162	30,162	26,582	3,580		
Total Uses	<u>30,162</u>	<u>30,162</u>	<u>26,582</u>	<u>3,580</u>		
Net Change in Budgetary Fund Balance	\$ -	\$ -	\$ 260	\$ 260		
Fund Balances - October 1, Budgetary Basis	<u>33,375</u>	<u>33,375</u>	<u>20,331</u>			
Fund Balances - September 30, Budgetary Basis	<u>\$ 33,375</u>	<u>\$ 33,375</u>	<u>\$ 20,591</u>			

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

Change in Fund Balance - September 30, Budgetary Basis	\$ 260
Change in Fund Balance - September 30, GAAP Basis	<u>260</u>
Fund Balance, October 1, GAAP Basis	<u>20,331</u>
Fund Balance, September 30, GAAP Basis	<u>\$ 20,591</u>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

Fund Balance, September 30, GAAP Basis	\$ 20,591
Budgetary Funds Available - September 30	<u>\$ 20,591</u>

See accompanying independent auditors' report.



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## **NONMAJOR CAPITAL PROJECTS FUND**

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

The General Capital Projects Fund was established to account for the acquisition, construction, and improvement of facilities and infrastructure financed by grants, bond proceeds, and operating transfers from other City funds.

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

The Successor Agency Capital Projects Fund was established to account for the wind-down of Redevelopment Agency operations. This includes the completion of authorized projects and the disposition of properties owned by the former Redevelopment Agency. The activities of this fund are primarily financed through remaining bond proceeds and Redevelopment Property Tax Trust Fund allocations provided through the County for this purpose.

**City of Long Beach**  
**Nonmajor Capital Project Funds**  
**Combining Balance Sheet**  
**September 30, 2016**  
**(In Thousands)**

	General Capital Projects	Special Assessment Projects	Successor Agency Capital Projects	Total Capital Projects Funds
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 38,435	\$ 1,759	\$ 8,688	\$ 48,882
Non-Pooled Cash and Cash Equivalents	6,836	687	788	8,311
Receivables:				
Accounts Receivable	4	-	12	16
Due from Other Governments	2,197	-	952	3,149
Due from Other Funds	734	-	-	734
Other Assets	129	-	1,412	1,541
Other Noncurrent Receivables	-	-	6,113	6,113
Total Assets	<b>\$ 48,335</b>	<b>\$ 2,446</b>	<b>\$ 17,965</b>	<b>\$ 68,746</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 7,446	\$ (1)	\$ 74	\$ 7,519
Accrued Wages and Benefits Payable	133	-	7	140
Due to Other Funds	77	-	4	81
Unearned Revenues	1,433	-	87	1,520
Deposits and Collections Held in Trust	2	-	111	113
Total Liabilities	<b>9,091</b>	<b>(1)</b>	<b>283</b>	<b>9,373</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows	-	-	6,064	6,064
<b>FUND BALANCES</b>				
Nonspendable	129	-	1,412	1,541
Restricted	13,195	2,447	10,206	25,848
Assigned	25,920	-	-	25,920
Total Fund Balance	<b>39,244</b>	<b>2,447</b>	<b>11,618</b>	<b>53,309</b>
Total Liabilities, Deferred Inflows and Fund Balances	<b>\$ 48,335</b>	<b>\$ 2,446</b>	<b>\$ 17,965</b>	<b>\$ 68,746</b>

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Capital Project Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended September 30, 2016**  
**(In Thousands)**

	General Capital Projects	Special Assessment Projects	Successor Agency Capital Projects	Total Capital Projects Funds
<b>Revenues:</b>				
Taxes:				
Property	\$ -	\$ -	\$ 17,631	\$ 17,631
Licenses and Permits	2,721	-	-	2,721
Use of Money and Property	58	7	577	642
From Other Agencies	160	-	953	1,113
Other Contributions	249	-	-	249
Other	-	-	1,178	1,178
Total Revenues	3,188	7	20,339	23,534
<b>Expenditures:</b>				
Current:				
General Government	-	-	2	2
Community and Cultural	603	-	2,249	2,852
Total Current Expenditures	603	-	2,251	2,854
Capital Improvements	38,627	2	-	38,629
Total Expenditures	39,230	2	2,251	41,483
Excess of Revenues Over (under) Expenditures	(36,042)	5	18,088	(17,949)
<b>Other Financing Sources (Uses):</b>				
Transfers In	25,577	-	1,418	26,995
Transfers Out	(1,602)	-	(11,451)	(13,053)
Total Other Financing Sources (Uses)	23,975	-	(10,033)	13,942
Net Change in Fund Balances	(12,067)	5	8,055	(4,007)
Fund Balances - October 1	51,311	2,442	3,563	57,316
Fund Balances - September 30	\$ 39,244	\$ 2,447	\$ 11,618	\$ 53,309

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Capital Projects Funds**  
**Schedule of Sources, Uses, and Changes in Funds Available**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

	<b>General Capital Projects Fund</b>				Variance with Final	
	<u>Budgeted Amounts</u>		Actual on Budgetary Basis	Budget - Favorable (unfavorable)		
	Original	Final				
<b>Sources:</b>						
Licenses and Permits	\$ 483	\$ 2,721	\$ 2,721	\$ -		
Use of Money and Property	778	130	58	(72)		
From Other Agencies	27,079	57,553	160	(57,393)		
Charges for Services	(49)	(49)	-	49		
Other Contributions	-	-	249	249		
Other Revenues	(1,578)	888	-	(888)		
Debt Issuance	-	2,800	-	(2,800)		
Transfers In	19,426	25,778	25,577	(201)		
Total Sources	<u>46,139</u>	<u>89,821</u>	<u>28,765</u>	<u>(61,056)</u>		

<b>Uses:</b>					
General Government	22	22	-	22	
Public Safety	218	218	83	135	
Community and Cultural	2,668	2,668	754	1,914	
Public Works	-	-	21,327	(21,327)	
Capital Improvements	83,866	127,032	38,627	88,405	
Transfers Out	332	1,508	1,602	(94)	
Total Uses	<u>87,106</u>	<u>131,448</u>	<u>62,393</u>	<u>69,055</u>	
Net Change in Budgetary Fund Balance	<u>\$ (40,967)</u>	<u>\$ (41,627)</u>	<u>\$ (33,628)</u>	<u>\$ 7,999</u>	
Fund Balances - October 1, Budgetary Basis	<u>51,311</u>	<u>51,311</u>	<u>51,311</u>		
Fund Balances - September 30, Budgetary Basis	<u>\$ 10,344</u>	<u>\$ 9,684</u>	<u>\$ 17,683</u>		

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	<b>\$ (33,628)</b>
<b>Add:</b> Encumbrances	<u>21,561</u>
<b>Change in Fund Balance - September 30, GAAP Basis</b>	<b>(12,067)</b>
<b>Fund Balance, October 1, GAAP Basis</b>	<u>51,311</u>
<b>Fund Balance, September 30, GAAP Basis</b>	<b>\$ 39,244</b>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	<b>\$ 39,244</b>
<b>Less:</b> Nonspendable Fund Balance	<u>(129)</u>
Commitments to Ongoing Projects	<u>(90,741)</u>
Internal Designation	<u>(6,835)</u>
<b>Add:</b> Future Grant Funding	<b>61,759</b>
<b>Total Adjustments</b>	<b>(35,946)</b>
<b>Budgetary Funds Available - September 30</b>	<b>\$ 3,298</b>

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Capital Projects Funds**  
**Schedule of Sources, Uses, and Changes in Funds Available**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

<b>Special Assessment Capital Projects Fund</b>				
	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	Variance with Final Budget - Favorable (unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>Sources:</b>				
Use of Money and Property	\$ 15	\$ 15	\$ 7	\$ (8)
Total Sources	15	15	7	(8)
<b>Uses:</b>				
Capital Improvements	2,224	2,224	2	2,222
Total Uses	2,224	2,224	2	2,222
Net Change in Budgetary Fund Balance	\$ (2,209)	\$ (2,209)	\$ 5	\$ 2,214
Fund Balances - October 1, Budgetary Basis	2,229	2,229	2,442	
Fund Balances - September 30, Budgetary Basis	\$ 20	\$ 20	\$ 2,447	
<b>Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis</b>				
Change in Fund Balance - September 30, Budgetary Basis			\$ 5	
Change in Fund Balance - September 30, GAAP Basis			5	
Fund Balance, October 1, GAAP Basis			2,442	
Fund Balance, September 30, GAAP Basis			\$ 2,447	
<b>Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis</b>				
Fund Balance, September 30, GAAP Basis			\$ 2,447	
Less: Commitments to Ongoing Projects			(2,223)	
Add: Future Funding			8	
Total Adjustments			(2,215)	
Budgetary Funds Available - September 30			\$ 232	

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Capital Projects Funds**  
**Schedule of Sources, Uses, and Changes in Funds Available**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

	<b>Succesor Agency Capital Projects Fund</b>				
	<b>Budgeted Amounts</b>		<b>Actual on Budgetary Basis</b>	<b>Variance with Final Budget - Favorable (unfavorable)</b>	
	<b>Original</b>	<b>Final</b>			
<b>Sources:</b>					
Property Taxes	\$ 44,229	\$ 44,229	\$ 17,631	\$ (26,598)	
Licenses and Permits	15	15	-	(15)	
Use of Money and Property	800	800	577	(223)	
From Other Agencies	-	-	953	953	
Other Revenues	308	308	1,178	870	
Transfers In	24,768	26,186	1,418	(24,768)	
Total Sources	70,120	71,538	21,757	(49,781)	
<b>Uses:</b>					
General Government	65	-	2	(2)	
Community and Cultural	77,889	79,371	2,249	77,122	
Transfers Out	35,374	39,891	11,451	28,440	
Total Uses	113,328	119,262	13,702	105,560	
Net Change in Budgetary Fund Balance	\$ (43,208)	\$ (47,724)	\$ 8,055	\$ 55,779	
Fund Balances - October 1, Budgetary Basis	3,563	3,653	3,563		
Fund Balances - September 30, Budgetary Basis	\$ (39,645)	\$ (44,071)	\$ 11,618		

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	<b>\$ 8,055</b>
<b>Change in Fund Balance - September 30, GAAP Basis</b>	<b>8,055</b>
<b>Fund Balance, October 1, GAAP Basis</b>	<b>3,563</b>
<b>Fund Balance, September 30, GAAP Basis</b>	<b>\$ 11,618</b>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	<b>\$ 11,618</b>
<b>Less:</b> Nonspendable Fund Balance	(1,412)
Commitments to Ongoing Projects	(25,157)
<b>Add:</b> Future Funding	13,154
<b>Total Adjustments</b>	<b>(13,415)</b>
<b>Budgetary Funds Available - September 30</b>	<b>\$ (1,797)</b>

See accompanying independent auditors' report.

## **NONMAJOR ENTERPRISE FUNDS**

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

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

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

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

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

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

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

**City of Long Beach**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Net Position**  
**September 30, 2016**  
**(In Thousands)**

	Sewer	Airport	Solid Waste Management	Towing	Subsidence	Development Services	Total Proprietary Funds
<b>ASSETS</b>							
Current Assets:							
Pooled Cash and Cash Equivalents	\$ 10,391	\$ 64,068	\$ 39,153	\$ 810	\$ 177,141	\$ 22,272	\$ 313,835
Non-Pooled Cash and Cash Equivalents	29	5,927	1,281	2	-	-	7,239
Receivables:							
Interest Receivable	1	33	40	-	32	1	107
Accounts Receivable	901	3,696	9,810	386	-	184	14,977
Due from Other Governments	-	3,595	102	-	-	-	3,697
Due from Other Funds	48	-	35	-	500	65	648
Allowance for Receivables	(48)	(14)	(177)	(259)	-	(114)	(612)
Inventory	90	-	-	-	-	-	90
Other Assets - Current	-	68	88	-	-	-	156
Total Current Assets	11,412	77,373	50,332	939	177,673	22,408	340,137
Noncurrent Assets:							
Restricted Noncurrent Assets:							
Non-Pooled Investments	-	8,593	10,563	-	-	-	19,156
Noncurrent Receivables							
Other Noncurrent Receivables	-	-	582	-	-	-	582
Advances to Other Funds	-	-	-	-	2,614	-	2,614
Capital Assets:							
Land and Other Capital Assets Not Being Depreciated	5,813	16,605	7,003	-	-	-	29,421
Capital Assets Net of Accumulated Depreciation	62,198	218,993	3,852	-	-	54	285,097
Total Noncurrent Assets	68,011	244,191	22,000	-	2,614	54	336,870
Total Assets	79,423	321,564	72,332	939	180,287	22,462	677,007
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred Outflows	2,026	4,598	4,635	921	-	6,790	18,970
Total Assets and Deferred Outflows	81,449	326,162	76,967	1,860	180,287	29,252	695,977
<b>LIABILITIES</b>							
Current Liabilities Payable from Current Assets:							
Accounts Payable	994	4,039	6,640	90	-	867	12,630
Accrued Wages	137	253	293	52	-	285	1,020
Accrued Interest Payable	26	2,213	537	-	-	-	2,776
Due to Other Funds	378	156	170	30	-	166	900
Unearned Revenues	-	296	-	-	3,114	2,346	5,756
Collections Held in Trust	-	152	842	-	-	6,789	7,783
Customers Deposits	-	-	-	-	-	6	6
Advances from Developers	55	-	-	-	-	-	55
Bonds Payable Due within One Year	460	2,625	9,805	-	-	-	12,890
Total Current Liabilities	2,050	9,734	18,287	172	3,114	10,459	43,816
Noncurrent Liabilities:							
Unearned Revenues	-	4,821	-	-	-	-	4,821
Bonds Payable	11,089	107,546	22,111	-	-	-	140,746
Net OPEB Liability	309	420	744	119	-	592	2,184
Net Pension Liability	7,277	15,583	16,645	3,312	-	20,764	63,581
Total Noncurrent Liabilities	18,675	128,370	39,500	3,431	-	21,356	211,332
Total Liabilities	20,725	138,104	57,787	3,603	3,114	31,815	255,148
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred Inflows	685	1,085	1,344	359	-	1,447	4,920
Total Liabilities and Deferred Inflows	21,410	139,189	59,131	3,962	3,114	33,262	260,068
<b>NET POSITION</b>							
Net Investment in Capital Assets	56,462	136,183	(9,936)	-	-	54	182,763
Restricted for:							
Debt Service	84	364	925	-	-	-	1,373
Capital Projects	-	25,038	-	-	-	-	25,038
Airport	-	8,114	-	-	-	-	8,114
Subsidence	-	-	-	-	177,173	-	177,173
Unrestricted	3,493	17,274	26,847	(2,102)	-	(4,064)	41,448
Total Net Position	\$ 60,039	\$ 186,973	\$ 17,836	\$ (2,102)	\$ 177,173	\$ (4,010)	\$ 435,909

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Fiscal Year Ended September 30, 2016**  
**(In Thousands)**

	Sewer	Airport	Solid Waste Management	Towing	Subsidence	Development Services	Total Nonmajor Proprietary Funds
<b>Operating Revenues:</b>							
Licenses and Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,775	\$ 21,775
Fees, Concessions and Rentals	-	36,621	-	-	-	-	36,621
From Other Agencies	-	324	-	-	-	-	324
Charges for Services	18,355	-	75,546	5,568	-	1,194	100,663
Other	-	6	-	-	-	23	29
<b>Total Operating Revenues</b>	<b>18,355</b>	<b>36,951</b>	<b>75,546</b>	<b>5,568</b>	<b>-</b>	<b>22,992</b>	<b>159,412</b>
<b>Operating Expenses:</b>							
Personnel Services	3,968	11,381	14,226	2,527	-	12,736	44,838
Maintenance and Other Operations	9,680	19,181	53,864	3,376	-	7,761	93,862
Amortization	-	53	-	-	-	-	53
Depreciation	2,187	10,590	4,318	-	-	18	17,113
<b>Total Operating Expenses</b>	<b>15,835</b>	<b>41,205</b>	<b>72,408</b>	<b>5,903</b>	<b>-</b>	<b>20,515</b>	<b>155,866</b>
<b>Operating Income (Loss)</b>	<b>2,520</b>	<b>(4,254)</b>	<b>3,138</b>	<b>(335)</b>	<b>-</b>	<b>2,477</b>	<b>3,546</b>
<b>Non-Operating Income (Expenses):</b>							
Interest Income	94	579	382	10	1,971	177	3,213
Interest Expense	-	(6,618)	(1,279)	-	-	-	(7,897)
Gain (Loss) on Disposition of Capital Assets	5	(151)	-	-	-	-	(146)
Operating Grants	-	-	324	-	-	-	324
Other Income	-	2,772	91	-	-	23	2,886
Other Expense	(380)	-	-	-	-	-	(380)
<b>Total Non-Operating Income (Expenses)</b>	<b>(281)</b>	<b>(3,418)</b>	<b>(482)</b>	<b>10</b>	<b>1,971</b>	<b>200</b>	<b>(2,000)</b>
<b>Income Before Contributions</b>	<b>2,239</b>	<b>(7,672)</b>	<b>2,656</b>	<b>(325)</b>	<b>1,971</b>	<b>2,677</b>	<b>1,546</b>
<b>Capital Grants and Contributions</b>	<b>-</b>	<b>15,489</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>15,510</b>
<b>Transfers:</b>							
Transfers Out	-	(390)	(450)	-	-	(3,880)	(4,720)
Change in Net Position	2,239	7,427	2,206	(325)	1,971	(1,182)	12,336
<b>Net Position - October 1</b>	<b>58,090</b>	<b>179,942</b>	<b>16,331</b>	<b>(1,665)</b>	<b>175,202</b>	<b>(2,271)</b>	<b>425,629</b>
Adjustments for GASB 75 Implementation	(290)	(396)	(701)	(112)	-	(557)	(2,056)
<b>Net Position - September 30</b>	<b>\$ 60,039</b>	<b>\$ 186,973</b>	<b>\$ 17,836</b>	<b>\$ (2,102)</b>	<b>\$ 177,173</b>	<b>\$ (4,010)</b>	<b>\$ 435,909</b>

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended September 30, 2016**  
**(In Thousands)**

	Sewer	Airport	Solid Waste Management	Towing	Subsidence	Development Services	Total Nonmajor Proprietary Funds
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:</b>							
Cash Flows from Operating Activities:							
Receipts from Customers	\$ 18,292	\$ 35,669	\$ 75,753	\$ 5,554	\$ -	\$ 25,169	\$ 160,437
Receipts from Other Governments	-	9	-	-	-	-	9
Receipts from Other Funds	-	324	8,638	-	2,179	-	11,141
Payments for Employee Salaries	(3,908)	(10,317)	(14,508)	(2,216)	-	166	(30,783)
Payments for Goods and Services	(4,309)	(17,527)	(61,873)	(2,158)	-	(11,835)	(97,702)
Payments in Lieu of Taxes	(4,575)	-	-	(1,200)	-	-	(5,775)
Other Income	(85)	1,645	91	-	-	(7,742)	(6,091)
Other Expense	-	-	-	-	-	23	23
Net Cash Provided by (Used for) Operating Activities	<b>5,415</b>	<b>9,803</b>	<b>8,101</b>	<b>(20)</b>	<b>2,179</b>	<b>5,781</b>	<b>31,259</b>
Cash Flows from Non-Capital Financing Activities:							
Operating Grants Received from Other Governments	-	77	341	-	-	23	441
Transfers In	-	-	2	-	-	-	2
Transfers Out	-	(651)	(422)	-	-	(3,880)	(4,953)
Net Cash Used for Non-Capital Financing Activities	<b>-</b>	<b>(574)</b>	<b>(79)</b>	<b>-</b>	<b>-</b>	<b>(3,857)</b>	<b>(4,510)</b>
Cash Flows from Capital and Related Financing Activities:							
Receipt of Capital Grants	-	8,734	-	-	-	21	8,755
Proceeds from the Sale of Capital Assets	9	-	-	-	-	-	9
Proceeds from Issuance of Long-Term Obligations	9,830	-	-	-	-	-	9,830
Original issuance premium/(discount)	1,728	-	-	-	-	-	1,728
Payment of Cost of Issuance	(298)	-	-	-	-	-	(298)
Payments for Capital Acquisitions	(4,912)	(11,255)	-	-	-	-	(16,167)
Payments of Principal on Bonds Payable	(11,250)	(2,515)	(9,320)	-	-	-	(23,085)
Receipts from Passenger Facility Charges	-	5,069	-	-	-	-	5,069
Payments of Interest, Net of Amounts Capitalized	(100)	(6,750)	(1,848)	-	-	-	(8,698)
Receipt of Federal Subsidy	-	1,123	-	-	-	-	1,123
Net Cash Provided by (Used for) Capital and Related Financing Activities	<b>(4,993)</b>	<b>(5,594)</b>	<b>(11,168)</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>(21,734)</b>
Cash Flows from Investing Activities:							
Proceeds from the Sale of Investments	-	841	1,066	-	-	-	1,907
Receipts of Interest	92	583	387	10	1,984	177	3,233
Net Cash Provided by Investing Activities	<b>92</b>	<b>1,424</b>	<b>1,453</b>	<b>10</b>	<b>1,984</b>	<b>177</b>	<b>5,140</b>
Net Increase (Decrease) in Cash and Cash Equivalents	<b>514</b>	<b>5,059</b>	<b>(1,693)</b>	<b>(10)</b>	<b>4,163</b>	<b>2,122</b>	<b>10,155</b>
Cash and Cash Equivalents - October 1	<b>9,906</b>	<b>64,936</b>	<b>42,127</b>	<b>822</b>	<b>172,978</b>	<b>20,150</b>	<b>310,919</b>
Cash and Cash Equivalents - September 30	<b>\$ 10,420</b>	<b>\$ 69,995</b>	<b>\$ 40,434</b>	<b>\$ 812</b>	<b>\$ 177,141</b>	<b>\$ 22,272</b>	<b>\$ 321,074</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>							
Operating Income (Loss)	<b>\$ 2,520</b>	<b>(4,254)</b>	<b>\$ 3,138</b>	<b>\$ (335)</b>	<b>\$ -</b>	<b>\$ 2,477</b>	<b>\$ 3,546</b>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Operating Activities:							
Depreciation and Amortization Expense	2,187	10,643	4,318	-	-	18	17,166
Other Income	(85)	1,649	91	-	-	-	1,655
Other Expense	23	-	-	-	-	-	23
(Increase) Decrease in Accounts Receivable, Net	(15)	(756)	529	(14)	-	225	(31)
Decrease in Amounts Due from Other Governments	-	9	81	-	-	-	90
(Increase) Decrease in Amounts Due from Other Funds	(48)	-	32	-	2,179	(19)	2,144
Increase in Inventory	(23)	-	-	-	-	-	(23)
Decrease in Other Operating Assets	-	-	36	-	-	-	36
Increase in Accounts Payable	520	1,654	149	18	-	19	2,360
Increase (Decrease) in Accrued Wages Payable	38	1,064	(282)	306	-	920	2,046
Increase in Amounts Due to Other Funds	298	-	2	5	-	166	471
Increase (Decrease) in Unearned Revenues	-	(236)	-	-	-	739	503
Increase in Collections Held in Trust	-	30	7	-	-	1,236	1,273
Total Adjustments	<b>2,895</b>	<b>14,057</b>	<b>4,963</b>	<b>315</b>	<b>2,179</b>	<b>3,304</b>	<b>27,713</b>
Net Cash Provided by Operating Activities	<b>\$ 5,415</b>	<b>\$ 9,803</b>	<b>\$ 8,101</b>	<b>\$ (20)</b>	<b>\$ 2,179</b>	<b>\$ 5,781</b>	<b>\$ 31,259</b>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>							
Amortization of Bond Premium (Discount), Net	\$ -	\$ 53	\$ (413)	\$ -	\$ -	\$ -	\$ (360)
Accrued Capital Asset Costs	252	-	-	-	-	-	252

See accompanying independent auditors' report.

## **INTERNAL SERVICE FUNDS**

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

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

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

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

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

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

**City of Long Beach**  
**Internal Service Funds**  
**Combining Statement of Net Position (Deficit)**  
**September 30, 2016**  
**(In Thousands)**

	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Total Internal Service Funds
<b>ASSETS</b>						
Current Assets:						
Pooled Cash and Cash Equivalents	\$ 4,566	\$ 39,140	\$ 53,785	\$ 58,676	\$ 113,987	\$ 270,154
Non-Pooled Cash and Cash Equivalents	-	97	-	-	-	97
Receivables:						
Interest Receivable	2	1	2	3	13	21
Accounts Receivable	-	1,387	158	1	-	1,546
Due from Other Governments	-	-	40	-	-	40
Due from Other Funds	-	1,492	1	1,426	7,655	10,574
Allowance for Receivables	-	-	(131)	-	-	(131)
Deposits	-	-	-	-	6,533	6,533
Inventory	-	-	2,314	-	-	2,314
Total Current Assets	4,568	42,117	56,169	60,106	128,188	291,148
Capital Assets:						
Land and Other Capital Assets Not Being Depreciated	59,417	945	389	-	-	60,751
Capital Assets Net of Accumulated Depreciation	34,188	11,631	39,314	35	-	85,168
Other Assets-Long-Term	10,765	-	-	-	-	10,765
Total Noncurrent Assets	104,370	12,576	39,703	35	-	156,684
Total Assets	108,938	54,693	95,872	60,141	128,188	447,832
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows	1,722	7,880	4,713	4,014	3,472	21,801
<b>LIABILITIES</b>						
Current Liabilities Payable from Current Assets:						
Accounts Payable	1,005	3,248	9,405	2,509	322	16,489
Accrued Wages and Benefits	49	403	208	311	50,573	51,544
Accrued Interest Payable	-	1	152	-	1,585	1,738
Due to Other Funds	29	233	153	181	-	596
Collections Held in Trust	-	-	-	-	7,070	7,070
Accrued Claims - Current	-	-	-	25,915	-	25,915
Environmental Remediation - Current	-	-	166	-	-	166
Obligations under Capital Leases - Current	1,645	805	-	-	-	2,450
Bonds Payable Due within One Year	-	-	-	-	5,530	5,530
Total Current Liabilities	2,728	4,690	10,084	28,916	65,080	111,498
Noncurrent Liabilities:						
Accrued Self-Insurance Claims	-	-	-	109,038	-	109,038
Environmental Remediation	-	-	2,475	-	-	2,475
Obligations under Capital Lease	20,210	963	-	-	-	21,173
Other Long Term Obligations	41,007	-	-	-	-	41,007
Bonds Payable	-	-	24,614	-	25,067	49,681
Accrued Employee Benefits	-	-	-	-	125,872	125,872
OPEB Liability	-	1,321	756	207	33,189	35,473
Net Pension Liability	3,183	28,132	12,612	14,448	7,860	66,235
Total Noncurrent Liabilities	64,400	30,416	40,457	123,693	191,988	450,954
Total Liabilities	67,128	35,106	50,541	152,609	257,068	562,452
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows	436	1,957	918	1,200	570	5,081
<b>NET POSITION (DEFICIT)</b>						
Net Investment in Capital Assets	31,583	10,808	16,285	35	-	58,711
Restricted for:						
Healthcare Insurance	-	-	-	-	18,608	18,608
Unrestricted	11,513	14,702	32,841	(89,689)	(144,586)	(175,219)
Total Net Position (Deficit)	\$ 43,096	\$ 25,510	\$ 49,126	\$ (89,654)	\$ (125,978)	\$ (97,900)

See accompanying independent auditors' report.

**City of Long Beach**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit)**  
**For the Fiscal Year Ended September 30, 2016**  
**(In Thousands)**

	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Total Internal Service Funds
<b>Operating Revenues:</b>						
Billing to Other Departments	\$ 11,161	\$ 36,884	\$ 31,982	\$ 48,044	\$ 217,055	\$ 345,126
Other	303	6,895	1,520	-	-	8,718
<b>Total Operating Revenues</b>	<b>11,464</b>	<b>43,779</b>	<b>33,502</b>	<b>48,044</b>	<b>217,055</b>	<b>353,844</b>
<b>Operating Expenses:</b>						
Personnel Services	1,596	15,922	8,156	8,618	6,012	40,304
Maintenance and Other Operations	4,159	21,585	15,875	6,586	2,775	50,980
Insurance Premiums	-	-	-	2,639	-	2,639
Self-Insured Losses	-	-	-	27,498	-	27,498
Compensated Absences	-	-	428	4,943	46,315	51,686
Employee Benefits	-	-	-	-	152,907	152,907
Amortization	80	-	81	-	-	161
Depreciation	2,612	1,580	5,307	5	-	9,504
<b>Total Operating Expenses</b>	<b>8,447</b>	<b>39,087</b>	<b>29,847</b>	<b>50,289</b>	<b>208,009</b>	<b>335,679</b>
<b>Operating Income (Loss)</b>	<b>3,017</b>	<b>4,692</b>	<b>3,655</b>	<b>(2,245)</b>	<b>9,046</b>	<b>18,165</b>
<b>Non-Operating Income (Expenses):</b>						
Interest Income	-	69	70	467	336	942
Interest Expense	(991)	(36)	(625)	-	(1,757)	(3,409)
Gain on Disposition of Capital Assets	-	-	190	-	-	190
Other Income	4	9	1,708	367	1,154	3,242
Other Expense	-	-	-	-	(5)	(5)
<b>Total Non-Operating Income (Expenses)</b>	<b>(987)</b>	<b>42</b>	<b>1,343</b>	<b>834</b>	<b>(272)</b>	<b>960</b>
<b>Income (Loss) before Contributions and Transfers</b>	<b>2,030</b>	<b>4,734</b>	<b>4,998</b>	<b>(1,411)</b>	<b>8,774</b>	<b>19,125</b>
<b>Capital Grants and Contributions</b>	<b>184</b>	<b>1,086</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,270</b>
<b>Transfers:</b>						
Transfers In	22,483	2,378	546	-	1,591	26,998
Transfers Out	-	(4,245)	(1,222)	(122)	-	(5,589)
<b>Change in Net Position</b>	<b>24,697</b>	<b>3,953</b>	<b>4,322</b>	<b>(1,533)</b>	<b>10,365</b>	<b>41,804</b>
<b>Net Position (Deficit) - October 1</b>	<b>18,399</b>	<b>22,801</b>	<b>45,516</b>	<b>(87,926)</b>	<b>(177,296)</b>	<b>(178,506)</b>
Adjustments for GASB 75 Implementation	-	(1,244)	(712)	(195)	40,953	38,802
<b>Net Position (Deficit) - September 30</b>	<b>\$ 43,096</b>	<b>\$ 25,510</b>	<b>\$ 49,126</b>	<b>\$ (89,654)</b>	<b>\$ (125,978)</b>	<b>\$ (97,900)</b>

See accompanying independent auditors' report.

**City of Long Beach**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended September 30, 2016**  
**(In Thousands)**

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Total Internal Service Funds
<b>Cash Flows from Operating Activities:</b>						
Receipts from Customers	\$ 303	\$ 6,895	\$ 1,512	\$ -	\$ -	\$ 8,710
Receipts from Other Funds	12,209	35,698	30,800	48,043	217,109	343,859
Payments for Employee Salaries	(1,968)	(15,975)	(7,974)	(8,316)	(5,852)	(40,085)
Payments for Goods and Services	(9,129)	(19,622)	(8,396)	(7,450)	(2,992)	(47,589)
Payments for Compensated Absences	-	-	(428)	(18,386)	(38,019)	(56,833)
Payments for Employee Benefits	-	-	-	-	(162,111)	(162,111)
Payments for Liability Claims	-	-	-	(9,723)	-	(9,723)
Payments to Other Entities	-	(885)	-	-	-	(885)
Other Income	-	-	1,668	367	1,154	3,189
Other Expense	-	-	-	-	(5)	(5)
Net Cash Provided by Operating Activities	1,415	6,111	17,182	4,535	9,284	38,527
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Other Income	4	-	-	-	-	4
Operating Grants Received from Other Governments	-	9	-	-	-	9
Operating Subsidies Paid to Other Funds	-	(4,245)	(1,222)	(122)	-	(5,589)
Operating Subsidies Received from Other Funds	22,483	2,378	546	-	1,591	26,998
Net Cash Provided by (Used for)						
Non-Capital Financing Activities	22,487	(1,858)	(676)	(122)	1,591	21,422
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Proceeds from the Sale of Capital Assets	-	-	194	-	-	194
Receipts of Contributed Capital	184	1,086	-	-	-	1,270
Proceeds from (Payments for) Capital Acquisitions	(15,390)	375	(14,290)	(14)	-	(29,319)
Payment to Developers	(10,765)	-	-	-	-	(10,765)
Payments of Principal on Other Long-Term Obligations	(1,570)	184	(196)	-	(5,255)	(6,837)
Payments of Interest	(991)	(36)	(912)	192	(1,862)	(3,609)
Net Cash Provided by (Used for)						
Capital and Related Financing Activities	(28,532)	1,609	(15,204)	178	(7,117)	(49,066)
<b>Cash Flows from Investing Activities:</b>						
Receipts of Interest	-	69	72	470	341	952
Net Cash Provided by (Used for) Investing Activities	-	69	72	470	341	952
Net Increase (Decrease) in Cash and Cash Equivalents	(4,630)	5,931	1,374	5,061	4,099	11,835
Cash and Cash Equivalents - October 1	9,196	33,306	52,411	53,615	109,888	258,416
Cash and Cash Equivalents - September 30	\$ 4,566	\$ 39,237	\$ 53,785	\$ 58,676	\$ 113,987	\$ 270,251
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ 3,017	\$ 4,692	\$ 3,655	\$ (2,245)	\$ 9,046	\$ 18,165
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Depreciation and Amortization Expense	2,692	1,580	5,388	5	-	9,665
Other Income	-	-	1,708	367	1,154	3,229
Other Expense	-	-	-	-	(5)	(5)
(Increase) Decrease in Accounts Receivable, Net	-	158	(8)	(1)	-	149
(Increase) in Amounts Due from Other Governments	-	-	(40)	-	-	(40)
(Increase) Decrease in Amounts Due from Other Funds	1,044	(1,344)	(1)	(155)	54	(402)
Increase in Inventory	-	-	(317)	-	-	(317)
Decrease in Other Operating Assets	-	202	-	-	-	202
Increase (Decrease) in Accounts Payable	(4,970)	1,761	7,798	1,930	(217)	6,302
Increase (Decrease) in Accrued Wages Payable	(372)	(53)	182	241	(1,495)	(1,497)
Increase (Decrease) in Amounts Due to Other Funds	4	(885)	(1,183)	61	(2)	(2,005)
Increase in Accrued Claims Payable	-	-	-	4,332	-	4,332
Decrease in Collections Held in Trust	-	-	-	-	749	749
Total Adjustments	(1,602)	1,419	13,527	6,780	238	20,362
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,415</u>	<u>\$ 6,111</u>	<u>\$ 17,182</u>	<u>\$ 4,535</u>	<u>\$ 9,284</u>	<u>\$ 38,527</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>						
Amortization of Deferred Outlays on Debt Refunding	\$ 80	\$ -	\$ -	\$ -	\$ -	\$ 80
Other Accrued Liabilities	41,007	-	-	-	-	41,007

See accompanying independent auditors' report.

## FIDUCIARY FUNDS

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

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

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

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

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

**City of Long Beach**  
**Fiduciary Funds**  
**Private Purpose Trust Funds**  
**Combining Statement of Net position**  
**September 30, 2016**  
**(In Thousands)**

	<u>Miller Library</u>	<u>Mayor's Fund for the Homeless</u>	<u>Total September 30, 2016</u>
<b>ASSETS</b>			
Pooled Cash and Cash Equivalents	\$ <u>744</u>	\$ <u>90</u>	\$ <u>834</u>
<b>NET POSITION</b>			
Held in Trust for Private Purpose Trust Funds	<u>\$ 744</u>	<u>\$ 90</u>	<u>\$ 834</u>

**City of Long Beach**  
**Fiduciary Funds**  
**Private Purpose Trust Funds**  
**Combining Statement of Changes in Net Position**  
**Fiscal Year Ended September 30, 2016**  
**(In Thousands)**

	<u>Miller Library</u>	<u>Mayor's Fund for the Homeless</u>	<u>Total September 30, 2016</u>
Additions:			
Use of Money and Property	\$ <u>2</u>	\$ <u>-</u>	\$ <u>2</u>
Deductions:			
Community and Cultural	<u>21</u>	<u>10</u>	<u>31</u>
Change in Net Position	<u>(19)</u>	<u>(10)</u>	<u>(29)</u>
Net Position, October 1	<u>763</u>	<u>100</u>	<u>863</u>
Net Position, September 30	<u>\$ 744</u>	<u>\$ 90</u>	<u>\$ 834</u>

See accompanying independent auditors' report.

**City of Long Beach**  
**Fiduciary Funds - Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended September 30, 2016**  
**(In Thousands)**

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
<b><u>BELMONT SHORE PARKING DISTRICT FUND</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 89	\$ -	\$ -	\$ 89
<b>LIABILITIES</b>				
Accounts Payable	\$ 89	\$ -	\$ -	\$ 89
<b><u>TAXES - OIL RIGHTS FUND</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 1,665	\$ 17	\$ 3	\$ 1,679
<b>LIABILITIES</b>				
Collections Held in Trust	\$ 1,665	\$ 32	\$ 18	\$ 1,679
<b><u>SPECIAL ASSESSMENT DISTRICT FUND</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 1,011	\$ 5,763	\$ 5,563	\$ 1,211
Non-Pooled Cash and Cash Equivalents	7,042	8,086	7,673	7,455
Investments at Par - Nonpooled	2,051	1,702	2,052	1,701
Interest Receivable	10	5	10	5
Property Taxes Receivable	2	9	1	10
Accounts Receivable	1	-	1	-
Total Assets	<u>\$ 10,117</u>	<u>\$ 15,565</u>	<u>\$ 15,300</u>	<u>\$ 10,382</u>
<b>LIABILITIES</b>				
Due to Special Assessment Bondholders	\$ 2,155	\$ 5,125	\$ 3,329	\$ 3,951
Collections Held in Trust	7,962	3,177	4,708	6,431
Total Liabilities	<u>\$ 10,117</u>	<u>\$ 8,302</u>	<u>\$ 8,037</u>	<u>\$ 10,382</u>
<b><u>INTERMODAL CONTAINER TRANSFER FACILITY</u></b>				
<b><u>JOINT POWER AUTHORITY FUND</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 10,146	\$ 5,000	\$ 6,019	\$ 9,127
Interest Receivable	1	1	1	1
Accounts Receivable	-	1	1	-
Total Assets	<u>\$ 10,147</u>	<u>\$ 5,002</u>	<u>\$ 6,021</u>	<u>\$ 9,128</u>
<b>LIABILITIES</b>				
Collections Held in Trust	<u>\$ 10,147</u>	<u>\$ 5,080</u>	<u>\$ 6,099</u>	<u>\$ 9,128</u>
<b><u>EARTHQUAKE ASSESSMENT DISTRICT FUND</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 743	\$ 28	\$ 10	\$ 761
Property Taxes Receivable	14	-	8	6
Total Assets	<u>\$ 757</u>	<u>\$ 28</u>	<u>\$ 18</u>	<u>\$ 767</u>
<b>LIABILITIES</b>				
Due to Special Assessment Bondholders	\$ 451	\$ 19	\$ 10	\$ 460
Collections Held in Trust	306	4	3	307
Total Liabilities	<u>\$ 757</u>	<u>\$ 23</u>	<u>\$ 13</u>	<u>\$ 767</u>

See accompanying independent auditors' report.

**City of Long Beach**  
**Fiduciary Funds - Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
<b><u>LOS CERRITOS WETLANDS AUTHORITY</u></b>				
<b>ASSETS</b>				
Non-Pooled Cash and Cash Equivalents	\$ 14	\$ 470	\$ 169	\$ 315
Accounts Receivable	105	304	120	289
Land	11,000	-	-	11,000
<b>Total Assets</b>	<b>\$ 11,119</b>	<b>\$ 774</b>	<b>\$ 289</b>	<b>\$ 11,604</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 35	\$ 192	\$ 76	\$ 151
Collections Held in Trust	11,084	761	392	11,453
<b>Total Liabilities</b>	<b>\$ 11,119</b>	<b>\$ 953</b>	<b>\$ 468</b>	<b>\$ 11,604</b>
<b><u>OTHER AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 2,315	\$ 10,267	\$ 9,939	\$ 2,643
Non-Pooled Cash and Cash Equivalents	2	3	4	1
Property Taxes Receivable	18	15	8	25
Accounts Receivable	995	1,827	2,136	686
<b>Total Assets</b>	<b>\$ 3,330</b>	<b>\$ 12,112</b>	<b>\$ 12,087</b>	<b>\$ 3,355</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 1,327	\$ 18,311	\$ 18,497	\$ 1,141
Collections Held in Trust	2,003	\$ 1,424	1,213	2,214
<b>Total Liabilities</b>	<b>\$ 3,330</b>	<b>\$ 19,735</b>	<b>\$ 19,710</b>	<b>\$ 3,355</b>
<b><u>TOTAL AGENCY FUND</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 15,969	\$ 21,075	\$ 21,534	\$ 15,510
Investments at Par - Nonpooled	2,051	1,702	2,052	1,701
Non-Pooled Cash and Cash Equivalents	7,058	8,559	7,846	7,771
Property Taxes Receivable	34	24	17	41
Accounts Receivable	1,101	2,132	2,258	975
Interest receivable	11	6	11	6
Land	11,000	-	-	11,000
<b>Total Assets</b>	<b>\$ 37,224</b>	<b>\$ 33,498</b>	<b>\$ 33,718</b>	<b>\$ 37,004</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 1,451	\$ 18,503	\$ 18,573	\$ 1,381
Due to Special Assessment Bondholders	2,606	5,144	3,339	4,411
Collections Held in Trust	33,167	10,478	12,433	31,212
<b>Total Liabilities</b>	<b>\$ 37,224</b>	<b>\$ 34,125</b>	<b>\$ 34,345</b>	<b>\$ 37,004</b>

See accompanying independent auditors' report.

OTHER  
SUPPLEMENTARY  
INFORMATION

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**City of Long Beach**  
**General Fund**  
**Combining Balance Sheet**  
**September 30, 2016**  
**(In Thousands)**

	General Fund	Uplands Oil Fund	Eliminations	Total Combined General Fund
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 95,840	\$ 9,533	\$ -	\$ 105,373
Non-Pooled Cash and Cash Equivalents	6,115	-	-	6,115
Receivables:				
Property Taxes	90,005	-	-	90,005
Accounts Receivable	37,675	986	-	38,661
Notes and Loans Receivable	1,446	-	-	1,446
Due from Other Governments	18,984	-	-	18,984
Due from Other Funds	6,091	-	-	6,091
Allowance for Receivables	(28,243)	-	-	(28,243)
Other Assets	102	-	-	102
Total Assets	<u>\$ 228,015</u>	<u>\$ 10,519</u>	<u>-</u>	<u>\$ 238,534</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 14,351	\$ 178	\$ -	\$ 14,529
Accrued Wages and Benefits Payable	8,457	-	-	8,457
Due to Other Governments	297	-	-	297
Due to Other Funds	5,401	-	-	5,401
Unearned Revenues	3,680	-	-	3,680
Deposits and Collections Held in Trust	3,197	-	-	3,197
Advances from Other Funds	2,614	-	-	2,614
Total Liabilities	<u>37,997</u>	<u>178</u>	<u>-</u>	<u>38,175</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows (Note 24)	<u>89,775</u>	<u>-</u>	<u>-</u>	<u>89,775</u>
<b>FUND BALANCES</b>				
Nonspendable	102	-	-	102
Restricted	4,498	-	-	4,498
Committed	53,986	9,582	-	63,568
Assigned	38,482	-	-	38,482
Unassigned	3,175	759	-	3,934
Total Fund Balances	<u>100,243</u>	<u>10,341</u>	<u>-</u>	<u>110,584</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u><u>\$ 228,015</u></u>	<u><u>\$ 10,519</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 238,534</u></u>

**City of Long Beach**  
**General Fund**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

	General Fund	Uplands Oil Fund	Eliminations	Total Combined General Fund
<b>Revenues:</b>				
Taxes:				
Property	\$ 151,167	\$ -	\$ -	\$ 151,167
Sales	65,148	-	-	65,148
Utility Users	37,079	-	-	37,079
Other Taxes	36,001	-	-	36,001
Franchise Fees	24,911	-	-	24,911
Licenses and Permits	16,469	-	-	16,469
Fines and Forfeitures	16,292	-	-	16,292
Use of Money and Property	26,805	10,899	-	37,704
From Other Agencies	3,040	-	-	3,040
Charges for Services	27,514	-	-	27,514
Other	7,884	-	-	7,884
Total Revenues	412,310	10,899	-	423,209
<b>Expenditures:</b>				
Legislative and Legal	11,420	-	-	11,420
General Government	19,669	-	-	19,669
Public Safety	290,142	-	-	290,142
Public Health	6,106	-	-	6,106
Community and Cultural	42,847	-	-	42,847
Public Works	37,415	-	-	37,415
Oil Operations	-	2,352	-	2,352
Total Current Expenditures	407,599	2,352	-	409,951
<b>Debt Service:</b>				
Debt Administration Fees	340	-	-	340
Total Expenditures	407,939	2,352	-	410,291
Excess of Revenues over Expenditures	4,371	8,547	-	12,918
<b>Other Financing Sources (Uses):</b>				
Debt Issuance	13,150	-	-	13,150
Discount on Debt Issuance	1,045	-	-	1,045
Transfers In	27,571	-	(8,164)	19,407
Transfers Out	(47,722)	(8,409)	8,164	(47,967)
Total Other Financing Sources (Uses)	(5,956)	(8,409)	-	(14,365)
Net Change in Fund Balances	(1,585)	138	-	(1,447)
Fund Balances - October 1	101,828	10,203	-	112,031
Fund Balances - September 30	\$ 100,243	\$ 10,341	\$ -	\$ 110,584

**City of Long Beach**  
**General Fund**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2016**  
**(In Thousands)**

	Final Amended Budget						Actual on Budgetary Basis			Combined	Variance with
	General	Uplands	Eliminations	Combined	General	Uplands	Actual on Budgetary Basis	Final Budget			
<b>Sources:</b>											
Property Taxes	\$ 148,876	\$ -	\$ -	\$ 148,876	\$ 151,167	\$ -	\$ 151,167	\$ 2,291			
Sales Taxes	58,500	-	-	58,500	65,148	-	65,148	6,648			
Utility Users Taxes	39,332	-	-	39,332	37,079	-	37,079	(2,253)			
Other Taxes	32,234	-	-	32,234	36,001	-	36,001	3,767			
Franchise Fees	27,053	-	-	27,053	24,911	-	24,911	(2,142)			
Licenses and Permits	16,332	-	-	16,332	16,469	-	16,469	137			
Fines and Forfeitures	15,783	-	-	15,783	16,292	-	16,292	509			
Use of Money and Property	23,146	14,218	-	37,364	26,964	10,899	37,863	499			
From Other Agencies	5,027	-	-	5,027	3,040	-	3,040	(1,987)			
Charges for Services	25,881	-	-	25,881	27,514	-	27,514	1,633			
Other	6,034	-	-	6,034	7,884	-	7,884	1,850			
Proceeds from Long-term Debt	14,196	-	-	14,196	14,195	-	14,195	(1)			
Transfers In	31,731	-	(12,275)	19,456	19,407	-	19,407	(49)			
Total Sources	444,125	14,218	(12,275)	446,068	446,071	10,899	456,970	10,902			
<b>Uses:</b>											
Current:											
Legislative and Legal											
Mayor and City Council	5,838	-	-	5,838	5,353	-	5,353	485			
City Attorney	2,431	-	-	2,431	2,067	-	2,067	364			
City Clerk	5,143	-	-	5,143	4,006	-	4,006	1,137			
General Government											
City Auditor	2,698	-	-	2,698	2,575	-	2,575	123			
City Manager	3,522	-	-	3,522	3,180	-	3,180	342			
Civil Service	2,637	-	-	2,637	2,611	-	2,611	26			
Financial Management	12,572	-	-	12,572	10,457	-	10,457	2,115			
Planning and Building	1,036	-	-	1,036	1,007	-	1,007	29			
Public Safety											
Police	198,412	-	-	198,412	192,781	-	192,781	5,631			
Fire	76,126	-	-	76,126	74,839	-	74,839	1,287			
Disaster Preparedness	12,041	-	-	12,041	11,818	-	11,818	223			
City Prosecutor	5,285	-	-	5,285	5,183	-	5,183	102			
Planning and Building-Code Enforcement	3,901	-	-	3,901	3,716	-	3,716	185			
Police and Fire Annuity	-	-	-	-	2,120	-	2,120	(2,120)			
Public Health	6,172	-	-	6,172	6,106	-	6,106	66			
Community and Cultural											
Development Services	948	-	-	948	796	-	796	152			
Library	15,117	-	-	15,117	15,088	-	15,088	29			
Parks and Recreation	27,246	-	-	27,246	26,964	-	26,964	282			
Public Works	39,056	-	-	39,056	37,415	-	37,415	1,641			
Oil Operations	-	2,324	-	2,324	-	2,352	2,352	(28)			
Debt Service:	-	-	-	-	340	-	340	(340)			
Transfers Out	46,944	12,520	(12,275)	47,189	47,722	245	47,967	(778)			
Total Uses	467,125	14,844	(12,275)	469,694	456,144	2,597	458,741	10,953			
Net Change in Budgetary Fund Balance:	\$ (23,000)	\$ (626)	\$ -	\$ (23,626)	\$ (10,073)	\$ 8,302	\$ (1,771)	\$ 21,855			

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

	General	Uplands	Combined
<b>Change in Fund Balance - September 30, Budgetary Basis</b>			
Add: Encumbrances	\$ 483	-	483
Less: Change in Mark-to-Market and Other Adjustments	(159)	-	(159)
Adjust for: Eliminations	8,164	(8,164)	-
<b>Change in Fund Balance - September 30, GAAP Basis</b>			
Fund Balance, October 1, GAAP Basis	101,828	10,203	112,031
Fund Balance, September 30, GAAP Basis	\$ 100,243	\$ 10,341	\$ 110,584

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

Fund Balance, September 30, GAAP Basis	\$ 100,243	\$ 10,341	\$ 110,584
Less: Nonspendable Fund Balance	(102)	-	(102)
Restricted for Public Safety	(3,012)	-	(3,012)
Restricted for Operations	(1,486)	-	(1,486)
Committed for Public Safety	(1,000)	-	(1,000)
Committed for Emergencies	(43,986)	-	(43,986)
Committed for Operations	(9,000)	(3,382)	(12,382)
Committed for Oil Field Abandonment	-	(6,200)	(6,200)
Assigned for Future Infrastructure	(25)	-	(25)
Assigned for Subsequent Year's Appropriations	(9,911)	-	(9,911)
Assigned for Unfunded Liabilities	(28,546)	-	(28,546)
Total Adjustments	(97,068)	(9,582)	(106,650)
Budgetary Funds Available - September 30	\$ 3,175	\$ 759	\$ 3,934

**City of Long Beach**  
**Insurance Fund**  
**Combining Schedule of Net Position**  
**September 30, 2016**  
**(In Thousands)**

	Workers' Compensation Fund	General Liability Fund	Total Insurance Fund
<b>ASSETS</b>			
Current Assets:			
Pooled Cash and Cash Equivalents	\$ 30,334	\$ 28,342	\$ 58,676
Receivables:			
Accounts Receivable	1	-	1
Interest Receivable	2	1	3
Due from Other Funds	1,426	-	1,426
Total Current Assets	<u>31,763</u>	<u>28,343</u>	<u>60,106</u>
Noncurrent Assets:			
Capital Assets:			
Capital Assets Net of Accumulated Depreciation	21	14	35
Total Noncurrent Assets	<u>21</u>	<u>14</u>	<u>35</u>
Total Assets	<u>31,784</u>	<u>28,357</u>	<u>60,141</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows	<u>2,676</u>	<u>1,338</u>	<u>4,014</u>
<b>LIABILITIES</b>			
Current Liabilities Payable from Current Assets:			
Accounts Payable	153	2,356	2,509
Accrued Wages and Benefits	237	74	311
Due to Other Funds	138	43	181
Accrued Claims - Current	<u>19,502</u>	<u>6,413</u>	<u>25,915</u>
Total Current Liabilities	<u>20,030</u>	<u>8,886</u>	<u>28,916</u>
Noncurrent Liabilities:			
Accrued Self-Insurance Claims	94,849	14,189	109,038
Net OPEB Liability	137	70	207
Net Pension Liability	<u>11,484</u>	<u>2,964</u>	<u>14,448</u>
Total Noncurrent Liabilities	<u>106,470</u>	<u>17,223</u>	<u>123,693</u>
Total Liabilities	<u>126,500</u>	<u>26,109</u>	<u>152,609</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows	<u>611</u>	<u>589</u>	<u>1,200</u>
<b>NET POSITION (DEFICIT)</b>			
Net Investment in Capital Assets	22	13	35
Unrestricted	<u>(92,673)</u>	<u>2,984</u>	<u>(89,689)</u>
Total Net Position (Deficit)	<u>\$ (92,651)</u>	<u>\$ 2,997</u>	<u>\$ (89,654)</u>

**City of Long Beach**  
**Insurance Fund**  
**Combining Schedule of Revenues, Expenses and Changes in Fund Net Position**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

	Workers' Compensation Fund	General Liability Fund	Total Insurance Fund
<b>Operating Revenues:</b>			
Billing to Other Departments	\$ 32,321	\$ 15,723	\$ 48,044
Total Operating Revenues	<u>32,321</u>	<u>15,723</u>	<u>48,044</u>
<b>Operating Expenses:</b>			
Personnel Services	7,880	738	8,618
Maintenance and Other Operations	3,787	2,799	6,586
Insurance Premiums	-	2,639	2,639
Self-Insured Losses	16,535	10,963	27,498
Compensated Absences	4,943	-	4,943
Depreciation	4	1	5
Total Operating Expenses	<u>33,149</u>	<u>17,140</u>	<u>50,289</u>
Operating Income (Loss)	<u>(828)</u>	<u>(1,417)</u>	<u>(2,245)</u>
<b>Non-Operating Income (Expenses):</b>			
Interest Income	231	236	467
Other Income	149	218	367
Total Non-Operating Income	<u>380</u>	<u>454</u>	<u>834</u>
Income (Loss) Before Contributions and Transfers	<u>(448)</u>	<u>(963)</u>	<u>(1,411)</u>
<b>Transfers:</b>			
Transfers Out	<u>(24)</u>	<u>(98)</u>	<u>(122)</u>
Change in Net Position	<u>(472)</u>	<u>(1,061)</u>	<u>(1,533)</u>
Net Position (Deficit) - October 1	<u>(92,050)</u>	<u>4,124</u>	<u>(87,926)</u>
Adjustments for GASB 75 Implementation	<u>(129)</u>	<u>(66)</u>	<u>(195)</u>
Net Position (Deficit) - September 30	<u>\$ (92,651)</u>	<u>\$ 2,997</u>	<u>\$ (89,654)</u>

**City of Long Beach**  
**Fleet Services Fund**  
**Combining Schedule of Net Position (Deficit)**  
**September 30, 2016**  
**(In Thousands)**

	Fleet Operations	Fleet Vehicle Acquisitions	Fleet Debt Service	Fleet Other	Adjustments and Eliminations	Total Fleet Service Fund
<b>ASSETS</b>						
Current Assets:						
Pooled Cash and Cash Equivalents	\$ 4,244	\$ 47,969	\$ 154	\$ 1,418	\$ -	\$ 53,785
Receivables:						
Interest Receivable	2	-	-	-	-	2
Accounts Receivable	147	11	-	-	-	158
Due from Other Governments	-	-	-	40	-	40
Due from Other Funds	1	-	-	-	-	1
Allowance for Receivables	(131)	-	-	-	-	(131)
Inventory	2,314	-	-	-	-	2,314
Total Current Assets	<u>6,577</u>	<u>47,980</u>	<u>154</u>	<u>1,458</u>	<u>-</u>	<u>56,169</u>
Noncurrent Assets:						
Capital Assets:						
Land and Other Capital Assets Not Being Deprec	-	-	-	389	-	389
Capital Assets Net of Accumulated Depreciation	<u>39,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,314</u>
Total Noncurrent Assets	<u>39,314</u>	<u>-</u>	<u>-</u>	<u>389</u>	<u>-</u>	<u>39,703</u>
Total Assets	<u>45,891</u>	<u>47,980</u>	<u>154</u>	<u>1,847</u>	<u>-</u>	<u>95,872</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows	<u>3,517</u>	<u>-</u>	<u>1,196</u>	<u>-</u>	<u>-</u>	<u>4,713</u>
<b>LIABILITIES</b>						
Current Liabilities Payable from Current Assets:						
Accounts Payable	958	7,627	-	820	-	9,405
Accrued Wages and Benefits	184	24	-	-	-	208
Accrued Interest Payable	-	-	152	-	-	152
Due to Other Funds	1,688	(1,565)	-	30	-	153
Environmental Remediation - Current	184	-	-	(18)	-	166
Total Current Liabilities	<u>3,014</u>	<u>6,086</u>	<u>152</u>	<u>832</u>	<u>-</u>	<u>10,084</u>
Noncurrent Liabilities:						
Environmental Remediation	2,535	-	-	(60)	-	2,475
Bonds Payable	-	-	24,614	-	-	24,614
Net OPEB Liability	756	-	-	-	-	756
Net Pension Liability	12,612	-	-	-	-	12,612
Total Noncurrent Liabilities	<u>15,903</u>	<u>-</u>	<u>24,614</u>	<u>(60)</u>	<u>-</u>	<u>40,457</u>
Total Liabilities	<u>18,917</u>	<u>6,086</u>	<u>24,766</u>	<u>772</u>	<u>-</u>	<u>50,541</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows	<u>918</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>918</u>
<b>NET POSITION (DEFICIT)</b>						
Net Investment in Capital Assets	39,314	-	(23,418)	389	-	16,285
Unrestricted	(9,741)	41,894	2	686	-	32,841
Total Net Position (Deficit)	<u>\$ 29,573</u>	<u>\$ 41,894</u>	<u>\$ (23,416)</u>	<u>\$ 1,075</u>	<u>\$ -</u>	<u>\$ 49,126</u>

**City of Long Beach**  
**Fleet Service Funds**

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position (Deficit)  
For the Fiscal Year Ended September 30, 2016  
(In Thousands)

	Fleet Operations	Fleet Vehicle Acquisitions	Fleet Debt Service	Fleet Other	Adjustments and Eliminations	Total Fleet Service Fund
<b>Operating Revenues:</b>						
Billing to Other Departments	\$ 19,595	\$ 11,685	\$ -	\$ 702	\$ -	\$ 31,982
Other	1,520	-	-	-	-	1,520
<b>Total Operating Revenues</b>	<b>21,115</b>	<b>11,685</b>	<b>-</b>	<b>702</b>	<b>-</b>	<b>33,502</b>
<b>Operating Expenses:</b>						
Personnel Services	7,195	955	-	6	-	8,156
Maintenance and Other Operations	(3,232)	17,555	-	1,552	-	15,875
Compensated Absences	428	-	-	-	-	428
Amortization	-	-	81	-	-	81
Depreciation	5,307	-	-	-	-	5,307
<b>Total Operating Expenses</b>	<b>9,698</b>	<b>18,510</b>	<b>81</b>	<b>1,558</b>	<b>-</b>	<b>29,847</b>
<b>Operating Income (Loss)</b>	<b>11,417</b>	<b>(6,825)</b>	<b>(81)</b>	<b>(856)</b>	<b>-</b>	<b>3,655</b>
<b>Non-Operating Income (Expenses):</b>						
Interest Income	69	-	1	-	-	70
Interest Expense	(912)	-	287	-	-	(625)
Gain (Loss) on Disposition of Capital Assets	(3)	193	-	-	-	190
Other Income	1,211	457	-	40	-	1,708
<b>Total Non-Operating Income (Expenses)</b>	<b>365</b>	<b>650</b>	<b>288</b>	<b>40</b>	<b>-</b>	<b>1,343</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>11,782</b>	<b>(6,175)</b>	<b>207</b>	<b>(816)</b>	<b>-</b>	<b>4,998</b>
<b>Transfers:</b>						
Transfers In	546	-	-	-	-	546
Transfers Out	(1,222)	-	-	-	-	(1,222)
<b>Change in Net Position</b>	<b>11,106</b>	<b>(6,175)</b>	<b>207</b>	<b>(816)</b>	<b>-</b>	<b>4,322</b>
<b>Net Position (Deficit) - October 1</b>	<b>18,467</b>	<b>48,069</b>	<b>(23,623)</b>	<b>1,891</b>	<b>712</b>	<b>45,516</b>
Adjustments for GASB 75 Implementation	-	-	-	-	(712)	(712)
<b>Net Position (Deficit) - September 30</b>	<b>\$ 29,573</b>	<b>\$ 41,894</b>	<b>\$ (23,416)</b>	<b>\$ 1,075</b>	<b>\$ -</b>	<b>\$ 49,126</b>

## **TIDELANDS FUND**

The Tideland Operating fund is used to account for the various business-type operations that the City oversees in the Tidelands Trust area. These operations include the Long Beach Convention and Entertainment Center, Queen Mary, Rainbow Harbor Area, marinas, beach maintenance, and beach/water safety programs directly related to the tidelands area, including lifeguards and patrol boats.

The City has issued revenue bonds to finance the purchase of the Aquarium of the Pacific and the Rainbow Harbor Area infrastructure improvements. Each of the revenue bonds is accounted for in the City's Tidelands Fund.

Summary financial information for the consolidated Tidelands Enterprise Fund is presented on following pages (in thousands) as of September 30, 2016:



**City of Long Beach**  
**Tideland Operating, Marina, Queen Mary and Rainbow Harbor Project**  
**Consolidated Schedule of Net Position**  
**September 30, 2016**  
**(In Thousands)**

	Tideland Operating	Marina	Queen Mary	Rainbow Harbor Area	Total Before Elimination	Eliminations Debit (Credit)	Consolidated Tidelands Total
<b>ASSETS</b>							
Current Assets:							
Pooled Cash and Cash Equivalents	\$ 144,637	\$ 6,571	\$ 2,530	\$ 5,292	\$ 159,030	\$ -	\$ 159,030
Non-Pooled Cash and Cash Equivalents	10,157	39,059	-	19	49,235	-	49,235
Receivables:							
Interest Receivable	48	25	-	1	74	-	74
Accounts Receivable	4,138	435	141	192	4,906	-	4,906
Due from Other Governments	17	11	-	-	28	-	28
Due from Other Funds	20,166	-	75	5	20,246	(79)	20,167
Allowance for Receivables	(7)	(422)	-	(5)	(434)	-	(434)
Other Assets	131	-	-	37	168	-	168
Total Current Assets	179,287	45,679	2,746	5,541	233,253	(79)	233,174
Noncurrent Assets:							
Non-Pooled Investments	7,516	7,205	-	-	14,721	-	14,721
Capital Assets:							
Land and Other Capital Assets Not Being Depreciated	43,277	11,334	-	11,110	65,721	-	65,721
Capital Assets Net of Accumulated Depreciation	146,268	101,917	8,757	43,364	300,306	-	300,306
Total Noncurrent Assets	197,061	120,456	8,757	54,474	380,748	-	380,748
Total Assets	376,348	166,135	11,503	60,015	614,001	(79)	613,922
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred Outflows	17,498	4,315	-	588	22,401	-	22,401
<b>LIABILITIES</b>							
Current Liabilities payable from Current Assets:							
Accounts Payable	4,559	1,887	169	629	7,244	-	7,244
Accrued Wages	453	208	-	29	690	-	690
Accrued Interest Payable	1,730	2,113	-	88	3,931	-	3,931
Due to Other Funds	342	120	-	16	478	79	399
Unearned Revenues	216	1,709	-	79	2,004	-	2,004
Collections Held in Trust	97	50	25	-	172	-	172
Obligations under Capital Leases - Current	34	-	-	-	34	-	34
Bonds Payable Due Within One Year	4,070	-	-	2,860	6,930	-	6,930
Other Long Term Obligation - Current	2	-	-	23	25	-	25
Total Current Liabilities	11,503	6,087	194	3,724	21,508	79	21,429
Noncurrent Liabilities:							
Advances from Other Funds	1,300	-	-	-	1,300	-	1,300
Unearned Revenues	4,750	-	-	-	4,750	-	4,750
Obligations under Capital Leases	336	-	-	-	336	-	336
Other Long Term Obligations	5	-	-	412	417	-	417
Bonds Payable	89,809	121,031	-	18,868	229,708	-	229,708
Net OPEB Liability	503	413	-	-	916	-	916
Net Pension Liability	31,715	14,487	-	1,741	47,943	-	47,943
Total Noncurrent Liabilities	128,418	135,931	-	21,021	285,370	-	285,370
Total Liabilities	139,921	142,018	194	24,745	306,878	79	306,799
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred Inflows	3,523	1,163	-	200	4,886	-	4,886
<b>NET POSITION</b>							
Net Investment in Capital Assets	110,346	25,919	8,757	32,416	177,438	-	177,438
Restricted for:							
Debt Service	8,433	51	-	-	8,484	-	8,484
Capital Projects	1,545	-	800	282	2,627	-	2,627
Tidelands	7,637	2,093	-	-	9,730	-	9,730
Unrestricted	122,441	(794)	1,752	2,960	126,359	-	126,359
Total Net Position	\$250,402	\$27,269	\$11,309	\$35,658	\$324,638	\$ -	\$ 324,638

**City of Long Beach**  
**Tideland Operating, Marina, Queen Mary and Rainbow Harbor Project**  
**Consolidated Schedule of Revenues, Expenses and Changes in Fund Net Position**  
**For the Fiscal Year Ended September 30, 2016**  
**(In Thousands)**

	Tideland Operating	Marina	Queen Mary	Rainbow Harbor Area	Total Before Elimination	Debit (Credit)	Eliminations Tidelands Total
<b>Operating Revenues:</b>							
Licenses and Permits	\$ 173	\$ -	\$ -	\$ 145	\$ 318	\$ -	\$ 318
Fines and Forfeitures	205	-	-	-	205	-	205
Fees, Concessions, and Rentals	9,123	20,149	489	12,932	42,693	2,285	40,408
From Other Agencies	-	126	-	-	126	-	126
Charges for Services	26,011	63	-	-	26,074	-	26,074
Other	53	20	-	1	74	-	74
<b>Total Revenues</b>	<b>35,565</b>	<b>20,358</b>	<b>489</b>	<b>13,078</b>	<b>69,490</b>	<b>2,285</b>	<b>67,205</b>
<b>Operating Expenses:</b>							
Personnel Services	20,721	9,434	-	951	31,106	-	31,106
Maintenance and Other Operations	34,559	5,179	446	10,585	50,769	(2,285)	48,484
Amortization	485	-	-	(58)	427	-	427
Depreciation	9,874	5,473	419	3,710	19,476	-	19,476
<b>Total Operating Expenses</b>	<b>65,639</b>	<b>20,086</b>	<b>865</b>	<b>15,188</b>	<b>101,778</b>	<b>(2,285)</b>	<b>99,493</b>
<b>Operating Income (Loss)</b>	<b>(30,074)</b>	<b>272</b>	<b>(376)</b>	<b>(2,110)</b>	<b>(32,288)</b>	<b>-</b>	<b>(32,288)</b>
<b>Non-Operating Income (Expense):</b>							
Interest Income	1,490	207	8	83	1,788	-	1,788
Interest Expense	(2,740)	(4,300)	-	(1,077)	(8,117)	-	(8,117)
Operating Grants	434	-	-	-	434	-	434
Other Expense	-	(10)	-	(434)	(444)	-	(444)
<b>Total Non-Operating Income (Expense)</b>	<b>(816)</b>	<b>(4,103)</b>	<b>8</b>	<b>(1,428)</b>	<b>(6,339)</b>	<b>-</b>	<b>(6,339)</b>
<b>Income (Loss) before Contributions and Transfers</b>	<b>(30,890)</b>	<b>(3,831)</b>	<b>(368)</b>	<b>(3,538)</b>	<b>(38,627)</b>	<b>-</b>	<b>(38,627)</b>
<b>Transfers:</b>							
Transfers In	27,714	-	1,702	4,000	33,416	5,702	27,714
Transfers Out	(5,702)	-	-	-	(5,702)	(5,702)	-
<b>Change in Net Position</b>	<b>(8,878)</b>	<b>(3,831)</b>	<b>1,334</b>	<b>462</b>	<b>(10,913)</b>	<b>-</b>	<b>(10,913)</b>
<b>Net Position, October 1</b>	<b>259,754</b>	<b>31,489</b>	<b>9,975</b>	<b>35,196</b>	<b>336,414</b>	<b>-</b>	<b>336,414</b>
<b>Adjustments for GASB 75 Implementation</b>	<b>(474)</b>	<b>(389)</b>	<b>-</b>	<b>-</b>	<b>(863)</b>	<b>-</b>	<b>(863)</b>
<b>Net Position, September 30</b>	<b>\$250,402</b>	<b>\$ 27,269</b>	<b>\$ 11,309</b>	<b>\$ 35,658</b>	<b>\$324,638</b>	<b>\$ -</b>	<b>\$ 324,638</b>

**City of Long Beach**  
**Tideland Operating, Marina, Queen Mary and Rainbow Harbor Area**  
**Schedule of Cash Flows**  
**For the Fiscal Year Ended September 30, 2016**  
**(In Thousands)**

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	Tideland Operating	Marina	Queen Mary	Rainbow Harbor Area	Eliminations Increase (Decrease)	Consolidated Tidelands Total
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 14,342	\$ 20,515	\$ 294	\$ 13,135	\$ -	\$ 48,286
Receipts from Other Funds	23,698	-	-	-	-	23,698
Receipts from Other Governments	425	115	-	-	-	540
Payments for Employee Salaries	(19,607)	(8,765)	-	(1,201)	-	(29,573)
Payments for Goods and Services	(35,958)	(5,348)	(554)	(10,577)	-	(52,437)
Other Income	53	20	-	1	-	74
Other Expense	-	(10)	-	(2)	-	(12)
Net Cash Provided by (Used for) Operating Activities	(17,047)	6,527	(260)	1,356	-	(9,424)
Cash Flows from Non-Capital Financing Activities:						
Operating Grants Received from Other Governments						
Transfers In	27,714	142	1,702	3,995	5,702	39,255
Transfers Out	(5,453)	10	-	(243)	(5,702)	(11,388)
Net Cash Provided by Non-Capital Financing Activities	22,261	152	1,702	3,752	-	27,867
Cash Flows from Capital and Related Financing Activities:						
Proceeds from Issuance of Bonds	-	-	-	19,115	-	19,115
Original Issuance of Premium	-	-	-	2,674	-	2,674
Payment of Cost of Issuance	-	-	-	(292)	-	(292)
Redemption of Premium	-	-	-	(25,405)	-	(25,405)
Changes Related to Capital Acquisitions	(7,052)	(17,955)	-	(46)	-	(25,053)
Payments of Principal on Bonds Payable	(3,915)	-	-	(3,015)	-	(6,930)
Payments of Principal on Other Long-Term Obligations	(47)	-	-	(23)	-	(70)
Payments of Interest, Net of Amounts Capitalized	(4,250)	(5,353)	-	(1,628)	-	(11,231)
Net Cash Used for Capital and Related Financing Activities	(15,264)	(23,308)	-	(8,620)	-	(47,192)
Cash Flows from Investing Activities:						
Payments for Investments	738	766	-	4,260	-	5,764
Payments of Interest, Net of Amounts Capitalized	1,501	210	8	98	-	1,817
Net Cash Provided by Investing Activities	2,239	976	8	4,358	-	7,581
Net Increase (Decrease) in Cash and Cash Equivalents	(7,811)	(15,653)	1,450	846	-	(21,168)
Cash and Cash Equivalents - October 1	162,605	61,283	1,080	4,465	-	229,433
Cash and Cash Equivalents - September 30	\$ 154,794	\$ 45,630	\$ 2,530	\$ 5,311	\$ -	\$ 208,265
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>						
Operating Income (Loss)	Tideland Operating	Marina	Queen Mary	Rainbow Harbor Area	Eliminations Increase (Decrease)	Total
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Depreciation and Amortization Expense	10,359	5,473	419	3,652	-	19,903
Other Income	434	-	-	1	-	435
Other Expense	-	(10)	-	(2)	-	(12)
Increase (Decrease) in Accounts Receivable, Net	1,557	27	(119)	16	-	1,481
Increase (Decrease) in Amounts Due from Other Funds	943	-	(75)	-	-	868
Increase (Decrease) in Amounts Due from Other Governments	(9)	(11)	-	-	-	(20)
Increase in Other Operating Assets	-	-	-	(37)	-	(37)
Increase (Decrease) in Accounts Payable	(1,399)	(169)	(108)	45	-	(1,631)
Increase (Decrease) in Accrued Wages Payable	1,114	669	-	(250)	-	1,533
Increase (Decrease) in Unearned Revenues	15	276	(1)	-	-	290
Increase in Collections Held in Trust	13	-	-	41	-	54
Total Adjustments	13,027	6,255	116	3,466	-	22,864
Net Cash Provided by (Used for) Operating Activities	\$ (17,047)	\$ 6,527	\$ (260)	\$ 1,356	\$ -	\$ (9,424)



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# STATISTICAL SECTION

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## STATISTICAL SECTION

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The Statistical Section is included to provide financial statement users with additional historical perspective, context, and detail for use in evaluating the information contained with the financial statements, notes to the financial statements, and required supplementary information with the goal of providing the user a better understanding of the City's economic condition.

<u>Contents</u>	<u>Page</u>
<b>Financial trends</b>	
These schedules contain information to help the reader understand how the City's financial performance and well-being have changed over time.	
Net Position by Component - Last Ten Fiscal Years	179
Change in Net Position - Last Ten Fiscal Years	180
Fund Balances of Governmental Funds - Last Ten Fiscal Years	182
Change in Fund Balances of Governmental Funds - Last Ten Fiscal Years	183
Governmental Activities Tax Revenues by Source - Last Ten Fiscal Years	184
<b>Revenue capacity</b>	
These schedules contain information to help the reader assess the City's most significant local revenue sources.	
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	185
Property Tax Rates - All Overlapping Governments Per \$100 of Assessed Value - Last Ten Fiscal Years	186
Principal Property Taxpayers - Current Year and Nine Fiscal Years ago	187
Property Tax Levies and Collections - Last Ten Fiscal Years	188
<b>Debt capacity</b>	
These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	189
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	190
Schedule of Direct and Overlapping Debt - As of September 30, 2016	191
Legal Debt Margin Information - Last Ten Fiscal Years	192
Pledged Revenue Coverage - Gas Fund Revenue Bond - Last Ten Fiscal Years	193
Pledged Revenue Coverage - Water Revenue Bond - Last Ten Fiscal Years	193
Pledged Revenue Coverage - Solid Waste Bond - Last Ten Fiscal Years	193
Pledged Revenue Coverage - Airport Fund Revenue Bond - Last Ten Fiscal Years	194
Pledged Revenue Coverage - Temple Willow Revenue Bond - Last Ten Fiscal Years	194
Pledged Revenue Coverage - Marina Revenue Bond - Last Ten Fiscal Years	194
Pledged Revenue Coverage - Rainbow Harbor Area Fund Revenue Bond - Last Ten Fiscal Years	195
Pledged Revenue Coverage - Tidelands Operating Segment Fund Revenue Bond - Last Ten Fiscal Years	195
Pledged Revenue Coverage - Harbor Fund Revenue Bond - Last Ten Fiscal Years	195
<b>Demographics and economic information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Demographic Statistics - Last Ten Fiscal Years	196
Principal Employers - Current Year and Nine Years ago	197
<b>Operating information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial statements relates to the services that the City provides and the activities that it performs.	
Full time Equivalent City Government Employees by Function - Last Ten Fiscal Years	198
Operating Indicators by Function - Last Ten Fiscal Years	200
Capital Asset Statistics by Function - Last Ten Fiscal Years	202

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

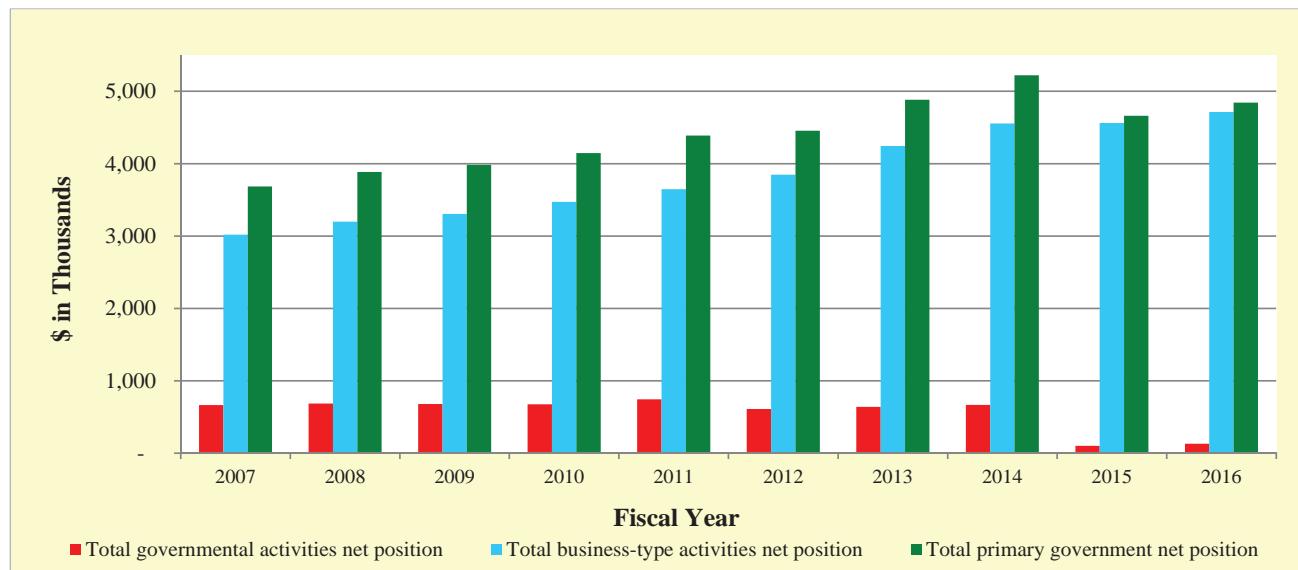


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**City of Long Beach**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(Accrual basis of accounting)**  
**(In Thousands)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net Investment in capital assets	\$ 215,097	\$ 217,866	\$ 203,709	\$ 170,432	\$ 215,317	\$ 237,998	\$ 242,105	\$ 245,780	\$ 344,839	\$ 346,224
Restricted	291,468	285,937	289,658	346,412	631,729	470,723	458,167	473,181	351,055	393,588
Unrestricted	157,870	182,007	185,296	157,316	(104,327)	(100,337)	(61,528)	(53,167)	(595,857)	(610,409)
Total governmental activities net position	664,435	685,810	678,663	674,160	742,719	608,384	638,744	665,794	100,037	129,403
Business-type activities:										
Net Investment in capital assets	1,684,580	1,875,911	1,954,565	2,184,850	2,547,605	2,769,461	3,547,110	3,698,447	3,829,779	4,229,484
Restricted	366,018	359,364	367,477	603,007	289,999	289,864	297,694	439,163	494,526	323,827
Unrestricted	969,574	964,333	982,105	683,114	809,277	787,926	399,890	418,151	237,808	160,569
Total business-type activities net position	3,020,172	3,199,608	3,304,147	3,470,971	3,646,881	3,847,251	4,244,694	4,555,761	4,562,113	4,713,880
Primary government										
Net Investment in capital assets	1,899,677	2,093,777	2,158,274	2,355,282	2,762,922	3,007,459	3,789,215	3,944,227	4,174,618	4,575,708
Restricted	657,486	645,301	657,135	949,419	921,728	760,587	755,861	912,344	845,581	717,415
Unrestricted	1,127,444	1,146,340	1,167,401	840,430	704,950	687,589	338,362	364,984	(358,049)	(449,840)
Total primary government net position	<u>\$ 3,684,607</u>	<u>\$ 3,885,418</u>	<u>\$ 3,982,810</u>	<u>\$ 4,145,131</u>	<u>\$ 4,389,600</u>	<u>\$ 4,455,635</u>	<u>\$ 4,883,438</u>	<u>\$ 5,221,555</u>	<u>\$ 4,662,150</u>	<u>\$ 4,843,283</u>

**Note:** Effective fiscal year 2010 and beyond, unrestricted net position amounts have been changed to reflect the effects of the implementation of GASB 54 - Fund Balance Reporting and Governmental Fund Type Definitions.



See accompanying independent auditors' report.

**City of Long Beach**  
**Change in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual basis of accounting)**  
**(In Thousands)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses:</b>										
<b>Governmental Activities:</b>										
Legislative and Legal	\$ 12,911	\$ 13,210	\$ 12,866	\$ 11,527	\$ 10,106	\$ 10,998	\$ 10,957	\$ 12,001	\$ 10,632	\$ 11,814
General Government	13,376	16,871	16,292	19,792	22,653	22,128	23,342	21,378	22,400	23,869
Public Safety	276,391	294,916	302,025	291,399	284,986	290,542	303,872	296,817	307,116	344,358
Public Health	47,189	48,330	47,134	44,731	44,428	42,712	41,966	41,877	43,710	46,150
Community and Cultural	207,566	227,274	227,772	258,512	193,886	331,170	173,239	153,206	165,501	155,792
Public Works	67,794	83,232	95,354	91,375	89,942	92,058	102,979	114,303	104,744	103,772
Oil Operations	8,175	8,630	8,004	6,923	7,318	9,256	7,101	4,869	3,961	6,466
Interest on Long-Term Debt	36,187	38,418	35,831	32,744	35,273	28,492	26,941	24,945	22,738	19,104
Total Governmental Activities Expenses	<u>669,589</u>	<u>730,881</u>	<u>745,278</u>	<u>757,003</u>	<u>688,592</u>	<u>827,356</u>	<u>690,397</u>	<u>669,396</u>	<u>680,802</u>	<u>711,325</u>
<b>Business-type Activities:</b>										
Gas	89,021	137,263	90,364	77,531	84,003	77,157	82,693	80,651	68,414	66,896
Water	68,704	70,571	76,895	71,442	82,050	81,377	89,767	93,297	102,501	93,959
Tidelands	111,156	123,258	124,711	117,071	124,830	100,602	96,881	111,074	121,547	107,313
Tideland Oil Revenue	199,542	486,759	178,636	276,850	393,317	390,602	362,144	327,087	81,565	70,949
Harbor	247,860	242,822	225,991	218,262	217,335	193,773	195,335	233,410	236,186	307,546
Non-major Enterprise Funds	126,623	136,140	136,465	132,917	144,018	144,677	150,188	156,466	157,368	162,678
Total Business-Type Activities Expenses	<u>842,906</u>	<u>1,196,813</u>	<u>833,062</u>	<u>894,073</u>	<u>1,045,553</u>	<u>988,188</u>	<u>977,008</u>	<u>1,001,985</u>	<u>767,581</u>	<u>809,341</u>
Total Primary Government Expenses	<u>1,512,495</u>	<u>1,927,694</u>	<u>1,578,340</u>	<u>1,651,076</u>	<u>1,734,145</u>	<u>1,815,544</u>	<u>1,667,405</u>	<u>1,671,381</u>	<u>1,448,383</u>	<u>1,520,666</u>
<b>Program Revenues:</b>										
<b>Governmental Activities:</b>										
Charges for services:										
Legislative and Legal	119	801	264	862	104	714	61	163	224	1,804
General Government	13,406	14,049	14,679	14,968	16,501	17,521	16,093	16,459	16,545	17,955
Public Safety	40,326	42,516	37,078	40,072	35,110	34,617	32,371	34,659	38,961	38,050
Public Health	7,099	7,599	9,644	8,422	8,725	9,538	11,856	8,498	8,178	7,284
Community and Cultural	26,131	28,905	26,322	26,186	20,825	13,978	14,656	12,168	15,084	17,051
Public Works	17,722	19,382	25,803	25,985	21,072	26,876	25,011	25,963	25,246	27,949
Oil Operations	22,612	32,956	19,011	25,556	31,552	39,156	39,869	36,942	19,414	10,900
Operating Grants and Contributions	169,190	172,478	172,281	185,899	198,198	175,647	171,937	183,789	164,621	170,614
Capital Grants and Contributions	16,908	7,424	3,595	10,395	7,588	6,147	10,778	8,530	3,780	2,085
Total Governmental Activities Program Revenues	<u>\$ 313,513</u>	<u>\$ 326,110</u>	<u>\$ 308,677</u>	<u>\$ 338,345</u>	<u>\$ 339,675</u>	<u>\$ 324,194</u>	<u>\$ 322,632</u>	<u>\$ 327,171</u>	<u>\$ 292,053</u>	<u>\$ 293,692</u>

(continued)

See accompanying independent auditors' report.

**City of Long Beach**  
**Change in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual basis of accounting)**  
**(In Thousands)**

(continued)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Business-Type activities:</b>										
Charges for Services:										
Gas	\$ 100,421	\$ 123,580	\$ 113,910	\$ 80,605	\$ 88,240	\$ 83,633	\$ 87,141	\$ 82,293	\$ 77,398	\$ 79,826
Water	70,258	72,527	81,380	87,151	88,576	87,073	93,036	101,345	101,158	98,677
Tidelands	83,085	81,511	83,245	82,948	83,018	56,726	59,929	64,318	67,894	67,205
Tideland Oil Revenue	214,157	522,956	143,336	295,680	449,819	452,863	397,301	362,783	99,401	53,630
Harbor	370,832	382,119	336,930	341,744	345,389	333,887	346,244	362,752	363,309	363,343
Non-major Enterprise Funds	134,288	142,139	143,751	141,803	150,318	160,226	164,661	166,829	160,799	162,298
Operating Grants and Contributions	2,116	1,241	1,213	597	2,723	1,413	1,105	921	753	758
Capital Grants and Contributions	24,580	14,984	25,210	32,001	26,406	26,552	259,188	182,021	140,618	150,510
Total Business-Type Activities										
Program Revenues	999,737	1,341,057	928,975	1,062,529	1,234,489	1,202,373	1,408,605	1,323,262	1,011,330	976,247
Total Primary Government Program Revenues	1,313,250	1,667,167	1,237,652	1,400,874	1,574,164	1,526,567	1,731,237	1,650,433	1,303,383	1,269,939
<b>Net Revenues (expenses):</b>										
Governmental Activities	(356,076)	(404,771)	(436,601)	(418,658)	(348,917)	(503,162)	(367,765)	(342,225)	(388,749)	(417,633)
Business-Type Activities	156,831	144,244	95,913	168,456	188,936	214,185	431,597	321,277	243,749	166,906
Total Net Expenses	(199,245)	(260,527)	(340,688)	(250,202)	(159,981)	(288,977)	63,832	(20,948)	(145,000)	(250,727)
<b>General Revenues and Other Changes in Net Position:</b>										
Governmental Activities:										
Taxes:										
Property	162,342	173,184	196,402	180,262	218,570	179,746	203,770	183,719	180,989	-
Sales	55,848	55,261	51,585	53,144	60,159	60,414	63,443	59,097	64,177	-
Utility Users	41,694	41,028	39,901	39,240	38,739	37,097	38,026	38,691	38,419	200,766
Other	65,206	73,715	61,250	62,889	43,254	43,360	46,446	41,504	45,517	67,658
Franchise Fees	-	-	-	-	24,184	23,143	25,243	26,175	25,915	37,079
Grants and Contributions not Restricted to Specific Programs	44,086	46,330	48,364	46,058	-	-	150	-	-	47,746
Unrestricted Investment Earnings	23,374	24,357	14,712	7,837	10,291	4,349	3,417	3,688	6,061	24,911
Gain (Loss) on Sales of Capital Assets	649	(49)	(1,024)	8,539	-	-	-	-	-	-
Capital Asset Transfers	(257)	(1,142)	(1,337)	(101)	1,266	5,090	4,786	2,365	-	-
Transfers	28,625	13,462	19,601	16,287	21,601	15,628	21,490	14,210	21,661	-
Total Governmental Activities	421,567	426,146	429,454	414,155	418,064	368,827	406,771	369,449	382,739	378,160
Business-type Activities:										
Unrestricted Investment Earnings	62,329	47,512	26,890	14,554	9,253	6,903	5,557	6,365	8,887	-
Loss on Sales of Capital Assets	-	-	-	-	-	-	-	-	-	-
Capital Asset Transfers	257	1,142	1,337	101	(1,266)	(5,090)	(4,786)	(2,365)	-	-
Transfers	(28,625)	(13,462)	(19,601)	(16,287)	(21,601)	(15,628)	(21,490)	(14,210)	(21,661)	-
Total Business-type Activities	33,961	35,192	8,626	(1,632)	(13,614)	(13,815)	(20,719)	(10,210)	(12,774)	-
Total Primary Government	455,528	461,338	438,080	412,523	404,450	355,012	386,052	359,239	369,965	378,160
Change in Net Position										
Government activities	65,491	21,375	(7,147)	(4,503)	69,147	(134,335)	39,006	27,224	(6,010)	(39,473)
Business-type Activities	190,792	179,436	104,539	166,824	175,322	200,370	410,878	311,067	230,975	166,906
Total Primary Government	\$ 256,283	\$ 200,811	\$ 97,392	\$ 162,321	\$ 244,469	\$ 66,035	\$ 449,884	\$ 338,291	\$ 224,965	\$ 127,433

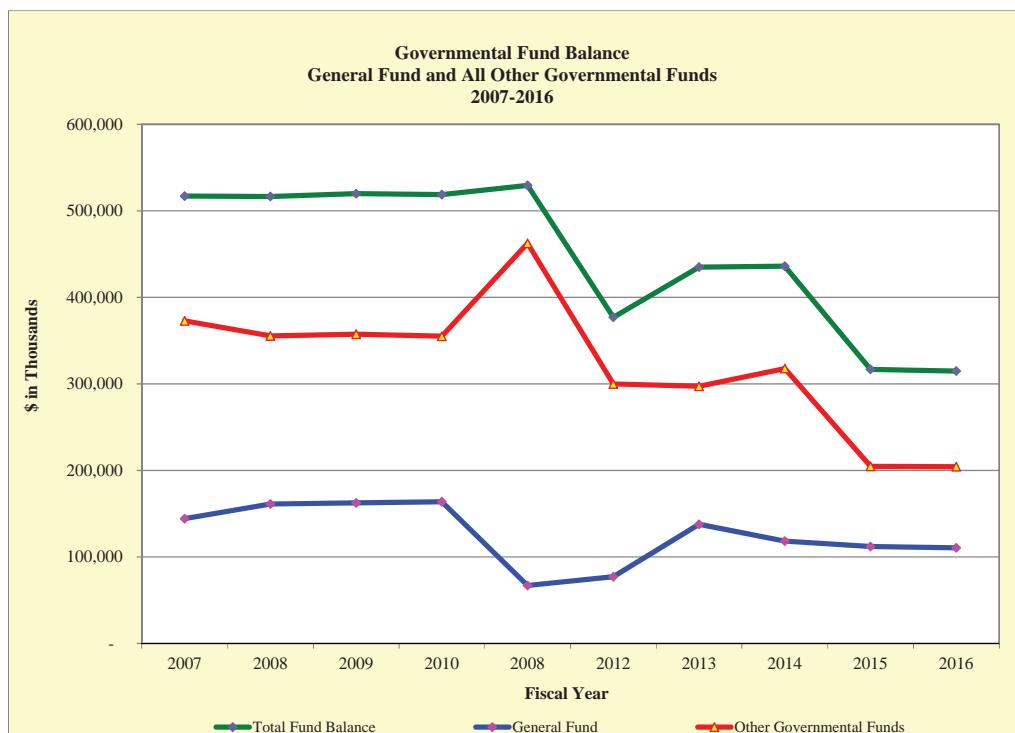
**Note:** With the implementation of GASB 54- Fund Balance Reporting and Governmental Fund Type Definitions, effective fiscal year 2010, the presentation of some financial data have changed in compliance with the aforementioned GASB standard.

See accompanying independent auditors' report.

**City of Long Beach**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified accrual basis of accounting)**  
**(In Thousands)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved	\$114,254	\$115,088	\$116,569	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Unreserved	29,960	46,042	45,899	-	-	-	-	-	-	-
* Nonspendable	-	-	-	104,591	2,083	2,008	2,043	6	2	102
* Restricted	-	-	-	8,673	675	2,929	2,311	4,266	4,308	4,498
* Committed	-	-	-	1,486	4,108	5,394	5,711	61,079	62,598	63,568
* Assigned	-	-	-	3,798	59,445	61,935	119,542	49,531	42,953	38,482
* Unassigned	-	-	-	45,155	682	4,857	8,130	3,397	2,170	3,934
Total General Fund	<u>144,214</u>	<u>161,130</u>	<u>162,468</u>	<u>163,703</u>	<u>66,993</u>	<u>77,123</u>	<u>137,737</u>	<u>118,279</u>	<u>112,031</u>	<u>110,584</u>
Other Governmental Funds:										
Reserved	389,518	390,061	424,108	-	-	-	-	-	-	-
Unreserved, Reported in:										
Special Revenue Funds	57,974	56,166	56,848	-	-	-	-	-	-	-
Capital Project Funds	(74,598)	(90,741)	(123,512)	-	-	-	-	-	-	-
* Nonspendable	-	-	-	24,902	1,654	45	8,009	8,012	2,846	2,577
* Restricted	-	-	-	514,588	489,841	320,310	293,567	289,497	173,096	173,562
* Committed	-	-	-	2,594	161	1,362	1,362	1,362	1,422	1,422
* Assigned	-	-	-	41,581	10,664	10,791	24,433	36,476	39,197	26,710
* Unassigned	-	-	-	(228,576)	(39,867)	(32,643)	(30,112)	(17,646)	(11,819)	-
Total Other Governmental Funds	<u>372,894</u>	<u>355,486</u>	<u>357,444</u>	<u>355,089</u>	<u>462,453</u>	<u>299,865</u>	<u>297,259</u>	<u>317,701</u>	<u>204,742</u>	<u>204,271</u>
Total All Governmental Funds	<u>\$517,108</u>	<u>\$516,616</u>	<u>\$519,912</u>	<u>\$518,792</u>	<u>\$529,446</u>	<u>\$376,988</u>	<u>\$434,996</u>	<u>\$435,980</u>	<u>\$316,773</u>	<u>\$314,855</u>

\* Note: In accordance with GASB No. 54, Fund Balance types from fiscal year 2010 and onward were reclassified to reflect the requirements of this statement. The Development Services Fund was reclassified from a Special Revenue Fund to a Proprietary Fund. The Upland Oil Fund was reclassified from a Special Revenue Fund to a subset of the General Fund.



See accompanying independent auditors' report.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Taxes:										
Property	\$ 162,449	\$ 172,741	\$ 195,128	\$ 216,922	\$ 218,593	\$ 181,041	\$ 214,816	\$ 183,885	\$ 179,999	\$ 201,207
Sales	55,848	55,261	51,585	53,144	60,159	60,414	63,443	59,097	64,177	67,658
Utility Users	41,694	41,028	39,901	39,240	38,739	37,097	38,026	38,691	38,419	37,079
Other Taxes	65,205	73,715	61,250	42,465	43,254	43,360	46,446	41,504	45,517	47,746
Franchise Fees	-	-	-	24,040	24,184	23,143	25,243	26,175	25,915	24,911
Licenses and Permits	32,240	33,899	32,239	24,864	24,812	24,278	19,941	22,341	23,329	25,456
Fines and Forfeitures	17,644	18,509	19,501	17,042	16,193	17,762	16,394	16,166	15,988	16,292
Use of Money and Property	59,516	71,586	47,841	47,526	56,415	58,398	58,441	56,687	41,816	40,991
From Other Agencies	230,838	228,427	227,060	195,940	208,167	184,470	181,039	191,423	166,988	170,780
Charges for Services	26,168	27,609	30,742	26,264	28,549	28,586	28,292	29,042	28,428	29,482
Other Contributions	-	-	-	2,898	-	-	1,385	341	556	249
Other	13,711	17,587	11,667	13,599	25,256	19,544	18,577	10,693	17,615	13,167
Total Revenues	<b>705,313</b>	<b>740,362</b>	<b>716,914</b>	<b>703,944</b>	<b>744,321</b>	<b>678,093</b>	<b>712,043</b>	<b>676,045</b>	<b>648,747</b>	<b>675,018</b>
Expenditures:										
Legislative and Legal	13,602	12,481	11,649	10,806	9,683	10,316	9,673	11,373	9,604	11,420
General Government	15,765	16,081	11,993	15,480	20,035	17,441	17,785	17,951	18,116	21,793
Public Safety	279,382	285,366	290,615	291,618	289,538	285,807	288,979	300,519	297,901	307,065
Public Health	47,409	47,383	45,181	37,644	43,665	41,449	39,297	41,273	42,108	42,819
Community and Cultural	209,946	253,432	238,090	264,171	263,625	289,597	185,378	158,122	237,433	152,005
Public Works	42,586	50,221	53,358	46,002	44,178	60,368	65,484	66,498	70,921	74,580
Oil Operations	8,171	8,625	6,888	6,718	7,173	9,146	4,722	4,309	3,512	2,352
Total Current Expenditures	<b>616,861</b>	<b>673,589</b>	<b>657,774</b>	<b>672,439</b>	<b>677,897</b>	<b>714,124</b>	<b>611,318</b>	<b>600,045</b>	<b>679,595</b>	<b>612,034</b>
Capital Improvements	40,790	25,328	27,721	38,956	29,630	17,183	26,199	36,427	27,139	38,629
Loss on Disposition of Land										
Held for Resale	9,184	4,459	1,526	9,524	519	79,111	-	-	-	-
Debt Service:										
Principal	15,451	15,819	17,456	13,804	13,475	14,379	16,358	18,836	18,601	18,717
Interest	27,349	30,477	28,300	24,847	28,984	23,298	23,776	21,044	22,499	16,763
Debt Administration Fees	81	397	259	195	391	494	542	57	178	434
Total Expenditures	<b>709,716</b>	<b>750,069</b>	<b>733,036</b>	<b>759,765</b>	<b>750,896</b>	<b>848,589</b>	<b>678,193</b>	<b>676,409</b>	<b>748,012</b>	<b>686,577</b>
(Deficiency) of Revenues over (under) Expenditures	(4,403)	(9,707)	(16,122)	(55,821)	(6,575)	(170,496)	33,850	(364)	(99,265)	(11,559)
Other Financing Sources (Uses):										
Other Deferred Payments	291	-	-	-	-	-	-	-	-	-
Debt Issuance	25,748	280	311	34,417	297	753	54,186	1,012	155,820	13,150
Premium (Discount) on Debt Issuance	(122)	-	-	-	-	-	-	-	6,700	1,045
Payment to Refunded Bond										
Escrow Agent	-	-	-	-	-	-	(57,611)	-	(179,330)	-
Reconveyance of Land	-	(13,296)	(3,677)	(41)	-	-	-	-	-	-
Cost of Issuance	-	-	-	-	-	-	-	-	(1,505)	-
Land Transfers	-	-	-	-	(6,233)	-	-	-	-	-
Transfers In	91,967	84,353	60,163	56,406	271,094	409,802	114,615	106,128	91,363	60,641
Transfers Out	(57,560)	(62,122)	(37,379)	(36,306)	(247,930)	(392,317)	(87,032)	(105,577)	(92,990)	(65,195)
Total Other Financing Sources	<b>60,324</b>	<b>9,215</b>	<b>19,418</b>	<b>54,476</b>	<b>17,228</b>	<b>18,238</b>	<b>24,158</b>	<b>1,563</b>	<b>(19,942)</b>	<b>9,641</b>
Net Change in Fund Balances	<b>\$ 55,921</b>	<b>\$ (492)</b>	<b>\$ 3,296</b>	<b>\$ (1,345)</b>	<b>\$ 10,653</b>	<b>\$ (152,258)</b>	<b>\$ 58,008</b>	<b>\$ 1,199</b>	<b>\$ (119,207)</b>	<b>\$ (1,918)</b>
Debt Service as a Percentage of Noncapital Expenditures	6.4%	6.4%	6.5%	5.4%	5.9%	4.5%	6.2%	6.2%	5.7%	5.5%

Effective 2011, the City implemented GASB 54 - Fund Balance Reporting and Governmental Fund Type Definitions, the City reviewed all governmental fund revenue streams. As a result, fiscal year 2010 financial data was reclassified.

Debt Service as a Percentage of Noncapital Expenditures calculated as follows: (Principle + Interest )  
(Total Expenditures - Capital Improvements)

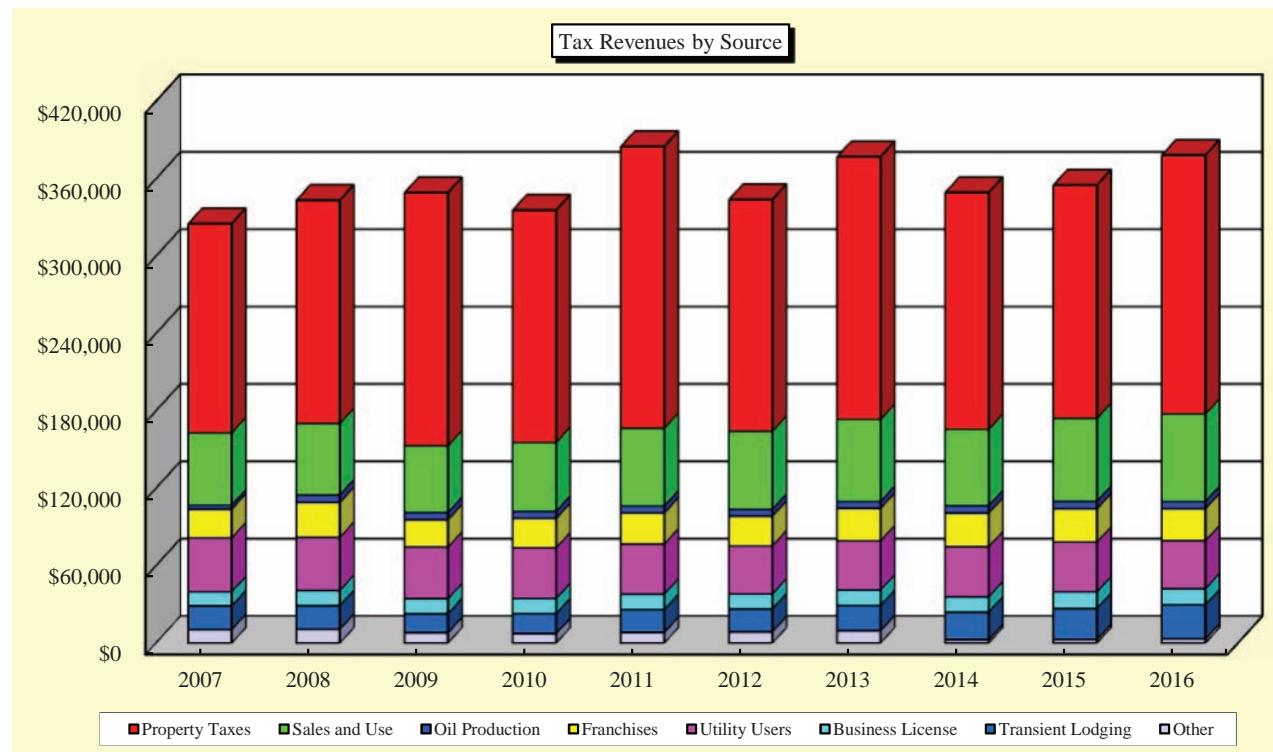
See accompanying independent auditors' report.

**City of Long Beach**  
**Governmental Activities Tax Revenues by Source**  
**Last Ten Fiscal Years**  
**(Modified accrual basis of accounting)**  
**(In Thousands)**

Fiscal Year-end (1)	Property Taxes	Sales and Use Taxes	Oil Production		Franchises Taxes	Utility Users Taxes	Business License Taxes	Transient Lodging Taxes	Other (1) Taxes	Totals
2007	\$162,342	\$ 55,848	\$ 3,123	\$ 22,340	\$ 41,694	\$ 10,909	\$ 18,309	\$ 10,524	\$325,089	
2008	173,184	55,261	5,767	27,147	41,028	11,681	18,324	10,796	343,188	
2009	196,402	51,585	5,557	21,274	39,901	11,647	14,635	8,137	349,138	
2010	180,262	53,144	5,517	22,844	39,240	11,686	15,461	7,381	335,535	
2011	218,570	60,159	5,331	24,184	38,739	11,956	17,603	8,364	384,906	
2012	179,746	60,414	5,259	23,143	37,097	11,537	17,759	8,805	343,760	
2013	203,770	63,443	5,301	25,243	38,026	11,981	19,451	9,713	376,928	
2014	183,719	59,097	5,653	26,175	38,691	11,862	21,265	2,724	349,186	
2015	180,989	64,177	5,787	25,915	38,419	12,934	23,999	2,798	355,018	
2016	200,766	67,658	5,582	24,911	37,079	12,512	26,382	3,271	378,161	

Notes:

- (1) Includes Real Property Transfer, Special Parking, Miscellaneous Taxes, and transfers from funds in lieu of taxes. Tax revenues by source include all Governmental Fund Types (General, Special Revenue, Debt Service Funds, Capital Projects Funds, and Successor Agency Funds), including property tax for the former Long Beach Redevelopment Agency in accordance with generally accepted accounting principles.



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

See accompanying independent auditors' report.

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

Fiscal Year-end	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
2007	\$ 37,042,813	\$ 2,834,656	\$ (961,500)	\$ 38,915,969	1.00%
2008	40,310,054	3,035,367	(1,072,806)	42,272,615	1.00%
2009	43,819,413	2,802,330	(1,047,919)	45,573,824	1.00%
2010	42,549,483	2,916,792	(1,239,013)	44,227,262	1.00%
2011	42,014,055	2,575,570	(1,593,660)	42,995,965	1.00%
2012	42,641,685	2,780,087	(1,318,100)	44,103,672	1.00%
2013	45,184,614	2,767,496	(1,025,398)	46,926,712	1.00%
2014	47,768,304	2,730,192	(1,630,080)	48,868,416	1.00%
2015	48,648,554	3,029,600	(1,572,403)	50,105,751	1.00%
2016	49,939,578	2,959,078	(1,424,373)	51,474,283	1.00%

In 1978, California voters passed Proposition 13 which set the property tax rate at a 1% fixed amount. Valuations of real property are frozen at the value of the property in 1975, with an allowable adjustment up to 2% per year for inflation. However, property is reassessed to its current value when a change of ownership occurs. New construction, including tenant improvements, is assessed at its current value. This 1% is shared by all taxing agencies for which the subject property resides. In 1986, the State Constitution was amended to allow rates over the 1% base rate for voter approved general obligation debt. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and are subject to the limitations described above.

Source: Los Angeles County Office of Assessor

See accompanying independent auditors' report.

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

**Overlapping Rates**

Fiscal Year-end	City Direct Rate	Los Angeles County	Unified Schools	Community College	Special Districts	Total
2007	1.000000	0.000663	0.106814	0.021462	0.004752	1.133691
2008	1.000000	-	0.123342	0.008794	0.004500	1.136636
2009	1.000000	-	0.124782	0.022115	0.004300	1.151197
2010	1.000000	-	0.151809	0.023112	0.004300	1.179221
2011	1.000000	-	0.186954	0.040310	0.003700	1.230964
2012	1.000000	-	0.168187	0.035296	0.003700	1.207183
2013	1.000000	-	0.175606	0.048750	0.003500	1.227856
2014	1.000000	-	0.146439	0.044541	0.003500	1.194480
2015	1.000000	-	0.146881	0.040174	0.003500	1.190555
2016	1.000000	-	0.129709	0.035755	0.003500	1.168964

Note:

In 1978, California voters passed Proposition 13 which set the property tax rate at a 1% fixed amount. Valuations of real property are frozen at the value of the property in 1975, with an allowable adjustment up to 2% per year for inflation. However, property is reassessed to its current value when a change of ownership occurs. New construction, including tenant improvements, is assessed at its current value. This 1% is shared by all taxing agencies for which the subject property resides. In 1986, the State Constitution was amended to allow rates over the 1% base rate for voter approved general obligation debt.

Source: County of Los Angeles

See accompanying independent auditors' report.

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

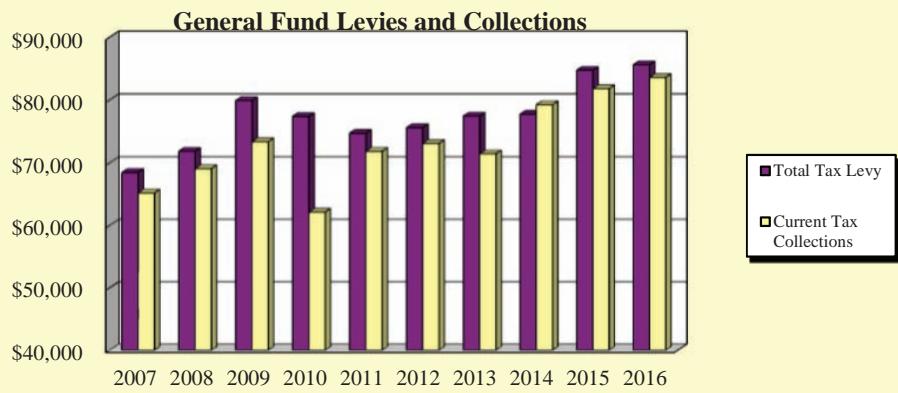
Taxpayer	Fiscal Year 2016		Fiscal Year 2007	
	Assessed Valuation	Percentage of Total Net Assessed Valuation	Assessed Valuation	Percentage of Total Net Assessed Valuation
		%		%
The Boeing Company	\$ 285,974	0.61 %	\$ 344,164	0.95 %
Tesoro Logistics Operations LLC	238,095	0.50		
Legacy Partners II LB World Trade LLC	165,990	0.35		
2009 CUSA Community Owner LLC	146,874	0.31		
John Hancock Life Insurance	138,207	0.29		
AGNL Clinic LP	137,939	0.29		
Terra Funding Shoreline Square	101,367	0.21		
Noble Utah Long Beach LLC	98,382	0.21		
Lyon West Gateway LLC	82,642	0.18		
City Place Long Beach LLC	77,670	0.16	73,068	0.20
TABC Inc.	77,048	0.16		
Comninet Freeway LP	72,112	0.15		
Alamitos Bay Partnership	61,456	0.13	53,229	0.15
HEI Long Beach LLC	59,011	0.13	54,958	0.15
Sunstone Ocean LLC	58,423	0.12	56,240	0.16
California Broadcast Center LLC	51,491	0.11		
Pacific Castle	50,278	0.11		
Southwood Gardens LLC	50,186	0.11		
DP3 Sub 1&2 LLC	49,692	0.11		
Avanath Northpointe LP	49,399	0.10		
AES Alamitos LLC			267,600	0.74
Camden Realty Inc.			137,302	0.38
Greit One World Trade Center LP			118,239	0.33
Trizechahn Centers, Inc.			87,006	0.24
GRE Shoreline Square LP			84,048	0.23
1900 Ocean Partners Holding LLC et.al.			71,887	0.20
350 Ocean Garage I & II LLC			70,589	0.20
Hughes Aircraft Company			67,256	0.19
EQR Bay Hill LLC/EQR California LLC			64,735	0.18
Arco Terminal Services Corp.			63,639	0.18
200 Oceangate LLC			62,400	0.17
Danari Broadway & Ocean LLC			50,474	0.14
Essex Portfolio LP			50,431	0.14
ASN City Place LLC			46,402	0.13
California Drive In Theatres Inc			45,171	0.13
	<u>\$2,052,236</u>	<u>4.34 %</u>	<u>\$1,868,838</u>	<u>5.19 %</u>

Source: California Municipal Statistics, Inc.

See accompanying independent auditors' report.

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

Fiscal Year-end	General Fund <sup>1</sup>							
	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections <sup>3</sup>	Collections as Percentage of Levy	Outstanding Delinquent Taxes	Delinquent Tax as Percentage of Current Levy
2007	\$ 68,468	\$ 65,199	95.2%	\$ 5,986	\$ 71,185	104.0%	\$ 11,447	16.7%
2008	71,836	69,073	96.2%	6,844	75,917	105.7%	11,369	15.8%
2009	79,915	73,358	91.8%	5,817	79,175	99.1%	13,760	17.2%
2010	77,388	62,124	80.3%	4,261	66,385	85.8%	11,857	15.3%
2011	74,707	71,823	96.1%	4,658	76,481	102.4%	11,251	15.1%
2012	75,613	73,073	96.6%	3,285	76,358	101.0%	10,698	14.1%
2013	77,436	71,429	92.2%	3,049	74,478	96.2%	10,147	13.1%
2014 <sup>2</sup>	77,740	79,255	101.9%	3,975	83,230	107.1%	4,458	5.7%
2015	84,726	81,798	96.5%	4,061	85,859	101.3%	5,449	6.4%
2016	85,609	83,582	97.6%	2,821	86,403	100.9%	5,605	6.5%
Redevelopment/Successor Agency								
2007	\$ 87,382	\$ 79,431	90.9%	\$ 11,833	\$ 91,264	104.4%	\$ -	0.0%
2008	102,167	88,792	86.9%	8,033	96,825	94.8%	-	0.0%
2009	111,336	106,358	95.5%	9,595	115,953	104.2%	-	0.0%
2010	102,771	99,231	96.6%	5,281	104,512	101.7%	-	0.0%
2011	99,318	74,660	75.2%	2,810	77,470	78.0%	-	0.0%
2012	98,891	59,989	60.7%	884	60,873	61.6%	-	0.0%
2013	102,702	65,387	63.7%	-	65,387	63.7%	-	0.0%
2014	106,760	53,226	49.9%	-	53,226	49.9%	-	0.0%
2015	122,477	44,903	36.7%	-	44,903	36.7%	-	0.0%
2016	137,809	63,963	46.4%	-	63,963	46.4%	-	0.0%
Total City Tax Levy								
2007	#####	\$ 144,630	92.8%	\$ 17,819	\$ 162,449	104.2%	\$ 11,447	7.3%
2008	174,003	157,865	90.7%	14,877	172,742	99.3%	11,369	6.5%
2009	191,251	179,716	94.0%	15,412	195,128	102.0%	13,760	7.2%
2010	180,159	161,355	89.6%	9,542	170,897	94.9%	11,857	6.6%
2011	174,025	146,483	84.2%	7,468	153,951	88.5%	11,251	6.5%
2012	174,504	133,062	76.3%	4,169	137,231	78.6%	10,698	6.1%
2013	180,138	136,816	76.0%	3,049	139,865	77.6%	10,147	5.6%
2014	184,500	132,481	71.8%	3,975	136,456	74.0%	4,458	2.4%
2015	207,203	126,701	61.1%	4,061	130,762	63.1%	5,449	2.6%
2016	223,418	147,545	66.0%	2,821	150,366	67.3%	5,605	2.5%



Notes: <sup>1</sup> Restated prior years Total Tax Levy and Current Tax Collections to separate the General Fund revenue, which include only One percent basic levy only, from City levy for Successor Agency.

<sup>2</sup> In FY 2014, a reduction to Prior Years Levies were due to write off of receivables more than 30 years old per County of Los Angeles Auditor-Controller.

<sup>3</sup> Excludes motor vehicle and vehicle license fees in-lieu taxes, interests, penalties and Los Angeles County administrative cost.

See accompanying independent auditors' report.

**City of Long Beach**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(In Thousands, Except Per Capita Amount)

Fiscal Year-end	Governmental Activities						Total Governmental Activities
	Revenue Bonds	Pension Obligation Bonds	Tax Allocation Bonds	Notes Payable	Capital Leases		
2007	\$ 162,865	\$ 83,635	\$ 340,813	\$ 10,734	\$ 39,481	\$ 637,528	
2008	159,260	77,275	332,562	8,888	32,992	610,977	
2009	152,430	70,340	323,890	9,057	27,227	582,944	
2010	116,120	62,775	347,740	8,415	54,159	589,209	
2011	113,420	54,520	337,557	8,560	49,712	563,769	
2012	111,415	50,205	326,852	8,118	46,064	542,654	
2013	93,410	45,675	315,399	7,102	41,869	503,455	
2014	99,084	40,822	309,160	6,137	38,150	493,353	
2015	95,189	35,837	276,934	5,117	33,978	447,055	
2016	105,349	30,597	262,871	5,258	30,682	434,757	
Business-type Activities							
	Revenue Bonds	Certificates of Participation	Notes Payable	Capital Leases		Total Business-type Activities	
2007	\$ 1,312,585	\$ 9,175	\$ 119,641	\$ 3,767		\$ 1,445,168	
2008	2,012,545	8,350	132,395	1,237		2,154,527	
2009	1,728,770	7,480	117,597	565		1,854,412	
2010	1,714,810	-	73,797	541		1,789,148	
2011	1,709,685	-	56,687	3,541		1,769,913	
2012	1,640,665	-	54,488	3,109		1,698,262	
2013	1,564,045	-	147,020	2,667		1,713,732	
2014	1,534,901	-	515,995	2,215		2,053,111	
2015	1,696,772	-	499,248	19,752		2,215,772	
2016	1,620,885	-	379,893	18,167		2,018,945	
Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)					
2007	\$ 2,082,696	2.843%	\$ 4,479				
2008	2,765,504	2.890%	5,970				
2009	2,437,356	2.759%	5,273				
2010	2,378,357	2.796%	5,140				
2011	2,333,682	2.917%	5,048				
2012	2,240,916	3.019%	4,813				
2013	2,217,187	3.156%	4,741				
2014	2,546,464	3.307%	5,425				
2015	2,662,827	3.430%	5,623				
2016	2,453,702	3.573%	5,175				

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

(1) Notes payable in fiscal year 2005 included \$97,354,000 abandonment reserve payable to the California State Lands Commission.

(1) See Schedule of Demographic and Economic Statistics for personal income and population data. Restated prior years due to the data's annual revision.

See accompanying independent auditors' report.

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

Fiscal Year-end	Outstanding General Bonded Debt					Ratio of Net Bonded Debt to Assessed Value (2)	Per Capita (3)
	Pension Obligation Bonds	Tax Allocation Bonds	Less: Amounts Restricted for Debt Service (1)	Net Bonded Debt (1)			
2007	\$ 83,635	\$ 340,813	\$ 42,945	\$ 381,503	96%	\$ 820.41	
2008	77,275	332,562	45,796	364,041	84%	785.84	
2009	70,340	323,890	53,895	340,335	73%	736.32	
2010	62,775	347,740	57,937	352,578	78%	762.03	
2011	54,520	337,557	48,360	343,717	77%	743.56	
2012	50,205	326,852	32,615	344,442	76%	739.82	
2013	45,675	315,399	33,375	327,699	68%	700.74	
2014	40,822	309,160	32,471	317,511	63%	676.38	
2015	35,837	276,934	20,331	292,440	57%	617.51	
2016	30,597	262,870	20,591	272,876	52%	575.52	

Notes:

- (1) Includes Redevelopment bonds issued during fiscal years 2002, 2003, 2005, and 2006.
- (2) Assessed value can be found in the Schedule of Assessed Value and Actual Value of Taxable Property. Percentage calculated using the following formula: Net bonded Debt / (Assessed Value - Exemptions)
- (3) Population data can be found in the Schedule of Demographic and Economic Statistics.

See accompanying independent auditors' report.

**City of Long Beach**  
**Schedule of Direct and Overlapping Debt**  
**September 30, 2016 (In Thousands)**

2015-16 Assessed Valuation: \$50,926,611

<u>DIRECT DEBT:</u>		<u>Outstanding</u>	<u>Exclusions</u>	<u>Outstanding</u>
City of Long Beach				
Lease Revenue Bonds	\$ 74,752	\$ -	\$ 74,752	
Tax Allocation Bonds	30,597	-	30,597	
Notes Payable	262,871	-	262,871	
Capital Leases	5,258	-	5,258	
Pension Obligations	30,597	-	30,597	
Total Direct Debt	\$ 404,075	\$ -	\$ 404,075	
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>			
Cerritos Community College District	0.357 %	\$ 260,737	\$ 259,806	\$ 931
Coast Community College District	0.001	505,845	505,840	5
Compton Community College District	2.732	73,356	71,352	2,004
Long Beach Community College District	85.734	479,586	68,417	411,169
Los Angeles Community College District	0.056	3,907,885	3,905,697	2,188
ABC Unified School District	1.091	32,695	32,338	357
Compton Unified School District	0.023	44,184	44,174	10
Long Beach Unified School District	86.735	716,246	102,173	614,073
Los Angeles Unified School District	0.069	10,063,790	10,056,846	6,944
Paramount Unified School District	9.637	112,764	101,897	10,867
Los Angeles County Flood Control District	4.076	12,630	12,115	515
Metropolitan Water District	2.078	92,865	90,935	1,930
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT(1)</b>		<b>\$ 16,302,583</b>	<b>\$ 15,251,590</b>	<b>\$ 1,050,993</b>
<u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>				
Los Angeles County General Fund Obligations	3.996 %	\$ 1,998,482	\$ 1,918,623	\$ 79,859
Los Angeles County Superintendent of Schools Certificates of Participation	3.996	7,205	6,917	288
Compton Unified School District Certificates of Participation	0.023	20,490	20,485	5
Los Alamitos Unified School District Certificates of Participation	0.010	40,465	40,461	4
Los Angeles Unified School District Certificates of Participation	0.069	272,425	272,237	188
Paramount Unified School District Certificates of Participation	9.637	28,900	26,115	2,785
County Sanitation District No. 1 Certificates of Participation	1.264	10,918	10,780	138
County Sanitation District No. 2 Certificates of Participation	0.193	16,858	16,825	33
County Sanitation District No. 3 Certificates of Participation	86.134	12,810	1,776	11,034
County Sanitation District No. 8 Certificates of Participation	2.674	6,666	6,488	178
County Sanitation District No. 19 Certificates of Participation	29.014	3,037	2,156	881
<b>TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>\$ 2,418,256</b>	<b>\$ 2,322,863</b>	<b>\$ 95,393</b>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100.000 %	\$ 253,650	\$ -	\$ 253,650
<b>TOTAL GROSS OVERLAPPING COMBINED DEBT</b>		<b>\$ 18,974,489</b>	<b>\$ 17,574,453</b>	<b>\$ 1,400,036</b>
Less: Los Angeles County General Fund Obligations supported by landfill revenues		-	-	-
Los Angeles Unified School District (Qualified Zone Academic Bonds supported by period payments to investment accounts)		13,526	13,517	9
<b>TOTAL NET OVERLAPPING COMBINED DEBT</b>		<b>\$ 18,960,963</b>	<b>\$ 17,560,936</b>	<b>\$ 1,400,027</b>
<b>TOTAL NET DIRECT AND OVERLAPPING COMBINED DEBT</b>		<b>\$ 19,365,038</b>	<b>\$ 17,560,936</b>	<b>\$ 1,804,102</b>

**Notes:**

(1) Excludes 1915 Act and Mello-Roos Act Bonds

Source: California Municipal Statistics, Inc.

See accompanying independent auditors' report.

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

	Fiscal Year				
	2007	2008	2009	2010	2011
Assessed valuation	\$39,877,469	\$43,345,421	\$46,621,743	\$45,466,275	\$44,589,625
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	9,969,367	10,836,355	11,655,436	11,366,569	11,147,406
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	1,495,405	1,625,453	1,748,315	1,704,985	1,672,111
Total net debt applicable to limit:					
General obligation bonds	-	-	-	-	-
Legal debt margin	<u>\$ 1,495,405</u>	<u>\$ 1,625,453</u>	<u>\$ 1,748,315</u>	<u>\$ 1,704,985</u>	<u>\$ 1,672,111</u>
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%
	Fiscal Year				
	2012	2013	2014	2015	2016
Assessed valuation	\$45,421,772	\$47,952,110	\$50,498,496	\$51,678,154	\$52,898,656
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	11,355,443	11,988,028	12,624,624	12,919,539	13,224,664
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	1,703,316	1,798,204	1,893,694	1,937,931	1,983,700
Total net debt applicable to limit:					
General obligation bonds	-	-	-	-	-
Legal debt margin	<u>\$ 1,703,316</u>	<u>\$ 1,798,204</u>	<u>\$ 1,893,694</u>	<u>\$ 1,937,931</u>	<u>\$ 1,983,700</u>
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

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

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

See accompanying independent auditors' report.

**City of Long Beach**  
**Pledged Revenue Coverage**  
**Gas Fund Revenue Bond Coverage**  
**Last Ten Fiscal Years (5)**  
**(In Thousands)**

Fiscal Year-end	Operating Revenue	Operating Expenses (1)	Net Operating Income	Non-Operating Income (Loss) (1)		Available for Debt Service	Debt Service Requirements (4)			Times Coverage
				Income	(Loss)		Principal	Interest	Total	
2007	\$ 99,648	\$ 85,151	\$ 14,497	\$ 1,389	\$ 15,886	\$ 905	\$ 173	\$ 1,078		14.7
2008	123,085	89,115	33,970	993	34,963	925	29,697	30,622		1.1
2009	87,736	41,232	46,504	26,983	73,487	1,050	46,548	47,598		1.5
2010	79,732	39,803	39,929	1,566	41,495	9,480	33,918	43,398		1.0
2011	87,730	45,922	41,808	227	42,035	10,400	33,444	43,844		1.0
2012	82,671	38,902	43,769	(348)	43,421	10,035	32,955	42,990		1.0
2013	80,215	37,274	42,941	(1,067)	41,874	9,040	32,492	41,532		1.0
2014	81,992	42,503	39,489	(946)	38,543	7,305	32,079	39,384		1.0
2015	77,098	30,845	46,253	83	46,336	6,840	31,725	38,565		1.2
2016	79,526	28,135	51,391	(949)	50,442	7,150	31,375	38,525		1.3

**Water Fund Revenue Bond Coverage**

**Last Ten Fiscal Years (2)**

(In Thousands)

2007	\$ 70,259	\$ 55,965	\$ 14,294	\$ 823	\$ 15,117	\$ 1,210	\$ 1,785	\$ 2,995		5.0
2008	71,604	57,239	14,365	1,417	15,782	1,265	1,731	2,996		5.3
2009	80,933	61,637	19,296	861	20,157	1,330	1,661	2,991		6.7
2010	87,151	67,091	20,060	10,075	30,135	1,405	1,588	2,993		10.1
2011	88,576	70,565	18,011	(207)	17,804	-	861	861		20.7
2012	86,515	69,982	16,533	(702)	15,831	490	1,249	1,739		9.1
2013	91,949	76,217	15,732	(1,789)	13,943	2,110	1,484	3,594		3.9
2014	100,187	81,767	18,420	371	18,791	2,385	1,502	3,887		4.8
2015	99,475	91,395	8,080	1,561	9,641	2,510	1,390	3,900		2.5
2016	97,650	81,086	16,564	(237)	16,327	2,630	1,264	3,894		4.2

**Solid Waste Management Fund**  
**SERRF Authority Revenue Bond Coverage**

**Last Ten Fiscal Years (3)**

(In Thousands)

2007	\$ 81,412	\$ 68,982	\$ 12,430	\$ 6,747	\$ 19,177	\$ 6,540	\$ 4,635	\$ 11,175		1.7
2008	83,628	72,102	11,526	6,342	17,868	6,690	4,478	11,168		1.6
2009	84,151	73,976	10,175	4,163	14,338	6,860	4,312	11,172		1.3
2010	77,419	64,608	12,811	4,228	17,039	7,050	4,121	11,171		1.5
2011	73,797	64,198	9,599	1,867	11,466	7,305	3,860	11,165		1.0
2012	77,111	62,718	14,393	662	15,055	7,635	3,535	11,170		1.3
2013	79,327	65,010	14,317	(716)	13,601	8,005	3,165	11,170		1.2
2014	80,701	70,639	10,062	224	10,286	8,410	2,758	11,168		0.9
2015	80,176	68,626	11,550	609	12,159	8,860	2,311	11,171		1.1
2016	75,546	68,090	7,456	797	8,253	9,320	1,849	11,169		0.7

Notes:

- (1) Operating expenses exclude depreciation and amortization; non-operating income excludes interest expense.
- (2) The Water Revenue Refunding Bonds Series 1997A were refunded by the Water Revenue Refunding Bonds Series 2010A. Current debt service payments for the 1997 Bonds were covered by the 2010 Bonds refunding issue proceeds.
- (3) The SERRF Authority issued revenue bonds on December 1, 1985, and August 1 and December 1, 1986. According to the December 1, 1986, bond resolution interest was funded from bond proceeds through August 1989. These bonds were refunded by the SERRF Authority Lease Revenue refunding Bond Series 1995. Current debt service payments for the previous issues were covered by the 1995 refunding issue proceeds. The 1995 refunding bonds were refunded by the SERRF Authority Lease Revenue Bonds Series 2003 in October 2003.
- (4) The 2009 increase of Non-Operating Income for Gas was due to the \$25.6 million savings attributable to the tender of 2007 Gas Prepay Bonds of \$231 million.
- (5) Gas Fund Revenue Bond Coverage for Debt Service Requirement for FY 2007-FY 2010 were restated to include the 2007 Gas Prepay Series A and B payments.

Source: City of Long Beach, Department of Financial Management

See accompanying independent auditors' report.

**City of Long Beach**  
**Pledged Revenue Coverage**  
**Airport Revenue Bond Coverage**  
**Last Ten Fiscal Years**  
**(In Thousands)**

Fiscal Year-end	Operating Revenue	Operating Expenses (1)	Net Operating Income	Non-Operating Income (Loss) (1)	Net Revenue or Funds Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
2007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2008	-	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-	-
2010	31,033	26,157	4,876	7,301	12,177	855	1,998	2,853	4.3
2011	32,416	28,150	4,266	7,224	11,490	905	5,668	6,573	1.7
2012	34,405	27,142	7,263	8,772	16,035	1,330	7,046	8,376	1.9
2013	34,760	26,513	8,247	8,060	16,307	2,260	7,004	9,264	1.8
2014	35,802	27,302	8,500	8,661	17,161	2,340	6,927	9,267	1.9
2015	33,811	27,842	5,969	3,134	9,103	2,420	6,844	9,264	1.0
2016	36,951	30,562	6,389	3,200	9,589	2,515	6,750	9,265	1.0

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

2007	\$ 28,306	\$ 21,229	\$ 7,077	\$ 402	\$ 7,479	\$ 865	\$ 1,571	\$ 2,436	3.1
2008	28,408	21,088	7,320	908	8,228	900	1,534	2,434	3.4
2009	30,941	20,491	10,450	1,900	12,350	945	1,494	2,439	5.1
2010	33,028	20,396	12,632	36	12,668	980	1,449	2,429	5.2
2011	33,460	22,348	11,112	1,011	12,123	1,025	1,493	2,518	4.8
2012	32,620	19,547	13,073	319	13,392	1,035	1,410	2,445	5.5
2013	30,015	19,843	10,172	409	10,581	820	1,512	2,332	4.5
2014	31,923	19,201	12,722	351	13,073	-	912	912	14.3
2015	32,660	23,719	8,941	1,592	10,533	-	912	912	11.5
2016	33,502	24,459	9,043	1,968	11,011	-	912	912	12.1

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

2007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2008	-	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
2016	20,358	14,613	5,745	197	5,942	-	5,352	5,352	1.1

Notes:

- (1) Operating expenses exclude depreciation and amortization; non-operating income excludes interest expense.  
Prior year adjustments to operating expenses were made to exclude amortization.

Source: City of Long Beach, Department of Financial Management

See accompanying independent auditors' report.

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

Fiscal Year-end	Operating Revenue	Operating Expenses (1)	Net	Non-	Net Revenue or Funds Available for Debt Service	Debt Service Requirements			Times Coverage
			Operating Income (Loss)	Operating Income (Loss) (1)		Principal	Interest	Total	
2007	\$ 7,230	\$ 10,305	\$ (3,075)	\$ 465	\$ (2,610)	\$ 2,070	\$ 2,184	\$ 4,254	-
2008	7,212	9,739	(2,527)	210	(2,317)	2,235	2,025	4,260	-
2009	6,880	9,498	(2,618)	2,275	(343)	2,325	1,936	4,261	-
2010	7,421	9,255	(1,834)	(20)	(1,854)	2,410	1,846	4,256	-
2011	8,780	9,869	(1,089)	69	(1,020)	2,500	1,761	4,261	-
2012	9,206	9,747	(541)	49	(492)	2,590	1,666	4,256	-
2013	9,578	10,070	(492)	64	(428)	2,680	1,570	4,250	-
2014	10,677	11,049	(372)	(12)	(384)	2,795	1,457	4,252	-
2015	10,997	11,589	(592)	85	(507)	2,900	1,353	4,253	-
2016	13,078	11,536	1,542	(351)	1,191	3,015	1,607	4,622	-

**Tideland Operating Segment**  
**Revenue Bond Coverage**  
**Last Ten Fiscal Years (3)**  
**(In Thousands)**

2007	\$ 56,663	\$ 61,199	\$ (4,536)	\$ 3,516	\$ (1,020)	\$ 2,765	\$ 6,504	\$ 9,269	-
2008	52,739	69,138	(16,399)	6,563	(9,836)	2,870	6,393	9,263	-
2009	55,684	72,880	(17,196)	6,335	(10,861)	2,985	6,274	9,259	-
2010	55,288	65,736	(10,448)	1,055	(9,393)	3,105	6,147	9,252	-
2011	55,287	73,809	(18,522)	1,524	(16,998)	3,240	6,010	9,250	-
2012	28,075	51,697	(23,622)	1,555	(22,067)	3,380	5,622	9,002	-
2013	31,481	46,924	(15,443)	753	(14,690)	5,560	4,578	10,138	-
2014	32,306	59,557	(27,251)	1,157	(26,094)	3,670	4,495	8,165	-
2015	38,858	69,007	(30,149)	1,630	(28,519)	3,780	4,374	8,164	-
2016	35,565	55,280	(19,715)	1,924	(17,791)	3,915	4,229	8,144	-

**Harbor Fund**  
**Revenue Bond Coverage**  
**Last Ten Fiscal Years (4)**  
**(In Thousands)**

2007	\$ 370,832	\$ 96,964	\$ 273,868	\$ 28,246	\$ 302,114	\$ 38,335	\$ 51,216	\$ 89,551	3.4
2008	359,345	116,166	243,179	55,866	299,045	40,090	49,432	89,522	3.3
2009	311,351	97,880	213,471	27,160	240,631	42,150	47,488	89,638	2.7
2010	321,639	98,026	223,613	44,166	267,779	40,120	42,427	82,547	3.2
2011	345,389	81,423	263,966	(12,490)	251,476	42,175	37,247	79,422	3.2
2012	333,887	87,637	246,250	(2,522)	243,728	44,815	35,193	80,008	3.0
2013	346,244	97,696	248,548	(818)	247,730	46,965	33,026	79,991	3.1
2014	356,880	108,455	248,425	4,020	252,445	125,460	30,623	156,083	1.6
2015	355,450	130,013	225,437	44,386	269,823	145,215	26,558	171,773	1.6
2016	360,660	143,873	216,787	2,712	219,499	45,360	27,666	73,026	3.0

Notes:

- (1) Operating expenses exclude depreciation and amortization; non-operating income excludes interest expense.
- (2) The Rainbow Harbor Area Segment of the Tidelands Fund fund balance is considered adequate to cover the debt service. Operating transfers are made to provide funding to the Rainbow Harbor Area from other Tidelands funds on an as-needed basis.
- (3) The Long Beach Aquarium of the Pacific Lease Revenue Refunding Bonds Series 2012 were issued to (1) refund the Long Beach Aquarium of the Pacific Revenue Bonds 2001 Series bonds, (2) to fund a reserve fund for the Series 2012 Bonds, and (3) pay the costs of issuance of the Series 2012 Bonds.
- (4) Harbor 2000 Revenue Bonds Series A was paid off in fiscal year 2010 and a new Harbor 2010 Revenue Bonds Series A was issued. Prior year adjustments are being made to reflect these bond changes.

Source: City of Long Beach, Department of Financial Management

See accompanying independent auditors' report.

**City of Long Beach**  
**Demographic Statistics**  
**Last Ten Fiscal Years**

Fiscal Year-end	Estimated Population (1)	Personal Income (in millions) (2) (5)	Per Capita Personal Income (2) (5)	Public School Enrollment (3)	Unemployment Rate (4)
2007	465,017	\$ 13,222	\$ 28,434	90,663	5.6
2008	463,250	13,387	28,898	88,186	8.2
2009	462,211	12,752	27,589	87,509	12.8
2010	462,685	12,938	27,964	86,283	13.9
2011	462,257	13,486	29,173	84,812	13.4
2012	465,576	14,058	30,196	83,691	12.2
2013	467,646	14,757	31,556	82,256	10.3
2014	469,428	15,525	33,072	81,155	8.6
2015	473,577	16,242	34,296	79,709	6.8
2016	474,140	16,939	35,725	77,812	5.7

Sources:

- (1) California Department of Finance
- (2) Bureau of Economic Analysis (BEA)
 

Personal income and per capita personal income are based on percentage change of per capita personal income for Los Angeles-Long Beach-Anaheim, CA (Metropolitan Statistic Area). The BEA's report does not have personal income and per capita personal income available for 2015, so an average of the last five years was used.
- (3) California Department of Education Educational Demographic Unit. Annual school census from Long Beach Unified School District for preschool, grades kindergarten through 12.
- (4) Average annual rate reported by California Employment Development Department (EDD).

See accompanying independent auditors' report.

**City of Long Beach**  
**Principal Employers**  
**Current Year and Nine Years Ago**

Ranking	Employer	Fiscal Year 2016		Fiscal Year 2007		
		Number of Employees (1)	Percentage of Total City Employment (2)	Ranking	Number of Employees (1)	Percentage of Total City Employment (2)
1	Long Beach Unified School District	12,213	4.98%	1	13,044	5.61%
2	Long Beach Memorial Medical Center	5,138	2.10%	5	5,000	2.15%
3	City of Long Beach	5,122	2.09%	3	5,763	2.48%
4	California State University Long Beach (CSULB)	3,057	1.25%	4	5,605	2.41%
5	Veteran Affairs Medical Center	2,950	1.20%	6	2,000	0.86%
6	Long Beach City College	2,695	1.10%	8	1,636	0.70%
7	The Boeing Company	2,039	0.83%	2	6,455	2.78%
8	CSULB Research Foundation	1,677	0.68%			
9	Molina Healthcare Inc	1,488	0.61%			
10	St. Mary Medical Center	1,480	0.60%	10	1,480	0.64%
	United States Postal Service			7	1,800	0.77%
	Verizon			9	1,500	0.65%

Sources:

- (1) Department of Financial Management Accounting and Business License
- (2) State of California Employment Development Department Labor Market Info for 2007 and 2016

This data was compiled from various sources by the City of Long Beach Departments of Development Services and Financial Management. Employment data is intended for use as a general guide only. The City of Long Beach does not warrant the accuracy of this data. Inquiries should be directed to the respective employer.

See accompanying independent auditors' report.

**City of Long Beach**  
 Full-Time Equivalent City Government Employees by Function  
 Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Legislative and Legal	148	144	138	138	133	130	129	130	130	122
General Government <sup>(1)</sup>	451	522	506	483	438	424	382	398	415	513
Public Safety	2,127	2,120	2,022	1,927	1,826	1,796	1,765	1,757	1,843	1,698
Public Health	405	390	337	322	311	262	263	249	257	252
Community and Cultural <sup>(1)</sup>	1,194	1,219	1,107	1,131	1,094	1,038	1,020	1,046	1,121	1,006
Public Works	373	298	326	321	336	287	273	275	258	263
Gas	181	185	181	178	195	194	202	201	198	201
Water	229	212	208	219	216	225	223	217	220	224
Airport	98	88	61	60	57	96	88	88	91	97
Solid Waste Management	135	184	209	200	205	189	177	181	183	177
Towing	42	38	35	32	34	29	22	26	26	26
Tideland Oil Revenue	35	34	31	22	22	19	15	15	15	16
Harbor	345	378	409	433	445	466	469	491	529	527
Total	<u>5,763</u>	<u>5,812</u>	<u>5,570</u>	<u>5,466</u>	<u>5,312</u>	<u>5,155</u>	<u>5,028</u>	<u>5,074</u>	<u>5,286</u>	<u>5,122</u>

(1) Restated 2013 and 2014 as Library Services was included as part of General Government and should have been classified as Community and Cultural.

Source: City of Long Beach, Department of Financial Management as of September 30, 2016

See accompanying independent auditors' report.



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**City of Long Beach**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
<b>Public Safety:</b>					
Police priority one calls response time in minutes	4.3	4.4	4.1	4.00	4.20
Violent crime rate - per 1,000 residents	6.82	6.53	6.51	6.42	5.90
Fire on-scene arrival for emergency calls within six minutes	73.9%	71.6%	70.5%	67.7%	62.9%
<b>Public Health:</b>					
Percentage of beach days that are safe for swimming in summer	93%	87%	80%	83%	85%
Homeless population ratio vs. total population (1)	0.93%	0.80%	0.80%	0.79%	0.93%
<b>Community and Cultural:</b>					
Public library computer session log-ons	348,982	437,211	420,100	385,514	330,375
Parks, recreation programs - youth and teen attendance	646,035	726,812	652,953	699,391	744,103
<b>Public Works:</b>					
Number of trees trimmed	34,342	25,682	19,300	21,618	19,986
Curbs and alleys swept in miles	176,542	163,298	154,152	142,000	151,743
Sidewalk repaired in square feet	363,089	260,742	203,805	348,394	179,641
Storm drain catch basins cleaned	4,744	5,800	3,122	163,618	3,550
<b>Gas:</b>					
Gas consumption in sales dollars-total	\$ 92,323,000	\$ 101,834,000	\$ 71,294,000	\$ 67,674,000	\$ 78,663,000
Gas consumption in cubic feet ( In 000's)	10,924,000	10,122,000	9,137,000	8,902,000	9,388,000
Average daily gas consumption (MCF)	29,928	27,655	25,034	24,389	25,721
Gas mains installed/replaced/relocated in feet (2)	80,096	69,026	91,217	61,855	66,567
Gas meters installed/removed/replaced	7,352	7,416	7,290	8,713	7,150
<b>Water:</b>					
Water daily demand in thousand gallons	60,969	55,302	50,688	50,653	50,910
Water annual demand in thousand gallons	22,253,636	20,185,133	18,501,135	18,488,492	18,581,979
Available supply total in thousand gallons	24,253,546	22,346,927	20,523,106	20,687,237	20,604,243
<b>Sewer:</b>					
Sewer mains cleaned in miles	361	365	424	547	470
Sewer mains and laterals repaired in number of jobs	270	278	215	182	259
<b>Airport:</b>					
Number of commercial passengers enplaned	1,446,120	1,439,598	1,466,499	1,460,041	1,532,442
Number of commercial passengers deplaned	1,434,463	1,438,407	1,464,412	1,461,890	1,549,164
Number of aircraft landings and take offs	399,622	354,727	302,672	317,328	302,763
<b>Solid Waste Management:</b>					
Number of refuse tons collected	199,995	201,816	217,349	209,289	194,462
Number of recycling tons collected	178,773	195,291	197,104	193,820	180,160
SERRF tons of refuse received	502,558	485,207	488,999	485,207	460,906
SERRF energy sold to So Cal Edison megawatt-hours	241,839	229,664	226,866	229,664	208,663
<b>Harbor:</b>					
Number of container movements in twenty-foot equivalent units	7,361,881	6,736,756	5,282,385	5,936,066	6,298,840
Cargo in thousands of metric revenue tons	173,037	162,910	135,255	147,357	154,417
Number of ship calls	5,653	5,140	4,933	4,826	4,758

Source: City Departments

(1) The homeless population count is biannual.

See accompanying independent auditors' report.

Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Function
4.35	4.35	4.69	4.90	4.60	Public Safety:
6.18	5.85	4.37	4.28	5.79	Police priority one calls response time in minutes
60.8%	55.1%	50.0%	46.3%	43.4%	Violent crime rate - per 1,000 residents
					Fire on-scene arrival for emergency calls within six minutes
91%	94%	97%	95%	94%	Public Health:
0.93%	0.93%	0.75%	0.51%	0.51%	Percentage of beach days that are safe for swimming in summer
					Homeless population ratio vs. total population (1)
331,028	N/A	N/A	222,360	218,717	Community and Cultural:
745,052	636,796	760,641	779,641	835,358	Public library computer session log-ons
28,021	24,668	23,500	23,839	19,500	Parks, recreation programs - youth and teen attendance
156,537	150,804	156,302	153,527	154,300	Number of trees trimmed
481,497	382,536	551,597	363,476	333,039	Curbs and alleys swept in miles
3,800	3,004	5,771	5,800	5,800	Sidewalk repaired in square feet
					Storm drain catch basins cleaned
\$ 70,193,000	\$ 68,229,000	\$ 72,544,000	\$ 62,281,000	\$ 64,382,000	Gas:
9,135,000	9,092,000	8,183,000	7,689,000	8,542,000	Gas consumption in sales dollars-total
24,959	24,910	22,421	21,065	23,404	Gas consumption in cubic feet ( In 000's)
84,594	108,646	110,900	40,589	22,556	Average daily gas consumption (MCF)
8,664	6,093	3,529	4,440	29,873	Gas mains installed/replaced/relocated in feet
					Gas meters installed/removed/replaced
52,260	53,079	52,389	47,441	46,417	Water:
19,074,861	19,373,993	19,122,012	17,315,820	16,942,297	Water daily demand in thousand gallons
21,330,532	21,538,947	21,019,736	19,000,372	19,412,932	Water annual demand in thousand gallons
					Available supply total in thousand gallons
414	535	498	492	405	Sewer:
261	241	213	224	215	Sewer mains cleaned in miles
					Sewer mains and laterals repaired in number of jobs
1,643,383	1,497,503	1,433,273	1,276,679	1,327,001	Airport:
1,634,345	1,492,430	1,426,830	1,273,232	1,325,537	Number of commercial passengers enplaned
287,699	284,193	325,527	300,184	295,007	Number of commercial passengers deplaned
					Number of aircraft landings and take offs
187,505	187,146	182,452	173,895	187,432	Solid Waste Management:
172,143	169,264	169,420	161,997	158,852	Number of refuse tons collected
474,689	470,510	459,160	447,535	417,169	Number of recycling tons collected
220,867	226,592	223,658	200,994	158,400	SERRF tons of refuse received
					SERRF energy sold to So Cal Edison megawatt-hours
5,857,218	6,647,975	6,817,590	7,087,699	6,946,255	Harbor:
145,144	162,257	165,526	164,274	161,322	Number of container movements in twenty-foot equivalent units
3,993	3,425	2,752	2,676	2,227	Cargo in thousands of metric revenue tons
					Number of ship calls

See accompanying independent auditors' report.

**City of Long Beach**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Public Safety:</b>					
Number of police stations	1	1	1	1	1
Number of police substations (full facility)	3	3	3	3	3
Number of police storefront stations	4	4	3	3	3
Number of fire stations	23	23	23	23	23
<b>Community and Cultural:</b>					
Number of parks	116	150	155	159	160
Parks and golf courses in acres	2,873	3,061	3,063	3,120	3,120
Number of libraries	12	12	12	12	12
Number of library holdings (books, videos, tapes)	972,499	977,197	916,504	889,669	888,975
Number of library circulations	1,458,862	1,695,540	1,562,913	1,644,125	1,561,713
<b>Public Works:</b>					
Street in miles	815	815	815	815	823
Storm drain lines in miles	180	181	181	180	180
Number of street lights (1)	31,582	31,000	31,000	31,000	31,000
<b>Gas:</b>					
Gas mains in miles (2)	921	920	931	930	929
<b>Water:</b>					
Water mains in miles	905	904	908	909	911
Number of fire hydrants	6,489	6,507	6,525	6,529	6,603
Number of water services	N/A	95,432	95,424	95,398	95,629
<b>Sewer:</b>					
Sanitary sewers in miles	711	711	712	712	712
Number of manholes	16,055	16,078	16,129	16,135	16,147
Sanitary sewer pump stations	28	28	28	28	28
Storm drain pump stations	23	23	23	23	23
<b>Harbor:</b>					
Sanitary sewer pump stations	N/A	N/A	32	34	36
Storm drain pump stations	N/A	N/A	20	20	20
<b>Solid Waste Management:</b>					
Number of waste-to-energy facilities	1	1	1	1	1

(1) In 2008, the number of streetlights changed from 34,000 to 31,000 due to updated reports.

(2) Restated prior years (2009-2013), due to updated reports from Gas Department.

Source: City Departments

See accompanying independent auditors' report.

Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Function
					Public Safety:
1	1	1	1	1	1 Number of police stations
3	3	3	3	3	3 Number of police substations (full facility)
-	-	-	-	-	- Number of police storefront stations
23	23	23	23	23	23 Number of fire stations
					Community and Cultural:
162	161	162	164	168	Number of parks
3,124	3,121	3,123	3,122	3,124	Parks and golf courses in acres
12	12	12	12	12	Number of libraries
818,390	782,571	798,809	808,957	851,614	Number of library holdings (books, videos, tapes)
1,551,997	1,391,825	1,391,617	1,205,523	1,233,309	Number of library circulations
					Public Works:
823	823	823	823	823	Street in miles
180	180	180	180	180	Storm drain lines in miles
31,000	31,550	31,550	31,337	32,283	Number of street lights (1)
					Gas:
929	930	928	929	929	Gas mains in miles (2)
					Water:
911	912	912	912	912	Water mains in miles
6,594	6,589	6,604	6,631	6,894	Number of fire hydrants
95,643	95,607	95,999	95,775	95,749	Number of water services
					Sewer:
712	714	714	714	714	Sanitary sewers in miles
16,148	16,158	16,170	15,129	15,127	Number of manholes
28	28	28	28	28	Sanitary sewer pump stations
23	23	23	23	22	Storm drain pump stations
					Harbor:
34	37	37	37	39	Sanitary sewer pump stations
23	21	23	23	22	Storm drain pump stations
					Solid Waste Management:
1	1	1	1	1	1 Number of waste-to-energy facilities

See accompanying independent auditors' report.



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The Harbor Department, an Enterprise Fund of the City of Long Beach, California

# Comprehensive Annual Financial Report

For the fiscal year ended September 30, 2016



Port of  
**LONG BEACH**  
*The Green Port*



Port of  
**LONG BEACH**

*The Green Port*



The Harbor Department, an Enterprise Fund of the City  
of Long Beach, California

# Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2016  
(With Independent Auditors' Report Thereon)

**Duane Kenagy**  
Interim Chief Executive

**Chuck Adams**  
Acting Managing Director  
Chief Financial



Port of  
**LONG BEACH**

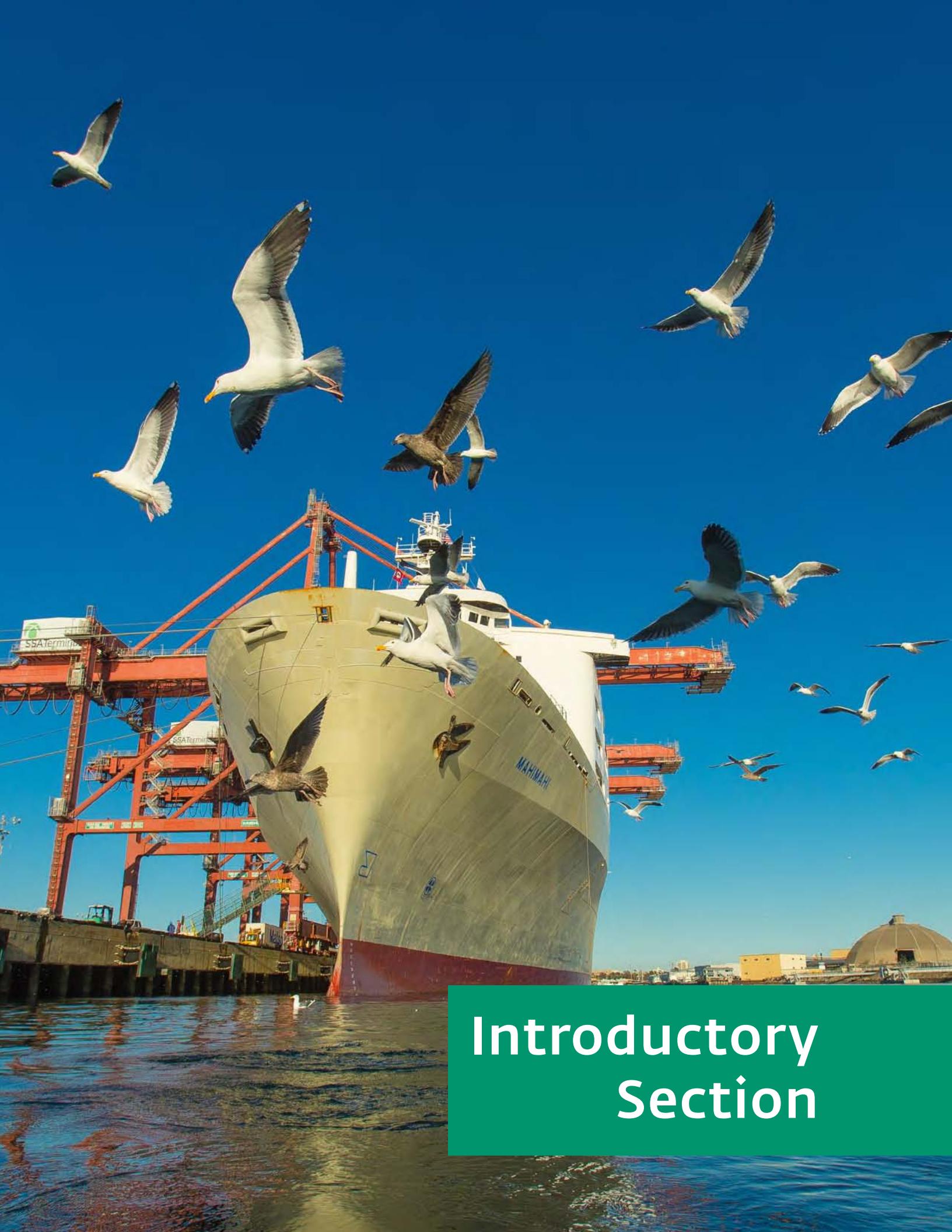
*The Green Port*

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Table of Contents

	Page(s)
<b>Introductory Section</b>	
Letter of Transmittal	1–13
GFOA Certificate of Achievement	14
Organizational Chart	15
Board of Harbor Commissioners and Senior Management	16
<b>Financial Section</b>	
Independent Auditors' Report	18–19
Management's Discussion and Analysis	20–27
Financial Statements:	
Statement of Net Position	28–29
Statement of Revenues, Expenses, and Changes in Net Position	30
Statement of Cash Flows	31–32
Notes to Financial Statements	33–66
<b>Statistical Section</b>	
OPEB Liability and Related Ratios	67
Financial Trends Information:	
Statement of Net Position – Last Ten Fiscal Years	Exhibit      1
Changes in Fund Net Position – Last Ten Fiscal Years	Exhibit      2
Revenue Capacity Information:	
Operating Revenues by Type – Last Ten Fiscal Years	Exhibit      3
Debt Capacity Information:	
Revenue Bonds Debt Service Coverage – Last Ten Fiscal Years	Exhibit      4
Operating Information:	
Tonnage Summary – Last Ten Fiscal Years	Exhibit      5
	72

Tonnage by Commodity Group – Last Ten Fiscal Years	Exhibit	6	73
Metric Revenue Tons Container Count – Last Ten Fiscal Years	Exhibit	7	74
Other Information:			
Principal Customers	Exhibit	8	75
Number of Employees by Division/Bureau – Last Ten Fiscal Years	Exhibit	9	76



# Introductory Section

**Letter of Transmittal**

March 27, 2017

The Board of Harbor Commissioners  
The Harbor Department of the City of Long Beach  
Long Beach, California  
Members of the Board of Harbor Commissioners:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Harbor Department of the City of Long Beach (the Department), an enterprise fund of the City of Long Beach, California (the City), for the fiscal year ended September 30, 2016. The Department's operations are included in the City's reporting entity as an enterprise fund.

This report consists of management's representations concerning the finances of the Department. Management is responsible for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to protect assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. The costs of internal controls should not exceed their benefits; therefore, the comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. Management asserts that, to the best of its knowledge and belief, this financial report is complete and reliable in all material aspects.

The Department's basic financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the Department's financial statements for the fiscal year ended September 30, 2016 are free of material misstatement. The independent audit entails examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit performed, that there was a reasonable basis for rendering an unmodified opinion, and that the Department's financial statements for the fiscal year ended September 30, 2016 are fairly presented, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A, and should be read in conjunction with it. The Department's MD&A immediately follows the report of the independent auditors.



March 27, 2017

Page 2

## Profile of the Department

The State of California has conveyed, in trust, to the City certain tidal and submerged lands for the establishment and maintenance of the Harbor District (which includes the Port of Long Beach). Consistent with this grant, the City Charter confers on the Board of Harbor Commissioners (the Board) exclusive control and management of the Department (or the Port). The Board has authority, on behalf of the City, to provide for the needs of commerce, navigation, recreation, and fishery; to develop and maintain all waterfront properties; to dredge and reclaim land; and to construct and operate terminals, railroad tracks, and other facilities both inside and outside the Department's jurisdiction.

The City Charter provides for the establishment of the Harbor Revenue Fund to account for the administration of the Harbor District by the Department. The Department generates funds through leases, tariffs, and other assessments to its customers. It can disburse these funds only for activities attributable to the trust.

The Department maintains a financial and cost accounting system independent of other City departments. The focus of the statement of revenues and expenses is on inflows and outflows of economic resources using the accrual basis of accounting. Changes in net positions are recognized as soon as the cause of the change occurs, regardless of the timing of related cash flows; that is, revenues are recognized as soon as they are earned, and expenses are recognized as soon as a liability is incurred. All the assets and liabilities associated with the Department's operations are included in the statement of net position. Net position is segregated into investment in capital assets, net of related debt, restricted, and unrestricted. The City, through some of its departments, provides police, fire protection, and other administrative services to the Department, which, in turn, reimburses the provider for the cost of the services received.

## Summary of Operations

### *Operating Revenues*

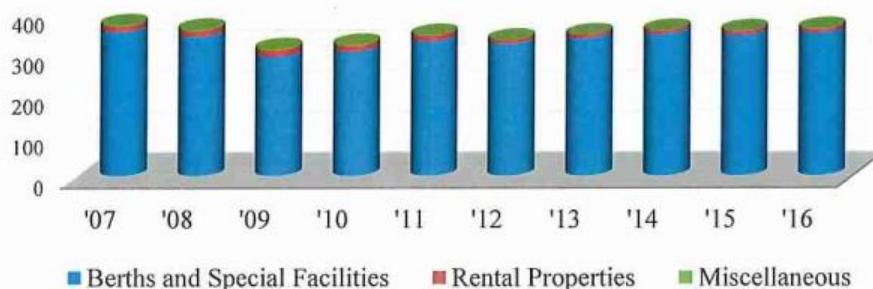
Total operating revenues for fiscal year 2016 were \$360.7 million, which is a 1.5% increase from fiscal year 2015. Container terminal revenue, which accounted for approximately 76.2% of total operating revenue for the year, was up 1.8% from fiscal 2015 mainly due to rent increase at the Middle Harbor terminal. Revenue at non-container terminals as an overall category was flat.



March 27, 2017

Page 3

**Operating Revenue by Type  
(in million)**



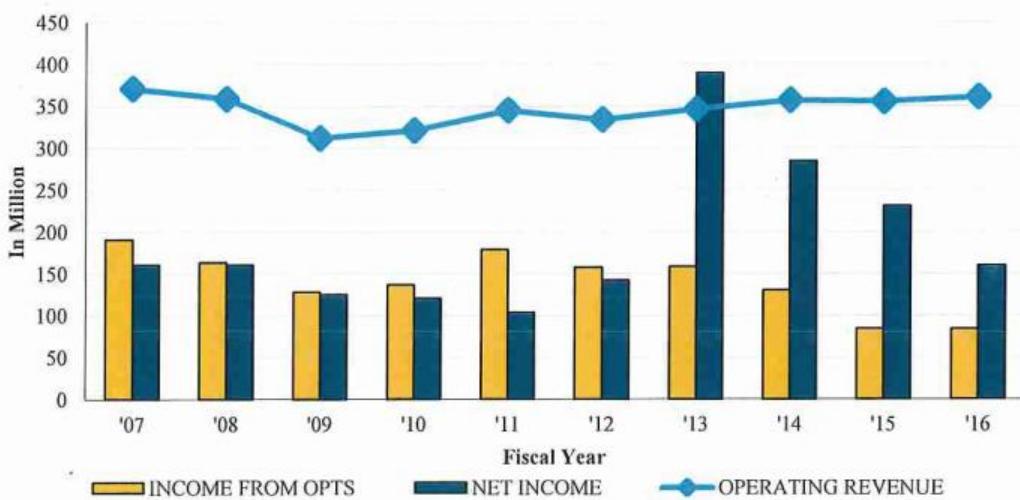
### Cargo Volumes

In terms of cargo volumes, measured in metric revenue tons (MRTs), cargo handled by Port terminals decreased 1.8% to 161.3 million. Liquid bulk increased 0.6% to 31.2 million and lumber increased 2.3% to 0.2 million; on the other hand containerized cargo decreased 1.7% to 123.1 million, dry bulk decreased 14.4% to 6.0 million, break-bulk and steel decreased 6.5% to 0.5 million, and vehicles decreased 1.2% to 0.3 million. Containerized cargo, measured in Twenty-Foot Equivalent units (TEUs), decreased 2.0% to 6.9 million.

### Net Income

Net income for FY2016 was \$173.1 million, or a decrease of 25.0% versus the prior year. The chart below depicts operating revenue, income from operations, and net income for the last 10 fiscal years.

**Operating Revenue, Income from Operations, and Net Income**





March 27, 2017

Page 4

### ***Operating Expense, and Other Income and Expense***

Port operating expenses include facilities and infrastructure maintenance, fire and safety, indirect terminal operation, and general and administration expenses. These expenses increased by 8.0%, or \$10.8 million, to \$144.5 million. The primary reason for this increase is the higher general and administrative expenses resulted from implementation of net pension liability and postemployment benefits other than pensions ("OPEB") (*GASB Statement 68 and 75*). Depreciation expense changes were triggered by changes in the amount of completed capital projects, the acquisition/retirement of operating assets, and the number of years that operating assets have been in service. During fiscal year 2016, the depreciation expense category increased by 6.5%, or \$9.0 million, to \$146.7 million. This change is supported by the increase in facilities and infrastructure completed and transferred from the Construction in Progress accounts to the Capital Assets accounts.

The Department's fiscal year 2016 total non-operating income was \$54.0 million lower than the prior year, primarily due to the sale of 14 gantry cranes to a Port tenant in FY 2015. Excluding this one-time event, non-operating income would have been \$18.0 million lower than the prior year resulting from a greater amount of contingent liability reserves being released in FY 2015.

The City Charter, as amended, provides for a transfer of 5% of the Department's operating revenue to the City's Tideland's Operating Fund. For fiscal year 2016, the Board approved a transfer in the amount of \$18.0 million.

In April 2016, the Department acquired the land from the City for Port's new headquarter at \$8.0 million. The land is valued at \$12 million, which resulted with the net amount of \$4 million of contributions from the City.

During fiscal year 2016, the Department was not required to make any payment towards the projected Shortfall Advance to the Alameda Corridor Transportation Authority (the ACTA), under the ACTA Use and Operating Agreement. The agreement was executed by the Department, the Harbor Department of the City of Los Angeles (Port of Los Angeles), the ACTA, and the Burlington Northern Santa Fe and Union Pacific Railroads. Any shortfall advance made by the Department and the Port of Los Angeles is reimbursable, with interest, by ACTA. The Department has funded, in prior years, a cash reserve to satisfy claims related to the shortfall advance potential obligation, but no longer believes a reserve is needed. The reserve was eliminated in fiscal year 2012.



March 27, 2017  
Page 5

The following table summarizes financial highlights (in thousands):

	September 30		Percentage change
	2016	2015	
Operating revenue	\$ 360,660	355,450	1.5%
Operating expenses	144,533	133,771	8.0%
Depreciation & Amortization	146,721	137,709	6.5%
<b>Income from operations</b>	<b>69,406</b>	<b>83,970</b>	<b>-17.3%</b>
Non-operating revenue (expenses)			
Capital grants	128,282	121,008	6.0%
Transfers to the City Tidelands Fund	(18,033)	(17,772)	1.5%
Other	(6,524) (2)	43,507 (1)	N/A
<b>Net Income</b>	<b>173,131</b>	<b>230,713</b>	<b>-25.0%</b>

(1) Includes one-time net proceeds of \$36 million from the sale of 14 gantry cranes.

(2) Includes \$4 million of one-time capital contribution from the City resulted from the land purchase for Port's headquarter

## Operating Revenue by Type

### *Annual Budget*

The budget constitutes an appropriation covering expected revenues and expenditures of the Department; Section 1210 of the City Charter requires the Board to adopt a budget not later than 60 days before the beginning of each fiscal year. The City Charter also provides that the City Council may approve or amend the Department's budget before the first day of the fiscal year. The Department's fiscal 2016 annual budget is \$829.1 million.

### *Revenues Actual to Budget*

Fiscal year 2016 actual operating revenues came in lower than budget by 4.2%, which was due in part to a delay in a planned increase to Middle Harbor terminal's guaranteed annual minimum payments. Cargo volumes, as measured in metric revenue tons, decreased 1.8% compared to the prior year, with a total of 161.3 million metric revenue tons moving through the Port. Actual capital grant revenues, a part of non-operating income, were 90.0% of the \$142.9 million that was budgeted. Interest earnings were higher than budget due to higher earnings on unrestricted cash balances.



March 27, 2017  
Page 6

The following table shows revenues budgetary performance for fiscal year 2016 (in thousands):

	■ Operating revenue	■ Non-operating revenue	
Budget	\$376,404	\$150,134	
Actual	\$360,660	\$138,572	
<hr/>			
Revenue	FY 2016 Actual	FY 2016 Budget	Percentage of budget
<b>Operating revenues</b>	\$ 360,660	\$ 376,404	96%
<b>Non-Operating revenues</b>			
Interest and Miscellaneous Income	4,776	2,005	238%
Equity Income in Joint Venture	2,544	2,500	102%
Clean Trucks Program	1,922	1,641	117%
Revenue from Other Agencies	128,282	142,988	90%
Sale of Assets	1,048	1,000	105%
	\$ 499,232	\$ 526,538	95%

#### *Expenses Actual to Budget*

The Department moved to nominally increase staffing levels during fiscal year 2016, with the number of filled permanent full-time positions increasing from 494 in 2015 to 501 in 2016, an increase of 1.4%. Although headcount increased versus the prior year, the actual figure fell short of achieving the levels proposed in the budget. Total personnel expenses were \$1.4 million, or 2.3% below budget. Non-personnel expenses were \$6.4 million, or 6.3% lower than budgeted, primarily due to delays in the timing of planned expenditures.

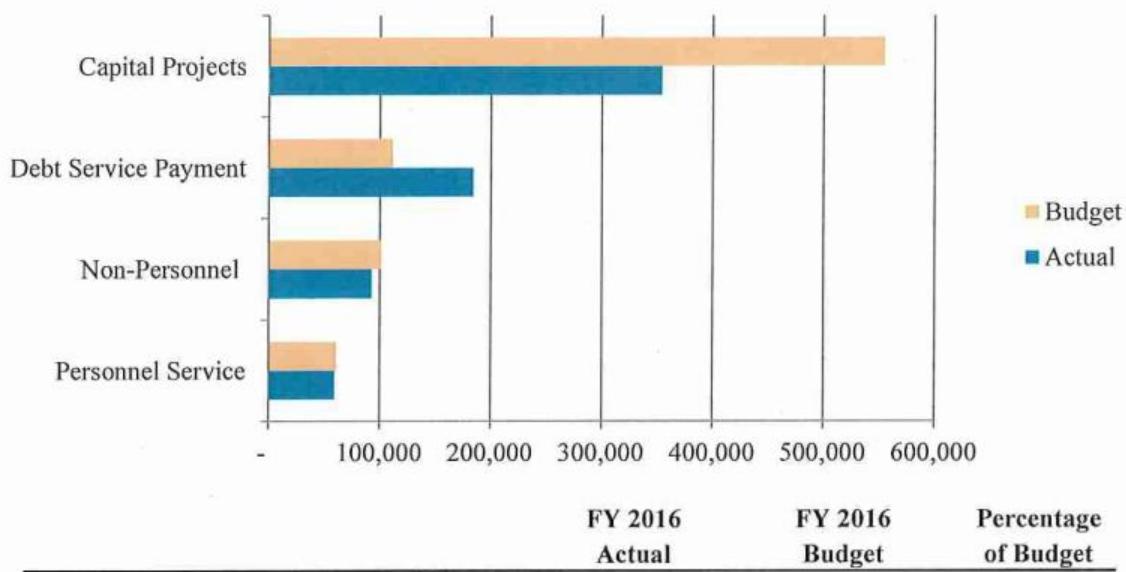
FY 2016 debt service payment totaled \$184.2 million (including line of credit repayment), which was \$72.6 million (65.1%) over budget. This variance is primarily related to the timing of a \$55 million pay-down of the line of credit, which was originally budgeted to occur in FY 2015.

Capital outlays (excluding capitalized interest) totaled \$354.2 million, which is \$200.5 million (36.1%) lower than the budgeted amount. The Department continues its ambitious realignment of cargo terminals in order to improve cargo operations and to contribute to an overall cleaner environment around the port complex. It is anticipated that, when completed, this realignment will bring an increase in operational revenue in the years to come. The construction of the Gerald Desmond Replacement Bridge is anticipated to be completed in late 2018.



March 27, 2017  
Page 7

The following table shows expenditures and employee headcount budgetary performance for fiscal year 2016 (in thousands):



	FY 2016 Actual	FY 2016 Budget	Percentage of Budget
<b>Expenditures</b>			
Personnel Services *	\$ 59,825	\$ 61,229	98%
Non-Personnel			
Port Operations	35,967	42,887	84
Interdepartmental charges	31,186	33,742	92
Clean Trucks Program	6,578	5,243	125
Furniture, fixtures, and equipment	1,379	1,926	72
Transfers to the City Tidelands Fund	17,737	17,737	100
Debt Service Payment	89,220	91,616	97
Line of Credit Paydown	95,000	20,000	475
Capital Projects	354,246	554,750	64
<b>Total expenditures</b>	<b>\$ 691,138</b>	<b>\$ 829,130</b>	<b>83%</b>

\* The \$14 Million of GASB 68 and 75 (pension and OPEB adjustment) is excluded from the actual personnel service cost.

#### Employee headcount

Regular	501	558	90%
Part time/temporary	24	33	73
No. of employees	525	591	89%



March 27, 2017  
Page 8

### ***Debt Administration***

The following table shows bond issuance information and long-term changes (exclusive of unamortized bond premium or discount). Note 9 to the financial statements will provide additional

<b>Harbor Revenue Bond</b>	<b>Original Issue</b>	<b>Date of Issue</b>	<b>Coupon</b>	<b>Outstanding Principal</b>
(in thousands)				(in thousands)
<b>1998A</b>	\$206,330	1/29/1998	6%	\$ 47,030
<b>2010A</b>	208,835	3/31/2010	3% - 5%	136,715
<b>2010B</b>	158,085	4/29/2010	4% - 5%	127,660
<b>2014A</b>	38,465	4/24/2014	4% - 5%	12,730
<b>2014B</b>	20,570	4/24/2014	3% - 5%	20,570
<b>2014C</b>	325,000	6/4/2014	3% - 5%	325,000
<b>2015A</b>	44,845	4/16/2015	4% - 5%	44,845
<b>2015B</b>	20,130	4/16/2015	5%	20,130
<b>2015C</b>	66,085	7/15/2015	5%	66,085
<b>2015D</b>	66,865	7/15/2015	5%	66,865
<b>\$1,155,210</b>				<b>\$ 867,630</b>

information related to the Department's long-term debt program.

While FY 2016 Budget planned to issue \$200 million of additional Harbor Revenue Bond, lower capital expenditures in both FY 2015 and FY 2016 delayed the borrowing to future years.

The credit ratings of the Department are the highest ratings among all domestic ports in the United States. The Department's long-term senior lien credit ratings are AA by Fitch Rating ("Fitch"), AA by Standard & Poor's ("S&P") and Aa2 by Moody's Investors Service ("Moody's"). A high credit rating recognizes good financial management by the Department and lowers the cost of borrowing in the future.

### ***Lines of Credit***

In July 2013, the Board of Harbor Commissioners authorized the issuance of \$200 million Subordinate Harbor Revenue Revolving Obligations Series A (Tax-Exempt) with Bank of America, and Series B (Tax-Exempt), and Series C (Taxable) with Union Bank. Both of revolving line of



March 27, 2017  
Page 9

credit was scheduled to expire on July 29, 2016. Early July 2016, the Board authorized to terminate the line of credit with Bank of America and issue a new line of credit facility (a tax-exempt revolving line of credit and a taxable revolving line of credit) with Union Bank in the amount of \$200 million. The Department will secure the borrowings under the revolving line of credit with a subordinate lien on the revenues of the Department.

As of September 30, 2016, the Department has a total of \$25 million in principal drawn on the line of credit with Union Bank, N.A..

#### ***Responsible Growth***

The Port's revenue derived from cargo facilities increased by 1.5% between 2015 and 2016 from \$343.1 million to \$348.2 million; cargo volumes measured in metric revenue tons decreased by 1.8% during the same period of time from 164.3 million tons to 161.3 million tons. The Port continues its realignment of cargo terminals in advance of an anticipated growth in trade volumes. Its terminals and installations continue to provide the best alternative for shipping lines to move cargo in and out of the continental United States.

#### ***Economic Outlook***

In 1911, the State of California established the Long Beach tidelands area as a State Trust and designated the City of Long Beach as a trustee for the people of the State of California. The Port of Long Beach, located in the Tidelands Trust and overseen by the City of Long Beach Harbor Department under direction of the Long Beach Board of Harbor Commissioners, has succeeded and become a landlord port providing the region, state, and nation with state-of-the-art seaport facilities and serving as a safe international gateway for trade. The Port of Long Beach has evolved into the second-busiest container seaport in North America.

The City of Long Beach Harbor Department generates revenues through leases, tariffs, and other charges assessed to Port of Long Beach tenants and other customers. No local, state, or federal taxes support Port operations. The Harbor Department does not fund general City of Long Beach governmental activities, but compensates the City of Long Beach for services such as public safety, human resources, civil service, and centralized financial, legal, and audit services. The expansion or contraction of foreign trade directly affects local, regional, and national economies. The Port, as a crucial economic engine for the region and beyond, must continually strengthen its competitiveness by anticipating and responding to economic challenges, and seizing opportunities to continue to be the preferred seaport for trans-Pacific trade.

#### ***Hanjin Bankruptcy***

On August 31, 2016, the Hanjin Shipping Co. filed for bankruptcy in South Korean court. Hanjin was the seventh-largest container shipping line in the world, and the announcement was very significant in the shipping industry. Hanjin was a longtime presence at the Port of Long Beach. Hanjin ships called regularly and owned a 54 percent stake in the long-term lease at the Port's "Pier T." In calendar 2015, Hanjin accounted for 12.3 percent of all the containers moving through the Port of Long Beach.



March 27, 2017  
Page 10

The bankruptcy caused the idling of many Hanjin container ships around the world, including several in the vicinity of California ports. Empty Hanjin shipping containers were also stacked up around Southern California. Those issues were resolved in about two months.

For the Port of Long Beach, the main effect was the diversion of cargo to other ports served by Hanjin alliance partners. This dramatically reduced cargo traffic at Long Beach's Pier T in the last three months of calendar 2016. Overall, cargo container movement through the Port of Long Beach was down 5.8 percent in calendar 2016 compared to calendar 2015.

The terminal operator, Total Terminals International (TTI), continued to welcome some ships of the "2M Alliance." The Port still earned the "guaranteed annual minimum" lease payment from TTI.

By the end of calendar 2016, the Mediterranean Shipping Company's subsidiary Terminal Investment Limited (TIL) sought to buy out Hanjin's share in the TTI lease. The Long Beach Board of Harbor Commissioners gave its approval to that sale in December 2016, and the sale was approved by the South Korean bankruptcy court in the first quarter of 2017.

By January 2017, the Pier T facility - the largest terminal at the Port of Long Beach - was already seeing the number of vessel calls rise.

### ***Trade and Commerce***

Container volume at the Port of Long Beach retracted 2% in 2016 as a result of Hanjin Shipping filing for court receivership and alliance service changes. While the U.S. economy continues to improve, uncertainty elsewhere in the world economy has resulted in poor financial performance by ocean carriers. The container shipping industry is undergoing tremendous changes in 2016. Some of the companies have turned to consolidating with their former rivals if not outright fail and exit the market. Following CMA CGM's announcement to acquire Singapore-based Neptune Orient Lines (NOL, the parent company of APL Line) in December 2015, China's COSCO and China Shipping officially merged in March 2016 to form COSCO Shipping. Later in September 2016, Korea's largest ocean carrier, Hanjin Shipping, filed for court receivership and exited North America and Europe business shortly after. Most recently in November 2016, Japan's three major ocean carriers, K Line, Mitsui O.S. K. and NYK Line, announced that they will merge their container business effective July 2018. All these indicate that transformation in the ocean shipping market is on the horizon.

As container ships capable of transporting more than 10,000 twenty-foot-equivalent units (the so-called big ships) continue to call at the Port of Long Beach, the Port's ability to accommodate the mega vessels and handle the additional cargo volume has become a key objective to retain its competitive advantage over other gateways. In preparation for the next generation of even larger vessels, the Port of Long Beach has embarked on a 10-year, \$4.0 billion capital program to upgrade its infrastructure and modernize its facilities in order to improve fluidity and efficiency in its cargo operations. When completed, the capital program will make the Port of Long Beach one of the cleanest and most efficient ports in the world.

In addition to its capital program, the Port of Long Beach is also committed to finding solutions to challenges throughout the entire ocean transportation supply chain: truck turn-times, chassis shortages, and cargo visibility, to name a few. The influx of larger amounts of cargo over a shorter period of time is further testing the Port's cargo handling capability. However, the Port of Long Beach is taking a leadership role by working with its partners to formulate solutions to permanently



March 27, 2017

Page 11

eliminate the inefficiencies in the supply chain. Through a combination of infrastructure enhancements, operational improvements, and investment in innovative environmental programs, the Port of Long Beach is on track to ensure efficient and sustainable growth.

As a department of the City of Long Beach, the Port of Long Beach strives to be a leader in the goods movement industry, while furthering its status as the City's and the region's biggest economic engine. In addition to delivering excellent customer service and outreach to all of the Port's customer segments, the Port also engages the community to provide outreach and education on the benefits accrued to the local area through the operation of one of the nation's premier maritime gateways. Above all, the Port is committed to being a steward of environmental protection, ensuring cargo volume growth to support the economy and while reducing the negative impacts to the environment. To accommodate the increase in trade volume expected during the next 20 years, the Port will continue to seek innovative solutions for developing facilities and related infrastructure while ensuring that air, water, and soil quality continue to improve.

Projects underway that will increase cargo capacity and/or improve Port infrastructure include:

- Gerald Desmond Bridge Replacement: A \$1.4 billion project to build a new bridge to span the Port's Main Channel. The new bridge will be higher, to allow additional clearance for ships, and will also be wider, to ease the flow of cars and trucks that use the bridge. Construction began in early 2013 and will continue through late-2018.
- Middle Harbor Redevelopment Project: A \$1.3 billion modernization of two aging shipping terminals. The project more than quintuples on-dock rail capacity, adds shore power hookups and advanced technology that will allow the new terminal to move twice the cargo with half the air pollution. Construction began in 2011 and will continue through 2019.
- Pier G modernization: The Department has nearly completed a multiyear, \$470 million renovation of the ITS container terminal. Construction of a new terminal administration and operations complex, new maintenance and repair facility, and an expanded on-dock rail yard is complete.
- The Department is planning additional deepening for berths to accommodate the latest generation of mega-ships.

### **Environmental Protection**

The optimal utilization of Port resources brings environmental issues that need to be addressed to guarantee economic growth with responsible stewardship of the environment. In 2005, the Long Beach Board of Harbor Commissioners adopted the Green Port Policy, which committed to reducing the Port's impact on the environment and the community. In 2006, at a historic joint board session of Long Beach and Los Angeles Boards of Harbor Commissioners (the Ports), the San Pedro Bay Clean Air Action Plan (CAAP) was approved. This ambitious plan identified specific strategies to reduce emissions from port-related equipment. The CAAP has led to major air-quality improvements at the Ports. Diesel Particulate Matter, for example, has been reduced by 84% from 2005 levels, as identified in the 2015 emissions inventory. As guided by the Green Port Policy, the Port of Long Beach has established itself as a world leader in sustainable seaport operations and development.



March 27, 2017  
Page 12

Under the Green Port Policy and the Clean Air Action Plan, the Port of Long Beach has:

- Cut diesel particulates by 84%, sulfur oxides by 97%, smog-forming nitrogen oxides by 48%, and greenhouse gases by 14% from 2005 levels, identified in the 2015 annual air emissions inventory. The improvements occurred during a period when container cargo volume increased by 7%.
- Supported the use of lower-sulfur, cleaner fuels in oceangoing ships.
- Completed a successful changeover of the truck fleet through the landmark Clean Trucks Program, which has achieved a 98% reduction in diesel particulate pollution from the truck fleet.
- Continued the Green Flag Vessel Speed Reduction Program (where greater than 90% of ships slow down to 12 knots) within 20 nautical miles or 40 nautical miles of the Port, to reduce air pollution emissions.
- Completed the building of shore power facilities to allow the shipping lines to comply with the state's new shore power regulation, requiring half of all vessel calls to plug in at berth for cleaner air.
- Nurtured the development of new clean air technologies through the Technology Advancement Program — including the world's first diesel-electric hybrid tugboats.

### Risk Management

The Port has developed a comprehensive, all-hazard Business Continuity Plan that works to facilitate the efficient and environmentally sound movement of cargo following a business disruption event. The Plan focuses on maintaining a safe and secure Port environment and on keeping the land and water infrastructure operational to the greatest extent possible, and works to achieve those objectives in a legal and financially responsible manner.

### Security

The Port of Long Beach continues its commitment to safety and security and is dedicated to being the safest and most secure Port in the world. Since 2009, the Port has operated the Joint Command and Control Center (JCCC). This state-of-the-art facility houses not only the Port of Long Beach Security Division and Harbor Patrol, but also the Long Beach Police Department's Port Police Division. The Long Beach Fire Department is also represented in the JCCC by a Battalion Chief. The Port takes an above the water, on the water, and below the water approach to Maritime Domain Awareness. This is accomplished through the use of the latest integrated, high-tech surveillance systems to maintain vigilance and share data with the many agencies responsible for port security. The JCCC monitors close to 400 cameras throughout the port complex, including long-range and night-vision units, as well as access control, radar and sonar detection systems.



March 27, 2017  
Page 13

Since 2001, the Port has secured more than \$151 million in grants to aid in safety and security efforts. The Port is protected by multiple layers of security, including the U.S. Coast Guard, U.S. Customs and Border Protection, Long Beach Police Department and other federal, state, and local law enforcement agencies; and the Port's own Harbor Patrol, a cadre of highly trained public officers who are responsible for security and public safety on the property owned by the Port and any public roadways within its boundaries 24 hours a day, seven days a week. The Long Beach Police Department Port Police Division also provides a dedicated force of police officers who patrol land side and water side in the port complex 24 hours a day, seven days a week. And the Long Beach Fire Department has two land based stations, one with a hazardous materials response unit, as well as two fireboat stations within the port complex.

The Port of Long Beach has made significant investments in technology to mitigate threats against the port. This includes the development of the Virtual Port system. Virtual Port is a geo-spatial-based maritime domain and common operating picture system. It integrates over 60-independent information sources and databases into a single platform providing the status of port operations in real-time. Virtual Port allows users to view and interact with a variety of modules to track vessels, monitor suspicious activities, monitor land and water based assets, share information with port security partners, view news and social media alerts associated with port incidents, and coordinate response activities.

### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Harbor Department of the City of Long Beach, California, for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015. This was the 33<sup>rd</sup> consecutive year that the Department has received this prestigious award. In order to be awarded a Certificate of Achievement, the Department must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to acknowledge the dedicated service of the Finance Division staff members, through whose efforts the timely preparation of this report was made possible.

Respectfully submitted:

A handwritten signature in black ink, appearing to read "Duane Kenagy".

Duane L. Kenagy, P.E.  
Interim Chief Executive

A handwritten signature in black ink, appearing to read "Chuck Adams".

Chuck Adams  
Acting Managing Director of  
Finance and Administration



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**The Harbor Department  
of the City of Long Beach  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

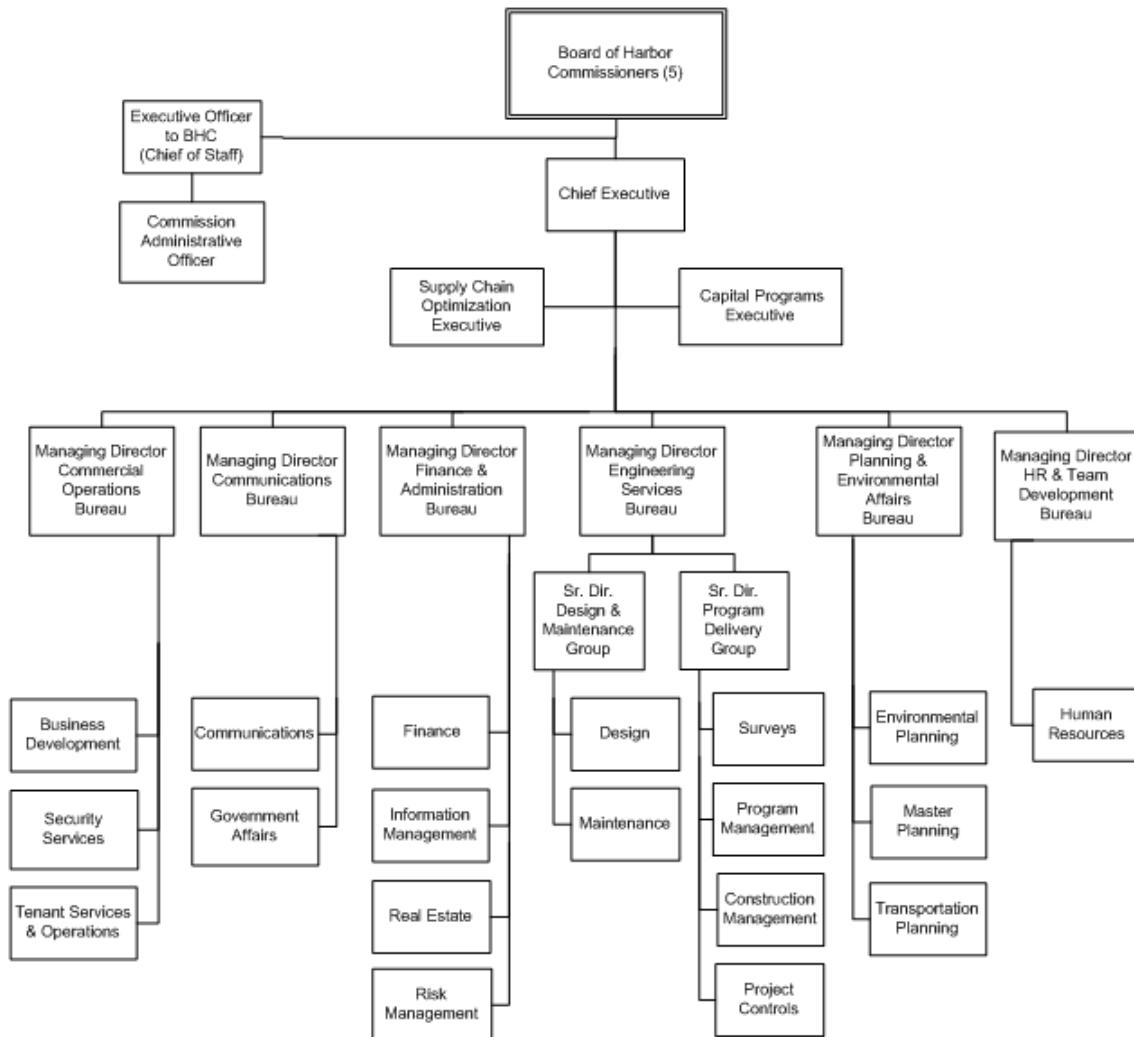
A handwritten signature in black ink, appearing to read "Jeffrey L. Ecker".

Executive Director/CEO

# THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

## Organizational Chart

September 30, 2016



## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Board of Harbor Commissioners and Senior Management

September 30, 2016

### Board of Harbor Commissioners

Lori A. Guzman, President  
Lou A. Bynum, Vice President  
Tracy Egoscue, Secretary and Commissioner  
Doug Drummond, Commissioner  
Rich Dines, Commissioner

Chief of Staff to the Board

Richard Jordan

### Executive Offices

Chief Executive Officer  
Interim Chief Executive Officer  
Senior Executive, Supply Chain Optimization  
Acting Senior Executive, Capital Program

Jon Slangerup (through October 2016)  
Duane Kenagy (effective October 2016)  
Michael Christensen  
Al Moro

### Finance and Administration Bureau

Managing Director  
Acting Managing Director  
Finance Division  
Information Management Division  
Real Estate Division  
Risk Management Division

Steven B. Rubin (retired December 2016)  
Chuck W. Adams (effective December 2016)  
Maurina Lee, Director  
Nyariana Maiko, Director  
Karl J. Adamowicz, Director  
Richard S. Baratta, Director

### HR & Team Development Bureau

Managing Director  
Human Resources Division

Louis F. Gutierrez  
Margaret Huebner, Director (retired February 2017)

### Commercial Operations Bureau

Managing Director  
Business Development Division  
Security Division  
Tenant Services and Operations Division

Noel Hacegaba  
Donald B. Snyder, Director  
Randy Parsons, Director  
Glenn Farren, Director

### Communication Bureau

Managing Director  
Communications Division  
Government Relations Division

Noelia Rodriguez  
Heather Moro, Acting Director  
Samantha Ashley, Director

### Planning and Environmental Affairs Bureau

Managing Director  
Environmental Planning Division  
Master Planning Division  
Transportation Planning Division

Richard D. Cameron  
Heather Tomley, Director  
Matt Plezia, Director  
Allison Yoh, Director

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Board of Harbor Commissioners and Senior Management

September 30, 2016

(continued)

**Engineering Services Bureau**

Managing Director	Douglas Thiessen (retired February 2017)
Managing Director	Sean Gamette (effective February 2017)
Program Delivery Division	Vacant
Program Management Division	Doug Sereno, Director (retired February 2017)
Construction Management Division	Suzanne Plezia, Director
Design and Maintenance Divisions	Neil Morrison, Senior Director
Design Division	John Chun, Director
Maintenance Division	Fred Greco, Director
Project Controls Division	Diane Pierson, Director
Surveys Division	Robert Seidel, Director



# Financial Section



KPMG LLP  
Suite 1500  
550 South Hope Street  
Los Angeles, CA 90071-2629

### **Independent Auditors' Report**

The Honorable Members of the Board of Harbor Commissioners  
The Harbor Department of the City of Long Beach  
Long Beach, California:

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Harbor Department of the City of Long Beach (the Department), an enterprise fund of the City of Long Beach, California, as of and for the year ended September 30, 2016, and the related notes to the financial statements, as described in the accompanying table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Harbor Department of the City of Long Beach, California as of September 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



### *Emphasis of Matters*

As discussed in note 1, the financial statements present only the Department and do not purport to, and do not, present fairly the financial position of the City of Long Beach, California as of September 30, 2016, the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the financial statements, effective October 1, 2015, the Department adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to these matters.

### *Other Matters*

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 21–27, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the Department's financial statements. The accompanying information identified in the table of contents as the introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated, March 27, 2017 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

*KPMG LLP*

Los Angeles, California  
March 27, 2017

## **THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

### Management's Discussion and Analysis

September 30, 2016

(Unaudited)

The following discussion and analysis of the financial performance of the Harbor Department of the City of Long Beach, California (the Department), provides an overview of the financial activities for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with the additional information contained in the Department's financial statements and related notes and our letter of transmittal that precedes this section.

#### **Using this Financial Report**

This annual financial report consists of the Department's financial statements and the required supplementary information and reflects the self-supporting activities of the Department that are funded primarily through leasing property, tariffs, and other charges to its tenants.

#### **Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position and Statements of Cash Flow**

The financial statements provide an indication of the Department's financial health. The statement of net position includes all of the Department's assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, as well as an indication about which assets can be used for general purposes, and which assets are restricted as a result of bond covenants and other requirements. The statement of revenues, expenses, and changes in net position report all of the revenues and expenses during the time periods presented. The statement of cash flows reports the cash provided by and used in operating activities, as well as other cash sources and uses, such as investment income and cash payments for bond principal and capital additions and betterments.

The following condensed financial information provides an overview of the Department's financial position as of September 30, 2016 and 2015:

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Management's Discussion and Analysis

September 30, 2016

(Unaudited)

**Condensed Schedule of Assets, Deferred Outflows,  
Liabilities, Deferred Inflows, and Net Position**

September 30, 2016 and 2015

(Amounts expressed in thousands)

	<u>2016</u>	<u>2015 (as adjusted)</u>
Assets:		
Capital assets, net	\$ 4,365,376	4,096,520
Other assets	<u>671,277</u>	<u>878,310</u>
Total assets	5,036,653	4,974,830
Deferred outflows of resources	<u>41,884</u>	<u>22,268</u>
Total assets and deferred outflows	<u>\$ 5,078,537</u>	<u>4,997,098</u>

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Management's Discussion and Analysis

September 30, 2016

(Unaudited)

**Condensed Schedule of Assets, Deferred Outflows, Liabilities,  
Deferred Inflows, and Net Position**

September 30, 2016 and 2015

(Amounts expressed in thousands)

	<b>2016</b>	<b>2015 (as adjusted)</b>
Liabilities:		
Current liabilities	\$ 171,932	160,802
Long-term obligations, net of current portion	<u>1,114,917</u>	<u>1,217,531</u>
Total liabilities	1,286,849	1,378,333
Deferred inflows of resources	<u>11,661</u>	<u>14,816</u>
Total liabilities and deferred inflows	<u>1,298,510</u>	<u>1,393,149</u>
Net position:		
Net investment in capital assets	3,442,251	3,077,225
Restricted:		
Capital projects	75,610	251,721
Debt service	13,961	13,754
Unrestricted	<u>248,205</u>	<u>264,197</u>
Total net position	<u>\$ 3,780,027</u>	<u>3,606,897</u>

Net position over time may serve as a useful indicator of the Department's financial position. At the close of fiscal year 2016, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3.8 billion. This is an increase of \$173.1 million from last year. The Department's adoption of the provisions of *GASB Statements No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions Requirements*, effective October 1, 2015, resulted in a reduction of net position totaling approximately \$2.9 million. This statement requires the reporting of a net liability for the Department's share of the City's net other post-employment benefits other than pension (OPEB) obligation. The change in net position consists of \$70.1 million of current year operating income, \$128.3 million of grant revenue accrual from other governmental agencies, \$4.0 million capital contribution from the City on the Port's new headquarter land acquisition transaction and \$18.7 million accrued transfers to the City's Tidelands Operating Fund. In addition, as of September 30, 2016, the construction of the Port's new headquarters building is approximately 20% complete at September 30, 2016. The Department reflects \$49 million of other long term liability and a like amount in construction in progress for this design-build project in the financial statements. See further discussion of the new headquarters building under Capital Asset and Debt Administration below.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Management's Discussion and Analysis

September 30, 2016

(Unaudited)

At September 30, 2016, the largest portion of the Department's net position (91.1% or \$3.4 billion) reflects the Department's net investment in capital assets. This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources attributable to the addition of those assets or related debt are also included. These capital assets facilitate tenants' cargo operations. The amount of net investment in capital assets is not available for future spending. The increase of \$365.0 million from fiscal year 2015 is mainly due to the completion of a portion of Middle Harbor project and a new fireboat.

An additional portion of the Department's net position (2.4%, or \$89.6 million) represents resources that are subject to external restrictions on how they may be used. The decrease of \$175.9 million is due to the release of the construction reserves for repayment of the line of credit and capital project cost. The remaining net position (6.6%, \$248.2 million) is unrestricted net position, to be used in the future to fund the Department's operations.

The adoption of the provisions of GASB Statements No. 75, resulted in the reporting of a net OPEB liability totaling approximately \$3.1 million as reported on the statement of net position as of September 30, 2016.

Detailed disclosure as required by GASB Statements No. 68, No. 71, and No. 75 can be found in notes 1 and 11 to the basic financial statements.

### Condensed Schedule of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2016 and 2015

(Amounts expressed in thousands)

	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 360,660	355,450
Operating expenses:		
Facility and infrastructure	36,274	38,302
Fire and Safety	40,379	48,178
General and administrative	<u>67,220</u>	<u>47,291</u>
Total operating expenses	143,873	133,771
Depreciation and amortization	<u>146,721</u>	<u>137,709</u>
Operating income	<u>70,066</u>	<u>83,970</u>

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Management's Discussion and Analysis

September 30, 2016

(Unaudited)

**Condensed Schedule of Revenues, Expenses, and Changes in Net Position**

Years ended September 30, 2016 and 2015

(Amounts expressed in thousands)

	<b>2016</b>	<b>2015</b>
Nonoperating revenues (expenses):		
Interest income, net of interest expense	\$ (6,063)	5,969
Gain on sale of capital assets, net	48	35,979
Clean Air Action Plan (CAAP), net	(4,656)	(3,488)
Other income (loss), net	138	5,048
Net nonoperating revenues (expense)	<u>(10,533)</u>	<u>43,508</u>
Income before capital grants and transfer	59,533	127,478
Transfer to City	(18,693)	(17,772)
Contribution from City – New Port Headquarters Land	4,008	—
Capital grants	<u>128,282</u>	<u>121,008</u>
Change in net position	<u>173,130</u>	<u>230,714</u>
Total net position – beginning of year, as previously reported	3,609,819	3,462,209
Cumulative effect resulting from change in accounting for GASB Statement No. 68	—	(83,104)
Cumulative effect resulting from change in accounting for GASB Statement No. 75	<u>(2,922)</u>	<u>—</u>
Total net position – beginning of year, as adjusted	<u>3,606,897</u>	<u>3,379,105</u>
Total net position – end of year	<u>\$ 3,780,027</u>	<u>3,609,819</u>

A comparison of the operating revenues for fiscal years 2016 and 2015 shows a slight increase of \$5.2 million, or 1.5%. This is primarily due to a 1.8% increase in container terminal revenue, which accounted for approximately 76.2% of total revenue in fiscal year 2016. This increase was largely due to the increased rent at Middle Harbor. Revenue also increased slightly by 0.3% in noncontainerized terminal revenue at the dry bulk, vehicle, and lumber terminals.

Operating expenses (excluding depreciation and amortization) increased \$10.1 million, compared to \$133.8 million at September 30, 2015. The primary reason is due to an increase of pension costs of \$9 million. By operating expense functions, facilities and infrastructure, increased \$2.0 million compared to \$38.3 million in fiscal year 2015, primarily due to expenses at the new Dive Team building. During fiscal year 2016, fire and safety costs decreased by \$7.8 million as several projects were written off in fiscal year 2015 and a similar write off did not occur in fiscal year 2016. The increase of \$19.9 million in general and administrative and other indirect operating expense is mainly related to the pension expense.

Depreciation expense is affected by acquisition and retirement of long-term assets, their useful lives, and the dates when such assets are placed in service. Depreciation expense for fiscal year 2016 was \$9.0 million higher than that of fiscal year 2015, due to \$353.0 million of capital assets, mainly in the Middle Harbor project, that were placed into service towards the end of fiscal 2015.

## **THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

### Management's Discussion and Analysis

September 30, 2016

(Unaudited)

The transfers to City increased by \$920.5 thousand in fiscal year 2016. The Department accrued \$18.0 million as a regular operating transfer to the City Tidelands Fund to be paid in fiscal 2017 as well as \$660 thousand transferred to the City for the Ports mitigation grant for Citywide light an power project.

An increase of \$601.7 thousand in net interest income in fiscal year 2016 is primarily due to a decrease in interest expense on the line of credit. A payment of \$95.0 million on the line of credit was paid during fiscal year 2016.

Total interest expense before capitalization was \$24.7 million in fiscal 2016 and \$27.9 million in fiscal year 2015. The decrease was mainly a result of no bond issuance costs, a lower line of credit balance outstanding, and a higher offsetting amortization of the bond premium/refunding costs in 2016.

Grant revenue increased \$7.3 million to \$128.3 million in fiscal year 2016, as a result of \$28.2 million recognition of Proposition 1B grant received in the prior year and earned in fiscal year 2016. This increase was offset by a slower grant reimbursement for the Gerald Desmond Bridge project and the completion of several grant related projects during fiscal year 2016. In fiscal year 2016, the Department received grant reimbursements of \$95.7 million for bridge, rail, and street improvements, \$31.6 thousand for environmental improvements and \$4.5 million for security related grants.

The Clean Air Action Plan (CAAP) continues to support the Port's efforts to enhance clean air. As a result of the CAAP in 2008, the Clean Trucks Program (CTP) was launched as an effort to reduce truck-related emissions throughout the Port complex. The CTP replaced or retrofitted many short-haul trucks by requiring all trucks entering the port to comply with 2007 EPA emission standards. To help ease this financial burden on the local truck industry, the Port developed a lease subsidy program to help reduce the costs for the owner of upgrading their old trucks with new "Clean Diesel" and "LNG" truck. In 2008, the Board approved to finance and services these leases, while the Department acts as the guarantor for the lease and residual payment. The Department also provided incentives to lessees to keep their trucks by agreeing to pay half of the lease-end residual. Overall, this program's expenses increased by \$1.2 million when compared to that of fiscal year 2015 due to \$1.6 million recorded for the lease end residual values of 72 returned trucks, and a \$0.4 million recorded for 13 trucks in default. Please see note 15 to the financial statements for details.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Management's Discussion and Analysis

September 30, 2016

(Unaudited)

#### **Capital Assets and Debt Administration**

##### *Capital Assets*

The Department's capital assets, net of accumulated depreciation, as of September 30, 2016 and 2015 are as follows:

	<b>2016</b>	<b>2015</b>
Nondepreciable capital assets:		
Land	\$ 951,918	931,547
Construction in progress	1,484,888	1,251,763
Rights-of-way	207,031	207,032
Total nondepreciable capital assets	<u>2,643,837</u>	<u>2,390,342</u>
Depreciable capital assets (net):		
Structures and facilities	1,656,861	1,668,548
Furniture, fixtures, and equipment	64,678	37,630
Total depreciable capital assets (net)	<u>1,721,539</u>	<u>1,706,178</u>
Total capital assets, net	<u>\$ 4,365,376</u>	<u>4,096,520</u>

The Department's capital assets include land; structures and facilities; furniture, fixtures, and equipment; construction in progress; and rights-of-way. The impact on the capital asset accounts, net of accumulated depreciation, was a net increase of \$268.9 million from fiscal year 2015 primarily due to the substantial increase of assets placed into service related to major infrastructure projects taking place in the port such as Phase I of the Middle Harbor project and the fireboat and fire station. It is worth noting that major capital project spending during fiscal year 2016 comprise the following: Middle Harbor terminal development (\$121.9 million); Gerald Desmond Bridge replacement project (\$162.5 million); and Fire station and Fireboats safety projects (\$10.1 million). The amount of capital assets transferred out of construction in progress and into service, totaled approximately \$169.3 million for the year ended September 30, 2016.

##### *Debt Administration*

The following table summarizes the Department's debt as of September 30, 2016 and 2015.

	<b>2016</b>	<b>2015</b>
Short-term notes (principal and net premiums)	\$ 355,522	367,519
Lines of credit	25,000	120,000
Bond debt (principal and net premiums)	<u>588,392</u>	<u>641,383</u>
Total	<u>\$ 968,914</u>	<u>1,128,902</u>

## **THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

### Management's Discussion and Analysis

September 30, 2016

(Unaudited)

The Department's total long-term debt decreased by \$159 million, or 14.2%. The decrease was primarily attributed to the net result of the repayment on the line of credit and principal payments made on existing debt.

For the Port's new headquarter project, the Port will make a fixed price Project Completion payment of \$212.6 million at completion in 2019. This payment may be financed through the issue of 20 to 30 years revenue bonds, which are not subject to Alternative Minimum Tax (AMT). The cost of this project could be partially offset by the sale of the Port's Interim Administrative Headquarters building as well as the sale of the World Trade Center parking lot owned by the Port.

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

The debt service coverage ratio for fiscal year 2016 was 2.47. The minimum rate required by the Department's various bond indenture documents is 1.25.

#### *Factors that May Affect the Department*

The availability of alternate ports and competition affects the use of the department's facilities and, therefore, operating revenues of the Department. There is significant competition for container trade among North American ports. The department cannot predict the impact of this competition. Ports in the U.S. West Coast, Canada, and Mexico, compete for discretionary intermodal cargo headed from the Asia to mid-western and eastern U.S., which is more heavily populated. This discretionary cargo moves eastward primarily by rail. Discretionary cargo makes up more than half of the container cargo arriving at the Port of Long Beach.

The Port is subject to legal and regulatory requirements relating to air emissions that may be generated by ships, trains, trucks, and other operational activities within the port. Paying for mandated air pollution reduction, infrastructure and other measures has become a significant portion of the Department's capital and operating budgets. Such expenditures are necessary even if the Department does not undertake any new revenue-generating capital improvements, and the Department cannot provide assurances that the actual cost of the required measures will not exceed the amounts forecasted.

#### *Notes to Financial Statements*

The notes to the Department's financial statements can be found on pages 33–65 of this report. These notes provide additional information that is essential to a full understanding of the financial statements.

#### *Requests for Information*

This financial report is designed to provide a general overview of the Department's finances for people or entities interested in the financial aspects of the Department. Questions concerning any of the information provided in this report should be addressed to the Director of Finance, 4801 Airport Plaza Drive, Long Beach, CA 90815. This report and other financial reports can be viewed on the Port's website at [www.polb.com](http://www.polb.com). On the home page, select Finance, there are links to reports by title and reporting date.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statement of Net Position

September 30, 2016

(Dollars in thousands)

**Assets and Deferred Outflows**

**Current assets:**

Pooled cash and cash equivalents (note 2)	\$ 335,454
Trade accounts receivable, net of allowance (note 3)	50,607
Due from other governmental agencies (note 3)	66,290
Prepaid – dredging services (note 4)	1,844
Prepaid – others	1,892
Interest receivables	190
Inventories of supplies	<u>679</u>
Subtotal	456,956

**Harbor Revenue Bond Funds and other funds restricted as to use:**

Pooled cash and cash equivalents	<u>30,017</u>
Total current assets	<u>486,973</u>

**Noncurrent assets:**

**Capital assets (notes 6 and 12):**

Land	951,918
Structures and facilities	3,288,418
Furniture, fixtures, and equipment	130,576
Construction in progress	1,484,888
Right-of-way (note 5)	207,031
Less accumulated depreciation	<u>(1,697,455)</u>
Net capital assets	<u>4,365,376</u>

**Other assets:**

Long-term receivables (note 3)	1,300
Environmental mitigation credits (note 16)	41,162
Investment in joint venture (note 13)	5,211
Restricted pooled cash and cash equivalents (notes 2 and 10)	52,047
Restricted nonpooled cash and cash equivalents (note 2)	1,765
Restricted nonpooled investments (note 2)	73,846
Other noncurrent assets	<u>8,973</u>
Total other assets	<u>184,304</u>
Total noncurrent assets	<u>4,549,680</u>
Total assets	<u>5,036,653</u>
Deferred outflows (note 18)	<u>41,884</u>
Total assets and deferred outflows	<u>\$ 5,078,537</u>

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statement of Net Position

September 30, 2016

(Dollars in thousands)

**Liabilities and Deferred Inflows**

Current liabilities payable from current assets:

Accounts payable and accrued expenses	\$ 73,082
Compensated absences (note 1)	2,031
Due to City of Long Beach	20,143
Liability claims (note 14)	8,600
Security deposits and unearned revenue	<u>7,116</u>
	<u>110,972</u>

Total current liabilities payable from current assets

Current liabilities payable from restricted assets:

Accrued interest – bonds	16,055
Current portion of bonds indebtedness	<u>44,905</u>
	<u>60,960</u>
Total current liabilities payable from restricted assets	<u>60,960</u>
	<u>171,932</u>

Long-term obligations net of current portion:

Bonded indebtedness (note 10)	543,487
Series 2014C Senior notes (note 8)	355,522
Lines of credit (note 9)	25,000
Compensated absences (note 1)	10,883
Net OPEB liability (note 11)	3,103
Net pension liability (note 11)	124,170
Unearned revenue	3,685
Other long-term liability (note 19)	<u>49,067</u>
	<u>1,114,917</u>

Total noncurrent liabilities

Total liabilities	1,286,849
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Deferred inflows (note 18)

Total liabilities and deferred inflows

11,661

1,298,510

Net position:

Net investment in capital assets	3,442,251
Restricted – capital projects	75,610
Restricted – debt service	13,961
Unrestricted	<u>248,205</u>
	<u>\$ 3,780,027</u>

See accompanying notes to financial statements.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statement of Revenues, Expenses, and Changes in Net Position

Year ended September 30, 2016

(Dollars in thousands)

**Port operating revenues:**

Berths and special facilities	\$ 348,171
Rental properties	9,958
Miscellaneous	2,531
	<hr/>
Total port operating revenues	360,660

**Port operating expenses:**

Facility maintenance	12,673
Infrastructure maintenance	14,657
Fire and safety	40,379
Other indirect operating	8,944
General and administrative	67,220
	<hr/>
Total operating expenses before depreciation and amortization	143,873
Depreciation and amortization	<hr/> 146,721
Total operating expenses	<hr/> 290,594
Income from operations	<hr/> 70,066

**Nonoperating revenues (expenses):**

Investment income, net	4,637
Income from equity in joint venture	2,544
Interest expense	(13,244)
Gain on disposition of capital assets	48
Clean Air Action Program (CAAP), net (note 17)	(4,656)
Other income	138
	<hr/>
Total nonoperating revenues (expenses), net	(10,533)

**Income before transfers and capital grants**

Transfers (note 15)	(18,693)
Capital grants and contributions	<hr/> 132,290
Increase in net position	<hr/> 173,130

**Total net position – beginning of year, as previously reported**

**Cumulative effect resulting from change in accounting for GASB 75 (note 1)**

Total net position – beginning of year, as adjusted	<hr/> 3,606,897
Total net position – end of year	<hr/> <hr/> \$ 3,780,027

See accompanying notes to financial statements.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statement of Cash Flows

Year ended September 30, 2016

(Dollars in thousands)

**Cash flows from operating activities:**

Cash received from customers	\$ 361,226
Cash paid to employees	(86,585)
Cash paid to suppliers	<u>(55,491)</u>
	<u>219,150</u>

Net cash provided by operating activities

**Cash flows from investing activities:**

Interest received	4,637
Transfer from 2005 bond reserve premiums	14,943
Return on investment in joint venture	<u>3,000</u>
	<u>22,580</u>

Net cash provided by investing activities

**Cash flows from noncapital/financing activities:**

Clean Air Action Plan (net)	(4,656)
Transfers to City Tidelands Fund	(17,772)
Miscellaneous revenues	<u>1,025</u>
	<u>(21,403)</u>

Net cash used for noncapital financing activities

**Cash flows from capital and related financing activities:**

Grants provided	160,168
Interest paid	(32,617)
Principal payments made on bonds payable	(45,360)
Payments on lines of credit	(95,000)
Payments for capital acquisitions – employees	(19,839)
Payments for capital acquisitions – vendors	(339,189)
Payment for acquisition of land for Port's new headquarters building	(8,000)
Prepaid dredging costs	(1,079)
Proceeds from sales of capital assets	<u>48</u>
	<u>(380,868)</u>

Net cash used for capital and related financing activities

Net decrease in cash and cash equivalents

Cash and cash equivalents, beginning of year

579,824

Cash and cash equivalents, end of the year

\$ 419,283

**Reconciliation of cash and cash equivalents:**

Unrestricted pooled cash and cash equivalents	\$ 335,454
Restricted pooled cash and cash equivalents	82,064
Bond reserve held by the City Treasurer	<u>1,765</u>
	<u>\$ 419,283</u>

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statement of Cash Flows

Year ended September 30, 2016

(Dollars in thousands)

Reconciliation of income from operations to net cash provided by operating activities:

Income from operations	\$ 70,066
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation and amortization	146,721
Other income (expense)	138
Decrease (increase) in accounts receivable	(643)
Decrease (increase) in receivable from prepaids	(29,283)
Decrease (increase) in inventory	(95)
(Decrease) increase in accounts payable	12,902
(Decrease) increase in accrued liabilities	(2,739)
(Decrease) Increase in accrued Claims and Judgments	8,600
(Decrease) increase in deferred revenues	1,209
(Decrease) increase in due to other funds	(2,647)
(Decrease) increase in pension liability and related deferred inflows	31,894
(Decrease) Increase in net pension liability and related deferred outflows	(20,408)
(Decrease) increase in net OPEB liability and related deferred outflows	181
(Decrease) increase in compensated absences	<u>3,254</u>
Total adjustments	<u>149,084</u>
Net cash provided by operating activities	<u><u>\$ 219,150</u></u>

Supplemental schedule of noncash transactions:

Accrued capital assets costs	\$ 60,558
Accumulated costs of the Port's new headquarters building	49,067
Capitalized interest	11,458
Amortization of bond premium	19,628
Amortization of deferred outflows on debt refunding	235
Amortization of deferred inflows on debt refunding	(792)
Contribution of land from the City	4,008

See accompanying notes to financial statements

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

#### **(1) Summary of Significant Accounting Policies**

##### ***(a) The Reporting Entity***

Article XII of the City Charter of the City of Long Beach, California (the City) created the Harbor Department of the City of Long Beach (the Department) to promote and develop the Port of Long Beach (the Port). The Department's operations are included in the City's reporting entity as an enterprise fund; its activities are conducted in the Tidelands Trust area of the City and are subject to coastal area laws of the State of California and to the terms of the trust agreement between the City and the State of California. The financial statements present only the financial activities of the Department and are not intended to present the financial position and results of operations of the City.

The Harbor Facilities Corporation (the Corporation), a nonprofit public benefit corporation, was created in November 1971 under the laws of the State of California. The Corporation was established as a financing mechanism for construction of harbor improvements. It was authorized to issue bonds, debentures, notes and other forms of debt. The Corporation has been inactive since 1995 and did not have any activity during the 2016 fiscal year. If the Corporation would have any transactions with financial implications, they would be included in the Department's financial statements.

The Department, together with the Harbor Department of the City of Los Angeles, formed a joint venture to finance the construction of the Intermodal Container Transfer Facility (ICTF). The ICTF venture has been recorded as an investment under the equity method of accounting in the accompanying financial statements (note 13).

In 1989, the cities of Los Angeles and Long Beach entered into a Joint Exercise of Powers Agreement to create the Alameda Corridor Transportation Authority (ACTA). This agreement was amended and restated in 1996. The purpose of ACTA was to acquire, construct, finance, and operate the Alameda Corridor. The Alameda Corridor consists of a 20-mile-long rail cargo expressway connecting the ports in San Pedro Bay to the transcontinental rail yards near downtown Los Angeles, and it began operating in April 2004. ACTA prepares its own financial statements, and its transactions are not included as part of the Department's financial statements (note 5).

##### ***(b) Basis of Accounting and Measurement Focus***

Disbursement of funds derived from the Department's operations is restricted to Harbor Trust Agreement purposes. The costs of providing port services are recovered entirely through leases, tariffs, and other charges assessed to Department's tenants. Consistent with U.S. generally accepted accounting principles for enterprise funds, the accounting policies of the Department conform to the accrual basis of accounting. The measurement focus of the accompanying financial statements is on the determination of changes in net position. Operating revenues and expenses are generated and incurred through cargo activities performed by port tenants; operating expenses include maintenance of facilities and infrastructure, security, and payments to other City departments for services provided to the Port. Administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as nonoperating income (expense). The Department applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and interpretations.

The Department recognizes operating revenues when they are earned. Proceeds from federal or state grants are considered as nonoperating revenues, recognized as such when reimbursable and

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

grant-eligible expenses are incurred, and are identified as capital grants in the statement of revenues, expenses, and changes in net position. Operating revenues or capital grant funds that have been received but not earned are identified as unearned revenue in the statement of net position.

#### **(c) *City of Long Beach Investment Pool***

In order to maximize investment return and in accordance with City Charter requirements, the Department pools its available cash with other City funds into the City of Long Beach Investment Pool (the Pool). The Pool is an internal investment pool that is used as a demand deposit account by participating units. Investment decisions are made by the City Treasurer and approved by a general investment committee whose membership includes a member of the Department's management. Interest income and realized and unrealized gains and losses arising from the Pool are apportioned to each participating unit based on their average daily cash balances compared to aggregate pooled cash and investments.

At September 30, 2016, the Department had equity in the Pool of \$417.5 million, which represents approximately 27.2% of the Pool.

The Department's share of the Pool is stated at fair value.

For a complete description of the Pool and its underlying investments, refer to the City of Long Beach's separately issued financial statements.

#### **(d) *Cash Equivalents***

The Department classifies its investment in the Pool as cash and cash equivalents, regardless of the underlying maturity of the Pool's investments as the pool operates as a demand account for the Department.

The Department classifies all other investments with maturities of three months or less at the time of purchase as cash equivalents. These cash equivalents are reported at amortized cost in the accompanying financial statements.

#### **(e) *Investments***

Investments are reflected at fair value using quoted market prices in active and inactive markets. Realized and unrealized gains and losses are included in the accompanying statement of revenues, expenses, and changes in net position as investment income, net.

#### **(f) *Fair Value Measurements***

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction.

The Department categorizes investments reported at fair value within the fair value hierarchy established by generally accepted accounting principles.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as follows:

- (i) *Level 1: Quoted prices for identical investments in active markets;*
- (ii) *Level 2: Observable inputs other than quoted market prices; and,*
- (iii) *Level 3: Unobservable inputs.*

#### **(g) Inventories**

Inventories of supplies are valued at the lower of average cost or market. Inventory is recorded when purchased, and expensed at the time the inventory is consumed.

#### **(h) Capital Assets**

An asset is classified as a capital asset if it is a nonconsumable, tangible item, valued at a single amount greater than \$10 thousand, and with a useful life of more than one year. Capital assets are valued at historical costs. The historical cost of acquiring an asset includes the cost necessarily incurred to bring it to the condition and location necessary for its intended use. If an asset requires a period of time in which to carry out the activities necessary to bring it to that condition and location, the interest cost incurred during that period as a result of expenditures is a part of the historical cost of acquiring the asset. Depreciation is determined using the straight-line method with no allowance for salvage values. Identifiable intangible assets are recognized as such if they are separable or when they arise from contractual or other legal right, regardless of whether those rights are transferable or separable from the entity, or from other rights and obligations. The estimated economic lives used to determine annual rates of depreciation are subject to periodic review and revision, if appropriate, to assure that the cost of the respective assets will be written off over their economic lives. Estimated useful lives used in the computation of depreciation of capital assets are as follows:

Structures and facilities:	
Bridges and overpasses	75 years
Wharves and bulkheads	40 years
Transit sheds and buildings	5–20 years
State highway connections	15 years
Others	5–50 years
Furniture, fixtures, and equipment	5–15 years

Capitalized interest, which represents the cost of borrowed funds used for the construction of capital assets, is included as part of the cost of capital assets and as a reduction of interest expense. The Department capitalized \$11.5 million in interest costs during the year ended September 30, 2016.

#### **(i) Investment in Joint Venture**

The investment in the Intermodal Container Transfer Facility Joint Powers Authority (ICTF) is accounted for using the equity method. The amount realized by the Department is proportional to the reported value and is based on the department's share of ICTF. The reported profit is proportional to the size of the equity investment.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

#### **(j) Compensated Absences**

The Department records all accrued employee benefits, including accumulated vacation, as a liability in the period when the benefits are earned. Accrued employee benefits are classified into current and noncurrent liability for financial statement presentation. The current liability in the amount of \$2.0 million as of September 30, 2016, is calculated based on a five years average of vacation taken or used annually. The Department reported \$10.9 million in noncurrent compensated absences liability as of September 30, 2016, of which \$9.3 million is for Retired Employees Health Insurance Program (REHIP) and \$1.6 million is for accrued vacation.

#### **(k) Net Position**

The Department has adopted a policy of generally utilizing restricted funds, prior to unrestricted funds, when an expense is incurred for purposes for which both are available.

The Department's net position is classified into the following categories:

Net investment in capital assets – Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and unexpended bond proceeds and economic losses of refunding of debt.

Restricted – Net position subject to externally imposed conditions or constraints that can be fulfilled by the actions of the Department or by the passage of time. The restrictions are externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or by law through constitutional provisions or enabling legislation.

Unrestricted – All other categories of net position. Additionally, unrestricted net position may be designated for use by management of the Department. These requirements limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be designated to support future operations in these areas.

#### **(l) Revenue Recognition**

The Department recognizes revenue on an accrual basis when earned. Rents, tariffs, or other miscellaneous receipts that are received in advance of earnings are unearned revenue until earned. Grant revenues are recognized in the fiscal year in which all eligibility requirements are met.

#### **(m) Allowance for Doubtful Accounts**

The allowance for doubtful accounts (allowance) is estimated at a level to absorb expected accounts receivable losses. The allowance is established to reflect the amount of the Department's receivables that management estimates will be uncollectible. The allowance is set at the greater of (1) one half of one percent (0.5%) of estimated annual operating revenues or (2) the sum of 75% of aged receivable amounts over 120 days delinquent, plus 50% of amounts over 90 days delinquent, plus 25% of amounts over 60 days delinquent, plus 10% of amounts over 30 days delinquent. In addition, management reviews the adequacy of the allowance on a monthly basis by reviewing the aging report and assesses whether any further adjustment is necessary.

To determine uncollectible amounts, the Department's Finance Division reviews all delinquent accounts in August of each year. Amounts deemed uncollectible are written off (note 3).

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

#### **(n) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### **(o) Recent Accounting Pronouncements**

##### **(i) Effective in the Current Year**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements as well as determining a fair value measurement for financial reporting purposes. The adoption of the provisions of this statement resulted in enhanced investment and fair value disclosures for the Department.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions. It also amends certain provisions of Statement No. 67 and Statement No. 68 for pension plans and pensions that are within their respective scopes. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The Department implemented all provisions of this Standard except the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 as those provisions are not required to be implemented until fiscal year 2017. This Statement had no impact on the Department's financial statements.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes new accounting and financial reporting requirements for the plans of governments whose employees are provided with OPEB. This Statement is applicable to the financial statements of the OPEB plan and is not applicable to the financial statements of the Department.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employee of other governments and parallels the pension standards issued in 2012 – GASB Statement No. 68. The requirements of this Statement are effective for financial statements

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

for period beginning after June 15, 2017. The Department early adopted of the provisions of GASB Statements No. 75 in fiscal year 2016. The provisions of this standard required the Department to report a liability for their share of the net OPEB obligation. The Harbor Department participates in the OPEB plan of the City of Long Beach and accordingly the Department has reported their share of the City's net OPEB obligation. The City's net OPEB liability is determined based on an annual actuarial study and the Department's share of the obligation is based on the departments accrued sick leave balance as of the measurement date.

As a result of the adoption of the provisions of this statement, the Department has adjusted net position as follows as of October 1, 2015:

Net Position, as previously reported	\$ 3,609,819
Effects of accounting for adoption of GASB Statement No. 75:	
Net OPEB obligation at beginning of year	_____ (2,922)
Net Position at beginning of year, as adjusted	\$ _____ 3,606,897

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. At September 30, 2016, the Department implemented all provisions of this standard except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing as those provisions are applicable to an external involvement pool sponsor and the Department does not sponsor an external investment pool. This Statement did not have a material impact on the Department's financial statement.

#### (ii) Effective in Future Years

In August 2015, the GASB issued Statement No. 77, Tax Abatement Disclosures. This Statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. This information is intended, among other things, to assist users of financial statements in assessing whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity); whether a government complied with finance related legal and contractual obligations; where a government's financial

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

resources come from and how it uses them; and a government's financial position and economic condition and how they have changed over time. The provisions of this Statement are effective for fiscal years beginning after December 15, 2015. The Department is evaluating the impact of this Standard on their financial statements.

In November 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The Department is evaluating the impact of this Standard on their financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The Department is currently evaluating the impact of this Standard on their financial statements.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. The Department is currently evaluating the impact of this Standard on their financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Department is currently evaluating the impact of this Standard on their financial statements.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

#### **(2) Cash, Cash Equivalents, and Other Investments**

The Department's cash and cash equivalents and investments as of September 30, 2016, is classified in the accompanying statement of net position as follows (in thousands):

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Equity in the City of Long Beach's Investment pool	\$ 335,454	82,064	417,518
Other cash equivalents	—	1,765	1,765
Investments held by fiscal agent	<u>—</u>	<u>73,846</u>	<u>73,846</u>
 Total cash, cash equivalents and investments	 <u>\$ 335,454</u>	 <u>157,675</u>	 <u>493,129</u>

The Department's investment policy allows funds to be invested with the City. The City's investment policy limits the permitted investments in the Investment Pool to the following: Obligations of the U.S. government, federal agencies, local agency bonds, medium-term corporate notes, certificates of deposit; bankers' acceptances, commercial paper, LAIF, repurchase agreements, reverse repurchase agreements, securities lending, asset-backed securities, mortgage-backed securities and money market mutual funds.

As of September 30, 2016 and 2015, the City's Investment Pool has weighted average maturity of less than 2 years and is not rated. The Department's investment in the Pool is not categorized.

The Department also held reserves by fiscal agent for the 2010A, 2010B, 2015C, 2015D and the 2014C Notes (note 10). At September 30, 2016, the Department's amounts held by fiscal agents totaled \$73.8 million and were invested in U.S. Treasury notes that are rated AAA and have a weighted average maturity of 1.49 years. These investments are reported at fair value using observable inputs, however, \$38.4 million are traded in nonactive markets and are accordingly categorized as a Level 2 in the fair value hierarchy. The remaining \$35.4 million are traded in active markets and therefore categorized as a Level 1 in the fair value hierarchy.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

#### (3) Accounts Receivable and Other Receivables

Accounts receivable as of September 30, 2016, included the following (expressed in thousands):

Trade accounts receivable	\$ 52,410
Less allowance for doubtful accounts	<u>(1,803)</u>
Accounts receivable, net	\$ <u>50,607</u>

Other receivables as of September 30, 2016 included the following (expressed in thousands):

Due from other governmental agencies:	
Current:	
Federal and state grants	\$ 66,290
Long term:	
Tidelands – Beaches and Waterways	<u>1,300</u>
Total due from other governmental agencies	\$ <u>67,590</u>

The due from other governmental agencies is related to the grant programs from various governmental agencies, which include, but are not limited to: The Federal Highway Bridge Program; the Trade Corridor Improvement Program; Goods Movement Emission Reduction – Proposition 1B; and the Port Security Grant Program. Funds from these grant programs are available to the Department on a reimbursement basis except the Proposition 1B: Goods Movement Emission Reduction Program. Most of these programs require a matching contribution from the Department. If the grant program will result in the transfer of title to an organization outside of the Department, a contribution is recognized on the date of transfer.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

#### **(4) Long Beach Harbor Dredging**

A project to deepen the Port of Long Beach Main Channel started in the 1990s. In 2000, Main Channel deepening work was completed except for an isolated location in the Main Channel turning basin. In 2009, the Department, City of Long Beach, and U.S. Army Corps of Engineers undertook a \$56 million dredging project to complete remaining deepening work in the Main Channel turning basin, clean up contaminated sediments in the West Basin at a location identified as IR Site 7, complete maintenance dredging at the City of Long Beach's Catalina Express Terminal, and to fill the Department's Pier G North Slip as part of the Pier G Redevelopment Program. Construction was completed in 2011. The project was completed under budget and a remaining balance of \$1.8 million as of September 30, 2016, recorded as a prepaid expense, will now be used for the Department's share of a feasibility study which will evaluate potential extensions to the Main Channel. This new project is being conducted in partnership with the U.S. Army Corps of Engineers and is called the Long Beach Deep Draft Navigation Study.

#### **(5) Alameda Corridor Right-of-Way Purchase**

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

The total purchase comprised the right of way property from the three former railroad companies and a drill track from Southern Pacific to provide an additional right of way to access local businesses along the Project. As of September 30, 2016, total costs to the Department related to the rights of way purchase amounted to \$207.0 million. Construction of the Project began in 1997 and it was completed in April 2002. Funding for the Project came from federal, state, and local sources, and from issuance of debt.

Repayment to the Ports for their investments in the right of way and for any advances provided to the Project will occur only after the Project has generated revenues sufficient to retire all debt and to fund a maintenance reserve (note 14). In December, 2014, ACTA closed escrow for the sale of a joint ownership parcel and distributed the proceeds in the amount of \$472 thousand to the Department. Refer to note 14 for additional discussion related to the guarantee the Department has made related to the Alameda Corridor Transportation Authority.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Notes to Financial Statements

September 30, 2016

**(6) Capital Assets**

Capital Assets schedule as of September 30, 2016 as follows: (expressed in thousands):

Description	Balance, October 1, 2015	Additions	Disposals/ adjustments	Transfers	Balance, September 30, 2016
Nondepreciable capital assets:					
Purchased land	\$ 450,002	12,008	—	—	462,010
Constructed land	481,545	—	—	8,363	489,908
Construction in progress	1,251,764	402,447	24	(169,347)	1,484,888
Right of way (note 5)	207,031	—	—	—	207,031
Subtotal	<u>2,390,342</u>	<u>414,455</u>	<u>24</u>	<u>(160,984)</u>	<u>2,643,837</u>
Depreciable capital assets:					
Structures and facilities	3,164,854	—	(24)	123,588	3,288,418
Furniture, fixtures, and equipment	94,699	1,122	(2,641)	37,396	130,576
Subtotal	<u>3,259,553</u>	<u>1,122</u>	<u>(2,665)</u>	<u>160,984</u>	<u>3,418,994</u>
Total capital assets	<u>5,649,895</u>	<u>415,577</u>	<u>(2,641)</u>	<u>—</u>	<u>6,062,831</u>
Less accumulated depreciation:					
Structures and facilities	1,496,305	135,252	—	—	1,631,557
Furniture, fixtures, and equipment	57,070	11,469	(2,641)	—	65,898
Total accumulated depreciation	<u>1,553,375</u>	<u>146,721</u>	<u>(2,641)</u>	<u>—</u>	<u>1,697,455</u>
Net capital assets	<u>\$ 4,096,520</u>	<u>268,856</u>	<u>—</u>	<u>—</u>	<u>4,365,376</u>

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Notes to Financial Statements

September 30, 2016

**(7) Long Term Liabilities**

**Schedule of Changes in Long - Term Liabilities (In thousands)**

Description	Balance October 1, 2015	Additions	Reductions	Balance September 30, 2016	Due in one year
Revenue bonds	\$ 587,990	—	45,360	542,630	44,905
Premium	53,393	—	7,631	45,762	—
Total Revenue Bonds	<u>641,383</u>	<u>—</u>	<u>52,991</u>	<u>588,392</u>	<u>44,905</u>
2014C Note	325,000	—	—	325,000	—
Premium	42,519	—	11,997	30,522	—
Total notes payable	367,519	—	11,997	355,522	—
Line of credit	25,000	—	—	25,000	—
Compensated absences	10,574	5,286	2,946	12,914	2,031
Net pension liability	90,470	33,700	—	124,170	—
Net OPEB Liability	2,922	181	—	3,103	—
Other long term obligation (Port Headquarters Construction Costs)	—	49,067	—	49,067	—
Total long term liability	<u>\$ 1,137,868</u>	<u>88,234</u>	<u>67,934</u>	<u>1,158,168</u>	<u>46,936</u>

**(8) 2014C Harbor Revenue Notes and Transportation Infrastructure Finance and Innovation Act Loan**

The City of Long Beach Harbor Revenue Notes Series 2014C Senior Notes (2014C Notes) are secured by the Department's gross revenues. The 2014C Notes, dated June 12, 2014, amounting to \$325.0 million plus an original issue premium of \$53.4 million, less an underwriter's discount of \$659 thousand, were issued to finance a portion of the costs of constructing a replacement bridge for the existing Gerald Desmond Bridge, to fund capitalized interest on the 2014C Notes through November 15, 2018, to refund a portion of the City of Long Beach, California Subordinate Harbor Revenue Revolving Obligations, Series A (Tax-exempt) and Series B (Tax-exempt), and to finance the costs of issuance of the 2014C Notes.

The 2014C Notes are outstanding as of September 30, 2016, and will mature on November 15, 2018 with interest payable semiannually of May 15 and November 15 at coupon rates ranging from 3.0% to 5.0%. The Series 2014C will not be subject to redemption prior to maturity.

The original issue premium is being amortized over the loan term using the effective interest method. Unamortized premium totaled \$30.5 million for the year ended September 30, 2016.

As of September 30, 2016, the balance of the service account \$40.0 million is restricted to meet debt service requirements in conformity with the note resolution.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

Scheduled annual principal note maturities and interest are summarized as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year(s) ending September 30:			
2017	\$ —	15,643	15,643
2018	—	15,643	15,643
2019	<u>325,000</u>	<u>7,822</u>	<u>332,822</u>
	<u>\$ 325,000</u>	<u>39,108</u>	<u>364,108</u>

**TIFIA Loan Commitment** – In May 2014, the Harbor Department entered into a loan agreement (the TIFIA Loan) with the United States Department of Transportation (USDOT) under the Transportation Infrastructure Finance and Innovation Act (TIFIA). Under the TIFIA Loan, the USDOT will allow the Department to borrow up to \$325.0 million, provided the amount so borrowed will be used to finance and refinance the costs related to the replacement of the Gerald Desmond Bridge, including but not limited to the repayment of the 2014C Notes. The loan is secured by a subordinate lien on the Department's gross revenues. The loan is expected to be drawn no later than one year after substantial completion of the replacement bridge currently expected in July 2018. As such, there is no outstanding liability for the TIFIA loan as of September 30, 2016. Once drawn upon, the TIFIA loan will be repaid over a period not to exceed 35 years at an interest rate of 3.42%.

### (9) Lines of Credit

In July 2013, the Board of Harbor Commissioners authorized the issuance of \$200.0 million Subordinate Harbor Revenue Revolving Obligations Series A (Tax-Exempt), Series B (Tax-Exempt), and Series C (Taxable).

Bank of America provided the Department a tax-exempt line of credit in an aggregate principal amount of \$78.0 million, and Union Bank provided the Department a tax-exempt and taxable line of credit in an aggregate principal amount of \$122.0 million. Both of these line of credit agreements were scheduled to expire on July 29, 2016. In November 2015, the Department made a repayment of \$37.5 million to Union Bank and paid off the outstanding balance of \$37.5 million to Bank of America. In June 2016, the Department made a repayment of \$20.0 million to Union Bank leaving a remaining outstanding balance of \$25.0 million.

On June 30, 2016, the Board of Harbor Commissioners approved a 3-year revolving credit agreement in connection with a tax-exempt and taxable revolving line of credit to be provided by MUFG Union Bank, N.A. in an aggregate principal amount not to exceed \$200.0 million outstanding at any one time. Both of the existing credit agreements with Bank of America and Union Bank were terminated when the Department entered into a new Credit Agreement with Union Bank in early July 2016.

The tax-exempt and taxable interest rates to be paid by the Department for borrowings under the revolving lines of credit to be provided by Union Bank will be based on a percentage of the one-month London Interbank Offered Rate (Libor).

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

As of September 30, 2016, the Department has an outstanding balance of \$25.0 million against this new revolving line of credit with Union Bank.

#### **(10) Bonded Indebtedness**

Bond premiums and discounts of long-term debt issues are amortized over the life of the related debt. The Harbor department's bonded indebtedness issues and transactions are as follows (in thousands):

##### 1998 Harbor Revenue Refunding Bonds:

Maturing 2017 through 2019 at 6.0% interest	\$ 47,030
Plus unamortized premium	<u>1,679</u>
Total 1998 Harbor Revenue Refunding Bonds	<u>\$ 48,709</u>

##### 2010A Harbor Revenue Bonds:

Maturing 2017 through 2025 at 4.0% to 5.0% interest	\$ 136,715
Plus unamortized premium	<u>8,063</u>
Total 2010A Harbor Revenue Bonds	<u>\$ 144,778</u>

##### 2010B Harbor Revenue Refunding Bonds:

Maturing 2017 through 2027 at 4.0% to 5.0% interest	\$ 127,660
Plus unamortized premium	<u>7,882</u>
Total 2010A Harbor Revenue Refunding Bonds	<u>\$ 135,542</u>

##### 2014A Harbor Revenue Refunding Bonds:

Maturing 2017 at 4.0 to 5.0% interest	\$ 12,730
Plus unamortized premium	<u>350</u>
Total 2014A Harbor Revenue Refunding Bonds	<u>\$ 13,080</u>

##### 2014B Harbor Revenue Refunding Bonds:

Maturing 2017 through 2027 at 3.0 to 5.0% interest	\$ 20,570
Plus unamortized premium	<u>2,282</u>
Total 2014A Harbor Revenue Refunding Bonds	<u>\$ 22,852</u>

##### 2015A Harbor Revenue Refunding Bonds:

Maturing 2017 through 2023 at 4.0 to 5.0% interest	\$ 44,845
Plus unamortized premium	<u>4,573</u>
Total 2015A Harbor Revenue Refunding Bonds	<u>\$ 49,418</u>

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Notes to Financial Statements

September 30, 2016

**2015B Harbor Revenue Refunding Bonds:**

Maturing 2023 through 2025 at 5.0% interest	\$ 20,130
Plus unamortized premium	<u>4,231</u>
Total 2015B Harbor Revenue Refunding Bonds	<u><u>\$ 24,361</u></u>

**2015C Harbor Revenue Bonds:**

Maturing 2026 through 2032 at 5.0% interest	\$ 66,085
Plus unamortized premium	<u>8,561</u>
Total 2015C Harbor Revenue Refunding Bonds	<u><u>\$ 74,646</u></u>

**2015D Harbor Revenue Bonds:**

Maturing 2033 through 2037 at 5.0% interest	\$ 66,865
Plus unamortized premium	<u>8,141</u>
Total 2015D Harbor Revenue Refunding Bonds	<u><u>\$ 75,006</u></u>

**Summary:**

Principal	\$ 542,630
Net premium	45,762
Less current portions of long term indebtedness	<u>44,905</u>
Net long-term bonded indebtedness	<u><u>\$ 543,487</u></u>

The Department had the following activity in bonded indebtedness for the fiscal years ended September 30, 2016 (in thousands).

Description	Balance, October 1, 2015	Additions	Reductions	Balance, September 30, 2,016	Amounts due within one year
1998	\$ 60,965	—	13,935	47,030	14,770
2010A	148,705	—	11,990	136,715	12,470
2010B	134,135	—	6,475	127,660	130
2014A	25,690	—	12,960	12,730	12,730
2014B	20,570	—	—	20,570	3,390
2015A	44,845	—	—	44,845	1,415
2015B	20,130	—	—	20,130	—
2015C	66,085	—	—	66,085	—
2015D	66,865	—	—	66,865	—
	<u>\$ 587,990</u>	<u>—</u>	<u>45,360</u>	<u>542,630</u>	<u>44,905</u>

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

#### *Annual Debt Service Requirements to Maturity – All Bonded Debt*

Scheduled annual principal bond maturities and interest are summarized as follows (in thousands):

<b>Fiscal year(s) ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 44,905	27,171	72,076
2018	47,190	24,882	72,072
2019	45,965	22,546	68,511
2020	37,300	20,135	57,435
2021	39,110	18,295	57,405
2022–thereafter	<u>328,160</u>	<u>109,201</u>	<u>437,361</u>
	<u>\$ 542,630</u>	<u>222,230</u>	<u>764,860</u>

Details of each outstanding debt issue are as follows:

**(a) 1998 Harbor Revenue Refunding Bonds**

The City of Long Beach Harbor Revenue Refunding Bonds Series 1998A (the 1998 Bonds) are secured by the Department's gross revenues. The 1998 Bonds, dated February 1, 1998, amounting to \$206.3 million were issued to refund all of the City's Harbor Revenue Bonds Series 1989A (the 1989 Bonds). The 1989 Bonds were defeased and the liability for those bonds was removed from the Department's statement of net position.

Serial bonds aggregating to \$47.0 million are outstanding and will mature on May 15 of each year from 2017 to 2019 in amounts ranging from \$13.9 million to \$16.6 million with interest payable semi-annually on May 15 and November 15 at coupon rates of 6.0%. The 1998 Bonds are not subject to optional or mandatory redemption before their respective maturity dates.

The bond resolution requires the Department to maintain sufficient funds in order to meet current and maximum annual debt service payments. As of September 30, 2016, the Department has allocated \$6.6 million and \$17.6 million to a debt service account and reserve account, respectively.

The refunding of the 1989 Bonds resulted in a difference between the reacquisition price and net carrying amount on the old debt of \$8.6 million. The difference between the reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported in the accompanying statements of net position as component of deferred outflow of resources. As of September 30, 2016, \$1.1 million remained as a deferred outflow to be amortized.

**(b) 2010A Harbor Revenue Bonds**

The City of Long Beach Harbor Revenue Bonds Series 2010A (the 2010A Bonds) are secured by the Department's gross revenues. The 2010A Bonds, dated March 31, 2010, amounting to \$200.8 million were issued to finance certain capital improvements at the Port, to fund a reserve fund for the Series 2010A Bonds, and to pay the costs of issuing the Series 2010A Bonds.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

Serial bonds aggregating to \$136.7 million will mature on May 15 of each year from 2017 to 2025 in amounts ranging from \$12.5 million to \$18.3 million with interest payable semiannually on May 15 and November 15 at coupon rates ranging 3.0% to 5.0%.

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

The bond resolution requires the Department to maintain sufficient funds in order to meet current and maximum annual debt service requirement. As of September 30, 2016, \$7.2 million and \$19.5 million were allocated to the debt service account and reserve account respectively.

#### **(c) 2010B Harbor Revenue Refunding Bonds**

The City of Long Beach Harbor Revenue Refunding Bonds Series 2010B (the 2010B Bonds) are secured by the Department's gross revenues. The 2010B Bonds, dated April 29, 2010, amounting to \$158.1 million were issued to refund \$63.1 million aggregate principal amount of the City's Harbor Revenue Bonds, Series 2002B, \$12.1 million aggregate principal amount of the City's Harbor Revenue Refunding Bonds, Series 2004A, and \$78.4 million aggregate principal amount of the City's Harbor Revenue Refunding Bonds, Series 2005A, to fund a reserve fund for the Series 2010B Bonds; and to pay the costs of issuing the Series 2010B Bonds.

The difference between the reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported in the accompanying statement of net position as of September 30, 2016. The remaining balance of \$3.6 million is to be amortized in the statement of net position as a component of deferred outflow of resources.

Serial bonds aggregating to \$127.7 million will mature on May 15 of each year from 2017 to 2027 in amounts ranging from \$130 thousand to \$24.0 million with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 4.0% to 5.0%.

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

The bond resolution requires the Department to maintain sufficient funds in order to meet current and maximum annual debt service requirements. As of September 30, 2016, \$2.4 million and \$16.1 million were allocated to debt service account and reserve account, respectively.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

#### **(d) 2014A Harbor Revenue Refunding Bonds**

The City of Long Beach Harbor Revenue Senior Bonds Series 2014A (the 2014A Bonds) are secured by the Department's gross revenues. The 2014A Senior Bonds, dated April 24, 2014, amounting to \$38.5 million were issued in conjunction with the 2014B Senior Bonds described below to (a) (i) refund all of the City of Long Beach, California, Harbor Revenue Bonds, Series 2002B, which were outstanding in the aggregate principal amount of \$43.4 million, (a) (ii) the City of Long Beach, California, Harbor Revenue Refunding Bonds, Series 2004A, which were outstanding in the aggregate principal amount of \$13.1 million, and (a) (iii) the City of Long Beach, California, Harbor Revenue Refunding Bonds, Series 2004B, which were outstanding in the aggregate principal amount of \$32.0 million (collectively, the Refunded Bonds), and (b) pay the costs of issuing the 2014A Bonds.

The difference between the reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported in the accompanying statement of net position as of September 30, 2016, \$541.3 thousand remained as a deferred inflow to be amortized in the statement of net position as a component of deferred inflow of resources.

Serial bonds aggregating to \$12.7 million will mature on May 15, 2017 with interest payable semiannually on May 15 and November 15 at coupon rates of 5.0%.

The 2014A Bonds will not be subject to redemption prior to their respective maturity dates.

The bond resolution requires maintaining sufficient funds to meet current and maximum annual debt service requirements. As of September 30, 2016, \$5.0 million was allocated to debt service account.

#### **(e) 2014B Harbor Revenue Refunding Bonds**

The City of Long Beach Harbor Revenue Senior Bonds Series 2014B (the 42014B Bonds) are secured by the Department's gross revenues. The 2014B Bonds, dated April 24, 2014, amounting to \$20.6 million were issued in conjunction with the 2014A Bonds described above to refund all of (a) (i) the City of Long Beach, California, Harbor Revenue Bonds, Series 2002B, which were outstanding in the aggregate principal amount of \$43.4 million, (a) (ii) the City of Long Beach, California, Harbor Revenue Refunding Bonds, Series 2004A, which were outstanding in the aggregate principal amount of \$13.1 million, and (a) (iii) the City of Long Beach, California, Harbor Revenue Refunding Bonds, Series 2004B, which were outstanding in the aggregate principal amount of \$32.0 million (collectively, the Refunded Bonds), and (b) pay the costs of issuing the 2014 Bonds.

Serial bonds aggregating to \$20.6 million will mature on May 15 of each year from 2017 to 2027 in amounts ranging from \$940 thousand to \$7.7 million with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 3.0% to 5.0%.

The difference between reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported in the accompanying statements of net position as of September 30, 2016, \$635 thousand remained as a deferred inflow to be amortized in the statements of net position as a component of deferred inflows.

The 2014B Bonds maturing on or before May 15, 2024 are not subject to redemption prior to maturity. The 2014B Bonds maturing on or after May 15, 2025 are subject to redemption prior to maturity, at the

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

option of the Board, as a whole or in part on any date, on or after May 15, 2024, at a redemption price equal to 100% of the principal amount of the 2014B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemptions without premium.

The bond resolution requires the Department to maintain sufficient fund in order to meet current and maximum annual debt service requirement. As of September 30, 2016, \$1.6 million was allocated to a debt service account.

#### **(f) 2015A Harbor Revenue Refunding Bonds**

The City of Long Beach Harbor Revenue Senior Bonds Series 2015A (the 2015A Bonds) are secured by the Department's gross revenues. The 2015A Bonds, dated April 16, 2015, amounting to \$44.8 million were issued in conjunction with the 2015B Bonds described below and other available moneys to (a) current refund and/or defeased all or a portion of the Series 2005 Senior Bonds, and (b) pay the costs of issuing the 2015 Bonds. This refunding was undertaken to reduce total debt service payments over the next 10 years by \$36.2 million and resulted in an economic gain of \$12.1 million.

Serial bonds aggregating to \$44.8 million will mature on May 15 of each year from 2017 to 2023 in amounts ranging from \$1.4 million to \$14.4 million with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 4.0% to 5.0%.

The difference between reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported as a deferred inflow of \$1.6 million in the accompanying statement of net position as of September 30, 2016.

The 2015A Bonds are not subject to redemption prior to maturity.

The bond resolution requires maintaining sufficient funds to meet current and maximum annual debt service requirements. As of September 30, 2016, \$3.6 million was allocated to a debt service account.

#### **(g) 2015B Harbor Revenue Refunding Bonds**

The City of Long Beach Harbor Revenue Senior Bonds Series 2015B (the 2015B Bonds) are secured by the Department's gross revenues. The 2015B Bonds, dated April 16, 2015, amounting to \$20.1 million, were issued in conjunction with the 2015A Bonds described above and other available money to (a) current refund and/or defeased all or a portion of the Series 2005 Senior Bonds, and (b) pay the costs of issuing the 2015 Bonds. Even though this refunding resulted in an increase of \$845 thousand in the total of debt service payments over the next 10 years, it resulted in an economic gain of \$1.7 million.

Serial bonds aggregating to \$20.1 million will mature on May 15 of each year from 2023 to 2025 in amounts ranging from \$3.3 million to \$9.8 million with interest payable semiannually on May 15 and November 15 at coupon rates of 5.0%.

The difference between reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported in the accompanying statement of net position as of September 30, 2016, \$305 thousand remained as a deferred inflow to be amortized in the statement of net position as a component of deferred inflows.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

The 2015B Bonds are not subject to redemption prior to maturity.

The bond resolution requires the Department to maintain sufficient funds in order to meet current debt service requirement. As of September 30, 2016, \$1.1 thousand was allocated to a debt service account.

#### **(h) 2015C Harbor Revenue Bonds**

The City of Long Beach Harbor Revenue Senior Bonds Series 2015C (the 2015C Bonds) are secured by the Department's gross revenues. The 2015C Bonds, dated July 15, 2015, amounting to \$66.1 million were issued in conjunction with the 2015D Bonds (the Series 2015 Senior Revenue Bonds) described above to (a) pay and/or reimburse the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department at the Port of Long Beach including, but not limited to, the Series 2015 Projects, and/or repaying all or a portion of the outstanding Series A Subordinate Obligations and Series B Subordinate Obligations and (b) paying the financing costs and the costs of issuing the Series 2015 Senior Revenue Bond.

Serial bonds aggregating to \$66.1 million will mature on May 15 of each year from 2026 to 2032 in amounts ranging from \$6.9 million to \$16.8 million with interest payable semiannually on May 15 and November 15 at coupon rates of 5.0%.

The Series 2015 Senior Revenue Bonds are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, or after May 15, 2025, at a Redemption Price equal to 100% of the principal amount of the Series 2015 Senior Revenue Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current debt service requirement. As of September 30, 2016, \$1.2 thousand was allocated to a debt service account.

#### **(i) 2015D Harbor Revenue Bonds**

The City of Long Beach Harbor Revenue Senior Bonds Series 2015D (the 2015D Bonds) are secured by the Department's gross revenues. The 2015D Bonds, dated July 15, 2015, amounting to \$66.9 million were issued in conjunction with the 2015C Bonds (the Series 2015 Senior Revenue Bonds) described above to (a) pay and/or reimburse the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department including but not limited to, the Series 2015 Projects, and/or repaying all or a portion of the outstanding Series A Subordinate Obligations and Series B Subordinate Obligations and (b) paying the financing costs and the costs of issuing the Series 2015 Senior Revenue Bond.

Serial bonds aggregating to \$66.8 million will mature on May 15 of each year from 2033 to 2042 in amounts ranging from \$5.3 million to \$8.2 million with interest payable semiannually on May 15 and November 15 at coupon rates of 5.0%.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

The Series 2015 Senior Revenue Bonds are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, or after May 15, 2025, at a Redemption Price equal to 100% of the principal amount of the Series 2015 Senior Revenue Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current debt service requirement. As of September 30, 2016, \$1.3 million was allocated to a debt service account.

#### (11) Retirement Program

##### (a) Pension Plan

###### (i) Plan Description – Public Employees’ Retirement System (CalPERS)

The City contributes to the California Public Employees’ Retirement System (CalPERS) agent multiple-employer defined benefit pension plan. The City is considered the employer and the Department is a department of the City. The Department’s employees are enrolled in the City Miscellaneous Plan. CalPERS provides retirement benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City resolution. All City departments are considered collectively to be a single employer, and the Department’s pension elements are determined as the Department’s percentage of the City as a single employer.

CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment, age at retirement and final compensation. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The cost of living adjustments for the plan is applied as specified by the Public Employees’ Retirement Law.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

The Miscellaneous Plan's provisions and benefits in effect at September 30, 2016, are summarized in the following table:

Hire date	<b>Miscellaneous</b>		
	<b>Tier 1 Prior to October 1, 2006</b>	<b>Tier 2 On or after October 1 2006 and prior to January 1 2013</b>	<b>Tier 3 On or after January 1 2013</b>
Benefit formula	2.7% at 55	2.5% at 55	2.0% at 62
Benefit vesting schedule		5 years of service	
Benefit payments		Monthly for life	
Retirement age	50–55	50–55	52–60
<b>Required contribution rates</b>			
Employee	8.0 %	8.0 %	6.5 %
Employer	16.288 %	16.288 %	16.288 %
<b>Percentage of eligible compensation</b>			
Monthly benefits	2.0% to 2.7%	2.0% to 2.5%	1.0% to 2.0%

*Contributions* – California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

*(ii) Allocation Methodology*

The City used a calculated percentage based on the Department's share of the pensionable compensation to the City's total pensionable compensation amounts for each plan, to provide the Department's net pension liability and related GASB 68 accounting elements. The Department's proportionate share totaled 19.8% as of September 30, 2016.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

*(iii) Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows Related to Pensions*

The City's net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the plan's fiduciary net position. Net pension liability is measured as of June 30, 2016 (measurement date), using the actuarial valuation report as of June 30, 2015, rolled forward using standard update procedures. The Department's share of the net pension liability for the Miscellaneous Plan was \$90.5 million at the beginning of the measurement period and \$124.2 million at September 30, 2016. For the measurement period ending June 30, 2016 (the measurement date) the Department incurred pension expense of \$10.0 million.

As of September 30, 2016, the Department had deferred outflows and deferred inflows related to pensions as follows (in thousands):

Deferred outflows of resources:

Pension contributions after measurement date	\$ 2,072
Difference between actual and expected CalPERS investment returns	32,351
CalPERS change in proportion	<u>2,707</u>
Total deferred outflows of resources	<u>\$ 37,130</u>

Deferred inflows of resources:

CalPERS difference between actual and expected experience	\$ 6,332
CalPERS change in assumptions	<u>2,309</u>
Total deferred inflows of resources	<u>\$ 8,641</u>

Exclusive of deferred outflows related to payments after the measurement date, which will be recognized in pension expense in the following year, the net amount of deferred outflows (inflows) of resources related to pensions that will be recognized in pension expense during the next four years is as follows (in thousands):

Measurement period ended	June 30		Total
2017	\$ 2,790		
2018	8,065		
2019	9,748		
2020	<u>5,814</u>		
Total	<u>\$ 26,417</u>		

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

#### (iv) *Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

A summary of principal assumptions and methods used to determine the net pension liability is as follows:

<b>Miscellaneous</b>	
Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Discount rate	7.65 %
Inflation	2.75
Payroll growth	3.00
Projected salary increase	Varies by entry age and service
Investment rate of return	7.50* <sup>1</sup>
Mortality	See note* <sup>2</sup>

\*<sup>1</sup> Net of Pension Plan Investment and Administrative Expenses; includes inflation

\*<sup>2</sup> The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale AA.

For more details on this table, refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 Actuarial Valuation Report were based on the results of an actuarial experience study for the period from 1997 to 2011. Further details of the experience study can be found on the CalPERS website.

*Discount Rate* – The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB Statement No. 68 section.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

The table on the following page reflects the long-term expected real rate of return by asset class for the Miscellaneous Plan. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<b>Asset class</b>	<b>New strategic allocation</b>	<b>Real return years 1–10 a</b>	<b>Real return years 11+ b</b>
Global equity	51.0 %	5.25 %	5.71 %
Global fixed income	20.0	0.99	2.43
Inflation sensitive	6.0	0.45	3.36
Private equity	10.0	6.83	6.95
Real estate	12.0	4.50	5.13
Infrastructure and forestland	—	4.50	5.09
Liquidity	1.0	(0.55)	(1.05)

a An expected inflation of 2.5% used for this period

b An expected inflation of 3.0% used for this period

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following table presents the net pension liability of the City's Miscellaneous plan as of the measurement date, calculated using the discount rate of 7.65%, compared to a discount rate that is 1% age point lower (6.65%) or 1% age point higher (8.65%). Amounts shown below are for the City's Miscellaneous plan in thousands:

<b>Sensitivity to Net Pension Liability</b>		
<b>Net pension liability</b>	<b>Total</b>	
1% Decrease (6.65%)	\$	185,995
Current discount rate (7.65%)		124,170
1% Increase '(8.65%)		72,934

### **(b) Postretirement Healthcare Benefits (OPEB)**

#### *(i) Plan Description*

The Department participates in the City of Long Beach Retiree Health Care plan (the Plan), a single-employer plan administer by the City of Long Beach. The Plan covers all eligible full-time employees of the City. City Council has the authority to establish and amend the benefit terms currently permitted by Ordinance No. C-7556.

#### *(ii) Benefits Provided*

The Plan provides health, dental and long-term care insurance for retirees and their dependents as long as (a) that employee participated in a City provided insurance program of that type (PPO or HMO) during the year immediately preceding retirement, (b) has not attained the eligibility age for Medicare payments, and (c) has attained the minimum retirement age for the employee's

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

retirement plan. Benefits are administered through a third-party provider, and the full cost of the benefits is covered by the Plan.

(iii) *Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources Related to OPEB*

At September 30, 2016, the Department reported a total OPEB liability of \$3.1 million for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of June 30, 2016 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2015. The Department's proportion of the total OPEB liability was based on the Department's share of sick leave balances. At June 30, 2016, the Department's proportion was 6.9%.

For the year ended September 30, 2016, the Department recognized OPEB expense of \$257 thousand. At September 30, 2016, the Department reported \$86 thousand of deferred outflows of resources related to OPEB from contributions made subsequent to the measurement date. Amounts reported as deferred outflows and deferred outflows related to OPEB from the Department's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the year ending September 30, 2017.

(iv) *Actuarial Assumptions*

The total OPEB liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions.

Valuation date	September 30, 2014, rolled forward to September 30, 2015	
Measurement date	September 30, 2015	
Actuarial cost method	Entry age	
Actuarial assumptions:		
Inflation	3.00 %	
Discount rate	3.76 %	Based on Fidelity Municipal Bond GO AA 20-year Bond Index
Payroll increases	Aggregate Merit	3.25 %
Mortality	CalPERS 1997-2011 experience study	CalPERS 1997-2011 experience study
Healthcare trend rate	7.5% to 7.8%	

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

**(v) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.**

The following presents the total OPEB liability of the Department, as well as what the Department's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.76%) or 1-percentage-point higher (4.76%) than the current discount rate (in thousands):

	<b>1 Percent decrease <u>(2.76%)</u></b>	<b>Discount rate <u>(3.76%)</u></b>	<b>1 Percent increase <u>(4.76%)</u></b>
Total OPEB liability	\$ 3,396	3,103	2,836

**(vi) Sensitivity of the total OPEB Liability to Changes in the Healthcare Cost Trend Rates.**

The following presents the total OPEB liability of the Department, as well as what the Department's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5% decreasing to 5.0% for non-Medicare plans or 6.8% decreasing to 5.0% for Medicare plans) or 1-percentage-point higher (8.5% decreasing to 5.0% for non-Medicare plans or 8.8% decreasing to 5.0% for Medicare plans) than the current healthcare cost trend rates:

	<b>1 Percent decrease <u>(6.5% to 6.8%)</u></b>	<b>Healthcare cost trend rate <u>(7.5% to 7.8%)</u></b>	<b>1 Percent increase <u>(8.5% to 8.8%)</u></b>
Total OPEB liability	\$ 2,757	3,103	3,508

**(c) Termination Benefits**

As of September 30, 2016, the City has recorded a liability in the Employee Benefits Internal Service Fund of \$135.2 million based on an actuarial study of current and future retiree accumulated sick leave in accordance with GASB Statement No. 16, Accounting for Compensated Absences (GASB 16). The liability takes into account an estimate of future usage, additional leave accumulation, and wage increases for both current retirees and active employees.

The actuarial study assumes an investment return of 4.3% and wage increases of 3.3% per year for safety employees. The \$135.2 million long-term portion of the liability is being funded over time through burden rates, applied as a percentage of current productive salaries, and charged to the various City funds.

For the year ended September 30, 2016, the Department has recorded a liability of \$9.3 million as compensated absence, which represents the Department's share of this liability.

**(d) Deferred Compensation Plan**

The City offers its employees the option to participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457 allowing them to defer or postpone receipt of income. Amounts deferred may not be paid to the employee during employment with the City except for

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

a catastrophic circumstance creating an undue financial hardship for the employee. Further information regarding the City's deferred compensation plan may be found in the City's Comprehensive Annual Financial Report for the years ended September 30, 2016.

### **(12) Operating Leases**

The major portion of the Department's property is leased to others. Such property includes marine terminal facilities, special-purpose facilities, office and commercial space, and land.

Some marine terminal facilities are leased under agreements that provide the tenants with preferential but not exclusive use of the facilities. Some leases provide for rentals based on gross revenues or, in the case of marine terminal facilities, on annual usage of the facilities. The leases and the preferential assignments generally provide for minimum rentals.

Property under lease at September 30, 2016 consisted of the following (expressed in thousands):

Land	\$	477,493
Docks and wharves		658,814
Warehouses and sheds		24,244
Cranes and shiploaders		68,910
Buildings and other facilities		805,937
Infrastructure		<u>1,443,113</u>
Historical cost of leased property		3,478,511
Less accumulated depreciation		<u>(1,521,045)</u>
Book value of leased property	\$	<u>1,957,466</u>

The future minimum rental income under noncancelable operating leases having an initial term in excess of one year is as follows (expressed in thousands):

2017	\$	332,813
2018		333,106
2019		333,195
2020		327,785
2021		325,160
2022–2026		1,431,811
2027–2031		586,997
2032–2036		414,913
2037 and thereafter		<u>1,213,468</u>
Total	\$	<u>5,299,248</u>

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

#### (13) Investment in Joint Venture

##### *Intermodal Container Transfer Facility Joint Powers Authority (ICTF)*

The Department and the Harbor Department of the City of Los Angeles (the Ventures) entered into a joint venture agreement to form ICTF for the purposes of financing and constructing an intermodal container transfer facility (the Facility) to transfer cargo containers between trucks and railroad cars. The Facility has been leased to Southern Pacific, now merged with Union Pacific (the Tenant). The Facility was developed by the Tenant who assumed operational responsibility for the Facility. The Ventures' share net income and equity distributions from ICTF equally. The Department's share of the ICTF's net position at September 30, 2016 totaled \$5.2 million. Separate ICTF financial statements for the year ended June 30, 2016 can be obtained from the Department.

#### (14) Commitments and Contingencies

The Department is subject to claims and lawsuits arising from the normal course of business. The City Attorney's office evaluates these claims on a regular basis. Department management may make provision for probable losses if deemed appropriate on advice of legal counsel. To the extent that such provision for damages is considered necessary, appropriate amounts are reflected in the accompanying financial statements. Based upon information obtained from the City Attorney with respect to remaining cases, it is the opinion of management that the estimated liability for unreserved claims and suits will not have a material impact on the financial statements of the Department.

Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. Based on an opinion from legal counsel, the Department reserved a litigation claim liability of \$8.6 million for fiscal year 2016, of which \$7.6 million relates to construction claims.

Contract commitments and purchase orders for which materials or services were not received at September 30, 2016 aggregated \$78.1 million.

##### **(a) Risk Management**

The Department currently carries an all-risk property insurance program covering loss or damage by fire and other risks (excluding earthquake and flood) with a loss limit of \$1.3 billion. The coverage also includes terrorism exposure. The Department also carries two Builder's Risk insurance programs, which cover property under construction in the Port. One policy, specific to the construction of the Gerald Desmond Bridge replacement, has an overall policy limit of \$781.1 million that includes an earthquake limit of \$65.0 million. The second policy is a master builder's risk insurance program that covers all other Port of Long Beach construction projects currently underway. The coverage limit for each construction project in this program is equivalent to the contract's contract price. The maximum per project coverage, without express underwriter approval, is \$125.0 million, exclusive of earthquake coverage.

To address third-party liability exposure, an excess liability insurance program is carried by the Department with total limits of \$150.0 million in excess of \$1.0 million self-insured retention. The excess liability insurance program covers the Department's operations and includes acts of terrorism within the \$150.0 million limit. In addition, the Department carries specialized insurance policies providing coverage for damage to owned vessels, damage to other vessels, and pollution liability.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

The amount of settlements reached by the Department did not exceed the amount of insurance coverage in any of the past three fiscal years.

Following is a summary of insurance coverage for the Department (in thousands):

Insurance coverage for fire and other risks	\$ 1,323,435
Builder's risk for Gerald Desmond Bridge project	781,122
Builder's risk for other projects	125,000
Comprehensive general liability	150,000
Self-insured retention	1,000

Port tenants, contractors, and vendors are required to carry various types and levels of insurance, including general liability insurance on leased premises. The insurance must include coverage for bodily injury and property damage liabilities, and name the City, its Board of Harbor Commissioners, and the Department's officers and employees as additional insured.

The Department participates in the City's self-insured workers' compensation program. During fiscal years 2016, it made payments to the City's Insurance Fund totaling \$1.7 million, for permanent and temporary Department employees. Amounts in the City's Insurance Fund are accumulated to meet losses as they arise.

#### **(b) Potential Obligations Related to the Alameda Corridor Transportation Authority**

The Alameda Corridor Use and Operating Agreement was executed by the Department, the Harbor Department of the City of Los Angeles (Port of Los Angeles), ACTA, and the Burlington Northern Santa Fe and Union Pacific Railroads (the railroads) in 1998. This agreement provides for a payment of funds, known as a "Shortfall Advance," to be made, under certain circumstances, to ACTA by the Department and the Port of Los Angeles. Revenues generated by use fees and container charges, paid by the railroads, will be used to pay debt service on ACTA financing, to establish and maintain bond repayment and reserve funds, to establish and replenish a reserve account, and to pay ACTA's reasonable expenses relating to administration of the rail corridor.

To the extent that the revenues from use and container charges are not sufficient to meet ACTA's obligations, the Department and the Port of Los Angeles have agreed to advance the funds necessary to make up the difference. This obligation began after completion of the corridor project and is limited to a total of 40% of the total annual debt service, with the Department and the Port of Los Angeles each responsible for one-half or 20% of the total amount due in such calendar year.

Prior to April 1 of each year, ACTA is required to provide a Notice of Estimated Shortfall Advances and Reserve Account Funding (the Notice); estimates included in the Notice are dependent upon the accuracy of the assumptions used in their formulation. It is anticipated that there will be differences between estimates and actual results; the differences may be material. The most recent Notice date May 25, 2016 indicates that there is no projected shortfall for ACTA's fiscal year ending June 30, 2017. Any Shortfall Advance made by the Department and the Port of Los Angeles is reimbursable, with interest, by ACTA.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

On May 24, 2016 ACTA issued the Series 2016 Bonds and restructured a portion of its debt. It potentially reduced the frequency and amount of future Shortfall Advances.

In 2011 and 2012 the Department funded Shortfall Advances of \$2.95 million each year. The balance reimbursable by ACTA of \$5.9 million for the previously paid Shortfall Advances remained unchanged as of September 30, 2016.

#### **(c) Gerald Desmond Bridge Replacement Project**

The Gerald Desmond Bridge Replacement Project consists of replacing the existing four-lane Gerald Desmond Bridge, which spans the Port's Main Channel, with a new six-lane bridge. Currently, the Gerald Desmond Bridge is only two lanes in each direction with no shoulder and, depending on tide conditions, is too low to accommodate passage of the largest ships. The new bridge is being built with a cable-stayed design under a design-build contract and will feature three lanes in each direction for improved traffic flow, emergency lanes on both the inner and outer shoulders in each direction to reduce traffic delays and safety hazards from accidents and vehicle breakdowns, a 200-foot vertical clearance to accommodate the world's largest vessels, a reduction in the bridge's steep grades, and a bicycle/pedestrian path with scenic overlooks. Additional improvements include reconstruction of the Terminal Island East Interchange and a new interchange with the 710 Freeway. Construction of the new bridge began in 2014 and is expected to be completed by the end of 2018.

The bridge budget is \$1.467 billion and is a joint effort between Caltrans and the Department. The Department anticipates that funding of the project will come from numerous sources, including, Federal and State grants, and state sources, but local matching funds will also be required. Commitments from these funding sources total \$935.2 million and are available as reimbursement for expenditures on the bridge project. As these expenditures are incurred, amounts eligible for reimbursement from the funding sources are recognized as capital grant revenues in the accompanying statement of revenues, expenses, and change in net position. As of September 30, 2016, the Department has incurred approximately \$880.9 million in costs to construct the replacement bridge with an increase of \$162.5 million during the year ended September 30, 2016. Of this total amount, approximately \$532.4 million has been recognized as capital grant revenue from inception, with \$95.7 million reported as part of due from other governmental agencies on the statement of net position as of September 30, 2016.

Upon completion of the Gerald Desmond Bridge Replacement Project, the agreement with Caltrans provides for transfer of ownership of the new bridge to Caltrans assuming all conditions of the agreement are met. Additionally, the Department has agreed to pay Caltrans all operation and maintenance costs with respect to the new bridge for a 30-year period commencing on the date ownership of the new bridge is transferred to Caltrans.

#### **(15) Transfers to the City**

The City Council, by authority of City Charter Chapter XII, Section 1209 (c)(4) as amended, and with the approval of the Board of Harbor Commissioners (the Board), adopted a resolution to transfer 5% of the Department's operating revenue to the City's Tidelands Operating Fund. The Department accrued \$18.0 million as transfers during fiscal year 2016 to the City Tidelands Fund to be paid in fiscal year 2017. In addition, the Department transferred \$660 thousand to the City for a City wide light and power project.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

#### **(16) Environmental Mitigation Credits**

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

Subsequently, an agreement between the Department, the Port of Los Angeles, and several federal and state regulatory agencies provided for the Department's purchase of land located within the wetlands restoration project at the Bolsa Chica Wetlands in Orange County, California. The 38 acres land was purchased for an additional \$11.4 million and transferred to the state in return for environmental mitigation credits to allow for the construction of landfill in the outer harbor area.

The Department has utilized \$9.6 million of environmental credits for completed capital projects within the port boundaries to date with zero amount utilized in fiscal year 2016. While no further acquisition of environmental credits or utilization of credits has occurred, some existing credits will be used in completing the Middle Harbor project that is underway and projected for completion in fiscal year 2019; other credits will be used in future projects.

#### **(17) Clean Air Action Plan (CAAP)**

In 2006, the Long Beach Board of Harbor Commissioners adopted the Green Port Policy, a commitment to reduce the Port's impact on the environment and the community. In 2006, the Long Beach and Los Angeles Boards of Harbor Commissioners approved the San Pedro Bay Clean Air Action Plan (CAAP), which has led to major air-quality successes at both Ports. Diesel particulate matter, nitrogen oxides and sulfur oxides have been reduced by 81% from 2005 levels, based on 2013 emissions studies. The Plan includes the landmark Clean Truck Program (CTP), a successful changeover to a low emission truck fleet; the Green Flag Vessel Speed Reduction Program to reduce air pollution emissions from ships; the building of shore power facilities allowing ships to shut down diesel-fueled auxiliary engines and plug into electric power while at-berth known as cold-ironing and the use of the world's first diesel-electric hybrid tugboats. CAAP revenue is generated predominately from fees paid by drayage truck operators in order to register their trucks and gain access to port terminals. CAAP expenses relate primarily to CTP lease subsidies for certain truck operators, as well the CAAP related administrative costs. The diesel and alternative fuel/LNG trucks financed through CTP 7-year lease subsidy program will come to the end of lease in August 2017. As of September 30, 2016, a total of \$2.0 million contingent liability was recorded, of which \$1.6 million is for the lease end residual values of 72 returned trucks, and \$0.4 million is for 13 trucks in default.

#### **(18) Deferred Outflows/Inflows of Resources**

The deferrals of accounting gains and losses are related to cumulative bond refunding activity from current year and prior year bonds. The deferred outflows and deferred inflows of resources related to net pension liability are certain changes in total pension liability and fiduciary net position of the pension plan that are to be recognized in future pension expense.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2016

The schedule of deferrals as of September 30, 2016 (expressed in thousands):

Deferred outflows of resources:

CalPERS – Loss on debt refunding	\$ 4,668
Difference of expected and actual investment for pension plan investment	32,351
Pension contribution after measurement date	2,072
CalPERS – change in proportion	2,707
OPEB contributions after measurement date	<u>86</u>
	<u>\$ 41,884</u>

Deferred inflows of resources:

Gain on debt refunding	\$ 3,020
CalPERS – Change in assumptions	2,309
CalPERS – differences between actual and expected experience	<u>6,332</u>
	<u>\$ 11,661</u>

### **(19) Port Headquarter Building and Civic Center Project**

During fiscal 2016, the Harbor and the City entered into a multi-party Public-Private Partnership (P3) agreement (Project Agreement) with an unrelated third party that will result in the construction of a new headquarters building for the Port of Long Beach (Harbor), City Hall, Main Library, and a revitalized Lincoln Park (the Project). The Project Agreement requires Plenary Edgemore Civic Partners, LLC (PECP) to arrange for the financing of the Civic Center Project through privately placed taxable debt and equity.

The estimated \$522.5 million Project comprises two components; a new \$221.8 million new Harbor headquarters building and a \$300.7 million City project consisting of a City Hall, new Main Library and revitalized Lincoln Park (City Project Assets). Certain common areas will be jointly owned by both the City and the Harbor. The Project Agreement requires PECP to design, build, operate, and maintain the Civic Center complex.

The new Harbor headquarters building has a scheduled completion/occupancy date of June 2019. Upon occupancy of the Harbor Headquarters building, the Harbor will be required to make a one-time payment of \$212.6 million, net of a \$9.2 million payment from the City, to PECP. This payment will be made from Harbor cash and investments on hand or possible future borrowings.

The Harbor will also pay PECP for various operating and maintenance and life-cycle replacement costs related to the Harbor Headquarters building and for the Harbor's portion of the jointly owned common areas. These costs, referred to as FM charges, have a fixed component totaling \$71 thousand a month and a variable component ranging from zero to \$128 thousand a month depending on the scope of lifecycle costs. The FM charges are also to be paid over a 40-year term.

For accounting purposes, due to the build-to-suit nature of the Project Agreement coupled with the Project being constructed on Harbor owned land, the Harbor is deemed to be the owners of the Project during construction. Accordingly, at September 30, 2016, the Harbor has recorded construction-in-progress and a corresponding long-term obligation of \$49.1 million for its share of construction contract costs to date.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Notes to Financial Statements

September 30, 2016

**(20) Subsequent Events**

The Department has evaluated subsequent events through March 27, 2017, the date the financial statements were available to be issued.



# Required Supplemental Section

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

OPEB Liability and Related Ratios<sup>1</sup>

(As of September 30, dollars in thousands)

Last 10 Years <sup>1, 2</sup>

(Unaudited)

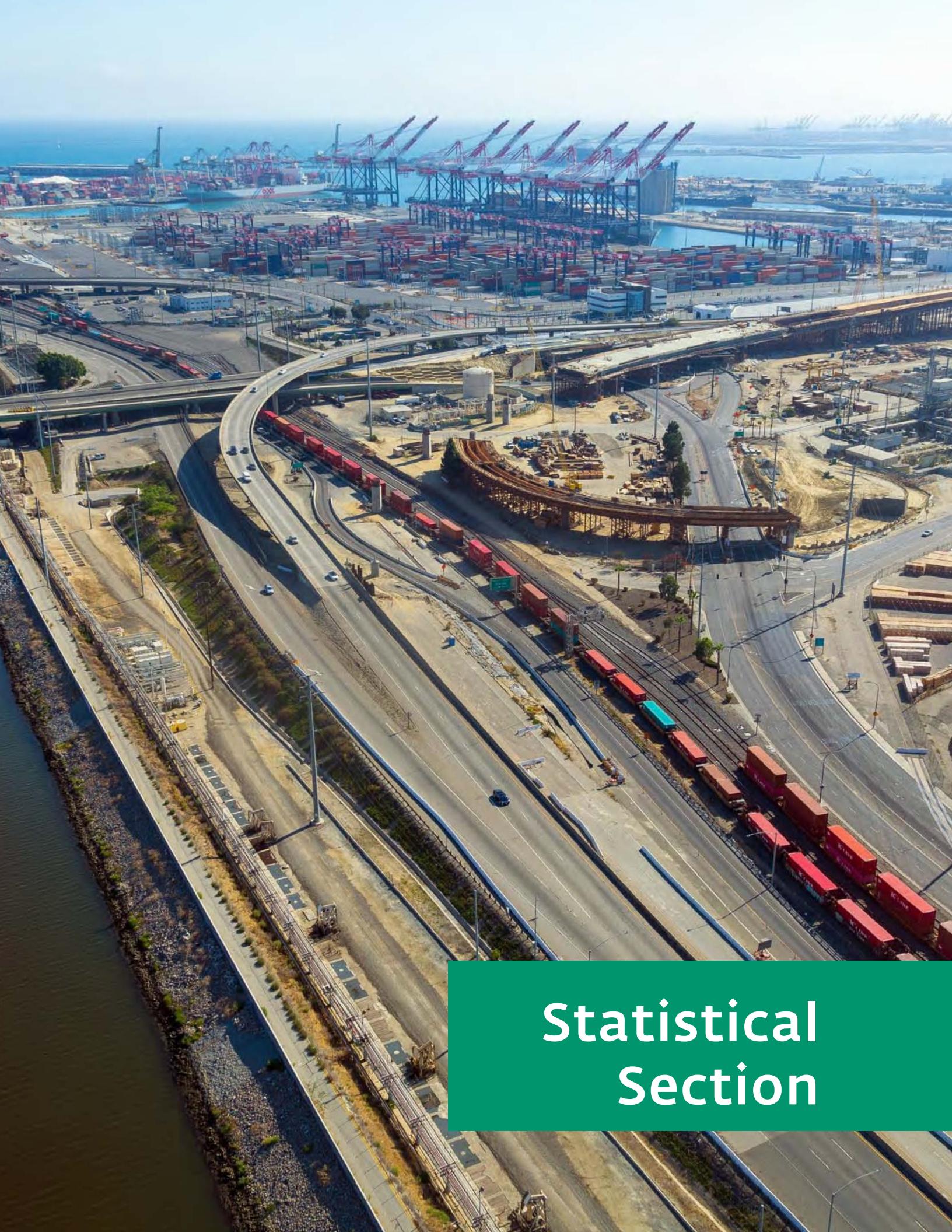
	<b>2016</b>
Department's percentage of total city OPEB liability	6.9 %
Department's total OPEB liability – ending	\$ 3,103
Department covered-employee payroll	47,203
Total department OPEB liability as a percentage of covered payroll	6.6 %

Notes to schedule:

<sup>1</sup> No assets are accumulated in a trust to pay related benefits

<sup>2</sup> Fiscal year 2016 was the first year of implementation.

See accompanying independent auditors' report.



# Statistical Section

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

## Statements of Net Position

Last Ten Fiscal Years

(In Millions)

(Unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Assets and deferred outflows:</b>										
Current	\$ 487	501	453	441	673	634	581	1,005	1,068	1,049
Other	4,550	4,474	4,229	3,612	2,931	2,858	2,883	2,403	2,336	2,339
Deferred outflows	42	22	10	11	13	—	—	—	—	—
Total assets and deferred outflows	\$ 5,079	4,997	4,692	4,064	3,617	3,492	3,464	3,408	3,404	3,388
<b>Liabilities and deferred inflows:</b>										
Current	\$ 111	100	123	153	123	104	108	135	206	155
Current – restricted*	61	60	67	61	59	58	57	56	54	57
Long term	1,115	1,215	1,037	672	641	678	751	791	841	1,033
Deferred inflows	12	15	3	—	—	—	—	—	—	—
Total liabilities and deferred inflows	\$ 1,299	1,390	1,230	886	823	840	916	982	1,101	1,245
<b>Net position:</b>										
Net investment in capital assets	\$ 3,442	3,077	2,975	2,848	2,105	1,916	1,859	1,487	1,440	1,269
Restricted	90	265	199	62	157	178	208	197	153	208
Unrestricted	248	267	289	269	531	558	481	744	710	666
Total net position	\$ 3,780	3,609	3,463	3,179	2,793	2,652	2,548	2,428	2,303	2,143
Working capital	\$ 376	401	330	288	550	530	473	871	862	894
Current ratio	2.8	3.1	2.4	2.1	3.7	3.9	3.5	5.3	4.1	4.9
Debt to asset ratio	28.3 %	30.9 %	29.0 %	24.5 %	28.0 %	29.4 %	31.8 %	40.9 %	47.1 %	53.2 %

\* Current liabilities payable from restricted assets.

Source: Finance Division, Harbor Department.

See accompanying independent auditors' report.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Changes in Fund Net Position

Last Ten Fiscal Years

(In Millions)

(Unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating revenue	\$ 361	355	357	346	334	345	321	312	359	371
Operating expense	291	271	227	188	176	166	185	184	196	180
Income from operations	70	84	130	158	158	179	136	128	163	191
Other income/(expense)	(15)	39	(12)		(16)	(50)	(13)	(15)	(24)	(68)
Capital grants	132	121	178	251	14	7	19	11	4	10
Investment earnings	5	4	7	1	3	5	8	19	33	43
Transfers to City Tidelands Fund	(19)	(18)	(18)	(17)	(17)	(37)	(30)	(19)	(16)	(15)
Change in net position	\$ 173	230	285	393	142	104	120	124	160	161
Return on investment	— %	7.4 %	9.4 %	14.4 %	6.7 %	5.2 %	6.2 %	8.7 %	13.0 %	14.7 %
Capital expenditures (Includes personnel costs)	\$ 367	363	552	792	373	228	273	189	92	171
Personnel:										
Wages and benefits *	\$ 62	55	48	45	43	42	41	39	34	29

\* from operations

Source: Finance Division, Harbor Department.

See accompanying independent auditors' report.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

## Operating Revenue by Type

Last Ten Fiscal Years

(In Millions)

(Unaudited)

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Berth and special facilities:</b>										
Wharfage	\$ 323	313	308	297	268	280	257	243	289	298
Dockage	8	11	11	12	12	12	11	13	14	16
Bunkers	1	—	1	1	1	2	2	2	2	2
Special facilities rentals	16	16	14	12	28	23	21	20	22	22
Crane rentals	—	2	13	13	13	13	13	13	13	13
Other	1	1	1	1	—	—	—	—	—	—
Total berths and special facilities	349	343	348	336	322	330	304	291	340	351
Rental properties	10	10	9	9	10	14	14	16	14	15
Miscellaneous	3	2	1	1	2	2	3	4	4	4
<b>Total operating revenue</b>	<b>\$ 362</b>	<b>355</b>	<b>358</b>	<b>346</b>	<b>334</b>	<b>346</b>	<b>321</b>	<b>311</b>	<b>358</b>	<b>370</b>
Growth (reduction)%	1.5	(1.1)	3.4	3.6	(3.5)	7.4	3.3	(13.1)	(3.2)	5.1
<b>Special facility revenue by terminal commodity:</b>										
Containers	\$ 275	270	280	268	256	267	247	233	280	290
Liquid bulk	17	17	16	17	17	16	17	18	18	19
Dry bulk	29	29	26	26	24	22	19	20	18	18
Vehicles	15	14	13	12	13	10	10	10	10	11
Steel	8	8	8	8	8	8	6	7	9	9
Lumber	1	1	1	1	1	1	1	1	1	1
Miscellaneous	3	3	3	3	3	1	4	2	5	5
<b>Total special facility revenue</b>	<b>\$ 348</b>	<b>342</b>	<b>347</b>	<b>335</b>	<b>322</b>	<b>325</b>	<b>304</b>	<b>291</b>	<b>341</b>	<b>353</b>

Source: Finance Division, Harbor Department.

See accompanying independent auditors' report.

**Exhibit 4****THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

## Revenue Bonds Debt Service Coverage

Last Ten Fiscal Years

(Millions of Dollars)

(Unaudited)

<b>Fiscal year</b>	<b>Revenues (a)</b>	<b>Maintenance costs (b)</b>	<b>Net revenues (a–b)</b>	<b>Revenue bonds debt service</b>	<b>Times debt service covered</b>
2016	\$ 365	145	220	89	2.47
2015	359	134	225	80	2.81
2014	360	108	252	81	3.11
2013	349	98	251	81	3.10
2012	337	87	250	80	3.13
2011	350	81	269	80	3.36
2010	330	98	232	82	2.83
2009	330	98	232	82	2.83
2008	393	116	277	93	2.98
2007	414	97	317	91	3.48

- (a) Total port operating revenue and interest earned only.  
 (b) Port operating expenses net of depreciation and amortization.

Source: Finance Division, Harbor Department.

See accompanying independent auditors' report.

**Exhibit 5**

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Tonnage Summary

Last Ten Fiscal Years

(Millions of Dollars)

(Unaudited)

<b>Fiscal year</b>	<b>Inbound tonnage</b>			<b>Outbound tonnage</b>			<b>POLB Total</b>
	<b>Municipal</b>	<b>Private*</b>	<b>Total</b>	<b>Municipal</b>	<b>Bunkers</b>	<b>Total</b>	
2016	\$ 122,937	—	122,937	36,733	1,652	38,385	161,322
2015	124,525	—	124,525	38,436	1,313	39,749	164,274
2014	122,244	—	122,244	42,415	867	43,282	165,526
2013	119,504	—	119,504	41,910	843	42,753	162,257
2012	107,283	—	107,283	36,947	914	37,861	145,144
2011	112,962	192	113,154	39,717	1,546	41,263	154,417
2010	108,278	209	108,487	36,667	2,412	39,079	147,566
2009	99,835	233	100,068	33,077	2,110	35,187	135,255
2008	118,563	654	119,217	41,605	2,088	43,693	162,910
2007	132,923	362	133,285	37,292	2,460	39,752	173,037
Average annual growth	(0.4)%	— %	(0.4)%	1.6 %	(1.0)%	1.2 %	(0.1)%

Metric revenue ton= 1 metric ton or 1 cubic meter; whichever is the basis for tariff assessment.

\* Private berth information is no longer available. Revenues from private berth leases are revenues of the terminal operator and not part of the Port's revenue. Beginning in 2012, the Port implemented a new automated billing system that no longer collects private berth statistics.

Source: Finance Division, Harbor Department.

See accompanying independent auditors' report.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Tonnage by Commodity Group and Vessel Calls

Last Ten Fiscal Years

(Thousands of Metric Revenue Tons)

(Unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	Total	Average annual growth
Containerized:												
In	93,614	95,798	94,310	91,047	77,910	83,482	79,058	69,354	88,398	99,523	872,494	5.9 %
Out	29,400	29,307	31,262	30,525	27,584	29,623	28,251	24,800	33,234	28,293	292,279	7.8
Other breakbulk:												
In	1,008	1,039	1,002	854	917	752	814	869	1,570	1,931	10,756	(5.5)%
Out	99	101	92	108	98	827	613	644	619	743	3,944	(6.9)
Liquid bulk:												
In	27,971	27,479	26,696	27,398	28,197	28,585	28,138	29,139	27,782	29,536	280,921	— %
Out	3,203	3,521	2,995	3,197	2,466	3,239	4,151	3,800	3,924	5,064	35,560	4.0
Dry bulk:												
In	344	209	235	259	259	333	393	653	1,458	2,230	6,373	(14.1)%
Out	5,684	6,820	8,934	8,869	7,713	7,576	6,148	5,996	5,925	5,717	69,382	7.9
Total:												
In	122,937	124,525	122,243	119,558	107,283	113,152	108,403	100,015	119,208	133,220	1,170,544	6.7 %
Out	38,386	39,749	43,283	42,699	37,861	41,265	39,163	35,240	43,702	39,817	401,165	4.4
Vessel calls*	2,227	2,676	2,752	3,425	3,993	4,758	4,826	4,933	5,140	5,653	40,383	
Annual growth/decline	(0.17)%	(2.76)%	(19.65)%	(14.22)%	(16.08)%	(1.41)%	(2.17)%	(4.03)%	(9.07)%	1.16 %		
TEU's	6,946	7,088	6,818	6,648	5,857	6,298	5,936	5,282	6,737	7,362	64,972	
TEU annual growth/decline	(0.02)%	3.96 %	2.56 %	13.51 %	(7.00)%	6.10 %	12.38 %	(21.60)%	(8.49)%	2.72 %		

\* Beginning in FY2014 only billable vessel calls are included in the total vessel call number.

Metric revenue ton= 1 metric ton or 1 cubic meter; whichever is the basis for the tariff assessment.

See accompanying independent auditors' report.

## Exhibit 7

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Metric Revenue Tons and Container Counts

Last Ten Fiscal Years

(In thousands)

(Unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Municipal berths <sup>1:</sup>										
Foreign	\$ 93,928	98,464	104,245	101,027	91,490	96,908	91,335	82,621	103,777	116,834
Coastwise/intercoastal	29,009	26,061	17,998	18,477	15,793	16,054	16,733	17,214	14,785	16,088
Total inbound cargo	122,937	124,525	122,243	119,504	107,283	112,962	108,068	99,835	118,562	132,922
Outbound cargo:										
Foreign	32,737	33,592	37,067	36,769		36,210	33,340	29,557	37,529	32,233
Coastwise/intercoastal	3,996	4,843	5,348	5,141	3,270	3,507	3,536	3,519	4,075	5,060
Bunkers	1,653	1,313	867	843	1,311	1,546	2,412	2,110	2,088	2,460
Total outbound cargo	38,386	39,748	43,282	42,753	4,581	41,263	39,288	35,186	43,692	39,753
Total municipal cargo	161,323	164,273	165,525	162,257	111,864	154,417	147,356	135,021	162,254	172,675
Private berths <sup>1:</sup>										
Inbound	—	—	—	—	—	192	209	233	654	362
Outbound	—	—	—	—	—	—	—	—	—	—
Total private cargo	—	—	—	—	—	192	209	233	654	362
Grand total	\$ 161,323	164,273	165,525	162,257	111,864	154,417	147,356	135,254	162,908	173,037
Container count summary (000's) <sup>2</sup>										
Loaded inbound TEUs	\$ 3,514	3,596	3,523	3,420	2,932	3,139	2,982	2,612	3,338	3,742
Loaded outbound TEUs	1,538	1,528	1,664	1,671	1,491	1,582	1,485	1,332	1,782	1,472
Total loaded	5,052	5,124	5,187	5,091	4,423	4,721	4,467	3,944	5,120	5,214
Full containers annual growth	— %	(1.2)%	1.9 %	15.1 %	(6.3)%	5.7 %	13.3 %	(23.0)%	(1.8)%	6.1 %
Total empty	1,894	1,964	1,631	1,557	1,434	1,577	1,469	1,338	1,617	2,148
Empty containers annual growth	— %	20.4 %	4.8 %	8.6 %	(9.1)%	7.3 %	9.8 %	(17.2)%	(24.7)%	(4.6)%
Total TEUs	\$ 6,946	7,088	6,818	6,648	5,857	6,298	5,936	5,282	6,737	7,362
Annual growth	— %	4.0 %	2.6 %	13.5 %	(7.0)%	6.1 %	12.4 %	(21.6)%	(8.5)%	2.7 %

<sup>1</sup> Metric revenue tons is equal to either 1,000 kilograms or one cubic meter.<sup>2</sup> A TEU represents a twenty-foot equivalent unit.

Source: Finance Division, Harbor Department.

See accompanying independent auditors' report.

**Exhibit 8****THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

## Principal Customers

(Unaudited)

<b>Port's Largest Customers</b>	<b>Effective date</b>	<b>Expiration date</b>
CEMEX Construction Materials Pacific, LLC – CEMEX USA	09/1981	08/2021
Chemoil Corporation	07/2010	06/2025
Crescent Terminals, Inc.	07/2000	Month-to-Month
CSA Equipment	02/2013	02/2023
Energia Logistics Ltd.	01/2013	Month-to-Month
International Transportation Service, Inc.	09/2006	08/2026
Jacobsen Pilot Service, Inc.	08/1982	07/2017
Koch Carbon, Inc.	01/1988	12/2027
OOCL, LLC – Long Beach Container Terminal, LLC	07/2011	09/2051
Metropolitan Stevedore Company	09/2014	09/2034
MCC Terminal, Inc – Mitsubishi Cement Corporation	06/1989	06/2022
Oxbow Carbon & Minerals, LLC	09/2014	09/2029
Pacific Maritime Services – Pacific Container Terminal	05/2002	04/2022
SA Recycling, LLC	11/1994	11/2019
SSA Terminals, LLC – SSA Terminal C60/Matson Navigation	05/2002	04/2022
SSA Terminals (Long Beach), LLC	12/2002	12/2027
Tesoro Refining & Marketing	01/1995	Month-to-Month
Tesoro Refining & Marketing Co – Tesoro Logistics LP	01/2012	01/2022
Carson Cogeneration Company – Tesoro Refining & Marketing	06/1983	05/2023
Total Terminals International, LLC	08/2002	08/2027
Toyota Logistics Services	01/2009	12/2028

Contractual obligations between the Port and its customers prevent the Port from releasing information related to tenant's revenue.

Source: Real Estate Division, Harbor Department.

See accompanying independent auditors' report.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Number of Employees by Division/Bureau

Last Ten Fiscal Years

(Unaudited)

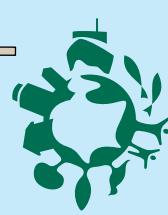
	*1 2016	*2 2015	2014	2013	2012	2011	2010	2009	2008	2007
Executive administration	18.0	17.0	11.9	9.3	15.4	17.3	15.6	16.3	13.6	11.8
Growth/decline	0.06 %	42.86 %	27.96 %	(39.61)%	(10.98)%	10.90 %	(4.29)%	19.85 %	15.25 %	40.48 %
Government affairs										
Growth/decline	3.0	4.0	4.0	4.0	4.0	3.4	3.8	3.9	3.3	2.8
Finance and administration bureau:										
Finance	25.0	26.0	24.5	24.9	26.0	21.2	17.9	15.5	14.2	14.4
Human resources	—	—	17.4	16.3	17.0	17.8	17.6	16.9	15.3	13.3
Information management	22.0	22.0	20.6	20.8	21.0	18.6	18.0	13.1	7.3	7.1
Real estate	9.0	8.0	8.8	9.0	9.0	8.0	7.3	6.1	6.7	7.1
Risk management	10.0	10.0	8.3	7.6	8.0	7.0	6.4	6.0	5.2	4.0
Subtotal bureau	66.0	66.0	79.6	78.6	81.0	72.6	67.2	57.6	48.7	45.9
Growth/decline	— %	n/a	1.27 %	(2.96)%	11.57 %	8.04 %	16.67 %	18.28 %	6.10 %	3.61 %
Engineering bureau:										
Construction management	46.0	46.0	—	—	—	—	—	—	—	—
Design	49.0	47.0	—	—	—	—	—	—	—	—
Maintenance	92.0	85.0	—	—	—	—	—	—	—	—
Program delivery/surveys	25.0	25.0	—	—	—	—	—	—	—	—
Program management	28.0	25.0	—	—	—	—	—	—	—	—
Project controls	11.0	9.0	—	—	—	—	—	—	—	—
Engineering design and maintenance	—	1.0	—	—	—	—	—	—	—	—
Engineering	—	—	140.7	128.8	128.0	117.1	115.2	109.7	105.3	103.9
Subtotal bureau	251.0	238.0	140.7	128.8	128.0	117.1	115.2	109.7	105.3	103.9
Growth/decline	5.46 %	69.15 %	9.24 %	0.63 %	9.31 %	1.65 %	5.01 %	4.18 %	1.35 %	5.27 %
Environmental affairs and planning bureau:										
Environmental planning	24.0	23.0	—	—	—	—	—	—	—	—
Transportation planning	6.0	6.0	—	—	—	—	—	—	—	—
Master planning	5.0	6.0	31.7	30.6	31.0	30.3	28.6	25.3	21.1	19.6
Subtotal bureau	35.0	35.0	31.7	30.6	31.0	30.3	28.6	25.3	21.1	19.6
Growth/decline	— %	10.41 %	3.59 %	(1.29)%	2.31 %	5.94 %	13.04 %	19.91 %	7.65 %	16.67 %
Commercial operations bureau										
Business development	13.0	11.0	—	—	—	—	—	—	—	—
Communications	—	—	15.0	12.8	14.0	14.8	14.7	14.1	13.0	11.6
Maintenance	—	—	76.3	81.1	81.0	76.8	72.7	72.1	69.6	68.3
Marketing	—	—	—	—	—	—	—	—	—	—
Security	74.0	80.0	68.0	71.2	76.5	69.8	63.8	58.7	50.7	47.5
Tenant services	9.0	9.0	—	—	—	—	—	—	—	—
Trade relations	—	—	19.3	16.5	16.0	14.9	15.8	15.6	14.5	13.7
Subtotal bureau	96.0	100.0	178.6	181.6	187.5	176.3	167.0	160.5	147.8	141.1
Growth/decline	(4.00)%	(44.01)%	(1.65)%	(3.15)%	6.35 %	5.57 %	4.05 %	8.59 %	4.75 %	(3.16)%
Communications bureau:										
Communications	14.0	16.0	—	—	—	—	—	—	—	—
Government relations	—	—	—	—	—	—	—	—	—	—
Marketing	—	—	—	—	—	—	—	—	—	—
Subtotal bureau	14.0	16.0	—	—	—	—	—	—	—	—
Growth/decline	— %	n/a	— %	— %	— %	— %	— %	— %	— %	— %
HR & Team development bureau:										
Human resources	17.0	18.0	—	—	—	—	—	—	—	—
Team development	1.0	—	—	—	—	—	—	—	—	—
Subtotal bureau	18.0	18.0	—	—	—	—	—	—	—	—
Growth/decline	— %	n/a	— %	— %	— %	— %	— %	— %	— %	— %
Part-time/temporary	35.3	38.0	25.5	29.4	13.0	18.9	27.3	27.7	30.6	21.2
Growth/decline	(7.03)%	49.02 %	(13.27)%	126.15 %	(31.22)%	(30.77)%	(1.44)%	(9.48)%	44.34 %	(1.04)%
Number of employees	536.3	532.0	472.0	462.3	459.9	435.9	424.7	401.0	370.4	346.3
Growth/decline	0.81 %	2.10 %	0.52 %	5.51 %	2.64 %	5.91 %	8.26 %	6.96 %	2.40 %	0.12 %

\*1 2015 represents year-end count

\*2 2006-2014 represent annual average count

Source: Human Resources, Harbor Department.

See accompanying independent auditors' report.



Port of  
**LONG BEACH**  
The Green Port



4801 Airport Plaza Drive • Long Beach • CA 90815  
[www.polb.com](http://www.polb.com)

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## OF THE LONG BEACH WATER DEPARTMENT

A Department of the City of Long Beach, California



**Long Beach Water**

Exceptional Water • Exceptional Service

For The Fiscal Year Ended  
September 30, 2016



Long Beach Water Department  
1800 East Wardlow Road  
Long Beach, CA 90807  
<http://www.lbwater.org>

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Front cover design created by: Ivy Nguyen, Graphic Design Intern

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE  
LONG BEACH WATER DEPARTMENT  
(A Department of the City of Long Beach, California)**

**For the Fiscal Year Ended  
SEPTEMBER 30, 2016**

**CHRISTOPHER J. GARNER  
General Manager**

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**Prepared by the Finance Division  
of the  
Business Bureau**

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## **INTRODUCTORY SECTION**

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# **Comprehensive Annual Financial Report**

**of the**

## **Long Beach Water Department (A Department of the City of Long Beach, California)**

**For the Fiscal Year Ended September 30, 2016**

### **Table of Contents**

<b>Introductory Section</b>	<b><u>Page</u></b>
Table of Contents .....	i
Letter of Transmittal .....	iv
GFOA Certificate of Achievement for Excellence in Financial Reporting .....	xiii
Organization Chart .....	xiv
Board of Water Commissioners and Staff .....	xv
<b>Financial Section</b>	
Independent Auditors' Report.....	1
Management Discussion and Analysis.....	4
Financial Statements:	
Statements of Net Position .....	22
Statements of Revenues, Expenses, and Changes in Fund Net Position .....	24
Statements of Cash Flows.....	25
Notes to Financial Statements.....	27

## **Table of Contents**

(continued)

### **Statistical Section (Unaudited)**

	<u>Page</u>
<b><u>Financial Trends</u></b>	<b>55-64</b>
<b><u>Exhibit</u></b>	
1 Changes in Net Position – Water Fund - Last Ten Fiscal Years .....	57
2 Changes in Net Position – Sewer Fund - Last Ten Fiscal Years.....	58
3 Net Position by Component – Water Fund - Last Ten Fiscal Years .....	59
4 Net Position by Component - Sewer Fund - Last Ten Fiscal Years .....	60
5 Water Fund Revenue by Type - Last Ten Fiscal Years.....	61
6 Sewer Fund Revenue by Type - Last Ten Fiscal Years .....	62
7 Water Fund Expenses by Type - Last Ten Fiscal Years .....	63
8 Sewer Fund Expenses by Type - Last Ten Fiscal Years.....	64
<b><u>Revenue Capacity</u></b>	<b>65-71</b>
<b><u>Exhibit</u></b>	
9 Source of Water (Pumped, Purchased, and Reclaimed) and Consumption - Last Ten Fiscal Years .....	67
10 Water Rates: Volumetric Rate Charges - Last Ten Fiscal Years.....	68
11 Water Rates: Daily Service Charges by Size - Last Ten Fiscal Years .....	68
12 Water Rates: Daily Fireline Service Charge by Size .....	69
13 Ten Largest Water Users in the City of Long Beach Current Year and Nine Years Ago.....	69
14 Ten Largest Reclaimed Water Users in the City of Long Beach Current Year and Nine Years Ago.....	70
15 Sewer Rates: Volumetric Rate Charges & Capacity Charges - Last Ten Fiscal Years .....	70
16 Sewer Rates: Daily Service Charges by Size - Last Ten Fiscal Years.....	71
17 Ten Largest Sewer Users in the City of Long Beach Current Year and Nine Years Ago.....	71

## Table of Contents

(continued)

### Debt Capacity Information 73-78

#### Exhibit

18	Water Fund Debt Service Coverage - Last Ten Fiscal Years.....	75
19	Sewer Fund Debt Service Coverage - Last Ten Fiscal Years .....	76
20	Water Fund Ratios of Outstanding Debt by Type - Last Ten Fiscal Years ....	77
21	Sewer Fund Ratios of Outstanding Debt by Type - Last Ten Fiscal Years ...	77

### Demographic and Economic Information 79-82

#### Exhibit

22	Demographic Statistics - Last Ten Fiscal Years.....	81
23	Major Employers - Current Year and Nine Years Ago.....	82
24	Number of Employees by Fund.....	82

### Operating Information 83-88

#### Exhibit

25	Water Demand - Last Ten Fiscal Years .....	85
26	Metropolitan Water District's Rate Changes - Last Ten Fiscal Years.....	86
27	Water Replenishment District Assessment (Pump Tax) – Last Ten Fiscal Years.....	86
28	Operating and Capital Assets Statistics - Water Fund – Last Ten Fiscal Years.....	87
29	Operating and Capital Assets Statistics - Sewer Fund – Last Ten Fiscal Years.....	87
30	Infrastructure Maintenance and Improvements - Last Ten Fiscal Years .....	88



**Long Beach Water Department**  
The Standard in Water Conservation &  
Environmental Stewardship

DATE March 24, 2017

TO Board of Water Commissioners  
FROM B. Anatole Falagan, Assistant General Manager  
SUBJECT Approval of Comprehensive Annual Financial Report for the fiscal years ended September 30, 2016

Management is pleased to present the Comprehensive Annual Financial Report (CAFR) of the Long Beach Water Department (Department), for the fiscal year ended September 30, 2016. The Department's financial statements are also included in the City of Long Beach (the City) Financial Statements as enterprise funds (Water Fund and Sewer Fund).

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The accompanying financial statements have been audited by KPMG LLP, an independent certified public accounting firm. KPMG LLP has issued an unmodified ("clean") opinion on the Department's financial statements for the fiscal year ended September 30, 2016. The independent auditors' report is located at the front of the financial section of this report.

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

## **THE REPORTING ENTITY**

During the early years of the 20<sup>th</sup> Century, Long Beach began establishing itself as an up-and-coming area that seemed destined to someday become a large city. In order to sustain the expected growth that would occur in future years, it was critical that the City identify and secure a reliable source of water. In recognizing the importance of this, on June 27, 1911, Long Beach voters approved an \$850,000 bond issuance to purchase two private water companies that had been providing water supplies to the Long Beach population. Three days later, on June 30, 1911, the Long Beach city council approved an emergency ordinance creating the Long Beach Water Department, thereby giving the City its own municipal water agency that would regulate and control the use, sale and distribution of water owned or controlled by the City.

Twenty years later, in 1931, two additional significant milestones came to pass for the Department. The first was the creation of the Long Beach Board of Water Commissioners (Board), which governs the Department and is comprised of five members appointed by the Mayor, subject to confirmation by the City Council. Members of the Board serve overlapping five-year terms to provide continuity of operations. That same year, the City also became one of the original 13 founding members of the Metropolitan Water District of Southern California (MWD). Joining MWD would allow the Department to eventually acquire imported water as a supplement to the City's groundwater supplies.

In February 1988, the Department assumed the responsibility of the various functions of the City's sanitary sewer system, including operations and maintenance. In April 1990, the citizens of Long Beach passed a City Charter amendment that allowed greater autonomy for the Department in administering the City's sanitary sewer operations.

The Department's service area encompasses the boundaries of the City of Long Beach, the seventh largest city in State, with an area of approximately 50 square miles and a population of 474,140 with some customers outside the City limits. The Department is not subject to regulation by the California Public Utilities Commission.

## **LOCAL ECONOMY**

The City has a diverse economic base as both a major industrial center and popular beach resort area. In addition, the Port of Long Beach, along with its related commercial and international trade activities, strengthens the local economy. Further, the City has been successful in building and maintaining a substantial tourist and convention business. This diversification helped the City to weather the effects of the national recession. Continuing positive trends in both the State and local economies indicate slow and steady economic growth for the near future. As an older, established and geographically built-out City, the Department's customer base is relatively stable and is comprised of eighty-eight percent (88%) residential

accounts, with the remaining twelve percent (12%) comprised of commercial, industrial, irrigation and other accounts. The residential accounts comprise approximately sixty-nine percent (69%) of the Department's total potable water sales. Further information on the local economy is provided in the City of Long Beach CAFR, of which the Department is a component unit.

## **WATER SUPPLY**

The Department meets the needs of its customers through an increasingly diverse portfolio of water resources. Local groundwater, combined with imported supplies, water recycling and water conservation are used in combination to meet the water demands within the service area.

### ***Drought Related Developments***

Long Beach water demand peaked in 1990, but water demand has been declining ever since. The reduced water demand can be attributed to a combination of a steady commitment to water conservation efforts by the Department and statewide droughts in 1990-1991, 2007-2009, and 2015-2016, each of which triggered a sharp decrease in water demand. Conservation efforts have included aggressive public outreach and incentive programs for water saving measures. The Water Department will continue these efforts to incorporate the conservation success into a sustained change in consumption behavior.

Reduced water usage due to conservation does result in reduced revenues. At the same time, those reductions are also offset by a reduction in operating expenses as a result of less imported water purchases from Metropolitan Water District (MWD).

Additionally, the Department managed discretionary budget expenses to minimize initial budget and rate impacts from reduced consumption. The Water Department's budget and rate structure is based annually on cost recovery and on State law governing water utility rate setting (Proposition 218).

The following subsections provide an overview of the Department's water resources.

### ***Groundwater***

Ownership of water rights allows approximately 60% of Long Beach's water supply needs to be produced from groundwater wells located within the City. Before it reaches our customers' taps, local groundwater must journey many miles from its source high up in the mountains. Rain and snow-melt from the San Gabriel Mountains watershed travel through washes and creeks into the San Gabriel River and the Whittier Narrows Basin. From there it percolates underground through sand and water beds where it begins a lengthy subsurface journey to Long Beach. High-powered pumps then extract it from 31 active groundwater wells and pump it to our groundwater treatment plant.

During the 1940's and 1950's the population grew and the increased water demand in the San Gabriel Valley significantly reduced the flows southward to the Central Basin, contributing to falling water tables. In 1959, to protect this vital source of local water supply, the Board initiated a lawsuit against major water producers in the San Gabriel Valley to guarantee water supplies to Central Basin producers.

Parties to the lawsuit negotiated a settlement which provided the basis of a stipulated judgment (the "Long Beach Judgment") rendered by the Superior Court on October 8, 1965. By separate action, a committee of Central Basin producers reached an agreement for voluntary reduction of pumpage within the basin to restore and protect the water table and to expedite the above judgment to permanently prevent excessive pumping. The reduction in pumping began October 1, 1962. The two events were of major importance in securing local water supplies for the City. The Department is the largest producer of water in the Central Basin.

### ***Imported Supplies***

Another portion of the City's potable (drinking) water supply is treated water purchased from MWD. This water originates from two sources: the Colorado River Aqueduct and the State Water Project (SWP).

Through its 242-mile long system, the Colorado River Aqueduct provides up to a billion gallons of water a day to residents and businesses in Southern California's coastal plain. Water is taken in at Lake Havasu and carried to the reservoir facilities at Lake Mathews. The State Water Project delivers water originating from the Oroville Dam and Reservoir and the Sacramento River Delta. The SWP is an intricate network of dams, pumping plants, reservoirs, hydroelectric plants, the Sacramento and San Joaquin Rivers and 440 miles of aqueducts that carry water to several Southern California reservoirs.

### ***Water Recycling***

Effective water recycling helps stretch the potable water supply; that is the primary reason the Department launched a reclaimed water system in 1978. In FY2016, the Department served approximately 2.5 billion gallons of reclaimed water to a variety of users throughout the City.

Water that would otherwise flow to the ocean and be wasted is reclaimed and used to irrigate park land, golf courses, freeway landscaping and school grounds, which reduces our dependence on imported water. Since 2005, recycled water treated at the Leo J. Vander Lans Advanced Water Treatment Facility (LVLAWTF) has partially replaced the use of imported water at the Alamitos Barrier, an engineered freshwater pressure ridge and seawater trough constructed to prevent seawater intrusion into the Central Basin and neighboring Orange County Groundwater Basin. In 2015, LVLAWTF was expanded, providing the operational flexibility to meet the needs of the Alamitos Barrier almost entirely with recycled water, minimizing the need of imported water.

### ***Conservation***

The Department has an aggressive water conservation program that offers a variety of opportunities to conserve water across different sectors of the community and for both indoor and outdoor water uses.

Single-family and multi-family customers together are responsible for approximately two-thirds of the City's demand for water. Several of the Department's programs provide rebates to residential customers towards the purchase of water-efficient toilets and washing machines.

Close to half of single-family residential water use is estimated to be for landscape irrigation. The Department provides, at no cost to the customers, very well attended and well received classroom instruction on the design, installation, and maintenance of water-efficient California-friendly landscapes. The Department has also developed and implemented an award-winning Lawn-to-Garden program whereby customers can apply for an incentive to replace up to 1,500 square feet of turf with a California-friendly landscape. Incentives are also offered for customers to change traditional spray irrigation systems to water-efficient drip irrigation.

In addition to promoting conservation to residential and landscape accounts, we work closely with commercial, industrial and institutional (CII) customers to help them conserve water. The Department has encouraged conservation through targeted direct marketing, through rebates for water conserving devices, and has consistently promoted conservation in the business community through advertisements and other promotional means.

Long Beach Water Department promotes water use efficiency with many community partners, including schools, organizations and businesses. The Department takes pride in its award-winning outreach efforts, including supporting community functions, making presentations at local and regional events, and marketing through print, digital and social media strategies.

### **WATER QUALITY**

A primary objective of the Department is to deliver to our customers water that meets or exceeds all Federal and State standards. The Department continues to be recognized as a leader in the area of water quality. Our extensive testing and Quality Assurance/Quality Control program ensures that water delivered to our customers is of the highest possible quality.

The Long Beach Groundwater Treatment Plant is a state of the art water treatment facility, including four advanced water quality laboratories. This combination helps explain why the City's high quality drinking water consistently meets or exceeds all Federal and state drinking water regulations.

The Department conducts extensive sampling and testing of groundwater wells, water storage reservoirs, the water distribution system and, when appropriate, selected homes, businesses, schools and public facilities. This year, our Water Quality laboratories collected 14,635 samples and performed 72,587 tests while maintaining certification with the California Department of Health Services and Environmental Protection Agency (EPA).

During fiscal year 2016, the Groundwater Treatment Plant processed approximately 10.4 billion gallons of drinking water. Overall, 16.9 billion gallons of high-quality water were delivered to the Long Beach community.

## **MAJOR INITIATIVES**

### ***Seawater Desalination Research***

Since 1994, the Department has researched seawater desalination as a potential source of drinking water. In 1996, the Department received authorization for Federal cost-sharing of a seawater desalination demonstration project; and in fiscal year 2001, the Department received an earmark in the Federal fiscal year 2002 budget, making it the only newly funded water project by the Federal government in that budget. Federal funding continued in fiscal years 2003 through 2015. Through an innovative public sector partnership, the Long Beach Water Department along with the Los Angeles Department of Water & Power and the United States Bureau of Reclamation operated a 300,000 gallon-per-day prototype desalination facility, one of the largest seawater desalination research and development facilities in the United States. The Seawater Desalination study was completed in March 2010 and research gathered from the operation of the prototype plant was published as a report to the U.S. Bureau of Reclamation. Additionally, the Department operates an ongoing research project for an under-ocean intake and discharge system.

### ***Conjunctive Use***

The Department has also partnered with MWD and the California Department of Water Resources (DWR) on an innovative groundwater storage program. The \$4.5 million project, which was funded by State of California Proposition 13, stored surplus water in the Central Groundwater Basin, and has previously delivered the stored water during previous drought conditions in 2008 and 2009. A second \$2.7 million joint conjunctive use project with the City of Lakewood was completed in 2009 and water stored under this project may also be called upon in a drought.

### ***Water Distribution System***

The City has an aging infrastructure, which needs to be maintained and in certain parts replaced. At September 30, 2016, the water distribution system totaled 912 miles of water mains with approximately 90,000 service connections.

During fiscal year 2016, the Department and contractors replaced 20,427 feet of deteriorated cast iron water mains with new ductile iron pipe. This critical replacement program addresses upgrading old pipelines, many of which were installed more than 50 years ago.

The Department maintains 642 large control valves 20 inches or more in diameter and 22,853 smaller control valves. The Department has a maintenance and replacement program to ensure that control valves are operational and that they can be turned off or on promptly during emergencies. The Department responds immediately, 24-hours a day, 365 days a year to water emergencies. With 31 active water wells across Long Beach supplying just over half of the City's water, well maintenance is another ongoing project for the Department. Rehabilitation of water wells and storage tanks at Alamitos and J. Will Johnson Reservoirs continues to ensure a reliable supply of water in the future.

### ***Sanitary Sewer Collection System***

The Department has made considerable progress since 1988 in addressing the substantial challenges posed by an aging sanitary sewer infrastructure, much of which is between 60 and 80 years old. At September 30, 2016, the sanitary sewer collection system totaled 714 miles of sewer pipelines. The Department developed the first City-wide Sewer Master Plan in 1991, which provided an initial prioritization of sewer deficiencies to be addressed. The Department has since developed a comprehensive program of maintenance, monitoring and repair of sewer lines including:

- an aggressive annual pipeline cleaning program and Fats, Oil and Grease (FOG) program to address impacts to lines;
- a video monitoring program to assess conditions of pipelines;
- a comprehensive annual sewer infrastructure repair program.

In fiscal year 2009, the Department completed a comprehensive Sewer Master Plan Update, providing the Department with an updated evaluation and prioritization of current deficiencies. The plan included the use of dynamic hydraulic modeling software to assess existing collection system performance, as well as to evaluate the system for future conditions. Based on the plan, the Department developed and began implementation of a multi-year Capital Improvement Program to address aging infrastructure identified by the Master Plan analysis.

### **RELEVANT FINANCIAL POLICIES**

The Department's financial statements are presented on the accrual basis of accounting. As an enterprise fund, the cost of providing water is recovered through user charges assessed by meter size, volumetric charges and other miscellaneous charges. The cost of providing sewer service is also recovered through user and volumetric charges for all water customers who are connected to the City's sewers. Certain services, such as payroll, civil service, public service, general service, customer billing, data processing, legal, etc., are provided to the Department by

other City departments; these costs are reimbursed to the City by transfer of funds from the Water Fund or the Sewer Fund.

### ***Internal Control Structure***

In the development and enhancement of the Department's accounting system, careful consideration is given to the adequacy of the internal controls designed to provide reasonable assurance regarding the safeguarding of assets against possible loss, unauthorized use or disposition; to ensure the reliability of financial records for preparing financial statements and maintaining accountability for assets, and to promote operational efficiency and compliance with managerial policies. The concept of reasonable assurance recognizes that: (1) the cost of a specific control feature should not exceed the benefits likely to be derived, and; (2) the evaluation of costs and benefits requires continued estimates and judgment by management.

### ***Budgetary Control***

The budget is a management control device for the forthcoming fiscal year. Prior to July 1 each year, the Board adopts an operating budget, which covers anticipated revenues and expenditures of the Department. The Department's budget is also subject to the approval of the City Council. By September 30 each year, the City Council shall approve the budget as adopted by the Board of Water Commissioners, or shall amend the budget and approve it as amended.

Budgets are prepared on a cash basis for revenues and for several categories of expenses. These budgets are not designed to be pro-forma statements of income and expense in the same format as the Water Department's financial statements. Instead, they are utilized primarily for controlling costs along organizational and programmatic lines. Each Bureau within the Department is responsible for outlays initiated by Divisions. Revenues are monitored only at the departmental level, except in certain areas where they are controlled by individual projects.

## **AWARDS AND ACKNOWLEDGEMENTS**

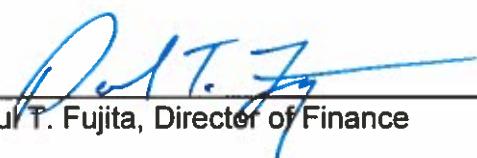
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2015. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting and its attainment represents a significant accomplishment by a government agency and its management. In order to be awarded a Certificate of Achievement, the Department must publish an easily readable and efficiently organized CAFR whose contents not only conform to the high program standards of the GFOA, but also satisfy both generally accepted accounting principles and applicable legal requirements.

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

We would like to acknowledge the assistance of Sokhalay Hong, Senior Accountant, and Yumina C. Eggleston, Senior Accountant, of the Business Bureau Finance Division in the preparation of this report.

It is recommended that the Board of Water Commissioners receive and file the Comprehensive Annual Financial Report for the fiscal years ended September 30, 2016.

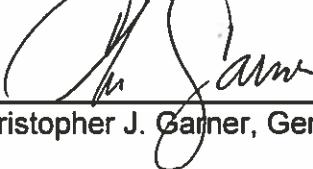
Prepared by:

  
Paul T. Fujita, Director of Finance

Submitted and  
Recommended by:

  
B. Anatole Falagan, Assistant General Manager

Approved by:

  
Christopher J. Gainer, General Manager

Att.

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Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Long Beach Water Department  
California**

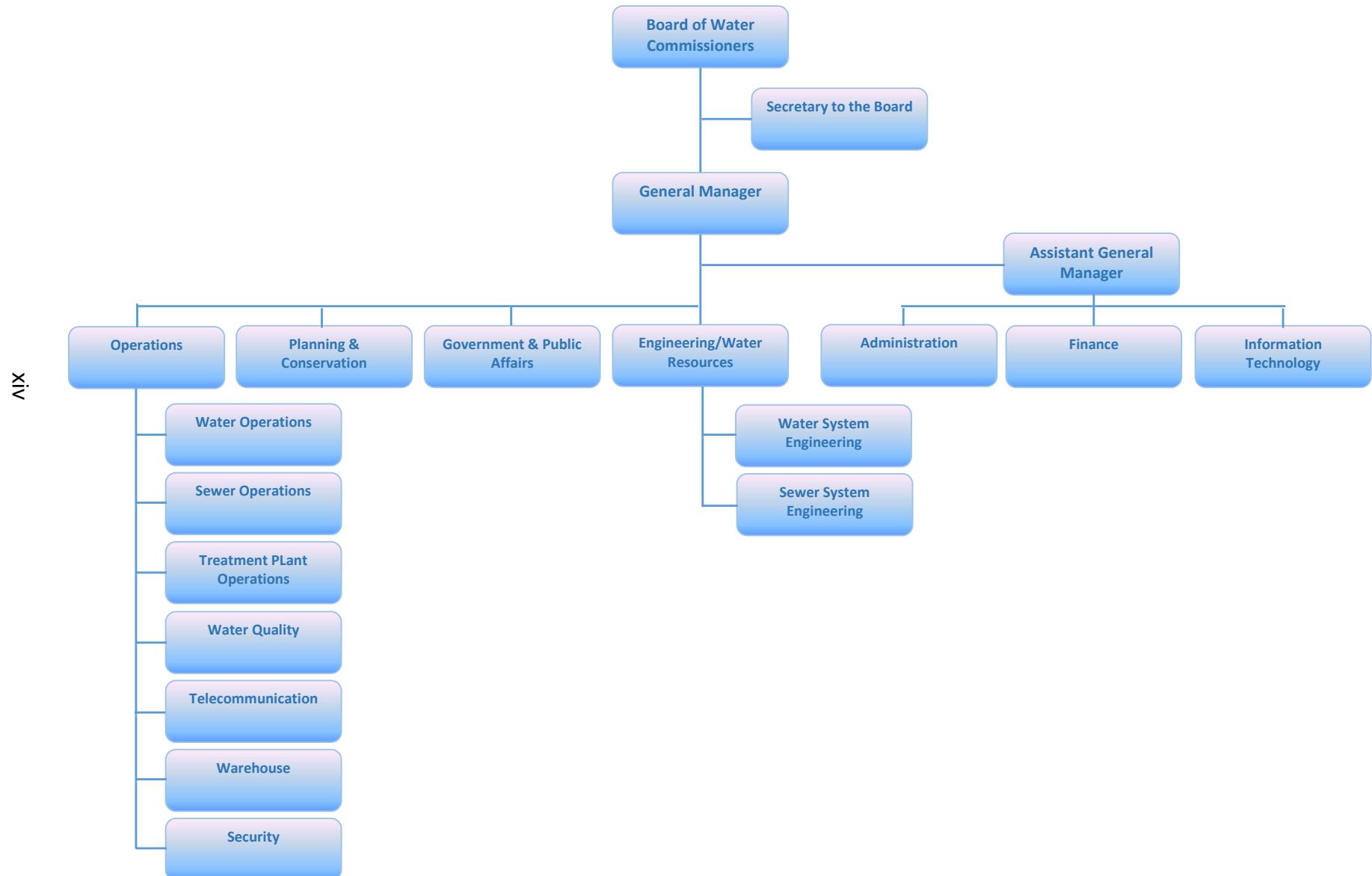
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer".

Executive Director/CEO

## Long Beach Water Department Organizational Chart



# **LONG BEACH WATER DEPARTMENT**

## **BOARD OF WATER COMMISSIONERS**

ARTHUR LEVINE                            PRESIDENT

ROBERT SHANNON                            VICE PRESIDENT

HARRY SALTZGAVER                        SECRETARY

GLORIA CORDERO                            MEMBER

FRANK MARTINEZ                            MEMBER

## **STAFF**

CHRISTOPHER J. GARNER  
General Manager

B. ANATOLE FALAGAN  
Assistant General Manager

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## **FINANCIAL SECTION**

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KPMG LLP  
Suite 1500  
550 South Hope Street  
Los Angeles, CA 90071-2629

## **Independent Auditors' Report**

The Honorable Mayor and City Council  
The Honorable Members of the Board of Water Commissioners:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and each major fund of the Long Beach Water Department (the Department) of the City of Long Beach, California (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Long Beach Water Department of the City of Long Beach, California, as of September 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.



### *Emphasis of Matters*

As discussed in note 1, the financial statements of the Department are intended to present the financial position, the changes in the financial position and, where applicable, cash flows of only that portion of the business-type activities, each major fund and the aggregate remaining fund information of the City that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City as of September 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### *Adoption of New Accounting Pronouncement*

As discussed in note 1, effective October 1, 2015, the Department adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinions are not modified with respect to these matters.

### *Other Matters*

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4–21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

*KPMG LLP*

Los Angeles, California  
March 24, 2017

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2016

As the management of the Long Beach Water Department, a department of the City of Long Beach (the City), we offer readers of the Long Beach Water Department's financial statements this narrative overview and analysis of the financial activities of the Long Beach Water Department (the Department) for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements. The Department comprises the City's Water Enterprise Fund (Water Fund) and Sewer Enterprise Fund (Sewer Fund) operations. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### FINANCIAL HIGHLIGHTS

The Department's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of fiscal year 2016 (FY2016) by \$336,069 (*net position*). The Department's net position is further broken down between the Water Fund and Sewer Fund below.

**Water Fund.** Assets and deferred outflows exceeded liabilities and deferred inflows at the close of FY2016 by \$276,030. Of this amount, \$277,394 represents net investment in capital assets, and \$1,716 represents resources that are subject to restrictions on how they may be used. After the application of new pension reporting requirements, the Water Fund showed a deficit in unrestricted net position of \$3,080. Total Water Fund net position increased by \$7,435 (+2.77%) from the prior fiscal year. The increase reflects income in excess of expenses and contributed capital received during the year.

**Sewer Fund.** Net position totaled \$60,039 as of September 30, 2016, an increase of \$2,240 (+3.9%) from the prior fiscal year. Of this amount, \$56,462 represents net investment in capital assets. After the application of new pension reporting requirements, the unrestricted portion of net position for Sewer Fund totaled \$3,493.

**New significant Accounting Standards Implemented.** In FY2016, the Department adopted a new Government Accounting Standards Board (GASB) statements of financial accounting as follows:

- GASB Statement No. 75 (GASB 75): "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". This statement requires the reporting of the Department's liabilities, deferred outflows/inflows of resources and expenditures on postemployment benefits other than pensions (OPEB). Further discussion on this statement is provided within the Notes to Financial Statements.

Due to the implementation of the GASB 75 Statement, The Department made prior period adjustments to the FY2015 Financial Statements. The FY2015 net positions decreased by \$1,459 (-0.5%) and \$291 (-0.5%) for Water Fund and Sewer Fund, respectively.

## **LONG BEACH WATER DEPARTMENT**

### **Management's Discussion and Analysis**

**September 30, 2016**

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Department's financial statements. Because the Department is a business-type activity of the City, enterprise funds are used to account for its water and sewer operations. These financial statements include only the activities of the Department and provide comparative information for the last fiscal year. Information on Citywide financial operating results is available in the City of Long Beach Comprehensive Annual Financial Report as of September 30, 2016.

The Department's financial statements comprise two components: 1) financial statements and 2) notes to financial statements. Included as part of the financial statements are the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Fund Net Position, and Statements of Cash Flows.

The *Statements of Net Position* present the Department's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *Statements of Revenues, Expenses, and Changes in Fund Net Position* present information showing how the Department's net position have changed during the most recent fiscal year. Results of operations are recorded under the accrual basis of accounting, whereby transactions are reported as underlying events occur, regardless of the timing of cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (i.e., accounts payable and accounts receivable). The Department's use of the accrual basis of accounting is more fully described in the accompanying *Notes to Financial Statements*.

The *Statements of Cash Flows* present flows of cash and cash equivalents during the last two fiscal years, including certain restricted amounts.

The *Notes to Financial Statements* provide additional information that is essential to the full understanding of the data provided in the financial statements and can be found on pages 27-54 of this report.

## **FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the Department's financial position. As of September 30, 2016, Water Fund assets exceeded liabilities by \$276,030, and Sewer Fund assets exceeded liabilities by \$60,039, representing a 2.77% increase in net position over the prior fiscal year for the Water Fund and a 3.9% increase

## **LONG BEACH WATER DEPARTMENT**

### **Management's Discussion and Analysis**

**September 30, 2016**

in Sewer Fund net position. Net positions are further categorized by net investment in capital assets, and restricted and unrestricted net positions.

As of September 30, 2016, investment in capital assets, such as production, transmission, and distribution facilities, less any related debt used to acquire those assets that remains outstanding, amounted to \$277 and \$56 of Water Fund and Sewer Fund, respectively. The Department uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt on the Statements of Net Position must come from other sources such as operations.

The restricted portion of the Department's net position (0.5% of total net position for both FY2016 and FY2015) represents resources that are subject to external restrictions on how they may be used. These restrictions are for items such as debt repayment and other legally restricted purposes.

The unrestricted portion of the Department's net position (0.1% and 1.2% of total net position as of September 30, 2016 and 2015, respectively) may be used to meet the Department's ongoing obligations to creditors and customers.

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2016

The Department's Condensed Schedules of Net Position as of September 30, 2016 and 2015 are as follows (in thousands):

**Long Beach Water Department  
Condensed Schedules of Net Position  
September 30, 2016 and 2015  
(in thousands)**

	2016	2015*	Variance	
			Amount	%
<b>Assets:</b>				
Current and other assets	\$ 59,979	\$ 57,011	\$ 2,968	5.2%
Capital assets	371,269	362,343	8,926	2.5%
Total assets	<u>431,248</u>	<u>419,354</u>	<u>11,894</u>	<u>2.8%</u>
<b>Deferred Outflows of Resources:</b>				
Deferred Outflows	<u>13,552</u>	<u>8,121</u>	<u>5,431</u>	<u>66.9%</u>
<b>Liabilities:</b>				
Current liabilities	20,239	15,373	4,866	31.7%
Noncurrent liabilities	84,445	81,717	2,728	3.3%
Total liabilities	<u>104,684</u>	<u>97,090</u>	<u>7,594</u>	<u>7.8%</u>
<b>Deferred Inflows of Resources:</b>				
Deferred Infows	<u>4,047</u>	<u>3,991</u>	<u>56</u>	<u>1.4%</u>
<b>Net Position:</b>				
Net investment in capital assets	333,856	320,645	13,211	4.1%
Restricted	1,800	1,697	103	6.1%
Unrestricted	413	4,052	(3,639)	-89.8%
Total net position	<u>\$ 336,069</u>	<u>\$326,394</u>	<u>\$ 9,675</u>	<u>3.0%</u>

\*Amounts adjusted due to implementation of GASB Statement No.75

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2016

The Department's financial position is further broken down as follows between the Department's Water Fund and the Sewer Fund as of September 30, 2016 and 2015:

<b>Water Fund</b> <b>Condensed Schedules of Net Position</b> <b>September 30, 2016 and 2015</b> <b>(in thousands)</b>				<b>Variance</b>
	<b>2016</b>	<b>2015*</b>	<b>Amount</b>	<b>%</b>
<b>Assets:</b>				
Current and other assets	\$ 48,566	\$ 46,201	\$ 2,365	5.1%
Capital assets	303,259	297,198	6,061	2.0%
Total assets	<u>351,825</u>	<u>343,399</u>	<u>8,426</u>	<u>2.5%</u>
<b>Deferred Outflows of Resources:</b>				
Deferred Outflows	11,526	7,040	4,486	63.7%
<b>Liabilities:</b>				
Current liabilities	18,189	14,690	3,499	23.8%
Noncurrent liabilities	65,770	63,835	1,935	3.0%
Total liabilities	<u>83,959</u>	<u>78,525</u>	<u>5,434</u>	<u>6.9%</u>
<b>Deferred Inflows of Resources:</b>				
Deferred Infows	3,362	3,319	43	1.3%
<b>Net Position:</b>				
Net Investment in capital assets	277,394	267,041	10,353	3.9%
Restricted	1,716	1,697	19	1.1%
Unrestricted	(3,080)	(143)	(2,937)	2053.8%
Total net position	<u>\$ 276,030</u>	<u>\$ 268,595</u>	<u>\$ 7,435</u>	<u>2.77%</u>

\*Amounts adjusted due to implementation of GASB Statement No.75

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2016

**Sewer Fund**  
**Condensed Schedules of Net Position**  
**September 30, 2016 and 2015**  
 (in thousands)

	2016	2015*	<b>Variance</b>	
			<b>Amount</b>	<b>%</b>
<b>Assets:</b>				
Current and other assets	\$ 11,413	\$ 10,810	\$ 603	5.6%
Capital assets	68,010	65,145	2,865	4.4%
Total assets	<u>79,423</u>	<u>75,955</u>	<u>3,468</u>	<u>4.6%</u>
<b>Deferred Outflows of Resources:</b>				
Deferred Outflows	2,026	1,081	945	87.4%
<b>Liabilities:</b>				
Current liabilities	2,050	683	1,367	200.1%
Noncurrent liabilities	18,675	17,882	793	4.4%
Total liabilities	<u>20,725</u>	<u>18,565</u>	<u>2,160</u>	<u>11.6%</u>
<b>Deferred Inflows of Resources:</b>				
Deferred Infows	685	672	13	1.9%
<b>Net Position:</b>				
Net Investment in capital assets	56,462	53,604	2,858	5.3%
Restricted	84	-	84	100%
Unrestricted	3,493	4,195	(702)	-16.7%
Total net position	<u>\$ 60,039</u>	<u>\$ 57,799</u>	<u>\$ 2,240</u>	<u>3.9%</u>

*\*Amounts adjusted due to implementation of GASB Statement No.75*

### **Fiscal Year Ended September 30, 2016 Compared to 2015**

**Water Fund.** Net position increased by \$7,435 (+2.77%) over FY2015. This net increase is attributable to contributed capital of \$2,710 from various Developers for water distribution systems and revenues in excess of expenses of \$4,725.

Current and other assets increased by amounted to \$2,365 (+5.1%) from FY2015, reflecting an increase in pooled cash and cash equivalents due to a 4% water rate increase and capital contributions received for reclaimed water distribution system expansion project.

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2016

Capital assets increased by \$6,061 (+2.0%) over the prior year, mainly due to the ongoing capital improvement program for cast iron water main replacement, water service installations, machinery and equipment purchases, and facility improvements.

Deferred outflows of resources increased by \$4,486 (+63.7%) over FY2015. This net increase represents an increase of \$4,684 (+87.7%) in deferred pension and OPEB costs resulting from the implementation of GASB 75. The net amount is offset by a decrease of \$198 (-11.6 %) due to amortization of deferred losses on the refunding of Water Revenue Bonds Series 2010A.

Current liabilities increased by \$3,499 (+23.8%) compared to FY2015 mainly due to increases in maintenance and other expenditures. In addition, liabilities on the new city-wide Enterprise Resource Planning (ERP) system and customer information systems upgrade remained outstanding at the end of FY2016.

Noncurrent liabilities increased by \$1,935 (+3.0%) from FY2015 due to an increase of \$5,064 (+15.6%) in pension and OPEB liabilities in relation to GASB 75 implementation. This increase was offset by annual principal payments on debt

**Sewer Fund.** Net position increased \$2,240 (+3.9%) over FY2015. This increase was attributable to revenues in excess of expenses.

Current assets and other assets increased by \$603 (+5.6%), reflecting an increase in pooled cash and cash equivalents due to a 4% sewer rate increase in FY2016.

Capital assets increased by \$2,865 (+4.4%) over FY2015 due to machinery and equipment purchases and the completion of several sewer main pipe relining and replacement projects across the city of Long Beach.

Deferred outflows of resources increased by \$945 (+87.4%) over FY2015. This reflects an increase in deferred pension and OPEB costs resulting from the implementation of GASB 75.

Current liabilities increased by 1,367 (+200.1%) compared to FY2015 mainly due to an increase in expenditures relating to sewer capital improvement projects such as construction management services, professional engineering services and construction contracts. In addition, this increase reflects the accrued interest payable and long-term debt due with-in one year in the amount of \$486 which relates to the issuance of \$9,830 in Senior Revenue Refunding Bonds, Series 2016A (the Series 2016A Bonds) in FY2016. Additional information regarding these bonds is provided on Note 4 - Noncurrent Liabilities of the Notes to Financial Statements in page 39.

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2016

Noncurrent liabilities increased by \$793 (+4.4%) from FY2015 primarily due to an increase of \$954 (+14.4%) in pension and OPEB liabilities resulting from GASB 75 implementation. This increase was offset by a \$161 (-1.4%) net decrease in noncurrent liabilities in FY2016, which is in relation to refunding the Subordinate Sewer Revolving Line of Credit (LOC) and an issuance of the Series 2016A Bonds in FY2016.

The Water Department's Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position provide further insight as to the nature and source of changes in net position and are summarized as follows for the years ended September 30, 2016 and 2015 (in thousands):

**Long Beach Water Department**  
**Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position**  
**Fiscal Years Ended September 30, 2016 and 2015**  
(in thousands)

	2016	2015*	<b>Variance</b>	
			<b>2016/2015</b>	<b>%</b>
<b>Operating Revenues:</b>				
Metered water sales	\$ 65,922	\$ 65,136	\$ 786	1.2%
Reclaimed water sales	4,018	3,100	918	29.6%
Service charges	34,549	32,977	1,572	4.8%
Maintenance services	86	86	-	-
Other services	11,430	16,079	(4,649)	-28.9%
Total operating revenues	<u>116,005</u>	<u>117,378</u>	<u>(1,373)</u>	<u>-1.2%</u>
<b>Operating Expenses:</b>				
Cost of water	28,743	42,178	(13,435)	-31.9%
Personal services	22,373	22,944	(571)	-2.5%
Maintenance and other	29,386	26,153	3,233	12.4%
Depreciation and amortization	13,356	12,749	607	4.8%
Permit fees	10,543	10,243	300	2.9%
Commercial Services	3,687	3,891	(204)	-5.2%
Total operating expenses	<u>108,088</u>	<u>118,158</u>	<u>(10,070)</u>	<u>-8.5%</u>
Operating income	7,917	(780)	8,697	-1115.0%
<b>Nonoperating Income (Expenses):</b>				
Interest income	393	275	118	42.9%
Interest expense	(433)	(343)	(90)	26.2%
Loss on disposition of property	(278)	(196)	(82)	41.8%
Rents	1,027	1,256	(229)	-18.2%
Bonds issuance costs	(298)	-	(298)	-100%
Other	(1,363)	(198)	(1,165)	588.4%
Income before contributed capital	6,965	14	6,951	49650.0%
Capital contributions	2,710	1,726	984	57.0%
Change in net position	9,675	1,740	7,935	456.0%
Beginning net position, as adjusted	326,394	324,654	1,740	0.5%
Ending net position	<u>\$336,069</u>	<u>\$326,394</u>	<u>\$ 9,675</u>	<u>3.0%</u>

\*Amounts adjusted due to implementation of GASB Statement No.75

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2016

The Department's operations are further broken down as follows between the Department's Water Fund and the Sewer Fund for the years ended September 30, 2016 and 2015:

<b>Water Fund</b> <b>Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position</b> <b>Fiscal Years Ended September 30, 2016 and 2015</b> (in thousands)				<b>Variance</b>
	<b>2016</b>	<b>2015*</b>		<b>2016/2015</b>
			<b>Amount</b>	<b>%</b>
<b>Operating Revenues:</b>				
Metered water sales	\$ 59,640	\$ 58,895	\$ 745	1.3%
Reclaimed water sales	4,018	3,100	918	29.6%
Service charges	23,121	22,061	1,060	4.8%
Other services	10,871	15,419	(4,548)	-29.5%
Total operating revenues	<u>97,650</u>	<u>99,475</u>	<u>(1,825)</u>	<u>-1.8%</u>
<b>Operating Expenses:</b>				
Cost of water	28,743	42,178	(13,435)	-31.9%
Personal services	18,405	18,923	(518)	-2.7%
Maintenance and other	25,981	22,442	3,539	15.8%
Depreciation and amortization	11,169	10,739	430	4.0%
Permit fees	5,968	5,794	174	3.0%
Commercial Services	1,987	2,058	(71)	-3.4%
Total operating expenses	<u>92,253</u>	<u>102,134</u>	<u>(9,881)</u>	<u>-9.7%</u>
Operating income (loss)	5,397	(2,659)	8,056	303.0%
<b>Nonoperating Income (Expenses):</b>				
Interest income	299	223	76	34.1%
Interest expense	(433)	(292)	(141)	48.3%
Loss on disposition of property	(283)	(198)	(85)	42.9%
Rents	1,027	1,256	(229)	-18.2%
Other	(1,282)	62	(1,344)	-2167.7%
Income (loss) before contributed capital	4,725	(1,608)	6,333	393.8%
Capital contributions	<u>2,710</u>	<u>1,726</u>	<u>984</u>	<u>57.0%</u>
Change in net position	7,435	118	7,317	6200.8%
Beginning net position, as adjusted	268,595	268,477	118	0.04%
Ending net position	<u>\$276,030</u>	<u>\$268,595</u>	<u>\$ 7,435</u>	<u>2.77%</u>

\*Amounts adjusted due to implementation of GASB Statement No.75

# LONG BEACH WATER DEPARTMENT

## Management's Discussion and Analysis September 30, 2016

### Sewer Fund

#### Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position

**Fiscal Years Ended September 30, 2016 and 2015**

(in thousands)

	2016	2015*	<b>Variance</b>	
			<b>2016/2015</b>	<b>Amount</b>
<b>Operating Revenues:</b>				
Metered water sales	\$ 6,282	\$ 6,241	\$ 41	0.7%
Service charges	11,428	10,916	512	4.7%
Maintenance services	86	86	-	-
Other services	559	660	(101)	-15.3%
Total operating revenues	<u>18,355</u>	<u>17,903</u>	<u>452</u>	<u>2.5%</u>
<b>Operating Expenses:</b>				
Personal services	3,968	4,021	(53)	-1.3%
Maintenance and other	3,405	3,711	(306)	-8.2%
Permit fees	4,575	4,449	126	2.8%
Depreciation	2,187	2,010	177	8.8%
Commercial Services	1,700	1,833	(133)	-7.3%
Total operating expenses	<u>15,835</u>	<u>16,024</u>	<u>(189)</u>	<u>-1.2%</u>
Operating income	2,520	1,879	641	34.1%
<b>Nonoperating Income (Expenses):</b>				
Interest income	94	52	42	80.8%
Interest expense	-	(51)	51	-100.0%
Gain on disposition of property	5	2	3	150.0%
Bonds issuance costs	(298)	-	(298)	-
Other	(81)	(260)	179	-68.8%
Income before contributed capital	2,240	1,622	618	38.1%
Capital contributions	-	-	-	-
Change in net position	2,240	1,622	618	38.1%
Beginning net position, as adjusted	<u>57,799</u>	<u>56,177</u>	<u>1,622</u>	<u>2.9%</u>
Ending net position	<u>\$ 60,039</u>	<u>\$ 57,799</u>	<u>\$ 2,240</u>	<u>3.9%</u>

\*Amounts adjusted due to implementation of GASB Statement No.75

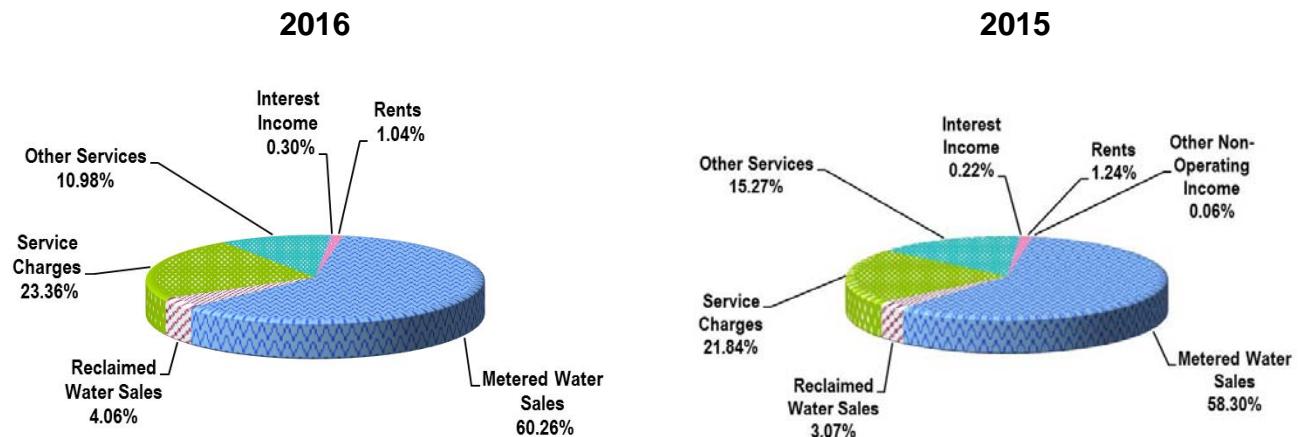
# LONG BEACH WATER DEPARTMENT

## Management's Discussion and Analysis September 30, 2016

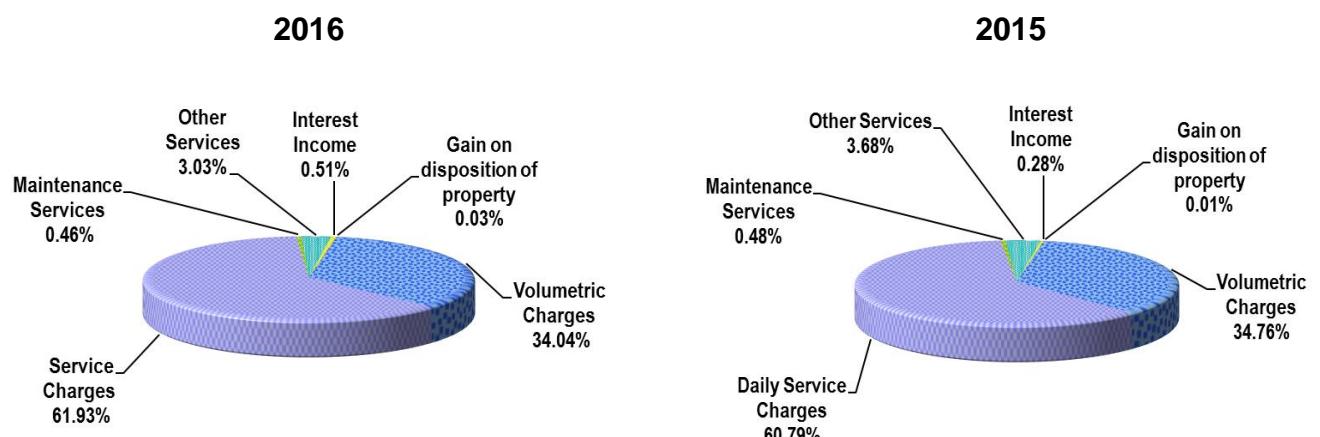
### Sources of Revenues

Sources of revenue for fiscal years 2016 and 2015 are shown on the following charts.

#### Water Fund



#### Sewer Fund



## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2016

#### ***Management Review of the Department's Revenues***

##### **Water Fund**

###### **Fiscal Year Ended September 30, 2016 Compared to 2015**

Total operating revenues were \$97,650, a decrease of \$1,825 (-1.8%) over FY2015. The major elements of this decrease are as follows:

- Metered potable water sales revenue increased by \$745 (+1.3%) in FY2016 primarily due to a 4% water rate increase in FY2016. This increase in sales was offset by a 1,356 AF (-2.6%) decrease in consumption as a result of the Department's effective water conservation campaigns and programs.
- Reclaimed water sales revenue increased by \$918 (+29.6%) primarily due to a 1,509 AF (+33.6%) increase in demand and a 4% water rate increase in FY2016.
- Service charges increased by \$1,060 (+4.8%) in FY2016 primarily due to a 4% water rate increase.
- Revenue from other services totaled \$10,871, a net decrease of \$4,548 (-29.5%) from the prior year. The major factors of this net decrease are as follows:
  - Revenue from an In-Lieu Groundwater Replenishment Agreement with the Water Replenishment District of Southern California (WRD) decreased by \$6,242 (-100.0%) in FY2016 due to the conclusion of the agreement in FY2015.
  - Revenue from unmetered water sales to WRD increased by \$3,007 (+100.0%) in FY2016 mainly due to water purchases used to replenish the Central Basin aquifer as part of an agreement between the Department, Central Basin Municipal Water District (CBMWD), and WRD.

Capital contributions increased by \$984 (+57.0%) compared to FY2015 primarily due to grant proceeds received for reclaimed water distribution system expansion.

##### **Sewer Fund**

###### **Fiscal Year Ended September 30, 2016 Compared to 2015**

Total operating revenues increased \$452 (+2.5%) over FY2015. The key elements of this increase are as follows:

- Metered water sales and service charges revenue increased by \$41 (+0.7%) and \$512 (+4.7%) respectively, over FY2015 as a result of a 4% sewer rate increase. This increase was offset by a decrease in volumetric demand in FY2016 as a result of the Department's effective water conservation campaigns and programs.

# LONG BEACH WATER DEPARTMENT

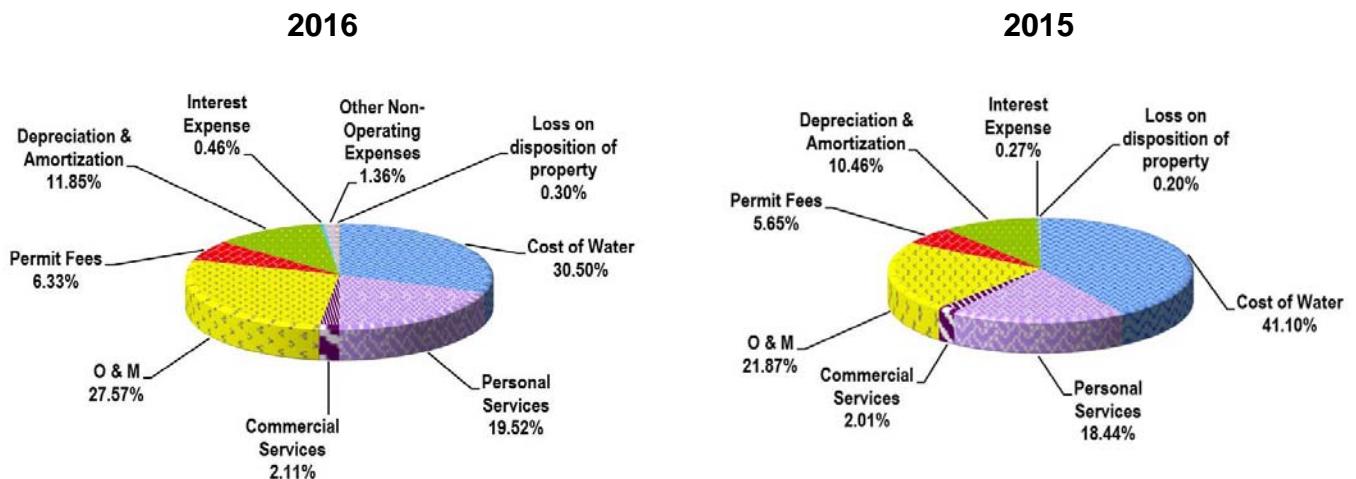
## Management's Discussion and Analysis September 30, 2016

- Other services revenue decreased by \$101 (-15.3%) over FY2015 which is primarily attributable to decreased sewer capacity charges revenue as a result of a decline in building construction activity.

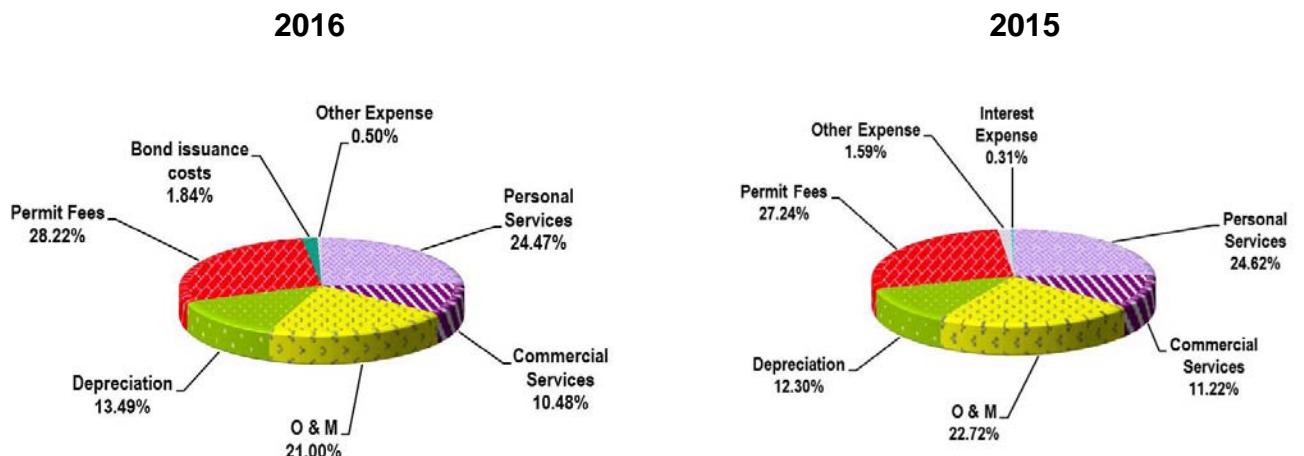
### Functional Expenses

Functional expenses for the 2016 and 2015 fiscal years are shown on the following charts.

#### Water Fund



#### Sewer Fund



## **LONG BEACH WATER DEPARTMENT**

### **Management's Discussion and Analysis September 30, 2016**

#### ***Management Review of the Department's Expenses.***

##### **Water Fund**

###### **Fiscal Year Ended September 30, 2016 Compared to 2015**

Operating expenses totaled \$92,253, a decrease of \$9,881 (-9.7%) over FY2015. The major elements attributable to the net decrease are as follows:

- Purchased water costs decreased by \$13,435 (-31.9%) in FY2016 primarily due to a decrease in potable water purchased from Metropolitan Water District (MWD) in connection with the conclusion of the In-Lieu Groundwater Replenishment agreement with WRD in FY2015.
- Maintenance and other expenses had a net increase of \$3,539 (+15.8%) from FY2015. The net increase is primarily attributable to the following factors:
  - Replenishment assessment (pump tax) increased by \$3,080 (+50.4%) due to increased groundwater pumping as a result of the conclusion of In-Lieu Groundwater Replenishment agreements with WRD in FY2015.
  - Utility services, mainly electricity costs, increased by \$342 (+9.9%) due to the increase in groundwater pumping.
  - Laboratory and chemical supplies increased by \$309 (+28.8%) due to an increase in purchases of chemicals used for treating groundwater.

FY2016 net nonoperating expense totaled \$672, a net increase of \$1,723 (+163.9%) over FY2015 which is primarily due to an increase in development costs for customer information system upgrades and in water capital improvement projects charged to expense.

##### **Sewer Fund**

###### **Fiscal Year Ended September 30, 2016 Compared to 2015**

Total operating expenses amounted to \$15,835, a decrease of \$189 (-1.2%) over FY2015. This is mostly attributable to a decrease in Maintenance and other expenses incurred for sewer pipeline and pump station breaks and repairs by \$306 (-8.2%).

FY2016 net nonoperating expense totaled \$280, a net increase of \$23 (+8.9%) over FY2015 which is primarily due to costs associated with the issuance of the Series 2016A Bonds in the amount of \$298. In addition, a decrease in sewer capital improvement projects charged to expense by \$185 (-99.5%) over FY2015 reflected a decrease in Other nonoperating expenses.

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2016

#### **Capital Assets and Debt Administration**

**Capital assets.** The Department's capital assets (net of accumulated depreciation and amortization) as of September 30, 2016 amounted to \$303,259 for the Water Fund and \$68,010 for the Sewer Fund. Capital assets include investments in production, transmission, patent, improvements on buildings and structures, and distribution related facilities, as well as general items such as office equipment and furniture. For FY2016, net capital assets increased \$6,061 (+2.0%) and \$2,865 (+4.4%) for Water Fund and Sewer Fund, respectively. The net increase is due primarily to machinery and equipment purchases and capitalization of major potable water and reclaimed water distribution systems, and sewer collection systems.

The Department's capital assets are summarized as follows for the years ended September 30, 2016 and 2015 (in thousands):

**Long Beach Water Department  
Capital Assets  
September 30, 2016 and 2015  
(in thousands)**

	2016	2015	Variance	
			2016/2015 Amount	%
Land	\$ 11,214	\$ 11,248	\$ (34)	-0.3%
Water Rights	40	40	-	-
Patent - Desalination	815	815	-	-
Buildings, structures, and facilities	135,271	131,313	3,958	3.0%
Distribution/collection systems	535,032	524,252	10,780	2.1%
Machinery and equipment	21,343	20,388	955	4.7%
Construction in progress	27,863	22,822	5,041	22.1%
Total capital assets	731,578	710,878	20,700	2.9%
Less: accumulated depreciation and amortization	(360,309)	(348,535)	(11,774)	3.4%
Net capital assets	<u>\$ 371,269</u>	<u>\$ 362,343</u>	<u>\$ 8,926</u>	<u>2.5%</u>

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2016

The Department's capital assets are further broken down as follows between the Department's Water Fund and the Sewer Fund for the years ended September 30, 2016 and 2015:

**Water Fund**  
**Capital Assets**  
**September 30, 2016 and 2015**  
**(in thousands)**

	<b>2016</b>	<b>2015</b>	<b>Variance</b>	
			<b>2016/2015</b>	
			<b>Amount</b>	<b>%</b>
Land	\$ 11,214	\$ 11,248	\$ (34)	-0.3%
Water Rights	40	40	-	-
Patent - Desalination	815	815	-	-
Buildings, structures, and facilities	129,590	125,632	3,958	3.2%
Distribution/collection systems	333,998	324,778	9,220	2.8%
Machinery and equipment	15,978	15,277	701	4.6%
Construction in progress	22,051	19,498	2,553	13.1%
Total capital assets	513,686	497,288	16,398	3.3%
Less: accumulated depreciation and amortization	(210,427)	(200,090)	(10,337)	5.2%
Net capital assets	<u>\$ 303,259</u>	<u>\$ 297,198</u>	<u>\$ 6,061</u>	<u>2.0%</u>

**Sewer Fund**  
**Capital Assets**  
**September 30, 2016 and 2015**  
**(in thousands)**

	<b>2016</b>	<b>2015</b>	<b>Variance</b>	
			<b>2016/2015</b>	
			<b>Amount</b>	<b>%</b>
Buildings, structures, and facilities	\$ 5,681	\$ 5,681	\$ -	-
Distribution/collection systems	201,034	199,474	1,560	0.8%
Machinery and equipment	5,365	5,111	254	5.0%
Construction in progress	5,812	3,324	2,488	74.8%
Total capital assets	217,892	213,590	4,302	2.0%
Less: accumulated depreciation	(149,882)	(148,445)	(1,437)	1.0%
Net capital assets	<u>\$ 68,010</u>	<u>\$ 65,145</u>	<u>\$ 2,865</u>	<u>4.4%</u>

Additional information regarding capital assets can be found in notes 1 and 3 to the Department's financial statements.

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2016

**Long-term debt.** As of September 30, 2016, the Department had total outstanding long-term debt, net of current portion in the amount of \$27,213 for the Water Fund and \$11,089 for the Sewer Fund. All debt is supported by Water Fund revenues and Sewer Fund revenues. Total Department outstanding debt as of September 30, 2016 and 2015 is summarized as follows:

<b>Long Beach Water Department</b> <b>Summary of Long-Term Debt</b> <b>September 30, 2016 and 2015</b>			
(in thousands)			
	2016	2015	<b>Variance</b>
			<b>2016/2015</b>
<b>Water Fund</b>			
Revenue refunding bonds	\$ 27,640	\$ 30,270	\$ (2,630) -8.7%
Less:			
Current portion	(2,730)	(2,630)	(100) 3.8%
Long-term debt outstanding	<u>24,910</u>	<u>27,640</u>	<u>(2,730)</u> -9.9%
Add:			
Unamortized bond premium	2,303	2,703	(400) -14.8%
Total long-term debt	<u>\$ 27,213</u>	<u>\$ 30,343</u>	<u>\$ (3,130)</u> -10.3%
<b>Sewer Fund</b>			
Revolving line of credit	\$ -	\$ 11,250	\$ (11,250) -100.0%
Revenue refunding bonds	9,830	-	9,830 100.0%
Less:			
Current portion	(460)	-	(460) 100.0%
Long-term debt outstanding	<u>9,370</u>	<u>11,250</u>	<u>(1,880)</u> -16.7%
Add:			
Unamortized bond premium	1,719	-	1,719 100.0%
Total long-term debt	<u>\$ 11,089</u>	<u>\$ 11,250</u>	<u>\$ (161)</u> -1.4%

The Department maintains AA+ credit ratings from Standard & Poor's for the Water and Sewer Funds. Additional information on the Department's long-term debt can be found in note 4 of this report.

### Economic Factors and Next Year's Budget and Rates

The Board of Water Commissioners (Board) approved the budget for the fiscal year-end September 30, 2016, with budgeted expenditures totaling approximately \$102.3 million and \$20.2 million for the Water Fund and Sewer Fund, respectively. In fiscal year 2017 (FY2017), there were 4% rate increases for potable water, reclaimed water and sewer collection services.

## **LONG BEACH WATER DEPARTMENT**

Management's Discussion and Analysis  
September 30, 2016

### **Requests for Information**

This financial report is designed to provide a general overview of the Department's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Long Beach Water Department, 1800 E. Wardlow Road, Long Beach, California 90807.

**LONG BEACH WATER DEPARTMENT**

**Statements of Net Position  
Business Type Activity - Enterprise  
September 30, 2016**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Pooled cash and cash equivalents	\$ 30,984	10,308	41,292
Non-pooled cash equivalents	20	29	49
Interest receivable	10	1	11
Due from other funds	23	48	71
Customer accounts receivable	6,275	901	7,176
Allowance for doubtful accounts	(265)	(48)	(313)
Material and supplies inventory	3,497	90	3,587
Prepaid expense	2,552	-	2,552
Restricted assets			
Pooled cash and cash equivalents:			
Funds held in trust	1,072	-	1,072
Bond service funds	1,623	84	1,707
Sub-total pooled cash and cash equivalents	2,695	84	2,779
Non-pooled cash equivalents	2,669	-	2,669
Total restricted assets	5,364	84	5,448
Total current assets	<u>48,460</u>	<u>11,413</u>	<u>59,873</u>
Noncurrent Assets:			
Capital assets:			
Land	11,214	-	11,214
Water rights	40	-	40
Patent desalination	815	-	815
Buildings, structures and facilities	129,590	5,681	135,271
Distribution/collection systems	333,998	201,034	535,032
Machinery and equipment	15,978	5,365	21,343
Construction in progress	22,051	5,812	27,863
Total capital assets	<u>513,686</u>	<u>217,892</u>	<u>731,578</u>
Less: Accumulated depreciation and amortization	<u>(210,427)</u>	<u>(149,882)</u>	<u>(360,309)</u>
Total capital assets, net	<u>303,259</u>	<u>68,010</u>	<u>371,269</u>
Other assets, net of amortization			
Other assets	<u>106</u>	<u>-</u>	<u>106</u>
Total noncurrent assets	<u>303,365</u>	<u>68,010</u>	<u>371,375</u>
Total assets	<u>\$ 351,825</u>	<u>79,423</u>	<u>431,248</u>

*(Continued)*

# LONG BEACH WATER DEPARTMENT

## Statements of Net Position Business Type Activity - Enterprise September 30, 2016

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Economics loss from the refunding of debt	\$ 1,501	-	1,501
Pension contributions after measurement date	601	121	722
Difference between actual and expected			
CalPERS investment returns	9,381	1,896	11,277
OPEB liability	43	9	52
Total deferred outflows of resources	<u>11,526</u>	<u>2,026</u>	<u>13,552</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	10,732	994	11,726
Accrued wages payable	853	217	1,070
Due to other funds	1,868	298	2,166
Advances from developers	456	55	511
Accrued interest payable	485	26	511
Long-term debt due within one year	2,730	460	3,190
Customer deposits	1,065	-	1,065
Noncurrent Liabilities:			
Long-term debt, net of current portion	27,213	11,089	38,302
Net OPEB liability	1,550	309	1,859
Net pension liability	36,007	7,277	43,284
Accrued site restoration cost	1,000	-	1,000
Total Liabilities	<u>83,959</u>	<u>20,725</u>	<u>104,684</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
CalPERS difference between actual and expected experience	1,836	371	2,207
CalPERS change in assumptions	669	135	804
CalPERS change in proportion	857	179	1,036
Total deferred inflows of resources	<u>3,362</u>	<u>685</u>	<u>4,047</u>
<b>NET POSITION</b>			
Net investment in capital assets	277,394	56,462	333,856
Restricted for:			
Bond Service	1,623	84	1,707
Bond Reserve	93	-	93
Unrestricted	(3,080)	3,493	413
Total Net Position	<u>\$ 276,030</u>	<u>60,039</u>	<u>336,069</u>

*See accompanying notes to financial statements*

**LONG BEACH WATER DEPARTMENT**

**Statements of Revenues, Expenses,  
and Changes in Fund Net Position  
Business Type Activity - Enterprise  
Year Ended September 30, 2016**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Metered water sales	\$ 59,640	6,282	65,922
Reclaimed water sales	4,018	-	4,018
Service charges	23,121	11,428	34,549
Maintenance services	-	86	86
Other services	10,871	559	11,430
Total operating revenues	<u>97,650</u>	<u>18,355</u>	<u>116,005</u>
<b>Operating Expenses:</b>			
Cost of water	28,743	-	28,743
Personal services	18,405	3,968	22,373
Commercial services	1,987	1,700	3,687
Maintenance and other	25,981	3,405	29,386
Permit fees	5,968	4,575	10,543
Depreciation and amortization	11,169	2,187	13,356
Total operating expenses	<u>92,253</u>	<u>15,835</u>	<u>108,088</u>
Operating income	<u>5,397</u>	<u>2,520</u>	<u>7,917</u>
<b>Non-operating Income (Expense):</b>			
Interest income	299	94	393
Interest expense	(433)	-	(433)
Gain (loss) on disposition of property	(283)	5	(278)
Rental income	1,027	-	1,027
Bonds issuance costs	-	(298)	(298)
Other	(1,282)	(81)	(1,363)
Total non-operating income (expense)	<u>(672)</u>	<u>(280)</u>	<u>(952)</u>
Income (loss) before contributed capital	<u>4,725</u>	<u>2,240</u>	<u>6,965</u>
Contributed capital	<u>2,710</u>	<u>-</u>	<u>2,710</u>
Changes in net position	7,435	2,240	9,675
Net position - October 1 as adjusted	<u>268,595</u>	<u>57,799</u>	<u>326,394</u>
Net Position - September 30	<u>\$ 276,030</u>	<u>60,039</u>	<u>336,069</u>

*See accompanying notes to financial statements*

# LONG BEACH WATER DEPARTMENT

**Statements of Cash Flows**  
**Business Type Activity - Enterprise**  
**Year Ended September 30, 2016**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 97,576	18,292	115,868
Cash paid to employees	(17,791)	(3,908)	(21,699)
Cash paid for water	(27,429)	-	(27,429)
Cash paid for goods and services	(26,459)	(4,309)	(30,768)
Cash paid for permit fees	(5,968)	(4,575)	(10,543)
Other operating cash paid	(621)	(84)	(705)
Net cash provided by operating activities	<u>19,308</u>	<u>5,416</u>	<u>24,724</u>
<b>Cash flows from capital and related financing activities:</b>			
Proceeds from refunding issue	-	9,830	9,830
Payment for Sewer Line of Credit (LOC)	-	(11,250)	(11,250)
Original issuance premium	-	1,727	1,727
Payments for issuance costs	-	(298)	(298)
Proceeds from sale of capital assets	85	9	94
Contributions in aid of construction	2,677	-	2,677
Payments for capital acquisitions	(16,421)	(4,912)	(21,333)
Principal repayments-bonds	(2,630)	-	(2,630)
Interest payments	(1,264)	(99)	(1,363)
Net cash used for capital and related financing activities	<u>(17,553)</u>	<u>(4,993)</u>	<u>(22,546)</u>
<b>Cash flows from investing activities:</b>			
Interest income received	298	93	391
Net cash provided by investing activities	<u>298</u>	<u>93</u>	<u>391</u>
Net increase in cash and cash equivalents	2,053	516	2,569
<b>Cash and cash equivalents, October 1</b>	<b>34,315</b>	<b>9,905</b>	<b>44,220</b>
<b>Cash and cash equivalents, September 30</b>	<b>\$ 36,368</b>	<b>10,421</b>	<b>46,789</b>

*(Continued)*

# LONG BEACH WATER DEPARTMENT

## Statements of Cash Flows Business Type Activity - Enterprise Year Ended September 30, 2016

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 5,397	2,520	7,917
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense and amortization	11,169	2,187	13,356
Amortization of other assets	38	-	38
Other expense	423	23	446
Decrease property rental and other income	(622)	(84)	(706)
(Increase) decrease in customer accounts receivable	(82)	(15)	(97)
(Increase) decrease in due from City of Long Beach	15	(48)	(33)
(Increase) decrease in material and supplies inventory	(249)	(23)	(272)
Increase (decrease) in accounts and retainage payable	1,464	520	1,984
Increase in accrued wages payable	190	38	228
Increase (decrease) in unearned revenue	(39)	-	(39)
Increase in due to City of Long Beach	1,571	298	1,869
Increase (decrease) in customer deposits	33	-	33
Total adjustments	<u>13,911</u>	<u>2,896</u>	<u>16,807</u>
Net cash provided by operating activities	<u>\$ 19,308</u>	<u>5,416</u>	<u>24,724</u>

### Supplemental schedule of noncash transactions:

Contributed capital assets	532	-	532
Accrued capital asset costs	1,810	252	2,063

*See accompanying notes to financial statements*

## LONG BEACH WATER DEPARTMENT

Notes to Financial Statements  
September 30, 2016  
(in thousands of dollars)

### **Note 1 - Description of the Department and Summary of Significant Accounting Policies**

#### **Description of the Department**

The Long Beach Water Department (the Department) was established in 1911 through adoption of the City Charter of the City of Long Beach, California (the City) to regulate and control the use, sale, and distribution of water owned or controlled by the City. In February 1988, the City Council of the City of Long Beach voted to transfer administrative, operational, and maintenance responsibility of the City's sewer system to the Department. In addition, in April 1990, the citizens of Long Beach passed a City Charter amendment that allowed greater autonomy of the Department in administering sewer operations. For accounting purposes, the transfer was effective July 1, 1988.

The Department services the City's sewer system that consists of 714 miles of sewer mains, 15,127 manholes, and 28 sewage pumping stations. This system is capable of transporting for treatment approximately 40 million gallons of raw sewage daily.

The Department obtains potable water for distribution from two sources. Historically, approximately half of the City's water is purchased from the Metropolitan Water District of Southern California; the other half is pumped from the Department's own groundwater wells. Potable water is stored in two reservoirs with a combined capacity of 105.6 million gallons. As of September 30, 2016, the Department also delivered over 2.5 billion gallons of reclaimed water to various users in the City.

#### **Reporting Entity**

The Department's financial activities are considered to be enterprise operations of the City of Long Beach; accordingly, such activities are included in the City's Comprehensive Annual Financial Report. Control and management of the Department is vested in the five-member Board of Water Commissioners (the Board). Each Commissioner is appointed by the Mayor, confirmed by the City Council, and may serve two five-year terms.

The accompanying Department financial statements include the Water and Sewer Fund operations of the City of Long Beach. The statements of the Department are intended to present the financial position, and changes in financial position, and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City, as of September 30, 2016, and the changes in its financial position, and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

## LONG BEACH WATER DEPARTMENT

Notes to Financial Statements  
September 30, 2016  
(in thousands of dollars)

The City's Comprehensive Annual Financial Report may be obtained by contacting:

City of Long Beach, California – Department of Financial Management  
333 W. Ocean Blvd.  
Long Beach, CA 90802

### Basis of Accounting

The Department's accounts are maintained on a flow of economic resources measurement focus utilizing the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, regardless of when they are received, and expenses are recognized in the period incurred. The Department's operations are not subject to regulation by the Public Utilities Commission.

The Department applies all Governmental Accounting Standards Board (GASB) Statements and Interpretations.

### Implementation of New Accounting Pronouncements

Application of the following Statements was effective for the Department's fiscal year ended September 30, 2016:

In February of 2015, GASB issued Statement No. 72 – *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for fiscal years beginning after June 15, 2015.

In June of 2015, GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions. It also amends certain provisions of Statement No. 67 and Statement 68 for pension plans and pensions that are within their respective scopes. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The provisions of this Statement did not materially impact the Department's financial statements.

## LONG BEACH WATER DEPARTMENT

### Notes to Financial Statements September 30, 2016 (in thousands of dollars)

In June of 2015, GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is not applicable to the Department.

In June of 2015, GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Department has chosen to implement the provisions of this Statement for fiscal year 2016.

The table below summarizes the adjustment to beginning of year Net Position due to the retrospective implementation GASB 75 for Water and Sewer funds:

	As Previously Reported	GASB 75 Adjustment	As Adjusted
Water	\$ 270,054	(1,459)	268,595
Sewer	58,090	(291)	57,799

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period,

## LONG BEACH WATER DEPARTMENT

### Notes to Financial Statements September 30, 2016 (in thousands of dollars)

individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The Department implemented all provisions related to pool participants of this standard.

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

In August of 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. This information is intended, among other things, to assist users of financial statements in assessing whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity); whether a government complied with finance-related legal and contractual obligations; where a government's financial resources come from and how it uses them; and a government's financial position and economic condition and how they have changed over time. The provisions of this Statement are effective for fiscal years beginning after December 15, 2015. The Department is evaluating the impact of this standard.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The Department is evaluating the impact of this standard.

In March 2016, the GASB issued Statement No. 80, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. The Department is evaluating the impact of this standard.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB

## LONG BEACH WATER DEPARTMENT

### Notes to Financial Statements September 30, 2016 (in thousands of dollars)

Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 as the Department's pension liability are measured as of a date other than the Department's most recent fiscal year-end. The Department is evaluating the impact of this standard.

#### *City of Long Beach Investment Pool*

In order to maximize investment return and in accordance with City Charter requirements, the Department pools its available cash with other City funds into the City of Long Beach Investment Pool (the Pool). The Pool is an internal investment pool that is used as a demand deposit account by participating units. Investment decisions are made by the City Treasurer and approved by a general investment committee whose membership includes a member of the Department's management. Interest income and realized and unrealized gains and losses arising from the Pool are apportioned to each participating unit based on their average daily cash balances compared to aggregate pooled cash and investments.

At September 30, 2016, the Water Fund and Sewer Fund had equity in the Pool of \$33,679 and \$10,392, respectively, which represents approximately 2.20% and 0.68%, respectively, for a total departmental equity of \$44,071 or 2.88% of the Pool.

The Department's share of the Pool is stated at fair value.

For a complete description of the Pool and its underlying investments, refer to the City of Long Beach's separately issued financial statements.

#### *Cash Equivalents*

The Department classifies its investment in the Pool as cash and cash equivalents, regardless of the underlying maturity of the Pool's investments.

The Department classifies all other investments with maturities of three months or less at the time of purchase as cash equivalents. These cash equivalents are reported at amortized cost in the accompanying financial statements.

#### *Fair Value*

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction.

## LONG BEACH WATER DEPARTMENT

### Notes to Financial Statements September 30, 2016 (in thousands of dollars)

The Department categorizes investments reported at fair value within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

#### Material and Supplies Inventory

Material and supplies inventory is stated at the lower of average cost or market, determined on a first-in, first-out basis.

#### Capital Assets

Capital assets, which include property, plant, equipment, and transmission and distribution infrastructure, are composed of assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of one year. The cost of additions to capital assets and replacement of retired property is capitalized. Significant interest costs incurred during construction of assets are also capitalized. The costs of minor replacement expenditures are expensed as incurred. Upon retirement or sale of capital assets, the cost and related accumulated depreciation are removed from the accounts, with any resulting gain or loss recorded in the Department's financial statements (see note 3).

Depreciation of capital assets is provided by the straight-line method based on the estimated service lives of the properties, as follows:

Buildings, structures, and facilities	10 to 50 years
Distribution/collection systems	20 to 75 years
Patents	20 years
Other machinery and equipment	5 to 10 years

#### Capitalized Interest

In fiscal year 2016, the Department incurred interest expense on Revenue Refunding Bonds and Sewer Revolving Line of Credit in the amount of \$1,223 and \$125 for the Water and Sewer Funds, respectively, of which \$587 was capitalized for Water Fund and \$117 for Sewer Fund.

#### Capital Contributions

Advances received for construction of plant assets are recorded as unearned revenue when received. As construction progresses, advanced amounts equivalent to capitalized expenditures are recorded as capital contributions and included as other nonoperating

## **LONG BEACH WATER DEPARTMENT**

Notes to Financial Statements  
September 30, 2016  
(in thousands of dollars)

revenue. Assets constructed by developers and contributed to the Department are capitalized at fair value.

The Department includes capital contributions for construction of plant assets as a nonoperating revenue in the accompanying statements of revenues, expenses, and changes in fund net position.

### Revenue Recognition

Operating revenues include revenues derived from the sale of water, from providing sewer service, and from other activities closely related to providing water and sewer service. Principal revenues are derived from volumetric usage and service charges for water and sewer services. Nonoperating revenues and expenses are those not directly associated with the Department's normal business operations of supplying water and sewer service and include interest income and expense, rents received for Department property, and gains and losses on disposition of property. Revenues for water and sewer charges are recorded when billed to customers; billings are based on monthly meter readings.

### Operating Expenses

The cost of water includes all purchases of water from the Metropolitan Water District of Southern California. Personal services include labor costs for operations, maintenance, and general and administrative functions. Commercial services cost is the Department's share of the City's utility billing system. Maintenance and other costs include the operating costs of the Department and include costs of pumping and treating groundwater as well as general and administrative costs. Permit fees are transfers made to the City.

### Employee Benefits

Full-time Department employees are entitled to receive up to 96 hours of sick leave per year. Unused 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 of the retiring employee's accumulated sick leave to pay for health and dental 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 health and dental premiums. Expenses are recognized by the Department through regular payroll burden charges from the City's Employee Benefits Fund (an internal services fund type) based on estimates of benefits earned for vacation pay and sick leave. For the year ended September 30, 2016, the payroll burden charges paid by the Water and Sewer funds were \$4,600 and \$926, respectively.

## LONG BEACH WATER DEPARTMENT

Notes to Financial Statements  
September 30, 2016  
(in thousands of dollars)

### Pension Plan and Postretirement Benefits

All full-time Department employees are members of the City's Miscellaneous Plan. The Department's policy is to fund all pension costs accrued. The costs to be funded are determined annually as of October 1 and are incorporated into the payroll burden rate to reimburse the Employee Benefits Internal Service Fund for contributions made on behalf of Department employees (see note 5).

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Miscellaneous Plan and additions to/deductions from Miscellaneous Plan's fiduciary net position have been determined on the same basis as they are reported by the Miscellaneous Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Department also participates in the City's Retired Employee Health Insurance Program. This program is a single-employer defined benefit healthcare plan (see note 6).

### Restricted Assets

Amounts restricted for bond indenture requirements and funds held in trust are recorded as restricted assets. Related liabilities of these funds are identified as amounts payable from restricted assets when such obligations are incurred.

### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position reports a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Financial Position reports a separate section for deferred inflows of resources. The separate financial element, Deferred Inflows of Resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

## **LONG BEACH WATER DEPARTMENT**

Notes to Financial Statements  
September 30, 2016  
(in thousands of dollars)

### Risk Management

The Department, as an entity of the City, participates in the City's self-insured program for workers' compensation, property, and tort liability. The City and the Department's management believe that sufficient funds are being accumulated in the City's Insurance Internal Service Fund (Insurance Fund) to meet losses as they arise. The Department contributes to the Insurance Fund through payroll burden charges applied as a percent of current productive salaries. In addition, various risk control techniques, including safety training for all employees and the inclusion of appropriate legal provisions in third-party contracts, have been implemented to minimize risk losses.

### Estimates

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

### Net Position

The Department has adopted a policy of generally utilizing restricted funds, prior to unrestricted funds, when an expense is incurred for purposes for which both are available.

The Department's net position are classified into the following net position categories:

Net Investment in Capital Assets - Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and unexpended bond proceeds and economic losses of refunding of debt.

Restricted - Amounts restricted for bond indenture requirements.

Unrestricted - All other categories of net position

## LONG BEACH WATER DEPARTMENT

Notes to Financial Statements  
September 30, 2016  
(in thousands of dollars)

### **Note 2 - Cash Equivalents and Investments**

The Department's unrestricted and restricted cash equivalents and investments are as follows:

<b>Water Fund</b>			
	<u>Unrestricted</u>	<u>Restricted</u>	<b>Total Investments &amp; Cash Equivalent</b>
Equity in the City of Long Beach's investment pool	\$ 30,984	2,695	33,679
Other cash equivalents	20	24	44
Investments - U.S. Treasury Notes	-	2,645	2,645
<b>Total cash and cash equivalents</b>	<b>\$ 31,004</b>	<b>5,364</b>	<b>36,368</b>

<b>Sewer Fund</b>			
	<u>Unrestricted</u>	<u>Restricted</u>	<b>Total Cash Equivalent</b>
Equity in the City of Long Beach's investment pool	\$ 10,308	84	10,392
Other cash equivalents	-	29	29
<b>Total cash and cash equivalents</b>	<b>\$ 10,308</b>	<b>113</b>	<b>10,421</b>

The Department's investment policy allows funds to be invested with the City or to be held outside of the Pool based on the requirements of bond indentures or by actions of the Board. The City's investment policy limits the permitted investments in the Investment Pool to the following: Obligations of the U.S. government, federal agencies, local agency bonds, medium-term corporate notes, certificates of deposit; bankers' acceptances, commercial paper, Local Agency Investment Fund, repurchase agreements, reverse repurchase agreements, securities lending, asset-backed securities, mortgage-backed securities and money market mutual funds. Cash equivalents held outside of the Pool are governed by the provisions of the debt agreement.

As of September 30, 2016 and 2015, the City's Investment Pool has weighted average maturity of less than 2 years and is not rated. The Department's investment in the Pool is not categorized nor leveled in the fair value hierarchy.

The Water Funds' investments in U.S. Treasury notes have a weighted average maturity of 1.94 years and are not rated. These investments are reported at fair value using observable inputs and are accordingly reported as a level 1 investment in the fair value hierarchy.

## LONG BEACH WATER DEPARTMENT

### Notes to Financial Statements September 30, 2016 (in thousands of dollars)

#### **Note 3 – Capital Assets**

Capital assets at September 30, 2016 were as follows:

<b>Water Fund</b>	<b>Balance September 30, 2015</b>	<b>Additions</b>	<b>Deletions, Retirements and Transfers</b>	<b>Balance September 30, 2016</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 11,248	-	(34)	11,214
Construction in progress	19,498	17,698	(15,145)	22,051
Water Rights	40	-	-	40
<b>Total capital assets, not being depreciated</b>	<b>30,786</b>	<b>17,698</b>	<b>(15,179)</b>	<b>33,305</b>
<b>Capital assets, being depreciated:</b>				
Buildings, structures and facilities	125,632	4,077	(119)	129,590
Patents	815	-	-	815
Distribution/collection systems	324,778	9,622	(402)	333,998
Machinery and equipment	15,277	1,155	(454)	15,978
<b>Total capital assets, being depreciated</b>	<b>466,502</b>	<b>14,854</b>	<b>(975)</b>	<b>480,381</b>
<b>Less accumulated depreciation for:</b>				
Buildings, structures and facilities	(55,881)	(3,647)	96	(59,432)
Patents	(367)	(41)	-	(408)
Distribution/collection systems	(129,700)	(6,685)	328	(136,057)
Machinery and equipment	(14,142)	(796)	408	(14,530)
<b>Total accumulated depreciation</b>	<b>(200,090)</b>	<b>(11,169)</b>	<b>832</b>	<b>(210,427)</b>
<b>Total capital assets, being depreciated, net</b>	<b>266,412</b>	<b>3,685</b>	<b>(143)</b>	<b>269,954</b>
<b>Total Water Fund capital assets, net</b>	<b>\$ 297,198</b>	<b>21,383</b>	<b>(15,322)</b>	<b>303,259</b>

# LONG BEACH WATER DEPARTMENT

## Notes to Financial Statements September 30, 2016 (in thousands of dollars)

<b>Sewer Fund</b>	Balance September 30, 2015	Additions	Deletions, Retirements and Transfers	Balance September 30, 2016
Capital assets, not being depreciated:				
Construction in progress	\$ 3,324	4,332	(1,844)	5,812
Total capital assets, not being depreciated	<u>3,324</u>	<u>4,332</u>	<u>(1,844)</u>	<u>5,812</u>
Capital assets, being depreciated:				
Buildings, structures and facilities	5,681	-	-	5,681
Distribution/collection systems	199,474	1,843	(283)	201,034
Machinery and equipment	5,111	726	(472)	5,365
Total capital assets, being depreciated	<u>210,266</u>	<u>2,569</u>	<u>(755)</u>	<u>212,080</u>
Less accumulated depreciation for:				
Buildings, structures and facilities	(1,691)	(111)	-	(1,802)
Distribution/collection systems	(143,525)	(1,772)	278	(145,019)
Machinery and equipment	(3,229)	(304)	472	(3,061)
Total accumulated depreciation	<u>(148,445)</u>	<u>(2,187)</u>	<u>750</u>	<u>(149,882)</u>
Total capital assets, being depreciated, net	<u>61,821</u>	<u>382</u>	<u>(5)</u>	<u>62,198</u>
Total Sewer Fund capital assets, net	<u><u>\$ 65,145</u></u>	<u><u>4,714</u></u>	<u><u>(1,849)</u></u>	<u><u>68,010</u></u>
<b>Combined Total</b>	Balance September 30, 2015	Additions	Deletions, Retirements and Transfers	Balance September 30, 2016
Capital assets, not being depreciated:				
Land	\$ 11,248	-	(34)	11,214
Construction in progress	22,822	22,030	(16,989)	27,863
Water Rights	40	-	-	40
Total capital assets, not being depreciated	<u>34,110</u>	<u>22,030</u>	<u>(17,023)</u>	<u>39,117</u>
Capital assets, being depreciated:				
Buildings, structures and facilities	131,313	4,077	(119)	135,271
Patents	815	-	-	815
Distribution/collection systems	524,252	11,465	(685)	535,032
Machinery and equipment	20,388	1,881	(926)	21,343
Total capital assets, being depreciated	<u>676,768</u>	<u>17,423</u>	<u>(1,730)</u>	<u>692,461</u>
Less accumulated depreciation for:				
Buildings, structures and facilities	(57,572)	(3,758)	96	(61,234)
Patents	(367)	(41)	-	(408)
Distribution/collection systems	(273,225)	(8,457)	606	(281,076)
Machinery and equipment	(17,371)	(1,100)	880	(17,591)
Total accumulated depreciation	<u>(348,535)</u>	<u>(13,356)</u>	<u>1,582</u>	<u>(360,309)</u>
Total capital assets, being depreciated, net	<u>328,233</u>	<u>4,067</u>	<u>(148)</u>	<u>332,152</u>
Total Department capital assets, net	<u><u>\$ 362,343</u></u>	<u><u>26,097</u></u>	<u><u>(17,171)</u></u>	<u><u>371,269</u></u>

## LONG BEACH WATER DEPARTMENT

### Notes to Financial Statements September 30, 2016 (in thousands of dollars)

In FY2016, the Department completed several projects as part of ongoing improvements to its current water distribution system and sewer collection system, which totaled \$9,622 for the Water Fund and \$1,843 for the Sewer Fund. These improvements include ongoing programs for Water Cast Iron Main replacement, Water Services installations, Fireline and Fire Hydrant installations, Water Meter replacement, Large Valve replacement, Sewer Manhole and Sewer Pipe relining and rehabilitation. In addition, the Department completed several facility improvements totaling \$4,077. These improvements include Alamitos Reservoir tanks rehabilitation, J.Will Johnson Reservoir large valve replacement, chemical feed tanks replacements, facility roof upgrades and various water wells site improvements. The Department also purchased machinery and equipment which totaled \$955 for the Water Fund and \$726 for the Sewer Fund. These machinery and equipment purchases included dump trucks, utility pick-up trucks, mobile column lifts, laboratory equipment, sewer collection pumps, & a camera van for closed-circuit television (CCTV) monitoring of sewer mains and lateral pipes.

#### Construction in Progress

Construction in progress at September 30, 2016 includes the following projects:

Project	2016
Water Main Replacement Program	\$ 7,121
Reclaimed Water System	787
Sewer main Replacement Program	5,812
Other Projects	<u>14,143</u>
Total Combined Construction in Progress	<u>\$ 27,863</u>

Such costs are allocated as follows:

Water Enterprise Fund	22,051
Sewer Enterprise Fund	<u>5,812</u>
Total Water Department	<u>\$ 27,863</u>

It is the Department's policy to transfer the costs of projects after their completion to other capital asset classifications or to expense. For the fiscal year ended September 30, 2016, completed projects were transferred from Construction in progress as follows:

	2016	
	Water Fund	Sewer Fund
Transfers to Capital Assets	\$ 13,899	1,843
Transfers to Expense	1,246	1
Total	<u>\$ 15,145</u>	<u>1,844</u>

## LONG BEACH WATER DEPARTMENT

### Notes to Financial Statements September 30, 2016 (in thousands of dollars)

#### **Note 4 – Noncurrent Liabilities:**

<b>Water Fund</b>					
September 30, 2016	Beginning of year, as adjusted	Additions	Reductions	End of year	Due within one year
2010 Water Revenue Refunding Bonds	\$ 21,860	-	(2,065)	19,795	2,150
2012 Water Revenue Refunding Bonds	8,410	-	(565)	7,845	580
	30,270	-	(2,630)	27,640	2,730
Less current portion	(2,630)	(2,730)	2,630	(2,730)	-
Add 2010 unamortized bond premium	1,739	-	(274)	1,465	-
Add 2012 unamortized bond premium	964	-	(126)	838	-
Total long-term debt	30,343	(2,730)	(400)	27,213	2,730
Net Pension Liability	31,033	4,974	-	36,007	-
Net OPEB Liability	1,459	91	-	1,550	-
Accrued site restoration cost	1,000	-	-	1,000	-
Total noncurrent liabilities	<u>\$ 63,835</u>	<u>2,335</u>	<u>(400)</u>	<u>65,769</u>	<u>2,730</u>

<b>Sewer Fund</b>					
September 30, 2016	Beginning of year, as adjusted	Additions	Reductions	End of year	Due within one year
Sewer Revolving Line of Credit	\$ 11,250	-	(11,250)	-	-
2016 Sewer Revenue Refunding Bonds	-	9,830	-	9,830	460
	11,250	9,830	(11,250)	9,830	460
Less current portion	-	(460)	-	(460)	-
Add 2016 unamortized bond premium	-	1,727	(8)	1,719	-
Total long-term debt	11,250	11,097	(11,258)	11,089	460
Net Pension Liability	6,341	936	-	7,277	-
Net OPEB Liability	291	18	-	309	-
Total noncurrent liabilities	<u>\$ 17,882</u>	<u>12,051</u>	<u>(11,258)</u>	<u>18,675</u>	<u>-</u>

The bonds are payable from and secured by net revenues of the Department.

#### **Second Lien Water Revenue Bonds - Series 2012A**

On August 30, 2012, the Water Fund issued \$9,850 in Second Lien Water Revenue Bonds, Series 2012A (the Series 2012A Bonds) at a premium of \$1,342 to provide funds to (a) refund, on a current basis, \$11,000 aggregate principal outstanding in Subordinate Water Revenue Commercial Paper Notes, and (b) pay the cost of issuing the Series 2012A Bonds. There is no bond reserve requirement. The objective of this debt refinancing was to take advantage of historically low fixed bond rates, and provide the Department with certainty in its future debt service payment requirements. The Commercial Paper program, as authorized by the Board under Resolution WD-1170, expired on October 1, 2012.

## LONG BEACH WATER DEPARTMENT

### Notes to Financial Statements September 30, 2016 (in thousands of dollars)

The Bonds bear interest ranging from 2.0% to 5.0% per annum payable on May 1 and November 1 of each year, commencing on November 1, 2012. Principal payments are due every May 1, commencing on May 1, 2013, with bond terms maturing through the year 2027. The initial issuance premium of \$1,342 on the Series 2012 Bonds is reported as an addition to long-term debt and is amortized using the effective-interest-rate method over the life of the Bonds.

Under Board Resolution WD-1300 adopted July 24, 2012 authorizing the issuance and sale of the Series 2012A Bonds, the Board also approved closure of the Senior Lien trust indentures pursuant to which the Department previously issued the Series 1997A City of Long Beach Water Revenue Refunding Bonds and Series 2010A City of Long Beach Water Revenue Refunding Bonds. The Board also irrevocably covenanted that the Department would not issue any additional Parity Obligations in the future that would have a lien on Net Revenues senior to its Subordinate Obligations, including the 2012A Bonds.

The Board, on behalf of the City, has covenanted under the Master Subordinate Indenture, to set rates and charges for the supply of water to its customers sufficient to yield net revenues each year equal to at least equal to 1.10 times the aggregate annual amount of principal and interest due on the Senior Lien Bonds and any Subordinate Obligations, including the Series 2012A Bonds.

#### Water Revenue Refunding Bonds - Series 2010A

On September 29, 2010, the Water Fund issued \$22,740 in Water Revenue Refunding Bonds, Series 2010A (the Series 2010A Bonds) at a premium of \$3,021 to (a) advance refund 82.4% or \$24,290 of the outstanding Series 1997A Water Revenue Refunding Bonds at a redemption premium of 2% over par value, (b) fund a reserve fund for the Series 2010A Bonds, and (c) pay the cost of issuing the 2010 Bonds. The Series 2010A Bonds bear interest ranging from 3.0% to 5.0% per annum payable on May 1 and November 1 of each year, commencing on November 1, 2010. Principal payments are due May 1, commencing on May 1, 2012.

The remaining Series 1997A Bonds maturing on May 1, 2015 were not subject to redemption prior to, maturity and the \$1,825 outstanding was paid off on May 1, 2015.

The initial issuance premium of \$3,021 on the Series 2010A Bonds is reported as an addition to long-term debt and is amortized using the effective-interest-rate method over the life of the Bonds.

In addition, the refunding resulted in a difference between the reacquisition price and the net carrying amount of the Series 1997A Bonds of \$2,697. This difference is considered to be a deferred outflow on the refunding and is reported in the Statement of Net Position as a separate category under Deferred Outflows of Resources. The deferred outflow from the refunding is being amortized using the straight-line method over the life of the Series 2010A bonds, which have the same maturity as the old debt. The Refunded Series 1997A Bonds

## LONG BEACH WATER DEPARTMENT

### Notes to Financial Statements September 30, 2016 (in thousands of dollars)

were refunded in order to take advantage of lower interest rates to achieve debt service savings. The Department reduced its aggregate debt service payments by \$3,286, with the refunding structured to achieve such savings upfront over fiscal years 2011 and 2012. The economic gain from the refunding (difference between the present value of the old and new debt service payments) was \$3,349.

The Series 2010A Bonds and any Parity Obligations are secured by a first lien upon and pledge of all of the net revenues of the entire water system (the Water Enterprise Fund) of the City of Long Beach. Net revenues are defined as all gross revenues derived by the ownership and operation of the Water Enterprise Fund less operation and maintenance costs. The Board has covenanted, on behalf of the City, to set rates and charges for the supply of water to its customers sufficient to provide net revenues each year equal to at least 1.10 times the aggregate annual amount of principal and interest due on the Bonds and any parity obligations.

#### Senior Sewer Revenue Refunding Bonds - Series 2016A

On September 7, 2016, the Sewer Fund issued \$9,830 in Senior Sewer Revenue Refunding Bonds, Series 2016A (the Series 2016A Bonds) at a premium of \$1,727 to provide funds to (a) refund, on a current basis, \$11,250 aggregate principal outstanding in Subordinate Sewer Revenue Obligations pursuant to the terms of a credit agreement with Wells Fargo Bank, National Association, and (b) pay the cost of issuing the Series 2016A Bonds. There is no bond reserve requirement. The objective of this debt refinancing was to take advantage of low fixed bond yield rates, and provide the Department with certainty in its future debt service payment requirements.

The Series 2016A Bonds bear interest ranging from 4.0% to 5.0% per annum payable on May 1 and November 1 of each year, commencing on November 1, 2016. Principal payments are due every May 1, commencing on May 1, 2017, with bond terms maturing through the year 2036. The initial issuance premium of \$1,727 on the Series 2016A Bonds is reported as an addition to long-term debt and is amortized using the effective-interest-rate method over the life of the Bonds.

The Series 2016A Bonds and any Parity Obligations are secured by a first lien upon and pledge of all of the net revenues of the Sewer Enterprise. Net revenues are defined as all gross revenues derived by ownership and operation of the Sewer Enterprise less operation and maintenance costs. The Board, on behalf of the City, has covenanted under the Senior Indenture to set rates and charges for sewer service to its customers sufficient to yield net revenues each year which are at least equal to 1.25 times the aggregate annual amount of debt service on the Senior Bonds (including the Series 2016A Bonds) for such fiscal year.

## LONG BEACH WATER DEPARTMENT

Notes to Financial Statements  
September 30, 2016  
(in thousands of dollars)

### Subordinate Sewer Revolving Line of Credit

On May 5, 2011, the Board approved Resolution WD-1282 authorizing the issuance from time to time of Subordinate Sewer Revenue Obligations pursuant to the terms of a credit agreement with Wells Fargo Bank, National Association, which provides for a Revolving Line of Credit (LOC) in an amount not to exceed \$20,000 at any time. Obligations under the LOC are secured by and payable from a subordinate lien upon the City's Sewer Enterprise net revenues (gross revenues less operation and maintenance costs). The original term of the LOC was for three years, with a Commitment Expiration Date of May 26, 2014. Effective July 8, 2013, the Commitment Expiration Date was extended by an additional three years to May 26, 2017. The LOC was secured to pay off the outstanding principal on Senior Sewer Revenue Commercial Paper Notes and to continue to provide interim financing of sewer system improvements and sewer pipe rehabilitation and replacement programs. The Department suspended the issuance of sewer commercial paper notes under the existing commercial paper program, but reserves the right to issue obligations in the future senior to its obligations created under the LOC.

On May 26, 2011, the Department drew \$6,000 on the LOC to retire \$4,000 of outstanding Sewer Revenue Commercial Paper notes and fund \$2,000 in sewer system improvements. On September 3, 2013, the Department drew \$3,750 to fund sewer system improvements. On August 12, 2015, the Department drew another \$1,500 again to fund sewer system improvements. Interest rates are based on 70% of the London Interbank Offered Rate (LIBOR) plus an applicable margin, and can be designated as fixed or variable for one-month, three-month, or six-month interest periods. Interest rates have ranged from 0.76% to 1.06%.

On September 7, 2016, the Department retired all outstanding notes, with an aggregate principal balance of \$11,250. As authorized by the Board under Resolution WD-1360, the Department amended the Credit Agreement with Wells Fargo Bank, National Association to extend the Commitment Expiration Date from May 26, 2017 to September 7, 2019. Additionally, the not-to-exceed amount of the LOC was reduced from \$20,000 to \$10,000.

### Senior Sewer Revenue Commercial Paper Notes

On May 7, 2009, the Board approved Resolution WD-1255, which authorized the issuance and sale of up to \$20,000 of City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes (notes), Series A (tax exempt), and Series B (taxable). The City's Sewer Enterprise net revenues (gross revenues less operation and maintenance costs) secure the notes. The notes are further supported by credit enhancement in the form of an Irrevocable Letter of Credit, issued initially by Union Bank, N.A. pursuant to a reimbursement agreement. The City of Long Beach City Council approved the issuance and sale on June 2, 2009. Proceeds from the variable debt was used for interim financing of sewer system improvements and sewer pipe rehabilitation and replacement programs.

## **LONG BEACH WATER DEPARTMENT**

Notes to Financial Statements  
September 30, 2016  
(in thousands of dollars)

On June 11, 2009, Series A notes in the amount of \$4,000 were issued. The notes were issued in denominations in excess of \$100 thousands and matured not more than 270 days after date of issuance. Interest rates have ranged from 0.20% to 0.30%. The Department retired these notes on May 26, 2011 and suspended the issuance of sewer commercial paper notes under the existing commercial paper program, but reserves the right to issue obligations in the future senior to its obligations created under the LOC.

### Accrued Site Restoration Cost

In FY2010, the Department completed its study on Seawater Nanofiltration Desalination Processes. The Department's prototype 300,000 gallons per day desalination research and development facility was located on land leased from Los Angeles Department of Water and Power. Under the terms of the lease, the Department was required to dismantle the facility and restore the site to its original condition. Estimated site restoration costs of \$400 had been accrued as a long-term liability in FY2007. During FY2010, the estimated accrued site restoration costs were reduced and actual restoration costs relating to the dismantling of the prototype desalination research and development facility were recorded as expense.

In FY2008, the Department completed construction of a subsurface seawater intake and discharge facility. Facility construction costs totaling \$4,614 have been capitalized and were depreciated over a period of two years. A Coastal Development Permit granted by the California Coastal Commission in September 2007, required the Department to restore the project site to its preexisting condition no later than May 21, 2012. On July 14, 2011, the Department was granted an extension for the restoration of the coastal area to May 26, 2017. On October 13, 2016, the Department was granted an additional five year extension on the restoration from May 26, 2017 to May 27, 2022. Estimated site restoration costs of \$1,000 have been accrued as a long-term liability and recorded as nonoperating expenses. Operating costs of the facility are expensed as incurred.

## LONG BEACH WATER DEPARTMENT

Notes to Financial Statements  
September 30, 2016  
(in thousands of dollars)

### Total Annual Debt Service Requirements to Maturity

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending Sept 30	Water Fund						Total Debt Service
	Series 2010 Bonds		Series 2012 Bonds		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 2,150	843	580	322	2,730	1,165	3,895
2018	2,210	778	605	299	2,815	1,077	3,892
2019	2,300	690	630	275	2,930	964	3,894
2020	2,395	598	655	250	3,050	847	3,897
2021	2,490	502	680	223	3,170	725	3,895
2022-2026	8,250	819	3,835	687	12,085	1,507	13,592
2027	-	-	860	43	860	43	903
Total	<u>\$ 19,795</u>	<u>4,229</u>	<u>7,845</u>	<u>2,099</u>	<u>27,640</u>	<u>6,328</u>	<u>33,968</u>

Fiscal Year Ending Sept 30	Sewer Fund		
	Series 2016 Bonds		Total Debt Service
	Principal	Interest	
2017	\$ 460	269	729
2018	330	395	725
2019	345	382	727
2020	360	368	728
2021	375	354	729
2022-2026	2,105	1,532	3,637
2027-2031	2,615	1,024	3,639
2032-2036	3,240	399	3,639
Total	<u>\$ 9,830</u>	<u>4,723</u>	<u>14,553</u>

### Note 5 - Retirement Program

#### Plan Description – Public Employees’ Retirement System (CalPERS)

The Department contributes to the California Public Employees’ Retirement System (CalPERS) agent multiple-employer defined benefit pension plan. The City is considered the employer and the Department is a department of the City. The Department’s employees are enrolled in the City Miscellaneous Plan. CalPERS provides retirement benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City resolution. All City departments are considered collectively to be a single employer, and the actuarial present value of vested and non-vested accumulated plan benefits attributable to the Department’s employees is determined as the Department’s percentage of the City as a single employer. Similarly, the net assets available for benefits of Department employees is determined as the Department’s percentage of the City’s net assets. CalPERS issues publicly available reports that include a full description of the pension plans, including benefit provisions, assumptions and

## LONG BEACH WATER DEPARTMENT

### Notes to Financial Statements September 30, 2016 (in thousands of dollars)

membership information. All qualified permanent employees of the Department are eligible to participate in the Miscellaneous Plan. The reports can be found on the CalPERS website.

#### Benefits Provided

CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment, age at retirement and final compensation. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The cost of living adjustments for the plan is applied as specified by the Public Employees' Retirement Law.

*Contributions* - California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The Plans' provisions and benefits in effect at September 30, 2016, are summarized in the following table:

Miscellaneous			
Hire date	Prior to October 1, 2006	On or after October 1, 2006 and prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.5% @ 55	2.0% @ 62
Benefit vesting schedule		5 years of service	
Benefit payments		Monthly for life	
Retirement age	50 - 55	50 - 55	52 - 60
Required Contribution Rates			
Employee	8.0%	8.0%	6.5%
Employer	18.380%	18.380%	18.380%
Percentage of Eligible Compensation			
Monthly benefits	2.0% to 2.7%	2.0% to 2.5%	1.0% to 2.0%

## LONG BEACH WATER DEPARTMENT

### Notes to Financial Statements September 30, 2016 (in thousands of dollars)

#### Allocation Methodology

The City used a calculated percentage based on the Department's share of the pensionable compensation to the City's total pensionable compensation amounts for each plan, to provide the Department's net pension liability and related GASB 68 accounting elements. The Department's calculated percentage was 6.9% (5.7% for Water and 1.2% for Sewer) for the Plan.

#### Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows Related to Pensions

The City's net pension liability for the Plan was measured as the total pension liability, less the plan's fiduciary net position. Net pension liability is measured as of June 30, 2016 (measurement date). The Department's net pension liability for the Plan \$43,284 (\$36,007 for Water and \$7,277 for Sewer) at September 30, 2016.

For the measurement period ending June 30, 2016 (the measurement date), the Department incurred a pension expense of \$3,654 (\$3,042 for Water and \$612 for Sewer).

As of September 30, 2016, the Department had deferred outflows and deferred inflows related to pensions as follows:

#### Deferred outflows and inflows at September 30

	Water	Sewer	Total
Deferred outflows of resources:			
Pension contributions after measurement date	\$ 601	121	722
Difference between actual and expected CalPERS investment returns	9,381	1,896	11,277
Total deferred outflows of resources	<u>\$ 9,982</u>	<u>2,017</u>	<u>11,999</u>
Deferred inflows of resources:			
CalPERS differences between actual and expected experience	\$ 1,836	371	2,207
CalPERS change in assumptions	669	135	804
CalPERS change in proportion	857	179	1,036
Total deferred inflows of resources	<u>\$ 3,362</u>	<u>685</u>	<u>4,047</u>

## LONG BEACH WATER DEPARTMENT

**Notes to Financial Statements  
September 30, 2016  
(in thousands of dollars)**

Exclusive of deferred outflows related to payments after the measurement date, the net amount of deferred outflows (inflows) of resources related to pensions that will be recognized in pension expense during the next five years and thereafter is as follows:

<b>Measurement</b>				
<b>Period ended</b>				
<b>June 30</b>	<b>Water</b>	<b>Sewer</b>		<b>Total</b>
2017	\$ 407	81		488
2018	1,947	392		2,339
2019	2,430	490		2,920
2020	1,235	248		1,483
	<hr/>			
	\$ 6,019	1,211		7,230

## Actuarial Methods and Assumptions Used to Determine Total Pension Liability

A summary of principal assumptions and methods used to determine the net pension liability is as follows:

	<i>Miscellaneous</i>
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.5% <sup>1</sup>
Mortality	<sup>2</sup>

<sup>1</sup> Net of Pension Plan Investment and Administrative Expenses; includes inflation.

<sup>2</sup> The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scal AA. For more details on this table, refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 Actuarial Valuation Report were based on the results of an actuarial experience study for the period from 1997 to 2011. Further details of the experience study can be found on the CalPERS website.

## LONG BEACH WATER DEPARTMENT

Notes to Financial Statements  
September 30, 2016  
(in thousands of dollars)

### Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB Statement No. 68 section.

The long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference to the Plans.

The long-term expected rate of return on pension plan investments of 7.50% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

## LONG BEACH WATER DEPARTMENT

Notes to Financial Statements  
September 30, 2016  
(in thousands of dollars)

The following table reflects the long-term expected real rate of return by asset class for both Safety and Miscellaneous Plans. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 - 10<sup>a</sup></b>	<b>Real Return Years 11+<sup>b</sup></b>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	12.0	4.50	5.13
Infrastructure and Forestland	0.0	4.50	5.09
Liquidity	1.0	(0.55)	(1.05)

<sup>a</sup> An expected inflation of 2.5% used for this period

<sup>b</sup> An expected inflation of 3.0% used for this period

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the City for each plan as of the measurement date, calculated using the discount rate of 7.65 percent, compared to a discount rate that is 1 percentage point lower (6.65%) or 1 percentage point higher (8.65%).

<b>Net Pension Liability/(Asset)</b>	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
1% Decrease (6.65%)	\$ 53,933	10,900	64,833
Current Discount Rate (7.65%)	36,007	7,277	43,284
1% Increase (8.65%)	21,149	4,274	25,423

### Note 6 – Post Retirement Health Care Benefits

#### Plan Description

The Department participates in the City of Long Beach Retiree Health Care plan (the Plan), a single-employer plan administer by the City of Long Beach. The Plan covers all eligible full-time employees of the City. City Council has the authority to establish and amend the benefit terms currently permitted by Ordinance No. C-7556.

## LONG BEACH WATER DEPARTMENT

Notes to Financial Statements  
September 30, 2016  
(in thousands of dollars)

### Benefits provided

The Plan provides health, dental and long-term care insurance for retirees and their dependents as long as (a) that employee participated in a City provided insurance program of that type (PPO or HMO) during the year immediately preceding retirement, (b) has not attained the eligibility age for Medicare payments, and (c) has attained the minimum retirement age for the employee's retirement plan. Benefits are administered through a third-party provider, and the full cost of the benefits is covered by the plan.

### Total OPEB Liability, OPEB expense, and Deferred Outflows of Resources Related to OPEB

At September 30, 2016, the Department reported a total OPEB liability of \$1,859 (\$1,550 for Water and \$309 for Sewer) for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of September 30, 2015 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of September 30, 2015. The Departments proportion of the total OPEB liability was based on the Department's share of sick leave balances. At September 30, 2016, the Department's proportion was 4.1% (3.4% for Water and .7% for Sewer).

For the year ended September 30, 2016, the Department recognized OPEB expense of \$154 (\$128 for Water and \$26 for Sewer). At September 30, 2016, the Department reported \$52 of deferred outflows of resources related to OPEB from contributions made subsequent to the measurement date (\$43 for Water and \$9 for Sewer). Amounts reported as deferred outflows and deferred outflows related to OPEB from the Department's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended September 30, 2017.

## LONG BEACH WATER DEPARTMENT

### Notes to Financial Statements September 30, 2016 (in thousands of dollars)

#### Actuarial Assumptions

The total OPEB liability in the September 30, 2015 actuarial valuation was determined using the following actuarial assumptions.

Valuation Date	September 30, 2015				
Measurement Date	September 30, 2015				
Actuarial Cost Method	Entry Age				
<b>Actuarial Assumptions:</b>					
Inflation	3.00%				
Discount Rate	3.76%	Based on Fidelity Municipal Bond GO AA 20-year Bond Index			
Payroll Increases	Aggregate	3.25%			
	Merit	CalPERS 1997-2011 Experience			
Mortality	CalPERS 1997-2011 Experience Study				
Withdrawal	CalPERS 1997-2011 Experience Study				
Disability	CalPERS 1997-2011 Experience Study				
Retirement	CalPERS 1997-2011 Experience Study				

#### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Department, as well as what the Department's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.76 percent) or 1-percentage-point higher (4.76 percent) than the current discount rate (in thousands):

	<b>1 Percent Decrease (2.76 %)</b>	<b>Discount Rate (3.76 %)</b>	<b>1 Percent Increase (4.76 %)</b>
Total OPEB Liability - Water	\$ 1,696	1,550	1,417
Total OPEB Liability - Sewer	\$ 338	309	282

## LONG BEACH WATER DEPARTMENT

Notes to Financial Statements  
September 30, 2016  
(in thousands of dollars)

### Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the Department, as well as what the Department's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 5.0 percent for non-Medicare plans or 6.8 percent decreasing to 5.0 percent for Medicare plans) or 1-percentage-point higher (8.5 percent decreasing to 5.0 percent for non-Medicare plans or 8.8 percent decreasing to 5.0 percent for Medicare plans) than the current healthcare cost trend rates:

	<i>1 Percent Decrease (6.5 % to 6.8 %)</i>	<i>Healthcare Cost Trend Rate (7.5 % to 7.8 %)</i>	<i>1 Percent Increase (8.5 % to 8.8 %)</i>
Total OPEB Liability - Water	\$ 1,377	1,550	1,752
Total OPEB Liability - Sewer	\$ 275	309	349

### Note 7 - Operating Leases

The Department owns approximately 820 acres of land, approximately 80 acres of which is leased for commercial purposes. Minimum future rental income due to the Water Fund under noncancelable operating leases which have an initial term in excess of one year is as follows:

Year ending September 30:

2017	\$ 644
2018	609
2019	368
2020	337
2021	333
2022-2026	1,049
2027-2031	432
2032-2036	365
2037-2041	100
Total minimum future rentals	\$ <u>4,237</u>

## **LONG BEACH WATER DEPARTMENT**

Notes to Financial Statements  
September 30, 2016  
(in thousands of dollars)

### **Note 8 - Commitments and Contingencies**

#### **Litigation**

The Department is subject to claims and lawsuits arising from the normal course of business. Such claims are routinely evaluated by representatives of the City Attorney's office. Department management may make provision for probable losses if deemed appropriate on advice of legal counsel. To the extent that such provision for damages is considered necessary, appropriate amounts are reflected in the accompanying basic financial statements. Based upon information obtained from the City Attorney with respect to remaining cases, it is the opinion of management that any liability for unreserved claims and lawsuits will not have a material impact on the basic financial statements of the Department.

#### **Commitments**

Contract commitments and purchase orders for which materials or services were not received as of September 30, 2016 amount to \$3,692 and \$2,341 for the Water Fund and Sewer Fund, respectively.

**STATISTICAL SECTION**  
**(Unaudited)**

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## **Financial Trends**

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

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**LONG BEACH WATER DEPARTMENT**  
**CHANGES IN NET POSITION - WATER FUND**  
**LAST TEN FISCAL YEARS**  
(in thousands of dollars)

Fiscal Year Ended	Total Operating Revenue <sup>(1)</sup>	Total Operating Expense	Operating Income (Loss)	Total Non-Operating Income (Expense)	Total Contributed capital	Changes in Net Position
9/30/2007	70,192	66,870	3,322	(1,394)	2,544	4,472
9/30/2008	71,384	67,647	3,737	(660)	3,746	6,823
9/30/2009	80,777	73,916	6,861	(1,029)	2,221	8,053
9/30/2010	87,151	79,422	7,729	8,302	2,263	18,294
9/30/2011	88,576	80,403	8,173	(1,374)	8,283	15,082
9/30/2012	86,515	79,342	7,173	(1,573)	247	5,847
9/30/2013	91,949	85,783	6,166	(2,152)	131	4,145 <sup>(2)</sup>
9/30/2014	100,187	91,992	8,195	(216)	2,924	10,903
9/30/2015	99,475	102,134	(2,659)	1,051	1,726	118
9/30/2016	97,650	92,253	5,397	(672)	2,710	7,435

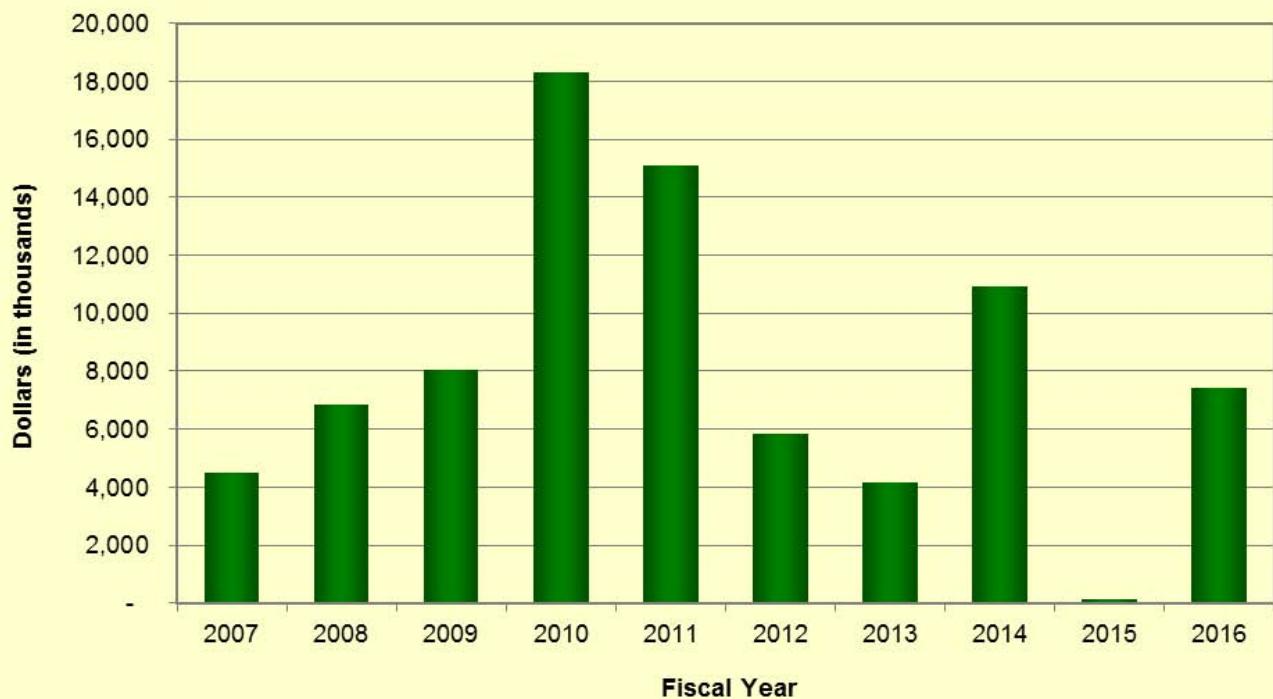
Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.

(2) Changes in Net Position amount excludes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

Source: Department's annual reports

See accompanying independent auditors' report

**Changes in Net Position - Water Fund**



**LONG BEACH WATER DEPARTMENT**  
**CHANGES IN NET POSITION - SEWER FUND**  
**LAST TEN FISCAL YEARS**  
(in thousands of dollars)

Fiscal Year Ended	Total Operating Revenue <sup>(1)</sup>	Total Operating Expense	Operating Income (Loss)	Total Non-Operating Income (Expense)	Total Contributed capital	Changes in Net Position
9/30/2007	10,796	11,524	(728)	352	-	(376)
9/30/2008	11,759	11,875	(116)	174	-	58
9/30/2009	12,455	13,003	(548)	258	-	(290)
9/30/2010	15,186	14,015	1,171	(517)	310	964
9/30/2011	16,448	14,795	1,653	(650)	2,868	3,871
9/30/2012	17,325	14,411	2,914	(1,260)	185	1,839
9/30/2013	17,311	15,165	2,146	(761)	-	1,385 <sup>(2)</sup>
9/30/2014	17,953	15,479	2,474	(462)	759	2,771
9/30/2015	17,903	16,024	1,879	(257)	-	1,622
9/30/2016	18,355	15,835	2,520	(280)	-	2,240

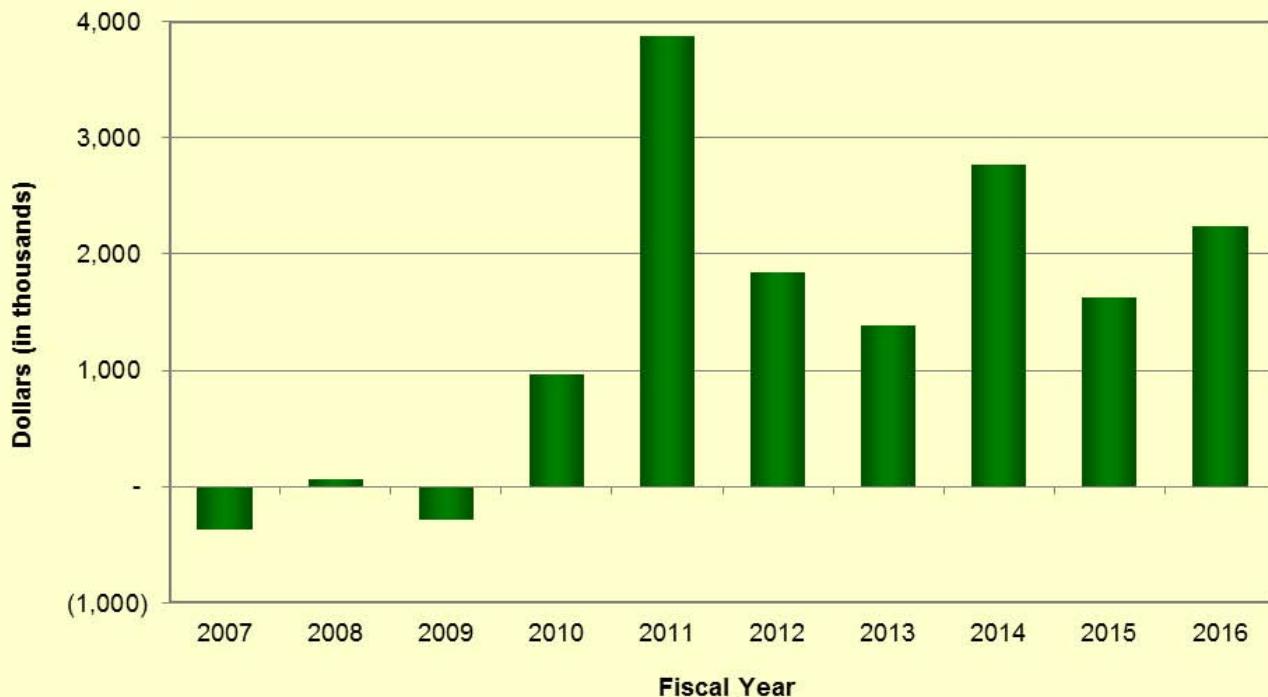
Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.

(2) Changes in Net Position amount excludes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

Source: Department's annual reports

See accompanying independent auditors' report

**Changes in Net Position - Sewer Fund**



**LONG BEACH WATER DEPARTMENT**  
**NET POSITION BY COMPONENT - WATER FUND**  
**LAST TEN FISCAL YEARS**  
(in thousands of dollars)

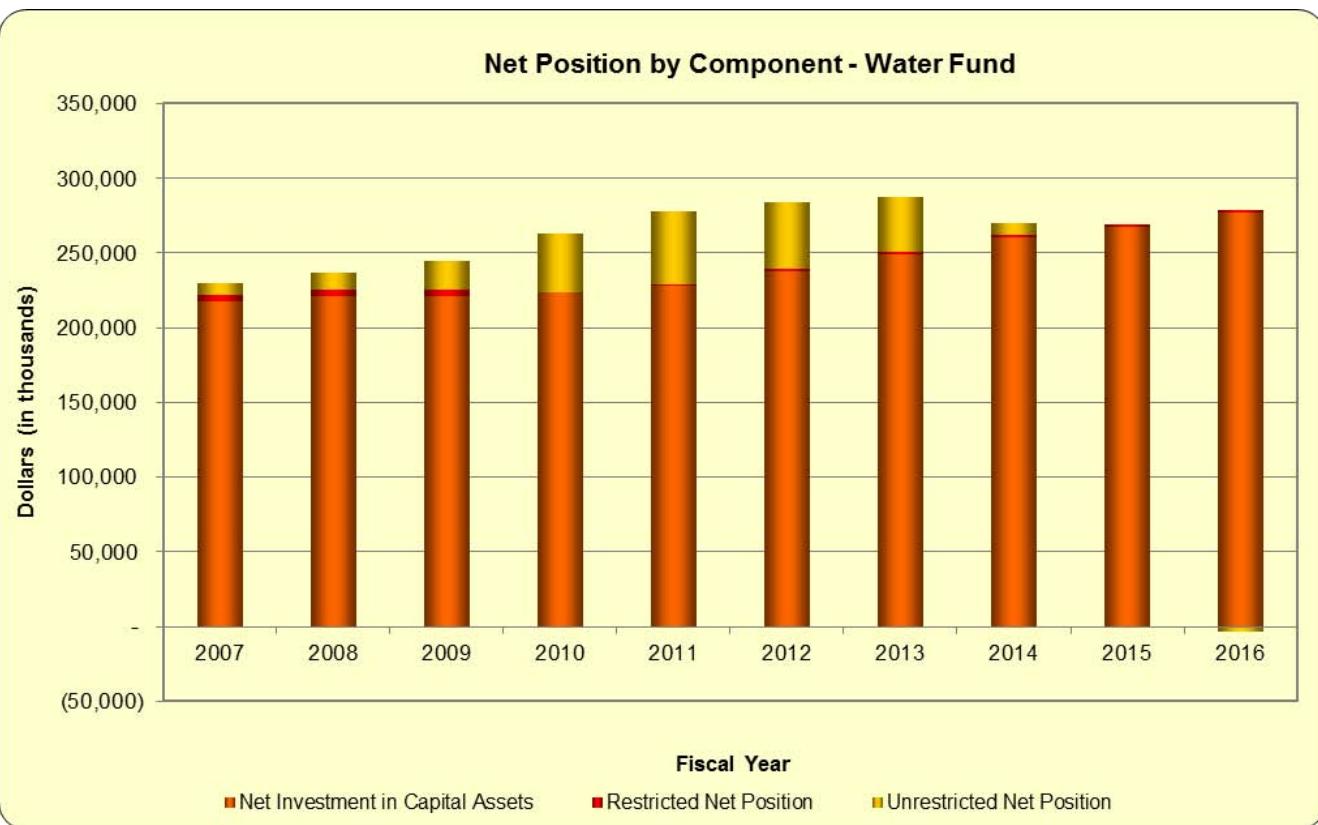
Fiscal Year Ended	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position (deficit)	Total Net Position
9/30/2007	217,247	4,409	8,366	230,022
9/30/2008	221,225	4,178	11,442	236,845
9/30/2009	220,974	4,240	19,684	244,898
9/30/2010	223,560	153	39,479	263,192
9/30/2011	228,196	736	49,342	278,274
9/30/2012	237,793	1,350	44,978	284,121
9/30/2013	249,256	1,656	36,814	287,726 <sup>(1)</sup>
9/30/2014	260,538	1,673	7,725	269,936
9/30/2015 <sup>(2)</sup>	267,041	1,697	(143)	268,595
9/30/2016	277,394	1,716	(3,080)	276,030

Notes: (1) Total Net Position amount includes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

(2) Amounts adjusted due to implementation of GASB Statement No. 75.

Source: Department's annual reports

See accompanying independent auditors' report



(Unaudited)

Exhibit 4

**LONG BEACH WATER DEPARTMENT**  
**NET POSITION BY COMPONENT - SEWER FUND**  
**LAST TEN FISCAL YEARS**  
(in thousands of dollars)

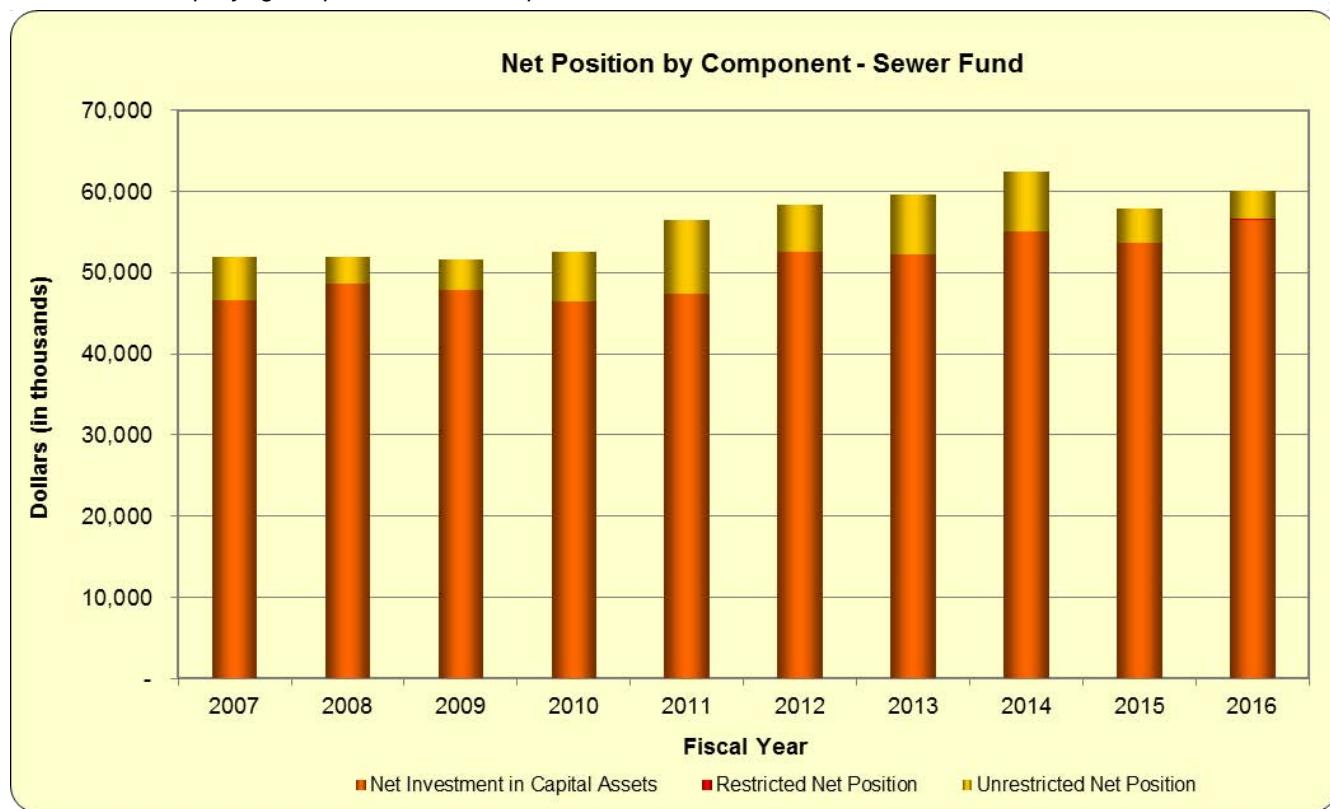
<u>Fiscal Year Ended</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted Net Position</u>	<u>Unrestricted Net Position</u>	<u>Total Net Position</u>
9/30/2007	46,637	-	5,235	51,872
9/30/2008	48,541	-	3,389	51,930
9/30/2009	47,891	-	3,749	51,640
9/30/2010	46,383	-	6,221	52,604
9/30/2011	47,378	-	9,097	56,475
9/30/2012	52,465	-	5,849	58,314
9/30/2013	52,151	-	7,412	59,563 <sup>(1)</sup>
9/30/2014	55,006	-	7,328	62,334
9/30/2015 <sup>(2)</sup>	53,604	-	4,195	57,799
9/30/2016	56,462	84	3,493	60,039

Notes: (1) Total Net Position amount includes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

(2) Amounts adjusted due to implementation of GASB Statement No. 75.

Source: Department's annual reports

See accompanying independent auditors' report



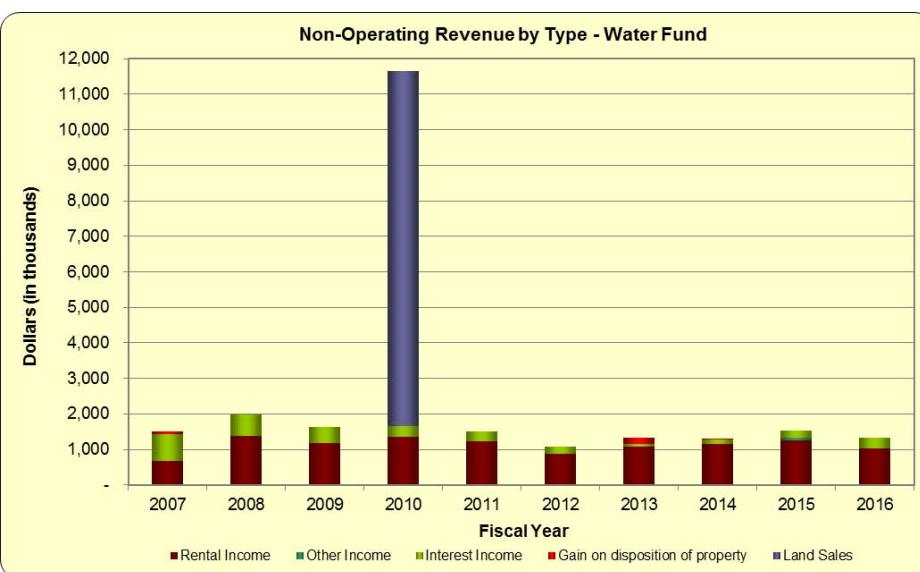
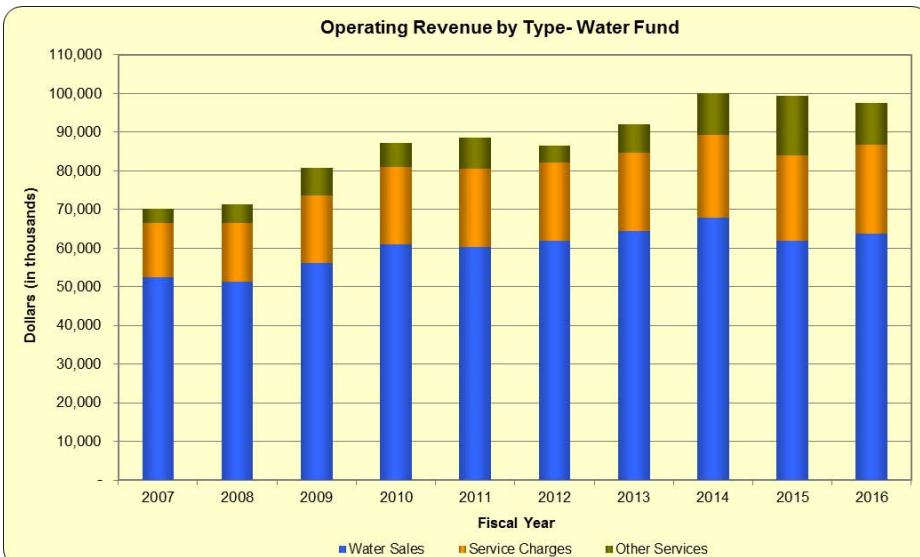
**LONG BEACH WATER DEPARTMENT**  
**WATER FUND REVENUE BY TYPE - LAST TEN FISCAL YEARS**  
(in thousands of dollars)

<b>Fiscal Year Ended</b>	<b>OPERATING</b>				<b>NON-OPERATING</b>					<b>Total Non-Operating Income</b>
	<b>Water Sales<sup>(1)</sup></b>	<b>Service Charges</b>	<b>Other Services</b>	<b>Total Operating Revenue</b>	<b>Interest Income</b>	<b>Rental Income</b>	<b>Land sales</b>	<b>Other Income</b>	<b>Gain on disposition of property</b>	
9/30/2007	52,507	13,959	3,726	70,192	758	682	-	-	66	1,506
9/30/2008	51,389	15,156	4,839	71,384	602	1,382	-	-	-	1,984
9/30/2009	56,256	17,299	7,222	80,777	456	1,181	-	-	-	1,637
9/30/2010	60,975	19,983	6,193	87,151	302	1,345	10,000	-	-	11,647
9/30/2011	60,398	20,251	7,927	88,576	294	1,221	-	-	-	1,515
9/30/2012	61,884	20,223	4,408	86,515	193	885	-	-	-	1,078
9/30/2013	64,347	20,363	7,239	91,949	58	1,087	-	-	196	1,341
9/30/2014	67,818	21,548	10,821	100,187	120	1,158	-	-	36	1,314
9/30/2015	61,995	22,061	15,419	99,475	223	1,256	-	62	-	1,541
9/30/2016	63,658	23,121	10,871	97,650	299	1,027	-	-	-	1,326

Notes: (1) Water Sales is net of Provision for doubtful accounts expense.

Source: Department's annual reports

See accompanying independent auditors' report

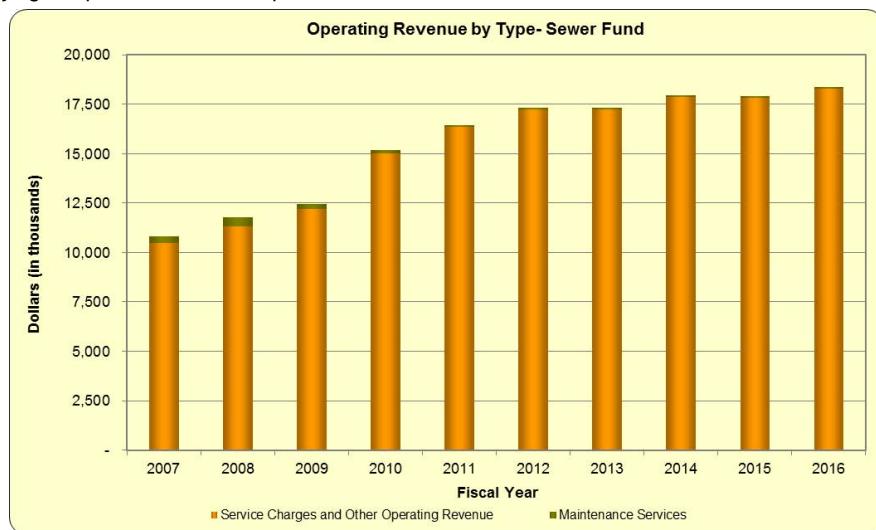


**LONG BEACH WATER DEPARTMENT**  
**SEWER FUND REVENUE BY TYPE - LAST TEN FISCAL YEARS**  
(in thousands of dollars)

<b>Fiscal Year Ended</b>	<b>OPERATING</b>			<b>NON-OPERATING</b>			<b>Total Non-Operating Income</b>
	<b>Service Charges and Other Operating Revenue</b>	<b>Maintenance Services</b>	<b>Total Operating Revenue</b>	<b>Interest Income</b>	<b>Other Income</b>	<b>Gain on disposition of property</b>	
9/30/2007	10,500	296	10,796	359	-	-	359
9/30/2008	11,317	442	11,759	172	2	-	174
9/30/2009	12,203	252	12,455	70	219	-	289
9/30/2010	15,013	173	15,186	50	0.01	-	50
9/30/2011	16,362	86	16,448	63	-	-	63
9/30/2012	17,239	86	17,325	25	-	2	27
9/30/2013	17,225	86	17,311	11	-	2	13
9/30/2014	17,867	86	17,953	23	-	-	23
9/30/2015	17,817	86	17,903	52	-	2	54
9/30/2016	18,269	86	18,355	94	-	5	99

Source: Department's annual reports

See accompanying independent auditors' report

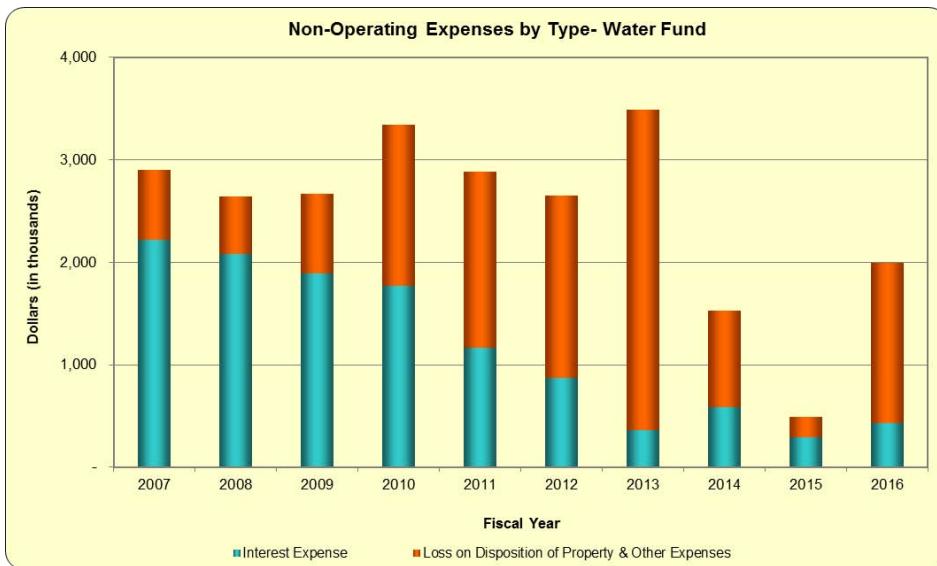
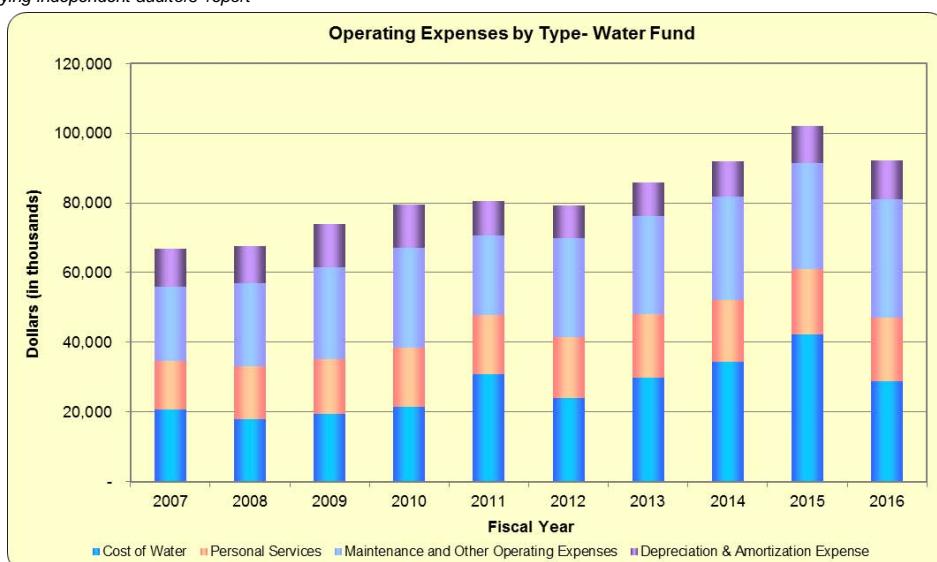


**LONG BEACH WATER DEPARTMENT**  
**WATER FUND EXPENSES BY TYPE - LAST TEN FISCAL YEARS**  
(in thousands of dollars)

<b>Fiscal Year Ended</b>	<b>OPERATING</b>					<b>NON-OPERATING</b>			<b>Total Non-Operating Expense</b>
	<b>Cost of Water</b>	<b>Personal Services</b>	<b>Maintenance and Other Operating Expenses</b>	<b>Depreciation &amp; Amortization Expense</b>	<b>Total Operating Expenses</b>	<b>Interest Expense</b>	<b>Loss on Disposition of Property &amp; Other Expenses</b>		
9/30/2007	20,606	14,069	21,224	10,972	66,871	2,217	683		2,900
9/30/2008	18,036	14,974	24,009	10,628	67,647	2,078	566		2,644
9/30/2009	19,509	15,654	26,319	12,434	73,916	1,891	775		2,666
9/30/2010	21,588	16,855	28,648	12,331	79,422	1,773	1,572		3,345
9/30/2011	30,825	17,095	22,644	9,839	80,403	1,167	1,722		2,889
9/30/2012	23,887	17,594	28,502	9,359	79,342	872	1,779		2,651
9/30/2013	29,753	18,309	28,155	9,566	85,783	363	3,130		3,493
9/30/2014	34,378	17,822	29,566	10,226	91,992	587	943		1,530
9/30/2015	42,178	18,923	30,294	10,739	102,134	292	198		490
9/30/2016	28,743	18,405	33,936	11,169	92,253	433			1,565
									1,998

Source: Department's annual reports

See accompanying independent auditors' report

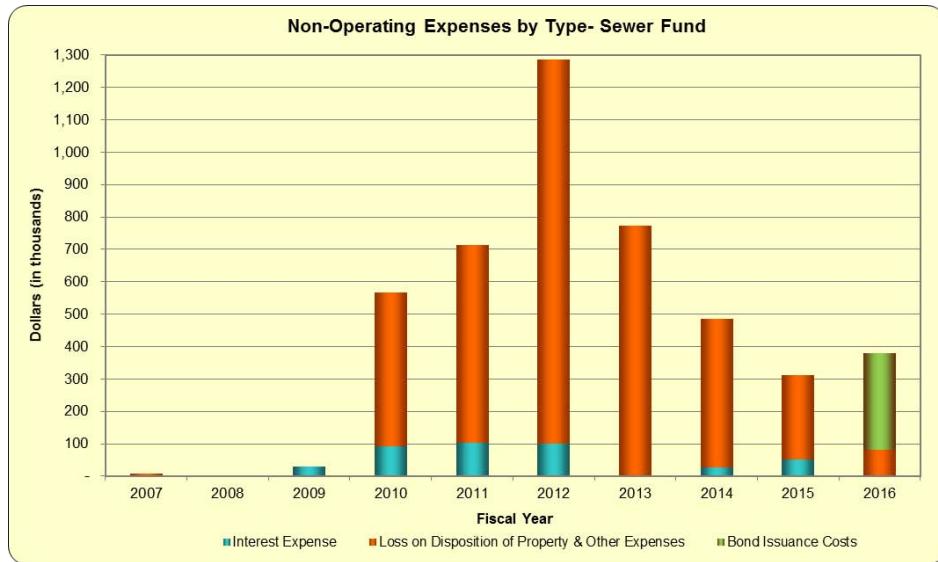
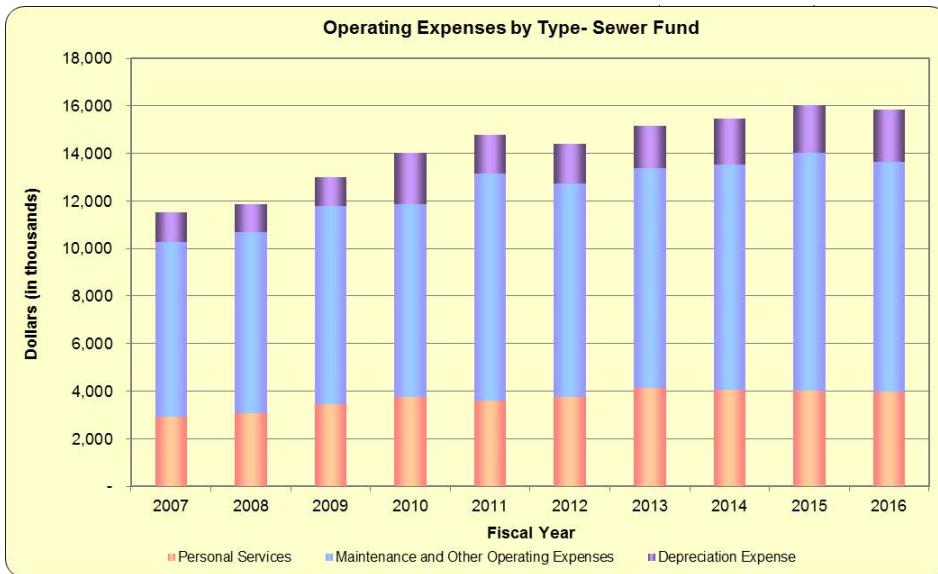


**LONG BEACH WATER DEPARTMENT**  
**SEWER FUND EXPENSES BY TYPE - LAST TEN FISCAL YEARS**  
(in thousands of dollars)

<b>Fiscal Year Ended</b>	<b>OPERATING</b>				<b>NON-OPERATING</b>			<b>Total Non-Operating Expense</b>
	<b>Personal Services</b>	<b>Maintenance and Other Operating Expenses</b>	<b>Depreciation Expense</b>	<b>Total Operating Expenses</b>	<b>Interest Expense</b>	<b>Loss on Disposition of Property &amp; Other Expenses</b>	<b>Bond Issuance Costs</b>	
9/30/2007	2,900	7,378	1,246	11,524	-	7	-	7
9/30/2008	3,067	7,635	1,173	11,875	-	-	-	-
9/30/2009	3,440	8,363	1,200	13,003	31	-	-	31
9/30/2010	3,735	8,113	2,167	14,015	91	476	-	567
9/30/2011	3,607	9,528	1,660	14,795	102	611	-	713
9/30/2012	3,748	8,988	1,675	14,411	101	1,186	-	1,287
9/30/2013	4,122	9,246	1,797	15,165	2	772	-	774
9/30/2014	4,043	9,475	1,961	15,479	27	458	-	485
9/30/2015	4,021	9,993	2,010	16,024	51	260	-	311
9/30/2016	3,968	9,680	2,187	15,835	-	81	298	379

Source: Department's annual reports

See accompanying independent auditors' report



# **Revenue Capacity**

These schedules contain information to help the reader assess the Department's significant revenue sources.

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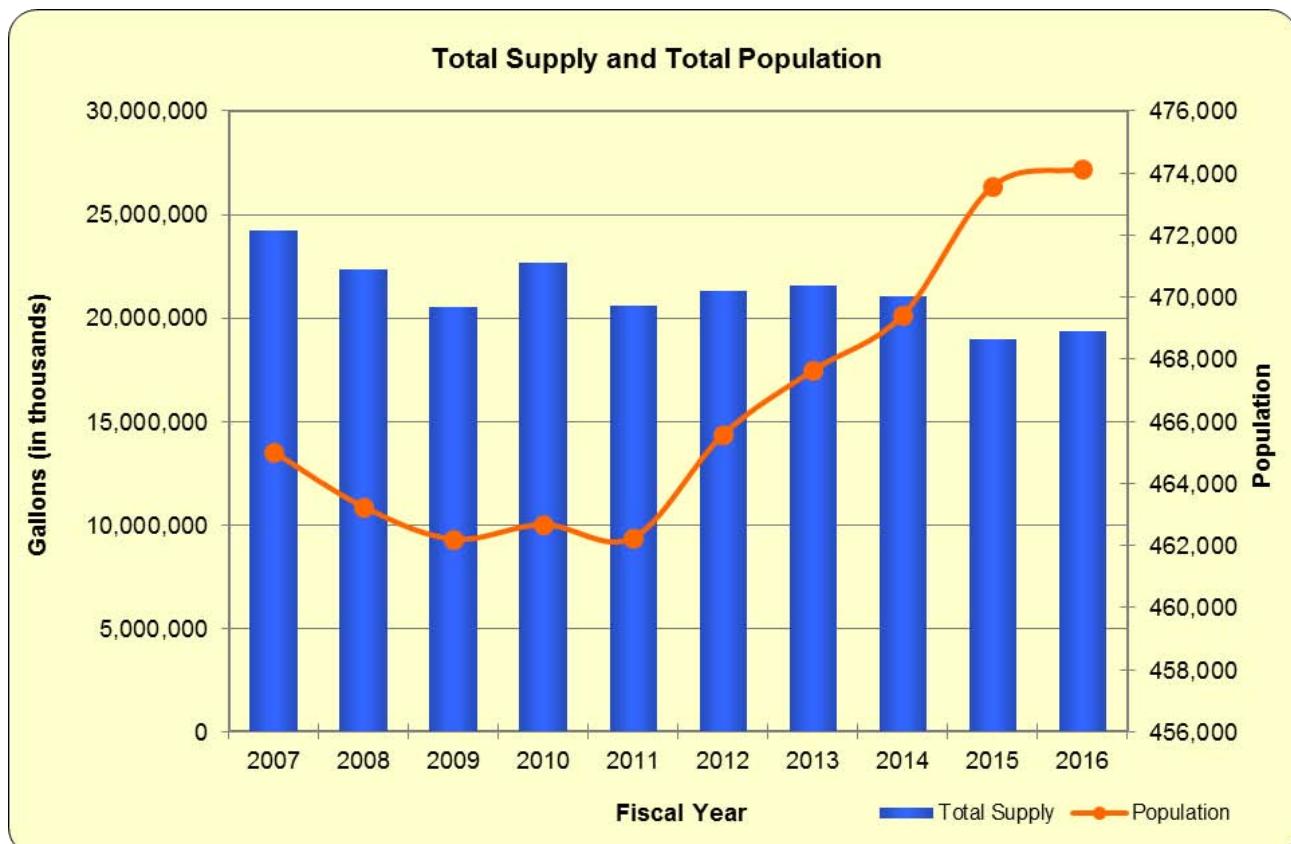
**LONG BEACH WATER DEPARTMENT**  
**SOURCE OF WATER (PUMPED, PURCHASED, AND RECLAIMED) AND CONSUMPTION - LAST TEN FISCAL YEARS**  
(in thousands of gallons, except population)

Fiscal Year Ended	SOURCE OF SUPPLY				CONSUMPTION			
	Potable Water		Reclaimed Water	Total Supply	Average Daily Demand Potable Water <sup>(1)</sup>	Peak Day Distribution	Average Daily Sales Per Capita	Population
	Pumped	Purchased						
9/30/2007	8,416,014	13,837,621	1,999,911	24,253,546	60,969	80,180	143	465,017
9/30/2008	11,006,041	9,179,092	2,161,793	22,346,926	55,302	82,080	132	463,250
9/30/2009	11,038,496	7,462,640	2,021,971	20,523,107	50,688	72,650	122	462,211
9/30/2010	11,789,387	8,651,083	2,197,803	22,638,273	56,001	71,220	134	462,685
9/30/2011	5,856,585	12,725,394	2,022,264	20,604,243	50,910	72,300	122	462,257
9/30/2012	10,772,406	8,302,455	2,255,671	21,330,532	52,260	74,700	126	465,576
9/30/2013	10,125,461	9,248,531	2,164,954	21,538,946	53,079	68,700	126	467,646
9/30/2014	9,131,485	9,990,526	1,897,724	21,019,735	52,389	72,000	123	469,428
9/30/2015	7,132,976	10,146,544	1,684,650	18,964,170	47,341	68,600	110	473,577
9/30/2016	10,402,337	6,487,074	2,470,635	19,360,046	46,272	63,300	112	474,140

Note: (1) Does not include reclaimed water which is used for irrigation only.

Source: Department's annual reports

See accompanying independent auditors' report



**LONG BEACH WATER DEPARTMENT**  
**WATER RATES: VOLUMETRIC RATE CHARGES**  
**LAST TEN FISCAL YEARS**

Effective Date	Potable Water <sup>(1)</sup>			Reclaimed Water		
	TIER I		TIER II <sup>(2)</sup>	TIER III		Non-Peaking Rate Per Cubic Foot <sup>(4)</sup>
	First Five Billing Units	Next Ten Billing Units	Over Fifteen Billing Units	Peaking Rate Per Cubic Foot <sup>(3)</sup>		
11/1/2006	1.561	1.734	2.601	1.214	0.867	-
10/1/2007	1.646	1.829	2.744	1.281	0.915	-
10/1/2008	1.893	2.103	3.155	1.472	1.052	-
10/1/2009	2.196	2.439	3.659	1.708	1.220	-
10/1/2010	2.196	2.439	3.659	1.708	1.220	-
10/1/2011	2.196	2.439	3.659	1.708	1.220	1.220
10/1/2012	2.196	2.439	3.659	1.708	1.220	1.220
10/1/2013	2.283	2.537	3.806	1.776	1.269	1.269
10/1/2014	2.374	2.638	3.957	1.847	1.319	1.319
10/1/2015	2.470	2.744	4.116	1.921	1.372	1.372

Note: (1) Volumetric rate charges for Single family residence, not granted an exemption  
           (one billing unit equals 100 cubic feet).

(2) All non-residential customers are charged at the Tier II rate.

(3) Rate for total average daily demand occurring between the hours of 9:00pm and 6:00am.

(4) Rate for total average daily demand occurring at a continuous, constant level over a 24 hour period.

(5) Rate for reclaimed water service that can be suspended at anytime at the Board of Water Commissioner's discretion,  
           without liability and dependent upon the Department's reclaimed water system needs for such service.

Source: Department's records

See accompanying independent auditors' report

**LONG BEACH WATER DEPARTMENT**  
**WATER RATES: DAILY SERVICE CHARGE BY SIZE**  
**LAST TEN FISCAL YEARS**

Effective Date	3/4"	1" <sup>(1)</sup>	1-1/2"	2"	3"	4"	6"	8"	10"	12"	16"
11/1/2006	0.297	0.448	0.835	1.238	2.563	4.056	7.474	11.731	19.213	23.483	38.865
10/1/2007	0.313	0.472	0.881	1.306	2.704	4.279	7.885	12.377	20.270	24.774	41.002
10/1/2008	0.360	0.543	1.013	1.502	3.110	4.921	9.068	14.234	23.311	28.490	47.152
10/1/2009	0.418	0.630	1.175	1.742	3.608	5.708	10.519	16.511	27.041	33.048	54.696
10/1/2010	0.418	0.630	1.175	1.742	3.608	5.708	10.519	16.511	27.041	33.048	54.696
10/1/2011	0.418	0.630	1.175	1.742	3.608	5.708	10.519	16.511	27.041	33.048	54.696
10/1/2012	0.418	0.630	1.175	1.742	3.608	5.708	10.519	16.511	27.041	33.048	54.696
10/1/2013	0.435	0.655	1.222	1.812	3.752	5.936	10.940	17.171	28.123	34.370	56.884
10/1/2014	0.452	0.681	1.271	1.884	3.902	6.173	11.378	17.858	29.248	35.745	59.159
10/1/2015	0.470	0.708	1.322	1.959	4.058	6.420	11.833	18.572	30.418	37.175	59.159

Note: (1) Normal residential size.

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 12

**LONG BEACH WATER DEPARTMENT**  
**WATER RATES: DAILY FIRELINE SERVICE CHARGE BY SIZE**  
**LAST TEN FISCAL YEARS**

<b>Effective Date</b>	<b>2"</b>	<b>3"</b>	<b>4"</b>	<b>6"</b>	<b>8"</b>	<b>10"</b>	<b>12"</b>	<b>16"</b>
11/1/2006	0.620	1.059	1.565	2.668	3.910	5.289	6.667	9.776
10/1/2007	0.654	1.117	1.651	2.814	4.125	5.580	7.034	10.313
10/1/2008	0.752	1.285	1.899	3.236	4.744	6.417	8.089	11.860
10/1/2009	0.872	1.491	2.203	3.754	5.503	7.444	9.383	13.758
10/1/2010	0.872	1.491	2.203	3.754	5.503	7.444	9.383	13.758
10/1/2011	0.872	1.491	2.203	3.754	5.503	7.444	9.383	13.758
10/1/2012	0.872	1.491	2.203	3.754	5.503	7.444	9.383	13.758
10/1/2013	0.907	1.551	2.291	3.904	5.723	7.742	9.758	14.308
10/1/2014	0.943	1.613	2.383	4.060	5.952	8.052	10.148	14.880
10/1/2015	0.981	1.678	2.478	4.222	6.190	8.374	10.554	15.475

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 13

**LONG BEACH WATER DEPARTMENT**  
**TEN LARGEST POTABLE WATER USERS IN CITY OF LONG BEACH**  
**CURRENT YEAR AND NINE YEARS AGO**

<b>Industry</b>	<b>Ranking</b>	<b>Fiscal Year 2016</b>			<b>Fiscal Year 2007</b>			
		<b>Sales in thousands</b>	<b>Acre Feet (AF)</b>	<b>AF Percent of Total</b>	<b>Industry</b>	<b>Ranking</b>	<b>Sales in thousands</b>	<b>Acre Feet (AF)</b>
Government	1	\$ 4,447	2,956	5.92 %	Government	1	\$ 3,030	3,838
Education	2	1,032	572	1.15	Education	2	799	838
Utility	3	843	697	1.40	Utility	3	411	538
Education	4	589	454	0.91	Education	4	386	478
Utility	5	443	356	0.71	Government	5	289	281
Cruise Line	6	435	351	0.70	Utility	6	271	341
Healthcare	7	356	287	0.57	Healthcare	7	256	330
Utility	8	354	278	0.56	Healthcare	8	244	305
Healthcare	9	281	192	0.38	Utility	9	190	246
Oil Production	10	203	164	0.33	Government	10	184	205
Total Ten Largest Users		8,984	6,307	12.63	Total Ten Largest Users		6,060	7,400
Total All Other Users		73,777	43,643	87.37	Total All Other Users		57,900	56,856
Total City		\$ 82,761	49,950	100.00	Total City		\$ 63,960	64,256

Source: Department's utility billing records

See accompanying independent auditors' report

**LONG BEACH WATER DEPARTMENT**  
**TEN LARGEST RECLAIMED WATER USERS IN CITY OF LONG BEACH**  
**CURRENT YEAR AND NINE YEARS AGO**

Fiscal Year 2016				Fiscal Year 2007			
Industry	Ranking	Acre Feet (AF)	AF Percent of Total	Industry	Ranking	Acre Feet (AF)	AF Percent of Total
Oil Production	1	2,174	28.67 %	Golf Course	1	1,548	26.13 %
Water Resource Management	2	1,583	20.88	Government	2	1,513	25.54
Golf Course	3	1,478	19.49	Oil Production	3	1,253	21.16
Government	4	1,355	17.87	Golf Course	4	403	6.81
Education	5	181	2.38	Water Resource Management	5	382	6.46
Memorial Park	6	145	1.91	Education	6	152	2.56
Education	7	142	1.87	Memorial Park	7	141	2.37
Golf Course	8	118	1.56	Education	8	109	1.84
Education	9	106	1.40	Memorial Park	9	103	1.75
Memorial Park	10	103	1.36	Plant Nursery	10	94	1.60
Total Ten Largest Users		7,385	97.39	Total Ten Largest Users		5,698	96.22
Total All Other Users		197	2.61	Total All Other Users		225	3.78
Total City		<u>7,582</u>	<u>100.00</u>	Total City		<u>5,923</u>	<u>100.00</u>

Source: Department's records

*See accompanying independent auditors' report*

**LONG BEACH WATER DEPARTMENT**  
**SEWER RATES: VOLUMETRIC RATE CHARGES & CAPACITY CHARGES**  
**LAST TEN FISCAL YEARS**

Effective Date	Volumetric Rate Charges <sup>(1)</sup>	Capacity Charges <sup>(2)</sup>
11/1/2006	0.179	77.650
10/1/2007	0.207	80.370
10/1/2008	0.248	84.710
10/1/2009	0.303	88.520
10/1/2010	0.330	90.380
10/1/2011	0.347	91.370
10/1/2012	0.347	93.200
10/1/2013	0.347	93.390
10/1/2014	0.361	97.310
10/1/2015	0.375	99.520

Note: (1) Volumetric rate charges one (1) billing unit equals 100 cubic feet.

(2) A one-time capacity charge per equivalent fixture unit is applied to all new developments in the City.

Source: Department's records

*See accompanying independent auditors' report*

**LONG BEACH WATER DEPARTMENT**  
**SEWER RATES: DAILY SERVICE CHARGE BY SIZE**  
**LAST TEN FISCAL YEARS**

<b>Effective</b>		<b>3/4"<sup>(1)</sup></b>	<b>1"</b>	<b>1-1/2"</b>	<b>2"</b>	<b>3"</b>	<b>4"</b>	<b>6"</b>	<b>8"</b>	<b>10"</b>	<b>12"</b>	<b>16"</b>
<b>Date</b>												
11/1/2006	0.129	0.204	0.371	0.538	1.114	1.764	3.248	5.104	8.350	10.206	16.701	
10/1/2007	0.149	0.237	0.430	0.624	1.292	2.046	3.768	5.921	9.686	11.839	19.373	
10/1/2008	0.179	0.284	0.516	0.749	1.550	2.455	4.522	7.105	11.623	14.207	23.248	
10/1/2009	0.218	0.346	0.630	0.914	1.891	2.990	5.517	8.668	14.180	17.333	28.363	
10/1/2010	0.238	0.377	0.687	0.990	2.061	3.265	6.014	9.448	15.456	18.893	30.916	
10/1/2011	0.250	0.396	0.721	1.046	2.164	3.428	6.315	9.920	16.229	19.838	32.462	
10/1/2012	0.250	0.396	0.721	1.046	2.164	3.428	6.315	9.920	16.229	19.838	32.462	
10/1/2013	0.250	0.396	0.721	1.046	2.164	3.428	6.315	9.920	16.229	19.838	32.462	
10/1/2014	0.260	0.412	0.750	1.088	2.251	3.565	6.568	10.317	16.878	20.632	33.760	
10/1/2015	0.270	0.428	0.780	1.132	2.341	3.708	6.831	10.731	17.553	21.457	35.110	

Note: (1) Normal residential size

Source: Department's records

See accompanying independent auditors' report

**LONG BEACH WATER DEPARTMENT**  
**TEN LARGEST SEWER USERS IN CITY OF LONG BEACH**  
**CURRENT YEAR AND NINE YEARS AGO**

<b>Industry</b>	<b>Fiscal Year 2016</b>				<b>Industry</b>	<b>Fiscal Year 2007</b>			
	<b>Ranking</b>	<b>Sales in thousands</b>	<b>Acre Feet (AF)</b>	<b>AF Percent of Total</b>		<b>Ranking</b>	<b>Sales in thousands</b>	<b>Acre Feet (AF)</b>	<b>AF Percent of Total</b>
Government	1	\$ 380	1,274	3.30 %	Government	1	\$ 181	1,518	3.27 %
Education	2	188	317	0.82	Education	2	88	450	0.97
Education	3	107	474	1.23	Education	3	46	462	1.00
Healthcare	4	55	218	0.57	Government	4	26	196	0.42
Education	5	46	74	0.19	Manufacturing	5	14	160	0.35
Healthcare	6	32	139	0.36	Hotel	6	13	79	0.17
Manufacturing	7	29	62	0.16	Manufacturing	7	13	155	0.33
Manufacturing	8	21	110	0.28	Government	8	13	107	0.23
Manufacturing	9	20	42	0.11	Residential Community	9	11	97	0.21
Government	10	19	25	0.06	Manufacturing	10	8	99	0.21
Total Ten Largest Users		897	2,735	7.08	Total Ten Largest Users		413	3,323	7.16
Total All Other Users		16,813	35,868	92.92	Total All Other Users		8,356	43,063	92.84
Total City		\$ 17,710	38,603	100.00	Total City		\$ 8,769	46,386	100.00

Source: Department's utility billing records

See accompanying independent auditors' report

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# **Debt Capacity Information**

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

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**LONG BEACH WATER DEPARTMENT**  
**WATER FUND DEBT SERVICE COVERAGE - LAST TEN FISCAL YEARS**  
(in thousands of dollars)

Fiscal Year Ended	Total Operating Revenue <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Operating Income	Net Non-Operating Income/ (Expense) <sup>(3)</sup>	Amount Available for Debt Service	Principal	Interest	Total Debt Service <sup>(4)</sup>	Times Coverage
9/30/2007	70,192	55,898	14,294	757	15,051	1,353	1,794	3,147	4.78
9/30/2008	71,384	57,019	14,365	1,526	15,891	1,352	1,731	3,083	5.15
9/30/2009	80,777	61,482	19,295	904	20,199	1,330	1,661	2,991	6.75
9/30/2010	87,151	67,091	20,060	10,245	30,305	1,405	1,588	2,993	10.13
9/30/2011	88,576	70,564	18,012	(152)	17,860	-	861	861 <sup>(5)</sup>	20.74
9/30/2012	86,515	69,983	16,532	(331)	16,201	490	1,249	1,739	9.32
9/30/2013	91,949	76,217	15,732	(1,985)	13,747	2,110	1,485	3,595	3.82
9/30/2014	100,187	81,766	18,421	335	18,756	2,385	1,502	3,887	4.83
9/30/2015	99,475	91,395	8,080	1,541	9,621	2,510	1,390	3,900	2.47
9/30/2016	97,650	81,084	16,566	44	16,610	2,630	1,264	3,894	4.27

Bond Issues: Water Revenue Refunding Bonds - 1997 Series A, 2010 Series A, & 2012 Series A

Average Coverage, ten years Rate Covenant (Series:1997A, 2010A, & 2012A)	7.23 1.10
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Notes:(1) Total Operating Revenue is net of Provision for doubtful accounts expense.

(2) Operating Expenses are exclusive of depreciation expense.

(3) Net Non-Operating Income (Expense) is exclusive of bond interest, amortization of bond issue costs, contributed capital and loss on disposition of property.

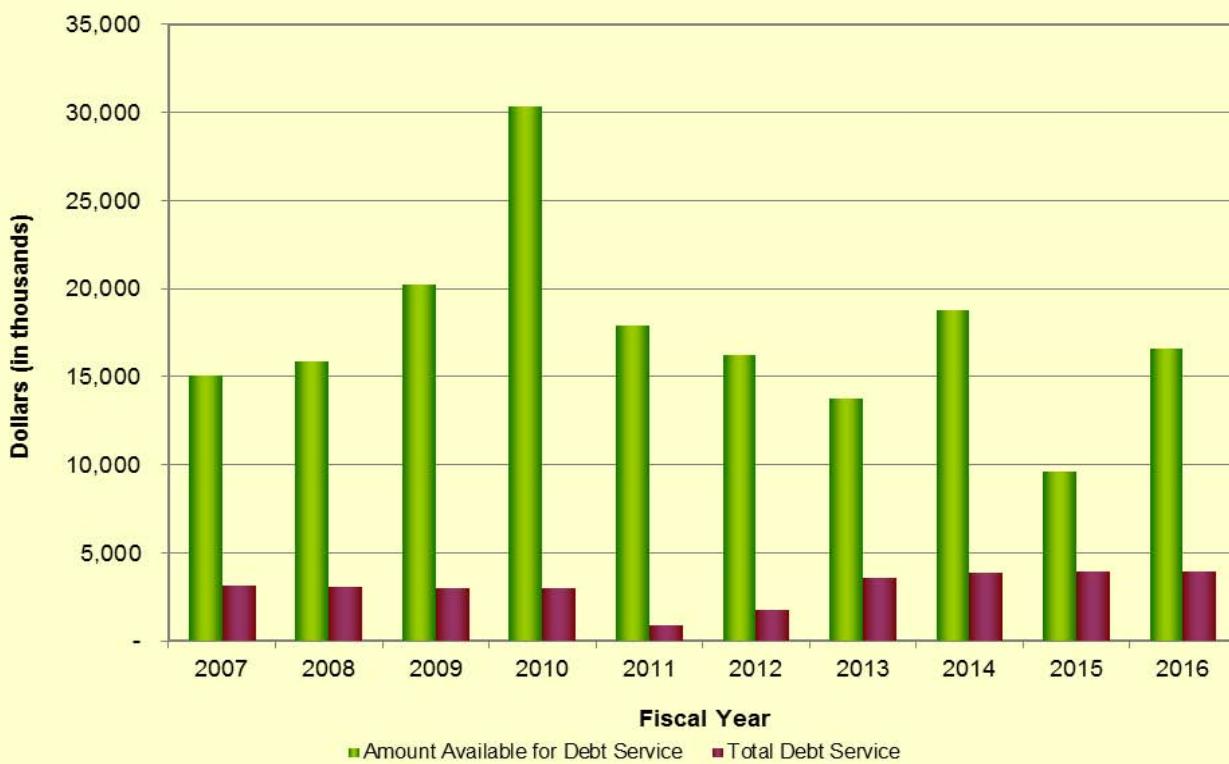
(4) Total Debt Service is the current year's scheduled principal interest payments on November 1st and May 1st.

(5) Debt Service for FY2010 includes interest only, reflecting the issuance of Water Revenue Refunding Bonds - Series 2010A to advance refund 82.4% of outstanding Series 1997A Water Revenue Refunding Bonds. The refunding reduced the Department's aggregate debt service payments by \$3.3 million, with the refunding structured to achieve such savings upfront over fiscal years 2011 and 2012.

Source: Department's annual reports

See accompanying independent auditors' report

### Debt Service Coverage - Water Fund



**LONG BEACH WATER DEPARTMENT**  
**SEWER FUND DEBT SERVICE COVERAGE - LAST TEN FISCAL YEARS**  
(in thousands of dollars)

Fiscal Year Ended	Total Operating Revenue <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Operating Income	Net Non-Operating Income (Expense) <sup>(3)</sup>	Amount Available for Debt Service	Principal	Interest	Total Debt Service	Times Coverage
9/30/2007	10,796	10,278	518	352	870	-	-	-	n/a
9/30/2008	11,759	10,702	1,057	174	1,231	-	-	-	n/a
9/30/2009	12,455	11,803	652	289	941	-	4	4	235.25
9/30/2010	15,186	11,848	3,338	(426)	2,912	-	10	10	291.20
9/30/2011	16,448	13,135	3,313	(538)	2,775	-	27	27	102.78
9/30/2012	17,325	12,736	4,589	(1,161)	3,428	-	57	57	60.14
9/30/2013	17,311	13,368	3,943	(761)	3,182	-	54	54	58.93
9/30/2014	17,953	13,518	4,435	(434)	4,001	-	76	76	52.64
9/30/2015	17,903	14,014	3,889	(208)	3,681	-	79	79	46.59
9/30/2016	18,355	13,648	4,707	13	4,720	-	125	125	37.76

Bond Issues: None

Average Coverage, ten years

110.66

Rate Covenant

1.25

Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.

(2) Operating Expenses are exclusive of depreciation expense.

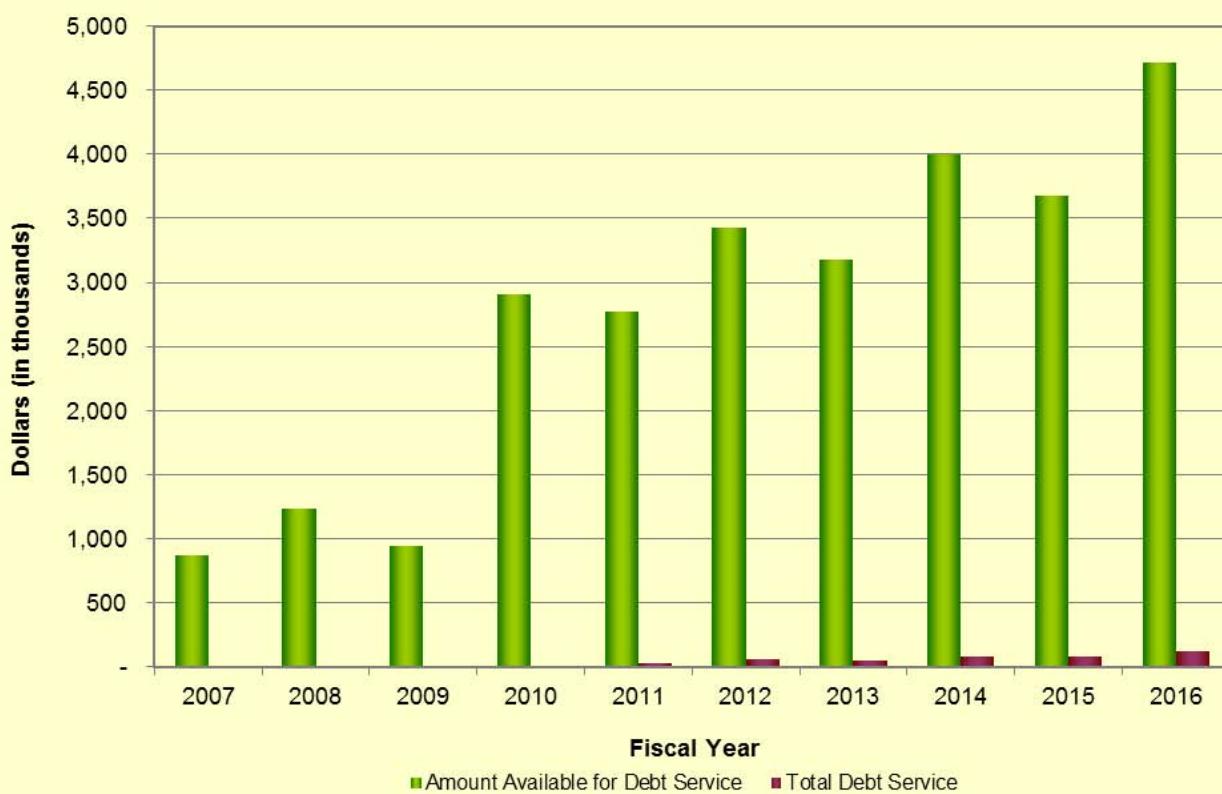
(3) Net Non-Operating Income (Expense) is exclusive of contributed capital, bond issuance costs, and loss on disposition of property.

(4) Total Debt Service includes the current year's interest payments made.

Source: Department's annual reports

See accompanying independent auditors' report

### Debt Service Coverage - Sewer Fund



**LONG BEACH WATER DEPARTMENT**  
**WATER FUND RATIOS OF OUTSTANDING DEBT BY TYPE - LAST TEN FISCAL YEARS**  
(in thousands of dollars)

<b>Fiscal Year Ended</b>	<b>Revenue Refunding Bonds</b>	<b>Subordinate Water Revenue</b>			<b>Current portion discounts, premiums, &amp; adjustments</b>		<b>Total</b>	<b>Percentage of Personal Income <sup>(1)</sup></b>	<b>Per Capita <sup>(1)</sup></b>
	<b>Series 1997</b>	<b>Series 2010</b>	<b>Series 2012</b>	<b>Commercial Paper Notes</b>	<b>State Loan</b>				
9/30/2007	33,465	-	-	6,000	87	(4,305)	35,247	0.27%	0.076
9/30/2008	32,200	-	-	8,000	-	(4,110)	36,090	0.27%	0.078
9/30/2009	30,870	-	-	11,000	-	(4,011)	37,859	0.30%	0.082
9/30/2010	5,175	22,740	-	11,000	-	(94)	38,821	0.30%	0.084
9/30/2011	5,175	22,740	-	11,000	-	(516)	38,399	0.28%	0.083
9/30/2012	5,175	22,250	9,850	-	-	(768)	36,507	0.26%	0.078
9/30/2013	3,545	22,125	9,495	-	-	1,101	36,266	0.25%	0.078
9/30/2014	1,825	21,995	8,960	-	-	592	33,372	0.21%	0.071
9/30/2015	-	21,860	8,410	-	-	73	30,343	0.19%	0.064
9/30/2016	-	19,795	7,845	-	-	(427)	27,213	0.16%	0.057

Notes: (1) See Exhibit 22-Demographic Statistics for Personal Income and Population Data.

Source: Department's annual reports

*See accompanying independent auditors' report*

**LONG BEACH WATER DEPARTMENT**  
**SEWER FUND RATIOS OF OUTSTANDING DEBT - LAST TEN FISCAL YEARS**  
(in thousands of dollars)

<b>Fiscal Year Ended</b>	<b>Revenue Refunding Bonds</b>	<b>Subordinate Sewer Revenue</b>		<b>Current portion &amp; premiums</b>	<b>Total</b>	<b>Percentage of Personal Income <sup>(1)</sup></b>	<b>Per Capita <sup>(1)</sup></b>
	<b>Series 2016A</b>	<b>Commercial Paper Notes</b>	<b>Sewer Revolving Line of Credit</b>				
9/30/2007	-	-	-	-	-	-	-
9/30/2008	-	-	-	-	-	-	-
9/30/2009	-	4,000	-	-	4,000	0.03%	0.009
9/30/2010	-	4,000	-	-	4,000	0.03%	0.009
9/30/2011	-	-	6,000	-	6,000	0.04%	0.013
9/30/2012	-	-	6,000	-	6,000	0.04%	0.013
9/30/2013	-	-	9,750	-	9,750	0.07%	0.021
9/30/2014	-	-	9,750	-	9,750	0.06%	0.021
9/30/2015	-	-	11,250	-	11,250	0.07%	0.024
9/30/2016	9,830	-	-	1,259	11,089	0.07%	0.023

Notes: (1) See Exhibit 22-Demographic Statistics for Personal Income and Population Data.

Source: Department's annual reports

*See accompanying independent auditors' report*

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# **Demographic and Economic Information**

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

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**LONG BEACH WATER DEPARTMENT****DEMOGRAPHIC STATISTICS****LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended</b>	<b>Estimated Population <sup>(1) (4)</sup></b>	<b>Personal Income <sup>(in millions) (2) (4)</sup></b>	<b>Per Capita Personal Income <sup>(2) (4)</sup></b>	<b>Unemployment Rate <sup>(3)</sup></b>
9/30/2007	465,017	13,222	28,434	5.6%
9/30/2008	463,250	13,387	28,898	8.2%
9/30/2009	462,211	12,752	27,589	12.8%
9/30/2010	462,685	12,938	27,964	13.9%
9/30/2011	462,257	13,486	29,173	13.4%
9/30/2012	465,576	14,058	30,196	12.2%
9/30/2013	467,646	14,757	31,556	10.3%
9/30/2014	469,428	15,525	33,072	8.6%
9/30/2015	473,577	16,242	34,296	6.8%
9/30/2016	474,140	16,939	35,725	5.7%

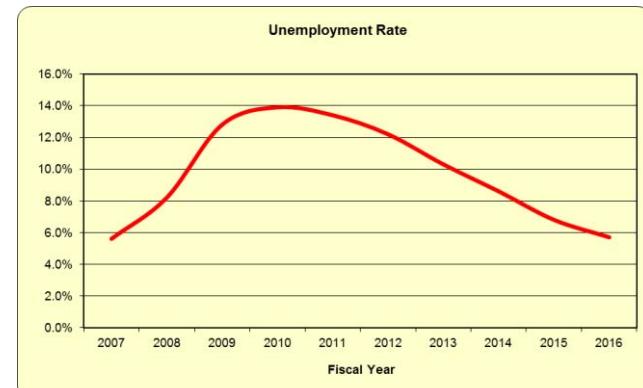
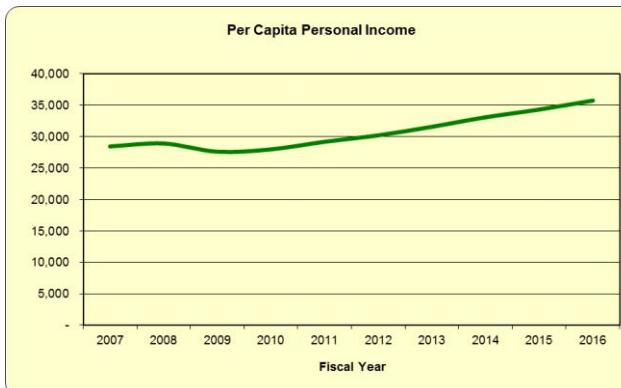
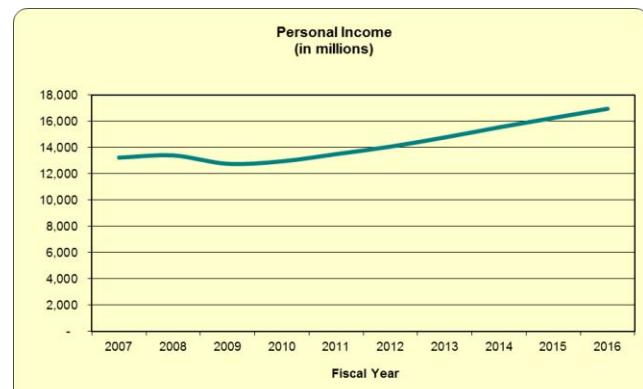
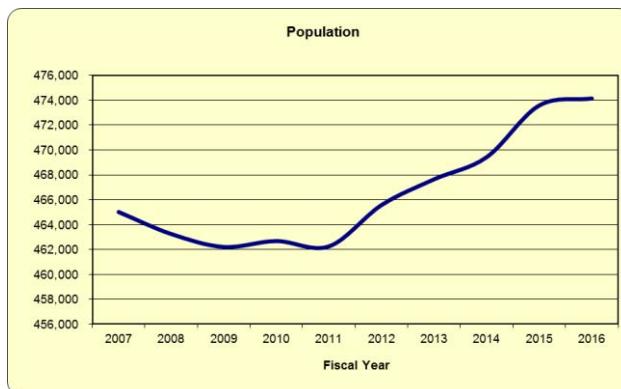
Source: (1) California Department of Finance Demographic Reports

(2) U.S. Department of Commerce, Bureau of Economic Analysis: Personal Income and per capita personal income are based on percent change of per capita personal income for Los Angeles-Long Beach-Anaheim, CA (Metropolitan Statistic Area). The BEA's Report does not have personal income available for 2015, so an average of the last five years was used.

(3) Average annual rate reported by California Employment Development Department (EDD) for Long Beach city.

(4) Data from 2008-2014 restated due to the annual revisions.

*See accompanying independent auditors' report*



**LONG BEACH WATER DEPARTMENT**  
**MAJOR EMPLOYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

<b>Employer</b>	<b>Fiscal Year 2016</b>			<b>Fiscal Year 2007</b>		
	<b>Ranking</b>	<b>Number of Employees<sup>(1)</sup></b>	<b>Percentage of Total City Employment<sup>(2)</sup></b>	<b>Ranking</b>	<b>Number of Employees<sup>(1)</sup></b>	<b>Percentage of Total City Employment<sup>(2)</sup></b>
Long Beach Unified School District	<b>1</b>	12,213	4.98%	<b>1</b>	13,044	5.61%
Long Beach Memorial Medical Center	<b>2</b>	5,138	2.10%	<b>5</b>	5,000	2.15%
City of Long Beach	<b>3</b>	5,122	2.09%	<b>3</b>	5,763	2.48%
California State University Long Beach	<b>4</b>	3,057	1.25%	<b>4</b>	5,605	2.41%
Veteran Affairs Medical Center	<b>5</b>	2,950	1.20%	<b>6</b>	2,000	0.86%
Long Beach City College	<b>6</b>	2,695	1.10%	<b>8</b>	1,636	0.70%
The Boeing Company	<b>7</b>	2,039	0.83%	<b>2</b>	6,455	2.78%
California State Univ Long Beach Research Foundation	<b>8</b>	1,677	0.68%		-	-
Molina Healthcare Inc	<b>9</b>	1,488	0.61%		-	-
St. Mary Medical Center	<b>10</b>	1,480	0.60%	<b>10</b>	1,480	0.64%
United States Postal Service				<b>7</b>	1,800	0.77%
Verizon				<b>9</b>	1,500	0.65%

Sources: (1) Department of Financial Management Accounting and Business License

(2) State of California Employment Development Department Labor Market Info for 2007 and 2016.

This data was compiled from various sources by the City of Long Beach Departments of Development Services and Financial Management. Employment data is intended for use as a general guide only. The City of Long Beach does not warrant the accuracy of this data. Inquiries should be directed to the respective employer.

*See accompanying independent auditors' report*

**LONG BEACH WATER DEPARTMENT**  
**NUMBER OF EMPLOYEES BY FUND**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
9/30/2007	185	43	228
9/30/2008	169	41	210
9/30/2009	172	37	209
9/30/2010	175	44	219
9/30/2011	174	43	217
9/30/2012	184	48	232
9/30/2013	179	47	226
9/30/2014	170	49	219
9/30/2015	172	47	219
9/30/2016	180	44	224

Sources: Department's Personnel records

*See accompanying independent auditors' report*

# **Operating Information**

These schedules contain information about operations and resources  
to help the reader understand how the  
Department's financial information relates to the services the Department  
provides and the activities it performs.

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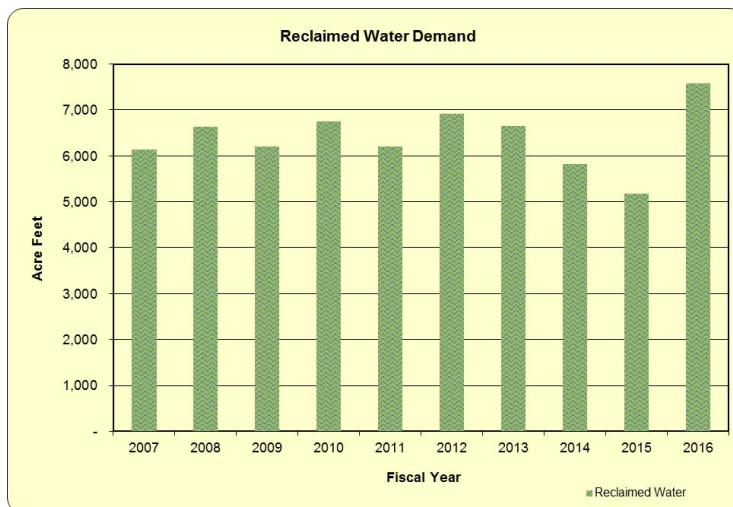
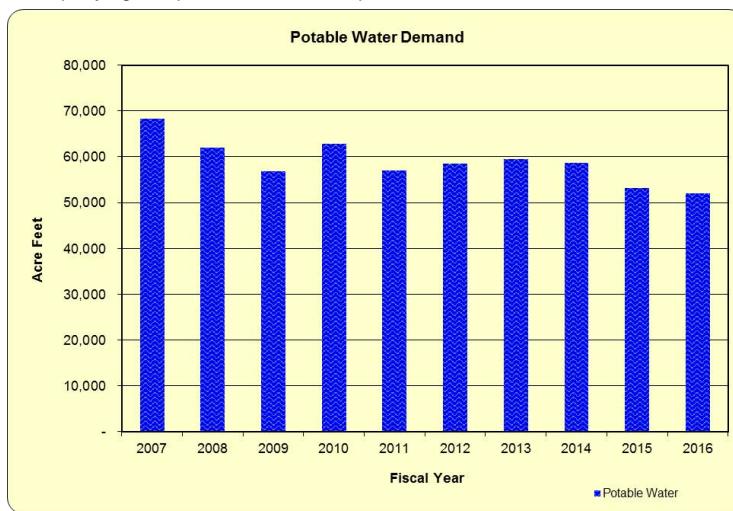
**LONG BEACH WATER DEPARTMENT**  
**WATER DEMAND - LAST TEN FISCAL YEARS**  
(in acre feet)

<b>Fiscal Year Ended</b>	<b>Potable Water</b>		<b>Total Potable Demand</b>	<b>Reclaimed Water</b>	<b>Total Demand</b>
	<b>Pumped</b>	<b>Purchased</b>			
9/30/2007	25,828	42,466	68,294	6,138	74,432
9/30/2008	33,776	28,170	61,946	6,634	68,580
9/30/2009	33,876	22,902	56,778	6,205	62,983
9/30/2010	36,180	26,549	62,729	6,744	69,473
9/30/2011	17,973	39,053	57,026	6,206	63,232
9/30/2012	33,059	25,479	58,538	6,922	65,460
9/30/2013	31,074	28,383	59,457	6,644	66,101
9/30/2014	28,024	30,660	58,683	5,824	64,507
9/30/2015	22,002	31,139	53,141	5,170	58,311
9/30/2016	32,086	19,908	51,994	7,582	59,576

Note: One acre foot equals 43,560 cubic feet or 325,851 gallons.

Source: Department's annual reports

See accompanying *independent auditors' report*



(Unaudited)

Exhibit 26

**LONG BEACH WATER DEPARTMENT**  
**METROPOLITAN WATER DISTRICT'S RATE CHANGES - LAST TEN FISCAL YEARS**  
(in dollars per acre foot)

<b>Effective Date</b>	<b>Non- Interruptible Treated Water</b>	<b>Percent Change</b>	
		<b>Non- Interruptible Treated Water</b>	<b>Seasonal Treated Water <sup>(1)</sup></b>
1/1/2007	478	6	337
1/1/2008	508	6	367
5/1/2008	508	-	-
1/1/2009	579	14	-
9/1/2009	701	21	-
1/1/2010	701	-	-
1/1/2011	744	6	-
1/1/2012	794	7	-
1/1/2013	847	7	-
1/1/2014	890	5	-
1/1/2015	923	4	-
1/1/2016	942	2	-

Note: (1) Seasonal Water Treated Rate in accordance to Metropolitan Water District and Long Beach Water Department Agreement No. A04959 started on October 1, 1997 up to May 1, 2008.

Source: Metropolitan Water District of Southern California

*See accompanying independent auditors' report*

(Unaudited)

Exhibit 27

**LONG BEACH WATER DEPARTMENT**  
**WATER REPLENISHMENT DISTRICT ASSESSMENT (PUMP TAX)**  
**LAST TEN FISCAL YEARS**

<b>Effective Date</b>	<b>Rate per Acre-Foot</b>	<b>Percent Change</b>	
7/1/2007	149.00		8
7/1/2008	153.00		3
7/1/2009	181.85		19
7/1/2010	205.00		13
7/1/2011	244.00		19
7/1/2012	244.00		-
7/1/2013	268.00		10
7/1/2014	268.00		-
7/1/2015	283.00		6
7/1/2016	297.00		5

Source: Water Replenishment District of Southern California (WRD)

*See accompanying independent auditors' report*

**LONG BEACH WATER DEPARTMENT**  
**OPERATING AND CAPITAL ASSETS STATISTICS - WATER FUND**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended</b>	<b>Water System</b>				<b>Water Quality</b>		<b>Reclaimed System</b>
	<b>Number of Groundwater wells</b>	<b>Miles of water mains</b>	<b>Number of active water service</b>	<b>Number of fire hydrants</b>	<b>Number of water samples collected</b>	<b>Number of tests performed</b>	<b>Miles of Pipeline</b>
9/30/2007	31	905	89,535	6,489	16,761	60,235	33
9/30/2008	31	904	89,583	6,507	16,805	81,378	33
9/30/2009	31	908	89,630	6,525	19,238	118,799	33
9/30/2010	31	909	89,706	6,529	17,126	84,923	33
9/30/2011	31	911	89,851	6,603	15,814	71,472	33
9/30/2012	31	911	89,957	6,594	12,292	57,310	33
9/30/2013	31	912	89,996	6,589	14,388	60,819	34
9/30/2014	31	912	89,895	6,604	13,750	58,968	34
9/30/2015	31	912	89,897	6,631	13,050	57,070	34
9/30/2016	31	912	90,955	6,894	14,635	72,587	34

Source: Department's records

*See accompanying independent auditors' report*

**LONG BEACH WATER DEPARTMENT**  
**OPERATING AND CAPITAL ASSETS STATISTICS - SEWER FUND**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended</b>	<b>Number of sewer pump stations</b>	<b>Miles of sewer pipelines</b>	<b>Number of sewer manholes</b>
9/30/2007	28	711	16,055
9/30/2008	28	711	16,078
9/30/2009	28	712	16,129
9/30/2010	28	712	16,135
9/30/2011	28	712	16,147
9/30/2012	28	712	16,148
9/30/2013	28	714	16,158
9/30/2014	28	714	16,170
9/30/2015	28	714	15,129
9/30/2016	28	714	15,127

Source: Department's records

*See accompanying independent auditors' report*

**LONG BEACH WATER DEPARTMENT**  
**INFRASTRUCTURE MAINTENANCE AND IMPROVEMENTS**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended	Cast Iron Water Mains Replaced (in feet)	Fire Hydrants Repaired	Water Meters Repaired	Sewer Mains & Laterals Repaired <sup>(1)</sup>	Sewer Mains Cleaned (in miles)	Sewer Manholes Chemically Treated
9/30/2007	54,423	407	7,050	270	364	3,000
9/30/2008	44,332	346	10,637	278	365	3,000
9/30/2009	23,676	485	6,350	215	424	5,000
9/30/2010	21,137	94	8,441	182	547	5,000
9/30/2011	21,294	223	5,428	259	470	5,000
9/30/2012	25,733	269	3,690	261	414	5,000
9/30/2013	24,595	266	3,348	241	535	5,000
9/30/2014	19,475	208	1,835	213	498	5,000
9/30/2015	16,366	544	760	224	492	5,000
9/30/2016	20,427	259	530	215	405	7,719

Note: (1) Repairs are tracked according to the number of jobs.

Source: Department's records

*See accompanying independent auditors' report*



**CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

Schedules of Passenger Facility Charges  
Collected and Expended and Interest Credited

Year ended September 30, 2015

(With Independent Auditors' Report Thereon)

## **CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

### **Table of Contents**

	<b>Page(s)</b>
Independent Auditors' Report on Compliance for the Passenger Facility Charge Program; Report on Internal Control over Compliance; and Report on Schedules of Passenger Facility Charges Collected and Expended and Interest Credited in Accordance with the <i>Passenger Facility Charge Audit Guide for Public Agencies</i>	1–2
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3–4
Schedule of Passenger Facility Charges Collected and Expended and Interest Credited – Year ended September 30, 2015	5–7
Schedule of Passenger Facility Charges Collected and Expended and Interest Credited – Quarters ended December 31, 2014, March 31, 2015, June 30, 2015, and September 30, 2015	8–10
Notes to Schedules of Passenger Facility Charges Collected and Expended and Interest Credited	11
Schedule of Findings and Responses	12



**KPMG LLP**  
Two Financial Center  
60 South Street  
Boston, MA 02111

**Independent Auditors' Report on Compliance for the Passenger Facility Charge Program; Report on Internal Control over Compliance; and Report on Schedules of Passenger Facility Charges Collected and Expended and Interest Credited in Accordance with the Passenger Facility Charge Audit Guide for Public Agencies**

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

**Report on Compliance for the Passenger Facility Charge Program**

We have audited the City of Long Beach, California Airport Enterprise Fund's (the Airport) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (*the Guide*), issued by the Federal Aviation Administration, that could have a direct and material effect on the Airport's passenger facility charge program for the year ended September 30, 2015.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the passenger facility charge program.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the Airport's passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Passenger Facility Charge Audit Guide for Public Agencies*. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility program. However, our audit does not provide a legal determination of the Airport's compliance.

**Opinion on the Passenger Facility Charge Program**

In our opinion, the Airport complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program for the year ended September 30, 2015.

**Report on Internal Control over Compliance**

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport's internal control over compliance with the types of requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the



Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedules of Passenger Facility Charges Collected and Expended and Interest Credited**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California (the City), which includes the Airport Enterprise Fund, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 25, 2016, which contained unmodified opinions on those financial statements. Our report included a reference to another auditor who audited the City's basic financial statements discretely presented component unit. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedules of passenger facility charges collected and expended and interest credited are presented for purposes of additional analysis as required by the Guide and are not a required part of the City's basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the City's basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the City's basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the City's basic financial statements or to the City's basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of passenger facility charges collected and expended and interest credited are fairly stated in all material respects in relation to the City's basic financial statements as a whole.

*KPMG LLP*

Irvine, California  
June 9, 2016



**KPMG LLP**  
Two Financial Center  
60 South Street  
Boston, MA 02111

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund,, and the aggregate remaining fund information of the City of Long Beach, California, which includes the Airport Enterprise Fund, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2016. Another auditor audited the financial statements of the discretely presented component unit, as described in our report on the City's basic financial statements. This report does not include the results of the other auditors testing of internal controls over financial reporting or compliance with other matters that are reported on separately by that auditor.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Airport's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Airport's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*KPMG LLP*

Irvine, California  
June 9, 2016

**CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

Schedule of Passenger Facility Charges Collected and  
Expended and Interest Credited

Amended Application 03-02-C-04-LGB

Year ended September 30, 2015

Passenger facility charges collected	\$ 1,216,075
Interest credited	<u>9,231</u>
	1,225,306
Expenditures for passenger facility charge approved projects	(1,222,306)
Transfer of excess charges to application 14-07-C-00-LGB	(4,692,959)
Expenditure correction transferred to Grant AIP 41	<u>355,626</u>
	(4,334,333)
Change in unexpended passenger facility charges	20,428,283
Unexpended passenger facility charges as of September 30, 2014	<u>20,428,283</u>
Excess of passenger facility charges collected over charges expended as of September 30, 2015	\$ <u>16,093,950</u>

**CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

Schedule of Passenger Facility Charges Collected and  
Expended and Interest Credited

Application 06-03-C-01-LGB

Year ended September 30, 2015

Passenger facility charges collected	\$ 290,166
Interest credited	<u>1,218</u>
	291,384
Expenditures for passenger facility charge approved projects	(291,384)
Change in passenger facility charges	—
Unexpended passenger facility charges as of September 30, 2014	<u>—</u>
Excess of passenger facility charges expended over charges collected as of September 30, 2015	\$ <u>—</u>

**CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

Schedule of Passenger Facility Charges Collected and  
Expended and Interest Credited

Amended Application 10-05-C-01-LAB

Year ended September 30, 2015

Passenger facility charges collected	\$ 758,613
Revenue correction transferred to application 03-02-C-04-LGB	(218,129)
Interest credited	<u>4,473</u>
	544,957
Expenditures for passenger facility charge approved projects	(763,633)
Expenditure correction transferred from application 03-02-C-04-LGB	<u>218,626</u>
Change in unexpended passenger facility charges	(50)
Unexpended passenger facility charges as of September 30, 2014	<u>50</u>
Excess of passenger facility charges collected over charges expended as of September 30, 2015	\$ —

**CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

Schedule of Passenger Facility Charges Collected and  
Expended and Interest Credited

Application 11-06-U-00-LGB

Year ended September 30, 2015

Passenger facility charges collected	\$ 2,724,525
Interest credited	<u>19,682</u>
	2,744,207
Expenditures for passenger facility charge approved projects	(2,744,207)
Change in passenger facility charges	—
Unexpended passenger facility charges as of September 30, 2014	<u>—</u>
Excess of passenger facility charges expended over charges collected as of September 30, 2015	\$ —

**CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

Schedule of Passenger Facility Charges Collected and

Expended and Interest Credited

Application 14-07-C-00-LGB

Year ended September 30, 2015

Passenger facility charges collected	\$ 912,379
Excess charges transferred from application 03-02-C-04-LGB	4,692,959
Interest credited	<u>21,548</u>
	5,626,886
Expenditures for passenger facility charge approved projects	<u>(5,626,886)</u>
Change in passenger facility charges	—
Unexpended passenger facility charges as of September 30, 2014	<u>—</u>
Excess of passenger facility charges expended over charges collected as of September 30, 2015	\$ <u>—</u>

See accompanying notes.

**CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

Schedule of Passenger Facility Charges Collected and Expended and Interest Credited

Application 03-02-C-04-LGB

Quarters ended December 31, 2014, March 31, 2015, June 30, 2015, and September 30, 2015

	<b>December 31, 2014</b>	<b>March 31, 2015</b>	<b>June 30, 2015</b>	<b>September 30, 2015</b>	<b>Total</b>
Passenger facility charges collected	\$ 230,925	277,073	236,451	471,626	1,216,075
Interest credited	523	2,025	2,388	4,295	9,231
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	231,448	279,098	238,839	475,921	1,225,306
Expenditures for passenger facility charge approved projects	(238,832)	(279,099)	(238,838)	(465,537)	(1,222,306)
Transfer of excess charges to application 14-07-C-00-LGB	(4,329,449)	(34,718)	(328,792)	—	(4,692,959)
Expenditure correction transferred to Grant AIP 41	355,626	<hr/>	<hr/>	<hr/>	355,626
Change in unexpended passenger facility charges	(3,981,207)	(34,719)	(328,791)	10,384	\$ (4,334,333)
Unexpended passenger facility charges at beginning of quarter	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	20,428,283	16,447,076	16,412,357	16,083,566	<hr/>
Excess of passenger facility charges collected over charges expended at end of quarter	\$ 16,447,076	16,412,357	16,083,566	16,093,950	<hr/>

**CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

Schedule of Passenger Facility Charges Collected and Expended and Interest Credited

Application 06-03-C-01-LGB

Quarters ended December 31, 2014, March 31, 2015, June 30, 2015, and September 30, 2015

	<b>December 31, 2014</b>	<b>March 31, 2015</b>	<b>June 30, 2015</b>	<b>September 30, 2015</b>	<b>Total</b>
Passenger facility charges collected	\$ —	218,129	71,742	295	290,166
Interest credited	<hr/>	497	721	<hr/>	1,218
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	—	218,626	72,463	295	291,384
Expenditures for passenger facility charge approved projects	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Change in passenger facility charges	<hr/>	(218,626)	(72,463)	(295)	(291,384)
Excess of passenger facility charges expended over charges collected at beginning of quarter	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess of passenger facility charges expended over charges collected at end of quarter	\$ —	<hr/>	<hr/>	<hr/>	<hr/>

**CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

Schedule of Passenger Facility Charges Collected and Expended and Interest Credited

Application 10-05-C-01-LGB

Quarters ended December 31, 2014, March 31, 2015, June 30, 2015, and September 30, 2015

	<b>December 31, 2014</b>	<b>March 31, 2015</b>	<b>June 30, 2015</b>	<b>September 30, 2015</b>	<b>Total</b>
Passenger facility charges collected	\$ 325,039	1,798	249,123	182,653	758,613
Revenue correction transferred to application 03-02-C-04-LGB	—	(218,129)	—	—	(218,129)
Interest credited	<u>745</u>	<u>(474)</u>	<u>2,525</u>	<u>1,677</u>	<u>4,473</u>
	325,784	(216,805)	251,648	184,330	544,957
Expenditures for passenger facility charge approved projects	(325,834)	(1,821)	(251,648)	(184,330)	(763,633)
Expenditure correction transferred from application 03-02-C-04-LGB	—	218,626	—	—	218,626
Change in unexpended passenger facility charges	(50)	—	—	—	\$ <u>(50)</u>
Unexpended passenger facility charges at beginning of quarter	50	—	—	—	—
Excess of passenger facility charges collected over charges expended at end of quarter	\$ —	—	—	—	—

**CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

Schedule of Passenger Facility Charges Collected and Expended and Interest Credited

Application 11-06-U-00-LGB

Quarters ended December 31, 2014, March 31, 2015, June 30, 2015, and September 30, 2015

	<b>December 31, 2014</b>	<b>March 31, 2015</b>	<b>June 30, 2015</b>	<b>September 30, 2015</b>	<b>Total</b>
Passenger facility charges collected	\$ 684,336	680,939	679,111	680,139	2,724,525
Interest credited	<u>1,569</u>	<u>4,966</u>	<u>6,871</u>	<u>6,276</u>	<u>19,682</u>
	685,905	685,905	685,982	686,415	2,744,207
Expenditures for passenger facility charge approved projects	(685,905)	(685,905)	(685,982)	(686,415)	(2,744,207)
Change in passenger facility charges	—	—	—	—	\$ —
Excess of passenger facility charges expended over charges collected at beginning of quarter	—	—	—	—	—
Excess of passenger facility charges expended over charges collected at end of quarter	\$ —	—	—	—	—

**CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

Schedule of Passenger Facility Charges Collected and Expended and Interest Credited

Application 14-07-C-00-LGB

Quarters ended December 31, 2014, March 31, 2015, June 30, 2015, and September 30, 2015

	<b>December 31, 2014</b>	<b>March 31, 2015</b>	<b>June 30, 2015</b>	<b>September 30, 2015</b>	<b>Total</b>
Passenger facility charges collected	\$ 147,976	564,399	130,502	69,502	912,379
Excess charges transferred from application 03-02-C-04-LGB	4,329,449	34,718	328,792	—	4,692,959
Interest credited	10,236	4,428	4,672	2,212	21,548
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures for passenger facility charge approved projects	4,487,661	603,545	463,966	71,714	5,626,886
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Change in passenger facility charges	(4,487,661)	(603,545)	(463,966)	(71,714)	(5,626,886)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess of passenger facility charges expended over charges collected at beginning of quarter	—	—	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess of passenger facility charges expended over charges collected at end of quarter	\$ —	—	—	—	\$ —
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes.

## **CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

### **Notes to Schedules of Passenger Facility Charges Collected and Expended and Interest Credited**

Year ended September 30, 2015

#### **(1) Basis of Accounting**

The schedules of passenger facility charges (PFC) collected and expended and interest credited are prepared on the basis of cash receipts and disbursements, as prescribed by Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990, issued by the Federal Aviation Administration (FAA) of the U.S. Department of Transportation, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

PFC collected include amounts collected by the airlines and transferred to the City of Long Beach Airport Enterprise Fund (the Airport). Expenditures for passenger facility charge approved projects are presented on a cash basis and include only the expenditures for approved PFC projects.

#### **(2) Interest Credited**

Interest credited represents interest income allocated to the PFC Program (the Program) based on the ratio of the Program's unexpended PFC cash balance to the Airport's total cash and investments balance included in the pooled cash funds of the City of Long Beach.

#### **(3) New Application**

On October 24, 2014, the Airport received approval for Application 14-07-C-00-LGB to impose and use PFC funds for eight projects. Application 14-07-C-00-LGB covers the following projects: Reconstruction of Air Carrier Apron – Phases II and III; Pavement Management and Maintenance Program; Airfield Geometry Study and Strategic Planning; Runway 30 Safety Area Improvements; Runway 07L/25R Rehabilitation; Perimeter Security Improvements; Terminal Access Road Improvements; and PFC Application and Program Administration. Collection of PFC under this application follows previously approved Application 10-05-C-01-LGB.

#### **(4) Transfers of Excess Charges to Other Applications**

During the year ended September 30, 2015, the Airport transferred a portion of unused PFC funding from application 03-02-C-04-LGB to fund approved PFC projects in application 14-07-C-00-LGB. Although the funding was earned in application 03-02-C-04-LGB, the FAA permits the Airport to use the funds on any PFC approved project regardless of application. Therefore, the Airport elected to transfer fees from one application to the other to cover the costs of various projects.

In December 2015, adjustments were made to application 03-02-C-04-LGB. FAA AIP Grant #AIP 3-06-0127-41 was approved on September 23, 2014 and a transfer of 90.66% of expenditures was made in the Taxiway J Improvements – West of Taxiway D project (AP1070-64) in accordance with the terms of the AIP Grant.

In March 2015, adjustments were made to applications 06-03-C-01-LGB and 10-05-C-01-LGB. The project for the slurry seal of Runway 7R/25L (AP1070-58) was listed under application 10-05C-01-LGB, it was actually approved by FAA under application 06-03-C-01-LGB.

## CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

### Schedule of Findings and Responses

Year ended September 30, 2015

#### **(1) Summary of Auditors' Results**

##### *Financial Statements*

- (a) The type of report issued on the financial statements: **Unmodified**.
- (b) Internal control over financial reporting:
  - Material weakness(es): **No**.
  - Significant deficiencies identified that are not considered to be material weaknesses: **None reported**.
- (c) Noncompliance that is material to the financial statements: **No**.

##### *Passenger Facility Charges Program*

- (d) Internal control over the passenger facility charge program:
  - Material weakness(es) identified: **No**.
  - Significant deficiencies identified that are not considered to be material weaknesses: **None reported**.
- (e) The type of report issued on compliance for the passenger facility charge program: **Unmodified**.
- (f) Any audit findings required to be reported for the Passenger Facility Charges program: **No**.

#### **(2) Findings Related to the Basic Financial Statements Reported in accordance with *Government Auditing Standards***

None noted.

#### **(3) Findings and Questioned Costs Related to the Passenger Facility Charge Program**

None noted.