

CITY OF LONG BEACH
FINANCIAL STATEMENTS
Year Ended June 30, 2014

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditors' Report.....	1-2
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	3-15
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet.....	18
Reconciliation of the Governmental Funds Balance Sheet to The Statement of Net Position.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, And Changes in Fund Balances to the Statement of Activities.....	21
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position.....	22
Statement of Changes in Fiduciary Net Position – Pension Trust Fund.....	23
Proprietary Fund Financial Statements	
Statement of Net Position	24
Statement of Revenues, Expenses and Changes in Net Position.....	25
Statement of Cash Flows.....	26
Notes to Financial Statements.....	27-60
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
General Fund	61-66
Water Fund.....	67
Sewer Fund.....	68
Debt Service Fund	69
Other Postemployment Benefits - Schedule of Funding Progress.....	70



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

City Manager and City Council
City of Long Beach
Long Beach, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Long Beach, New York, as of and for the year ended June 30, 2014 and the related notes to the financial statements which collectively comprise the City of Long Beach'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 accounting principles generally accepted in the United States of America; 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 basic financial statements are free of 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 City'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 City'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.

PERSONAL SERVICE. TRUSTED ADVICE. 

ALBRECHT, VIGGIANO, ZURECK & COMPANY, P.C.

245 PARK AVENUE, 39TH FLOOR
NEW YORK, NY 10167
T: 212.792.4075

25 SUFFOLK COURT
HAUPPAUGE, NY 11788-3715
T: 631.434.9500 F: 631.434.9518

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City Long Beach, New York, as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, scheduling of funding progress for the retiree medical program and the budgetary comparison information 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2015 on our consideration of the City of Long Beach, New York'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 of Long Beach, New York's internal control over financial reporting and compliance.

A. Bruck, Veggiere, Zurek & Co., P.C.

Hauppauge, New York
March 30, 2015

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2014

INTRODUCTION

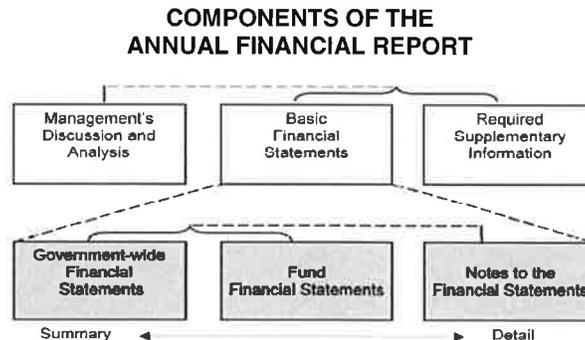
Our discussion and analysis of the financial performance of the City of Long Beach, New York ("City") provides an overview of the City's financial activities for the year ended June 30, 2014. To enhance understanding of the City's financial performance, it should be read in conjunction with the basic financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The liabilities of the City exceeded its assets and deferred outflows of resources at the close of 2014 by \$40,563,701 resulting in a negative net position. This is primarily the result of the ongoing recognition of the City's other postemployment benefits (OPEB) costs as well as judgment and claims related to the eminent domain litigation. The details of this case are shown in Note 5.D in the notes to financial statements.
- The City's total net position decreased by \$7,683,135. Again, the most notable factor contributing to this decrease is the ongoing recognition of OPEB costs as well as judgment and claims related to the eminent domain litigation.
- As of the close of 2014, the City's governmental funds reported a combined fund deficit of \$(3,996,272), which consists of the following: \$3,374,079 of amounts not in spendable form; \$5,997,967 of amounts restricted for specific purposes (primarily debt service and capital projects); \$3,579,503 of amounts assigned for a specific purpose and subsequent year's budget and \$(16,947,821) of unassigned deficits. The \$(16,947,821) unassigned fund deficit consists of the a deficit in the FEMA fund of \$(21,854,100), a deficit in the community development fund of \$(103,621) and a fund balance of the general fund of \$5,009,900. Fund balance, excluding the deficits of the FEMA and community development fund totaled \$17,961,449 of which \$3,374,079 (18.8%) is in nonspendable form, \$5,997,967 (33.4%) is restricted for primarily debt service and capital projects, \$3,579,503 (19.9%) is assigned for the general fund subsequent year's budget and for water and sewer operations and \$5,009,900 (27.9%) is unassigned for general fund purposes.
- At the end of 2014, the City's total fund balance for the general fund was \$9,928,964, an increase of \$9,077,801 from the prior year. The assigned and unassigned fund balance for the general fund was \$6,509,900, or 8.8% of total general fund expenditures and other uses.
- The City's total bonded debt was \$59,729,000 for an increase of 47.9% from the prior year. This increase was mainly due to capital borrowings and the issuance of deficit financing bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.



CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The intent of the government-wide financial statements is to give the reader a long-term view of the City's financial condition.

The Statement of Net Position presents financial information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference between the two reported as net position. This combines and consolidates the City's current financial resources with capital assets and long-term obligations. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's buildings, roads, drainage and other assets to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. Revenues and expenses are reported by activity to give the reader an understanding of how each of the City's activities is being supported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. This method is known as the accrual basis of accounting and is different from the modified accrual basis of accounting used in the City's fund financial statements.

The City's government-wide financial statements includes all of the governmental activities of the City itself (known as the primary government).

Governmental Activities

The City's basic services are reported here, including: general government support, public safety, education, transportation, economic opportunity and development, culture and recreation and home and community services. Property taxes, mortgage taxes, franchise fees, and state and federal grants finance these activities. The City also charges user fees to customers to help cover the cost of certain services it provides.

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 an 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 City, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

The City's activities are reported in 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 year. Such information may be useful in evaluating the City's near-term financial requirements.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements

As 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 effect of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven (7) governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the six (6) major funds. The general fund, water fund, sewer fund, FEMA fund, debt service fund and capital projects fund are reported as major funds. Data for the community development fund is reflected as a non-major governmental fund.

The City adopts an annual budget for its general fund, water fund, sewer fund and debt service fund. The budget for the capital projects fund is done on a project-by-project basis. Budgetary comparison schedules have been provided for the general fund, water fund, sewer fund and debt service fund to demonstrate compliance with their adopted budgets. Budgetary comparison schedule for these major funds can be found in the section labeled "Required Supplementary Information Other Than Management's Discussion and Analysis".

The governmental funds financial statements can be found in the "Basic Financial Statements" section of this report.

Proprietary Funds

The City maintains a Proprietary Fund, which is an Internal Service Fund, to account for its self-insured workers' compensation and general liability programs. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. These benefits have been included within governmental activities in the government-wide financial statements.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The fiduciary fund financial statement can be found in the "Basic Financial Statements" section of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements.

Other Information

In addition to the basic financial statements, this report contains supplementary information immediately following the notes to the financial statements.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Long Beach, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$40,563,701 at the close of the most recent year.

Our analysis below focuses on the net position and changes in net position of the City as a whole.

**Condensed Statement of Net Position
as of June 30,**

	Governmental Activities	
	2014	2013
Assets		
Current and other assets	\$ 55,283,355	\$ 30,314,378
Capital and other assets	126,070,699	87,618,390
Total Assets	181,354,054	117,932,768
Deferred outflows of resources	215,583	-0-
Total Assets and Deferred Outflows of Resources	181,569,637	117,932,768
Liabilities		
Current and other liabilities	75,031,816	47,327,871
Long-term liabilities	147,101,522	103,485,463
Total Liabilities	222,133,338	150,813,334
Net Position		
Net investment in capital assets	75,749,989	42,289,395
Restricted	5,997,967	1,139,987
Unrestricted	(122,311,657)	(76,309,948)
Total Net Position	\$ (40,563,701)	\$ (32,880,566)

The City's governmental activities net position includes \$75,749,989 in net investment in capital assets, \$5,997,967 in net position restricted for specific purposes (primarily for capital projects and debt service) and \$122,311,657 in unrestricted net deficit position.

Financial Highlights

Net Position

By far, the largest positive component of the City's net position reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens and consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total net position was again decreased in the current year and will continue to decrease in subsequent years due to the ongoing recognition of the City's other postemployment benefits (OPEB) costs. The unfunded liability for other postemployment benefits (OPEB) increased in 2014 by \$6,651,395 bringing the net OPEB obligation at year-end to \$32,137,433. Additional information on OPEB can be found in the notes to the financial statements.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Financial Highlights (continued)

Net Position (continued)

The deficit balance of unrestricted net position does not necessarily indicate stress. At the end of the current year, the City is able to report a positive balance in the categories of net investment in capital assets and restricted. The same situation held true for the prior year. The deficit balance in unrestricted arose primarily due to the recognition of long-term liabilities which include general obligation bonds, long-term bond anticipation notes payable, capital leases, retirement system obligations, accrued liabilities (compensated absences, accrued payroll and retroactive wage adjustment) and other postemployment benefits payable which will be funded through future budgetary appropriations as they become payable in future periods. Also attributing to the increase in unrestricted net deficit position is the net deficit existing at the fund level.

**Changes in Net Position
for the years ended June 30,**

	Governmental Activities	
	2014	2013
Program Revenues		
Charges for services	\$ 29,437,969	\$ 27,951,644
Operating grants and contributions	3,325,095	19,118,052
Capital grants and contributions	38,317,169	11,734,781
Total Program Revenues	<u>71,080,233</u>	<u>58,804,477</u>
General Revenues		
Real property taxes	33,053,752	32,574,456
Other real property tax items	479,862	589,935
Non-property tax items	5,116,685	4,054,478
Earnings on investments	114,229	142,654
Grants - unrestricted	3,918,124	5,291,309
Sale of property and compensation for loss	865,866	556,112
Other	525,378	10,250
Total General Revenues	<u>44,073,896</u>	<u>43,219,194</u>
Extraordinary Item		
Gain on impairment	-0-	4,778,336
Total Revenues	<u>115,154,129</u>	<u>106,802,007</u>
Program Expenses		
General government support	31,446,509	25,618,377
Public safety	33,713,194	36,104,890
Transportation	5,884,282	3,378,748
Economic assistance and opportunity	328,902	190,098
Culture and recreation	10,315,619	9,723,213
Home and community services	37,981,741	40,728,800
Education	297,951	151,791
Interest on debt	2,709,082	2,276,000
Total Program Expenses	<u>122,677,280</u>	<u>118,171,917</u>
Change in Net Position	(7,523,151)	(11,369,910)
Net Position at Beginning of Year	(32,880,566)	(21,510,656)
*Cumulative Effect of Change in Accounting Principle	(159,984)	-0-
Net Position at Beginning of Year, as Restated	<u>(33,040,550)</u>	<u>(21,510,656)</u>
Net Position at End of Year	<u>\$ (40,563,701)</u>	<u>\$ (32,880,566)</u>

* The City's financial statements presented herein are for the year ended June 30, 2014 and the cumulative effect of applying Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities", is shown as an adjustment to the beginning net position of fiscal year 2014. Accordingly, the condensed financial information presented above also reflects this cumulative effect of the accounting change to the beginning net position of fiscal year 2014. The condensed financial information for the year ended June 30, 2013 was not restated.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Financial Highlights (continued)

Net Position (continued)

The City's net position from governmental activities decreased from the prior year by \$7,683,135, or 23.4% from a negative \$32,880,566 to a negative \$40,563,701.

Key elements of the governmental activities are:

- Program revenues increased by \$12,275,756 from the prior year primarily due to receipt of additional Federal and State disaster aid for storm clean-up costs related to Superstorm Sandy.
- Real property taxes increased \$479,296 from the prior year due to a slight increase in the tax rate.
- Non-property tax items increased \$1,062,207 from the prior year mainly due to increased sales taxes of \$583,055 and utility gross receipts taxes of \$396,332.
- Overall expenses increased by \$4,505,363, primarily due to retroactive salaries of \$4,683,368 related to a contract arbitration award.

For the year ended June 30, 2014, the total cost of services provided by the City totaled \$122,677,280 of which 57.9% was funded from program revenues (24.0% from charges for services, 33.9% from operating and capital grants); 27.3% was funded by real property taxes, 4.2% from non-property tax items and 3.2% from unrestricted aid from other governments.

The cost of all governmental activities this year was \$122,677,280. The net cost of these services after being subsidized by program revenues of \$71,080,233 was \$51,597,047.

The following charts illustrate the total expenses by program function for the City's governmental funds.

**Net Cost of Services
Governmental Activities
For the Years Ended June 30,**

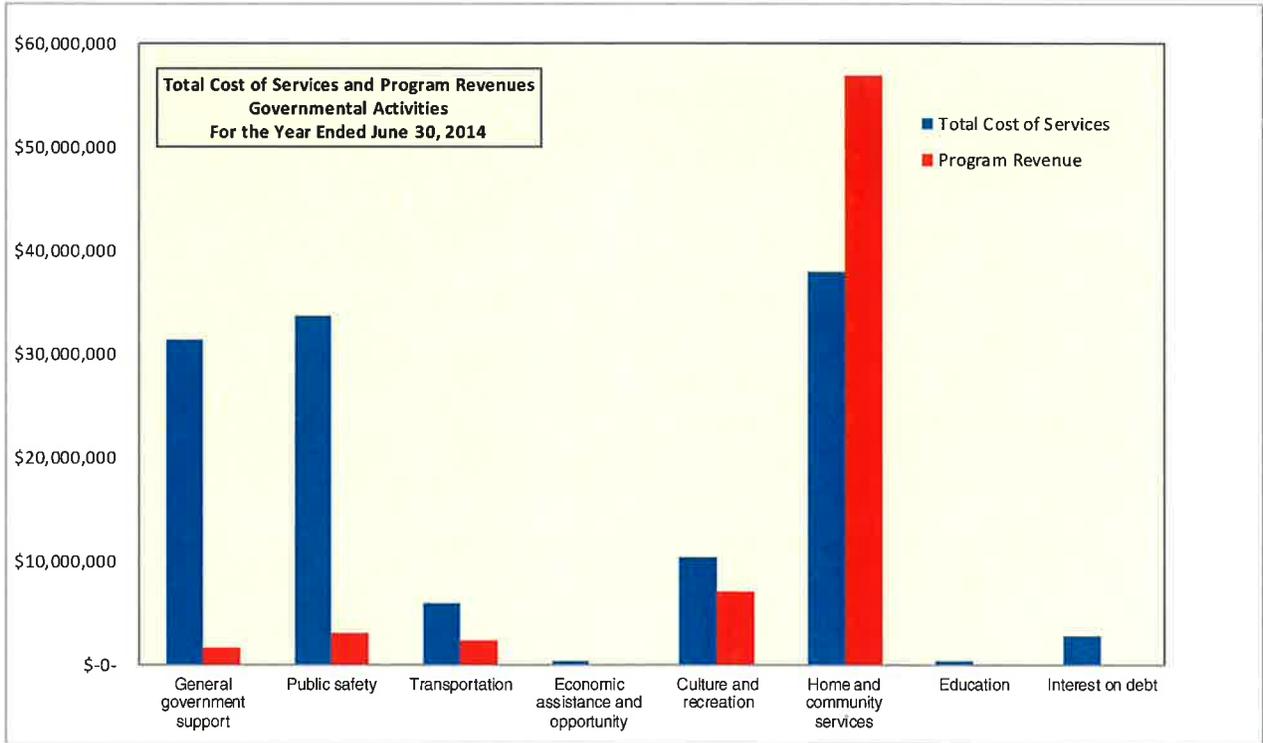
	2014	2013	2014	2013	2014	2013
	<u>Total Cost of Services</u>		<u>Program Revenue</u>		<u>Net Cost of Services</u>	
General government support	\$ 31,446,509	\$ 25,618,377	\$ 1,678,864	\$ 1,615,431	\$ (29,767,645)	\$ (24,002,946)
Public safety	33,713,194	36,104,890	3,023,718	3,196,463	(30,689,476)	(32,908,427)
Transportation	5,884,282	3,378,748	2,313,103	3,153,781	(3,571,179)	(224,967)
Economic assistance and opportunity	328,902	190,098	-0-	-0-	(328,902)	(190,098)
Culture and recreation	10,315,619	9,723,213	7,090,651	6,170,533	(3,224,968)	(3,552,680)
Home and community services	37,981,741	40,728,800	56,973,897	44,664,930	18,992,156	3,936,130
Education	297,951	151,791	-0-	3,339	(297,951)	(148,452)
Interest on debt	2,709,082	2,276,000	-0-	-0-	(2,709,082)	(2,276,000)
	<u>\$ 122,677,280</u>	<u>\$ 118,171,917</u>	<u>\$ 71,080,233</u>	<u>\$ 58,804,477</u>	<u>\$ (51,597,047)</u>	<u>\$ (59,367,440)</u>

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 June 30, 2014

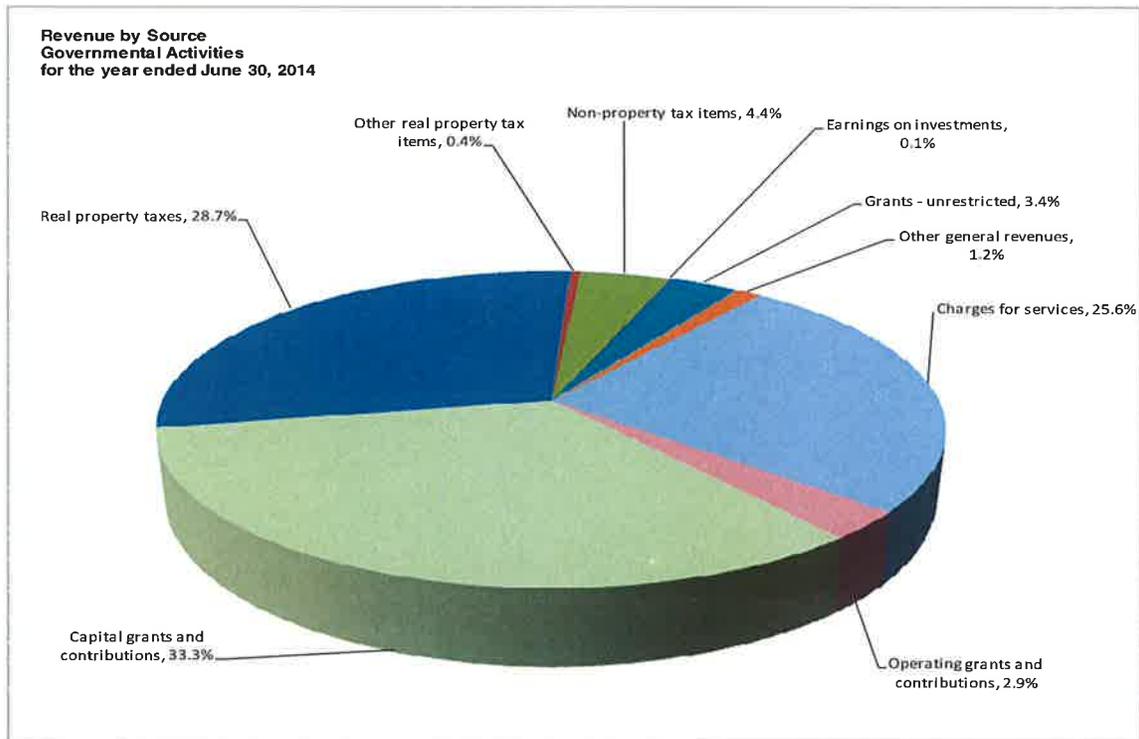
GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Financial Highlights (continued)

Net Position (continued)



The following chart illustrates the revenues by source for the City's governmental funds.



CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2014

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

As of June 30, 2014, the City's governmental funds reported overall fund deficits of \$3,996,272, a decrease of \$7,672,016 from the beginning year fund balance of \$3,675,744. The category breakdown is as follows:

- **Nonspendable fund balance** - \$3,374,079 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact. This amount recognizes the cash advanced by the general fund to the water and sewer funds to provide cash flows that cannot be repaid within the next annual operating cycle.
- **Restricted fund balance** - \$5,997,967 (externally enforceable limitations on use) include amounts subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments and consists of \$4,480,774 that can only be used to fund authorized capital projects and \$1,472,208 which can only be used to fund debt service.
- **Assigned fund balance** - \$3,579,503 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making and the remaining positive fund balance amounts in funds other than the general fund. At year end, this amount consisted of \$1,500,000 appropriated fund balance for the general fund subsequent year's budget and positive fund balances in the water and sewer funds of \$1,870,469 and \$209,034, respectively.
- **Unassigned fund balance** –Deficit of \$16,947,821 (residual net resources) is the total fund balance in the general fund in excess of nonspendable, restricted and assigned fund balance and primarily represents the fund deficit in the FEMA fund and community development fund and the remaining fund balance in the general fund.

General Fund

The general fund is the chief operating fund of the City.

As the City completed the year, the general fund's total fund balance was \$9,928,964, a \$9,077,801 increase from the prior year.

The general fund revenues (excluding other financing sources) increased \$2,340,040 from \$63,460,670 in 2013 to \$65,800,710 in 2014. The increase is primarily attributable to \$479,296 in additional property taxes, an increase of \$679,624 in non-property tax items, including sales tax and utility gross receipts tax, \$823,380 in additional departmental income, and \$520,238 in increased license and permit revenue.

The key elements of the positive change in fund balance of \$9,077,801 are as follows:

- Long-term debt borrowings totaled \$12,285,414, an increase of \$7,264,214 from 2013. These borrowings related to deficit financing and a contract arbitration award. Expenditures of \$5,063,190 were incurred related to the contract arbitration award in the current year.
- Non-property tax income exceeded budgeted amounts by \$896,686 from additional sales tax (\$340,261), utility gross receipts tax (\$328,688) and franchise fees (\$227,737).

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2014

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (continued)

General Fund (continued)

- Federal aid was less than the budgeted amount by \$1,392,654, as emergency management assistance grant revenue related to Superstorm Sandy was recognized in the FEMA fund.
- Overall departmental income was \$745,061 under budget primarily due to lower than expected youth services of \$988,753, refuse and garbage charges of \$259,461, ambulance and fire charges of \$244,453, clerk and civil service charges of \$160,987 and bus passenger fees of \$112,592 offset by additional recreation and beach charges of \$1,019,724.
- Overall total expenditures (excluding other financing sources) were \$4,238,936 less than the final budgeted amount. This is primarily due to the amount for police retirement related to the contract arbitration that will be recognized in the subsequent year (\$1,436,810), unused contingency (\$998,260), lower than expected street maintenance expenditures (\$747,846) and lower than expected employee benefit costs, excluding police retirement noted above (\$448,278).

Water Fund

In the water fund, fund balance improved from a deficit of \$231,322 at the beginning of the year to a fund balance of \$1,870,469 at the end of the year, an overall improvement of \$2,101,791. This is primarily due to the issuance of long-term financing in the amount of \$642,598, and higher than budgeted water services of \$431,042, licenses and permits of \$131,500 and interfund revenue and transfers totaling \$815,359.

Sewer Fund

In the sewer fund, the fund balance improved from a deficit of \$2,055,985 at the beginning of the year to a fund balance of \$209,034 at the end of the year, an overall improvement of \$2,265,019. This is primarily due to the issuance of long-term financing in the amount of \$1,971,988, and interfund revenue and transfers totaling \$373,398, offset by lower than expected service charges of \$220,186.

FEMA Fund

The FEMA fund primarily accounts for grants received as a result of natural disasters, such as Superstorm Sandy. The Department of Homeland Security, as authorized by the Stafford Act, is authorized to assist individuals and local governments with response to and recovery from disasters. During the year ended June 30, 2014, the City received \$37,806,750 in federal aid as a result of the damage suffered from Superstorm Sandy. Federal emergency disaster grants are reimbursement based grants where expenditures and related revenues have been accrued. During the year ended June 30, 2014, the City incurred \$54,113,752 of expenditures as a result of Superstorm Sandy for emergency and debris costs as well as extensive repairs and capital improvements, resulting in a decrease in fund balance of \$22,265,087 and a total fund deficit of \$21,854,100. Grant funding will continue to be received in the year ending June 30, 2015, to cover this deficit and additional expenditures associated with Superstorm Sandy. Any unfunded portion of expenditures reported in the FEMA fund will either be reimbursed by New York State, borne by the City's operating funds, financed with long-term debt, or some combination. Currently, 100% of these expenditures are reported in the FEMA fund.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2014

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (continued)

Debt Service Fund

The debt service fund has a total fund balance of \$1,472,208 which is an increase of \$851,731 from the prior year balance of \$620,477. This increase is directly due to the influx of debt issuance premiums of \$862,931. The fund balance is restricted for the payment of debt service. During the year ended June 30, 2014, the City paid \$3,858,000 of serial bond principal and \$1,806,382 of related interest and paid \$525,176 of capital lease principal and \$53,973 of related interest. These expenditures were funded by \$6,232,257 of operating transfers from the general fund, water and sewer funds, (\$4,465,371, \$737,613, and \$1,029,273, respectively).

Capital Projects Fund

The capital projects fund has a total fund balance of \$4,480,774, an increase of \$449,858 from the prior year. This is due to the timing of when revenues are recorded from the issuance of long-term debt, and when the expenditures for the related projects are incurred. Included in other financing sources is \$5,755,000 of proceeds from long-term financing and \$2,156,000 in capital leases issued during the year ended June 30, 2014.

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the original budget and the final amended budget are adopted by City Council resolution throughout the year.

Overall, budgeted revenues (excluding other financing sources) were increased from \$65,177,494 to \$66,679,367. The budgeted revenue increase of \$1,501,873 is primarily the result of intergovernmental reimbursements (\$854,760), insurance recoveries (\$255,965) and additional grant funds and miscellaneous local sources (\$252,708). Overall budgeted appropriations/expenditures (excluding other financing uses of \$4,317,544) increased \$12,666,446 from \$60,859,950 to \$73,526,396. The significant budget amendments were to increase appropriations for termination payments in the amount of \$2,082,067, street maintenance costs in the amount of \$843,904, sanitation costs of \$461,781, public safety costs of \$6,052,956 (mainly due to retroactive salaries related to a contract arbitration award), recreation costs of \$693,484, employee benefits of \$1,069,182, establishment of a grant funded economic development department totaling \$207,900, and increase appropriations for debt issuance costs by \$544,158.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the City had \$125,744,996 in net capital assets, of which \$95,900,818 was infrastructure. The City's capital assets also include land, buildings and improvements, construction-in-progress and machinery and equipment. The details of capital assets are shown in Note 4.D in the notes to financial statements.

Major capital asset events during the current year included the following:

- Reconstruction of the City's 2.2 mile boardwalk at a cost of approximately \$32.0 million.
- Other infrastructure improvements were approximately \$2.6 million, which mainly consisted of recreation and road improvements.
- Construction in progress totaled approximately \$11.9 million, due to various ongoing infrastructure projects related to Superstorm Sandy recovery.
- The City purchased four fire trucks at a total cost of approximately \$2.2 million.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 June 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

Capital assets, net of accumulated depreciation
At June 30, 2014 and 2013

Governmental Activities:	2014	2013
Land	\$ 4,135,210	\$ 4,135,210
Construction-in-progress	11,903,107	2,963,879
Buildings	14,958,000	14,891,905
Machinery and equipment	33,990,471	26,862,189
Infrastructure	170,925,116	136,980,696
Total capital assets	235,911,904	185,833,879
Less: accumulated depreciation	110,166,908	98,846,298
Total net governmental capital assets	\$ 125,744,996	\$ 86,987,581

The capital budget is a long range financing guide and not a definitive plan. The City Council must authorize each appropriation before any project is initiated. Each project may be financed by issuance of general obligation bonds, which, at times, are preceded by the issuance of bond anticipation notes for various periods of time depending on the period's probable usefulness of the purpose of the expenditure.

Debt

The City issues both general obligation bonds and short term financing in the form of bond anticipation notes, revenue anticipation notes or budgetary notes. The details of City's long-term obligations are shown in Note 4.E and F in the notes to financial statements.

Short-Term Debt

A summary of changes in short-term outstanding debt, related to governmental activities, for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013	New Issues	Maturities	Balance June 30, 2014
Revenue anticipation notes payable	\$ -0-	\$ 38,100,000	\$ -0-	\$ 38,100,000

Long-Term Debt

At the end of 2014, the City had general obligation bonded debt outstanding, inclusive of premiums on issuance, of \$60,154,820, capital lease obligations of \$2,798,523 and outstanding bond anticipation notes in the amount of \$6,500,000, for a total of \$69,453,343, in comparison to \$50,599,700 in the prior year. For the year ended June 30, 2014, the City's debt increased by \$18,853,643 or 37.3%. The entire debt is backed by the full faith and credit of the City.

In June 2014, Moody's Investors Service, Inc. reaffirmed the City's credit rating as "Baa3" with a positive outlook.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 June 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Long-Term Debt (continued)

New York State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year average full valuation. The current debt limitation for the City is \$356,426,365 which is significantly in excess of the City's outstanding general obligation debt. The percentage of debt limit exhausted at June 30, 2014 was 12.3%.

A summary of changes in outstanding long-term debt, related to governmental activities, for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013	New Issues	Maturities	Balance June 30, 2014
Capital leases payable	\$ 1,167,700	\$ 2,156,000	\$ 525,177	\$ 2,798,523
Bond anticipation notes payable	9,060,000	6,500,000	9,060,000	6,500,000
General obligation bonds payable, inclusive of premiums on issuance	40,372,000	23,640,820	3,858,000	60,154,820
Total long-term debt	<u>\$ 50,599,700</u>	<u>\$ 32,296,820</u>	<u>\$ 13,443,177</u>	<u>\$ 69,453,343</u>

Additional information on the City's indebtedness is shown in Note 4.E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City employs approximately 340 full-time employees as of June 30, 2014. The Civil Service Employees Association ("CSEA") covers approximately 220 employees. Their contract was renewed on July 1, 2013, and will expire June 30, 2018. The International Association of Firefighters AFL-CIO Uniform Firefighters Association Local 287 covers approximately 30 employees. Their contract expired on June 30, 2010, and is in the process of being renewed. The Patrolmen's Benevolent Association of Long Beach covers approximately 70 employees. Their contract was renewed on July 1, 2009, and expires June 30, 2015. The Commanding Officers Association, a new bargaining unit whose contract is still in negotiation, covers 7 employees.
- In February 2015, the City issued \$6.5 million in serial bonds to convert bond anticipation notes used to fund retroactive police salaries and related benefits awarded through binding arbitration and \$7.9 in bond anticipation notes to finance various public improvements.
- Chapter 97 of the Laws of 2011 (the "Tax Cap Law") was enacted on June 24, 2011. The Tax Cap Law limits annual increases of the City's overall real property tax to no more than the lesser of 2% or the rate of inflation. The Tax Cap law took effect with the year end June 2013, budget year. Certain increases to the tax levy are excluded from the limitations imposed by the Tax Cap Law including exclusions for certain expenditures for retirement system contributions and tort judgments payable by the City. In addition, the City Council may override the limitations if the City Council enacts, by vote of at least sixty percent of the voting power of the City Council, a local law to override such limit for the upcoming budget year. The Tax Cap Law does not provide exclusion for debt service on general obligations issued by the City.
- The adopted budget for the year beginning July 1, 2015, includes a \$441,556 decrease in real property taxes in the general fund. This decrease equates to a 1.34% decrease, which does not exceed the Tax Cap Law.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2014

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (continued)

- Pursuant to an agreement with the Governor's Office of Storm Recovery – NY Rising Community Reconstruction Program, the City of Long Beach is eligible for up to \$25 million in Community Development Block Grant – Disaster Recovery grant funding for certain capital projects including but not limited to: stormwater remediation, bulkhead replacement, critical facility resiliency, and flood protection of buildings, subject to final approval of the grantor. Such projects have been included in the City's 2014/2015 capital improvement plan.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the City's citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact: City of Long Beach, New York, Office of the Comptroller, 1 West Chester Street, Long Beach, New York 11561; (516) 431 – 1000.

BASIC FINANCIAL STATEMENTS

CITY OF LONG BEACH
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 18,885,202
Restricted cash	20,159,092
Accounts receivable	4,457,250
Due from other governments	11,744,088
Due from trust and agency fund	2,618
Prepaid items	35,105
Total Current Assets	<u>55,283,355</u>
Noncurrent Assets:	
Non-current benefit assessment receivable	325,703
Non-depreciable capital assets	16,038,317
Depreciable capital assets, net of accumulated depreciation	109,706,679
Total Noncurrent Assets	<u>126,070,699</u>
Total Assets	<u>181,354,054</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	215,583
Total Deferred Outflows of Resources	<u>215,583</u>
 LIABILITIES	
Current Liabilities:	
Accounts payable and other current liabilities	10,281,914
Accrued interest payable	1,436,467
Tax assessment refunds payable	68,535
Due to other governments	88,976
Unearned revenues	8,499,914
Revenue anticipation notes payable	38,100,000
Noncurrent liabilities due within one year:	
Accrued liabilities	2,647,179
Claims and judgments payable	987,057
Tax certioraris payable	896,387
Capital lease payable	163,762
Due to New York State Retirement Systems	795,312
Bond anticipation notes payable	6,500,000
General obligation bonds payable, net	4,566,313
Total Current Liabilities	<u>75,031,816</u>
Noncurrent Liabilities:	
Accrued liabilities	30,341,745
Claims and judgments payable	22,393,994
Other postemployment benefits payable	32,137,433
Capital lease payable	2,634,761
Due to New York State Retirement Systems	4,005,082
General obligation bonds payable, net	55,588,507
Total Noncurrent Liabilities	<u>147,101,522</u>
Total Liabilities	<u>222,133,338</u>
 NET POSITION	
Net investment in capital assets	75,749,989
Restricted for:	
Capital projects	4,480,774
Debt service	1,472,208
Public safety	44,985
Unrestricted	<u>(122,311,657)</u>
Total Net Position	<u>\$ (40,563,701)</u>

See notes to the financial statements.

CITY OF LONG BEACH
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
June 30, 2014

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT					
Government Activities:					
General government support	\$ 31,446,509	\$ 1,539,545	\$ 111,059	\$ 28,260	\$ (29,767,645)
Public safety	33,713,194	2,495,731	527,987		(30,689,476)
Transportation	5,884,282	978,573	768,466	566,064	(3,571,179)
Economic assistance and opportunity	328,902				(328,902)
Culture and recreation	10,315,619	6,977,539	113,112		(3,224,968)
Home and community services	37,981,741	17,446,581	1,804,471	37,722,845	18,992,156
Education	297,951				(297,951)
Interest on debt	2,709,082				(2,709,082)
Total Governmental Activities	\$ 122,677,280	\$ 29,437,969	\$ 3,325,095	\$ 38,317,169	\$ (51,597,047)

GENERAL REVENUES:

Real property taxes	\$ 33,053,752
Other real property tax items	479,862
Non-property tax items	5,116,685
Earnings on investments	114,229
Grants and contributions not restricted to specific programs	3,918,124
Sale of property and other compensation for loss	865,866
Other	525,378
Total General Revenues	44,073,896
Change in Net Position	(7,523,151)
Net Position at Beginning of Year	(32,880,566)
Cumulative Effect of Change in Accounting Principle	(159,984)
Net Position at Beginning of Year, as Restated	(33,040,550)
Net Position at End of Year	\$ (40,563,701)

See notes to the financial statements.

CITY OF LONG BEACH
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	Major Funds						Nonmajor Governmental Fund	Total Governmental Funds
	General	Water	Sewer	FEMA	Debt Service	Capital Projects		
ASSETS								
Cash and investments	\$ 6,077,859	\$ 435,826	\$ 470,350	\$ 1,976,693	\$ 1,472,208	\$ 6,717,366	\$ 192,926	\$ 17,343,228
Restricted cash	2,911,216	448,965		16,798,911				20,159,092
Accounts receivable	988,098	1,859,820	1,606,623	2,709				4,457,250
Benefit assessment receivable	325,703							325,703
Due from other funds	7,227,575	1,188,779	606,358			195,266	190,836	9,408,814
Due from other governments	2,179,669		302,362	8,757,586		151,836	352,635	11,744,088
Advances to other funds	3,338,974							3,338,974
Prepaid items	35,105							35,105
Total Assets	\$ 23,084,199	\$ 3,933,390	\$ 2,985,693	\$ 27,535,899	\$ 1,472,208	\$ 7,064,468	\$ 736,397	\$ 66,812,254
LIABILITIES								
Accounts payable and accrued liabilities	\$ 5,332,217	\$ 209,147	\$ 291,459	\$ 3,664,932	\$ -0-	\$ 667,455	\$ 114,970	\$ 10,280,180
Accrued interest				545,890				545,890
Due to other funds	167,925			6,449,132		1,916,239	725,048	9,258,344
Tax assessment refunds payable	68,535							68,535
Revenue anticipation notes payable	4,100,000	500,000	500,000	33,000,000				38,100,000
Due to other governments	88,976							88,976
Unearned revenues	2,769,869			5,730,045				8,499,914
Advances to other funds		1,353,774	1,985,200					3,338,974
Total Liabilities	12,527,522	2,062,921	2,776,659	49,389,999	-0-	2,583,694	840,018	70,180,813
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues	627,713							627,713
Total Deferred Inflows of Resources	627,713	-0-	-0-	-0-	-0-	-0-	-0-	627,713
Fund Balances (Deficits)								
Nonspendable	3,374,079							3,374,079
Restricted	44,985				1,472,208	4,480,774		5,997,967
Assigned	1,500,000	1,870,469	209,034					3,579,503
Unassigned	5,009,900			(21,854,100)			(103,621)	(16,947,821)
Total Fund Balances (Deficits)	9,928,964	1,870,469	209,034	(21,854,100)	1,472,208	4,480,774	(103,621)	(3,996,272)
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 23,084,199	\$ 3,933,390	\$ 2,985,693	\$ 27,535,899	\$ 1,472,208	\$ 7,064,468	\$ 736,397	\$ 66,812,254

See notes to the financial statements.

CITY OF LONG BEACH
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014

TOTAL FUND BALANCES- GOVERNMENTAL FUNDS **\$ (3,996,272)**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets less accumulated depreciation are included in the Statement of Net Position:

Capital assets - non-depreciable	\$ 16,038,317	
Capital assets - depreciable	219,873,587	
Accumulated depreciation	<u>(110,166,908)</u>	
		125,744,996

Internal Service Fund is used to account for the City's risk retention and charges to individual funds		1,392,397
--	--	-----------

Other long-term assets are not available to pay for current period expenditures and therefore, are reported as unavailable in the funds		627,704
---	--	---------

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. However, these liabilities are included in the Statement of Net Position:

Accrued liabilities	(32,988,924)	
Claims and judgments payable	(23,381,051)	
Tax certioraris payable	(896,387)	
Due to New York State Retirement Systems	(4,800,394)	
Other postemployment benefits payable	(32,137,433)	
Capital lease payable	(2,798,523)	
Bond anticipation notes payable	(6,500,000)	
General obligation bonds payable, net	<u>(60,154,820)</u>	
		(163,657,532)

Interest payable applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported in the funds. However, these liabilities are included in the Statement of Net Position.		(890,577)
--	--	-----------

Deferred loss on refunding included in the Statement of Net Position.		<u>215,583</u>
---	--	----------------

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (40,563,701)**

See notes to the financial statements.

CITY OF LONG BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	Water	Sewer	FEMA	Debt Service	Capital Projects	Nonmajor Governmental Fund	Total Governmental Funds
REVENUES								
Real property taxes and tax items	\$ 33,053,752							\$ 33,053,752
Other real property tax items	479,862							479,862
Non-property tax items	5,116,686							5,116,686
Departmental income	16,192,225	\$ 4,431,375	\$ 4,047,814					24,671,414
Intergovernmental charges	975,878		563,535					1,539,413
Use of money and property	399,474		40,649	\$ 3,011	\$ 74		\$ 100,838	544,046
Licenses and permits	1,675,810	168,800	22,000					1,866,610
Fines and forfeitures	699,556							699,556
Special assessments	800,174							800,174
Sale of property and compensation for loss		63,942		1,750				65,692
Miscellaneous local sources	499,179	500		14,547		\$ 197,923		712,149
Interfund revenues	410,725	68,791	49,359					528,875
State and local aid	4,942,811					796,730		5,739,541
Federal aid	554,578			37,806,750			1,147,552	39,508,880
Total Revenues	65,800,710	4,733,408	4,723,357	37,826,058	74	994,653	1,248,390	115,326,650
EXPENDITURES								
Current:								
General government support	12,517,613	135,000	150,000					12,802,613
Education	297,951							297,951
Public safety	21,056,595							21,056,595
Transportation	1,618,824							1,618,824
Economic assistance and opportunity	136,002							136,002
Culture and recreation	6,776,869							6,776,869
Home and community services	7,756,257	2,027,709	2,289,753	13,751,288			1,204,793	27,029,800
Employee benefits	18,515,713	1,093,569	1,265,239	665,925			28,423	21,568,869
Capital outlay				39,150,649		8,839,203		47,989,852
Debt service:								
Principal					4,383,176			4,383,176
Interest		6,750	10,850	545,890	1,860,355			2,423,845
Debt issuance costs	611,636	16,799	37,328					665,763
Total Expenditures	69,287,460	3,279,827	3,753,170	54,113,752	6,243,531	8,839,203	1,233,216	146,750,159
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,486,750)	1,453,581	970,187	(16,287,694)	(6,243,457)	(7,844,550)	15,174	(31,423,509)
OTHER FINANCING SOURCES (USES)								
Issuance of debt	12,285,414	642,598	1,971,988			5,755,000		20,655,000
Premiums on debt issuance	52,827	6,081	18,654		862,931			940,493
Capital lease proceeds						2,156,000		2,156,000
Transfers in	4,904,319	746,568	324,039		6,232,257	383,408	2,467	12,593,058
Transfers out	(4,678,009)	(747,037)	(1,019,849)	(5,977,393)			(170,770)	(12,593,058)
Total Other Financing Sources (Uses)	12,564,551	648,210	1,294,832	(5,977,393)	7,095,188	8,294,408	(168,303)	23,751,493
Net Change in Fund Balances	9,077,801	2,101,791	2,265,019	(22,265,087)	851,731	449,858	(153,129)	(7,672,016)
Fund Balances (Deficits), Beginning of Year	851,163	(231,322)	(2,055,985)	410,987	620,477	4,030,916	49,508	3,675,744
Fund Balances (Deficits) at End of Year	\$ 9,928,964	\$ 1,870,469	\$ 209,034	\$ (21,854,100)	\$ 1,472,208	\$ 4,480,774	\$ (103,621)	\$ (3,996,272)

See notes to the financial statements.

CITY OF LONG BEACH
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

NET CHANGE IN FUND BALANCES \$ (7,672,016)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation in the current period is:

Capital outlay	\$	50,684,815	
Depreciation expense		(11,381,289)	
Loss on dispositions & impairment		<u>(546,111)</u>	
			38,757,415

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (271,119)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Accrued liabilities		951,884	
Tax certioraris payable		(381,315)	
Other postemployment benefits payable		(6,651,395)	
Capital lease proceeds		(2,156,000)	
Repayment of capital leases		525,177	
Due to New York State Retirement Systems		(888,461)	
Bonds and bond anticipation notes issued		(20,655,000)	
Premiums on bonds issued		(425,820)	
Repayment of bond principal		3,858,000	
Amortization of deferred loss on refunding		(35,931)	
Accrued interest costs		<u>(290,545)</u>	
			(26,149,406)

The Internal Service Fund is used by management to charge the costs of insurance activities to the individual funds. The net loss of the Internal Service Fund is reported with governmental activities.

Claims and judgments payable			<u>(12,188,025)</u>
------------------------------	--	--	---------------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (7,523,151)**

See notes to the financial statements.

CITY OF LONG BEACH
STATEMENT OF
FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	<u>Agency Fund</u>	<u>Pension Trust Fund</u>
ASSETS		
Cash	\$ 788,542	
Investments in annuities, at fair value		\$ 1,488,068
Total Assets	<u>\$ 788,542</u>	<u>\$ 1,488,068</u>
 LIABILITIES		
Accounts payable	\$ 44,966	\$ 2,348
Employee payroll deductions	179,140	
Due to other funds	2,618	
Other agency liabilities	<u>561,818</u>	
Total Liabilities	<u>788,542</u>	<u>2,348</u>
 NET POSITION		
Held in trust for pension benefits	<u>\$ -0-</u>	<u>\$ 1,485,720</u>

See notes to the financial statements.

CITY OF LONG BEACH
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND - FIRE SERVICE AWARDS PROGRAM
Year Ended June 30, 2014

ADDITIONS:	
Earnings on Investments	\$ 41,003
Plan contributions	<u>177,652</u>
Total Additions	<u><u>218,655</u></u>
DEDUCTIONS:	
Pension benefits	13,426
Administrative costs	<u>2,348</u>
Total Deductions	<u><u>15,774</u></u>
Change in Net Position	202,881
Net Position Held in Trust for Pension Benefits, Beginning of Year	<u>1,282,839</u>
Net Position Held in Trust for Pension Benefits, End of Year	<u><u>\$ 1,485,720</u></u>

See notes to the financial statements.

CITY OF LONG BEACH
STATEMENT OF NET POSITION
PROPRIETARY FUND
INTERNAL SERVICE FUND - RISK RETENTION FUND
June 30, 2014

ASSETS

Current Assets:

Cash		\$	1,541,974
	Total Current Assets		<u>1,541,974</u>
	Total Assets	\$	<u><u>1,541,974</u></u>

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities		\$	1,725
Due to other funds			147,852
Claims and judgments payable			<u>987,057</u>
	Total Current Liabilities		1,136,634

Noncurrent Liabilities:

Claims and judgments payable			<u>22,393,994</u>
	Total Liabilities		<u>23,530,628</u>

NET POSITION

Unrestricted			<u>(21,988,654)</u>
	Total Net Deficit	\$	<u><u>(21,988,654)</u></u>

See notes to the financial statements.

CITY OF LONG BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
INTERNAL SERVICE FUND - RISK RETENTION FUND
Year Ended June 30, 2014

OPERATING REVENUES

**Premiums Charged for
Risk Retention:**

Judgments and claims	\$ 217,550	
Employee benefits - workers' compensation	2,415,182	
	2,632,732	
Total Operating Revenues		2,632,732

OPERATING EXPENSES

Administrative costs	144,218	
Employee benefits - workers' compensation claims	2,968,651	
Judgments and claims	11,708,163	
	14,821,032	
Total Operating Expenses		14,821,032

Loss from Operations (12,188,300)

NON-OPERATING REVENUES

Interest on investments		275
		275

Total Non-Operating Revenues 275

Changes in Net Position (12,188,025)

Net Position at Beginning of Year (9,800,629)

Net Position at End of Year \$ (21,988,654)

See notes to the financial statements.

CITY OF LONG BEACH
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
INTERNAL SERVICE FUND - RISK RETENTION FUND
Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Revenue Collected:		
Receipts for interfund services provided	\$	4,529,773
Payments for Expenses:		
Payments to insurance carriers and claimants		(3,392,335)
Payments for other		<u>(143,319)</u>
Net Cash Provided by Operating Activities		<u>994,119</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and earnings received		<u>275</u>
Net Cash Provided by Investing Activities		<u>275</u>

Net Change in Cash		994,394
Cash at Beginning of Year		<u>547,580</u>
Cash at End of Year	\$	<u><u>1,541,974</u></u>

RECONCILIATION OF THE INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Loss from Operations	\$	(12,188,300)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Due from other funds		1,897,042
Accounts payable		898
Due to other funds		(903,545)
Claims and judgments payable		<u>12,188,024</u>
Net Cash Used by Operating Activities	\$	<u><u>994,119</u></u>

See notes to the financial statements.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Long Beach, New York (the "City") was established in 1922, and is governed by its Charter and various other applicable laws of the State of New York and various local laws. The City Council, which is the legislative body responsible for the overall operation of the City, consists of five members who are elected for two to four year terms. The City Manager, who is appointed by the City Council, is responsible for the daily operations of the City and acts as the chief executive officer. The Comptroller, hired by the City Manager, serves as the chief financial officer.

The City provides a full range of municipal services including public safety, education, transportation, economic opportunity and development, culture and recreation, home and community services and general and administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The more significant of the City's accounting policies are described below.

A. REPORTING ENTITY

The accompanying financial statements present the operations of all funds, functions and organizations of the City. The financial reporting entity consists of (a) the primary government, which is the City; and (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the City's reporting entity is based on several criteria, including legal standing, dependency and financial accountability. Based on the application of these criteria, the City's management has determined there are no other entities which should be included in the financial statements.

Management has identified Long Beach Housing Authority ("Authority") as an organization related to the City. The Authority is a public benefit corporation created by State Legislation to promote the development of adequate housing for the City's citizens. The City is not obligated to provide any financial assistance to the Authority.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City as a whole with a separate column for the primary governmental activities. All fiduciary activities are reported in the fund financial statements. The effect of interfund activity has been eliminated from the government-wide financial statements, except for interfund services provided and used.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Government-wide Financial Statements (continued)

In the government-wide statement of net position, the City's governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term debt and obligations. The City's net position is reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function, and 3) interest earned on grants or capital projects that is required to be used to support a particular program or project. Taxes and other items not properly included among program revenues are reported as general revenues. The City does not allocate indirect expenses to specific functions in the statement of activities.

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

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are presented by type in the fund financial statements. The focus of the governmental funds financial statements is on the major funds. Individual funds are classified as major funds if certain criteria are met. In addition, any other governmental fund that the City believes is particularly important to financial statement users may be reported as a major fund. Management has designated the water, sewer and debt service funds as major. Accordingly, the City maintains the following fund types:

Governmental Funds – Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. Governmental funds are further classified as major and non-major funds.

The City reports the following major governmental funds:

General Fund – is the principal operating fund of the City. This fund is used to account for and report all financial resources except those required to be accounted for in other funds.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Governmental Funds (continued)

Special Revenue Funds – are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditure for specified purposes other than debt service or capital projects. The major special revenue funds of the City are as follows:

Water Fund – a special revenue fund used to account for revenues and expenditures of the water utility operations of the City, which renders services primarily on a user charge basis to the general public.

Sewer Fund – a special revenue fund established pursuant to General Municipal Law of the State of New York and used to account for sewer operations financed by sewer rents.

FEMA Fund – a special revenue fund used to account for revenues primarily consisting of aid received from the Federal Emergency Management Agency (FEMA), as authorized by the Stafford Act, to assist with response to and recovery from presidentially declared disasters.

Capital Projects Fund – is 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.

Debt Service Fund – is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and for financial resources that are being accumulated for principal and interest in future years.

Additionally, the City accounts for and reports the following nonmajor fund:

Community Development Fund – is used to account for and report the operation of the federal grant programs administered by the City's Community Development Agency.

Proprietary Fund – The proprietary fund is used to account for ongoing activities, which are similar to those often found in the private sector. Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows for each major proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and deferred outflows and liabilities and deferred inflows (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses, and changes in net position present increases (revenues) and decreases (expenses) in total net position.

The City's reports the following proprietary fund:

Internal Service Fund – used to account for special activities or services provided by one department to the other departments or to other governments on a cost-reimbursement basis.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Proprietary Fund (continued)

Included is the following:

Risk Retention Fund – used to account for transactions and reserves set aside by the City to provide for self-insurance type programs related to workers' compensation and general liability claims.

Fiduciary Funds – are used to account for assets held by the City in a trustee or custodial capacity.

Agency Fund – is used to account for resources held as an agent for parties outside the government. Agency fund resources cannot be held for other funds.

Pension Trust Fund – is used to account for the activities of the City's Fire Service Awards Program, which accumulates resources for benefit payments to qualified fire volunteers.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Measurement focus refers to what is being measured whereas the basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements, the internal service fund and the pension trust fund are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the 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 imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within 60 days of the year end. The City generally considers all revenue available if they are collected within 90 days after year-end, except for water and sewer revenue which is recorded when services are rendered. Certain other revenues may be considered available if received within one year of year-end. In those instances where expenditures are the prime factor in determining eligibility for state and federal grants, revenues are recognized when the expenditure is incurred. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to capital leases, compensated absences, claims and judgments, certain pension costs, and other postemployment benefits are recorded when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Revenues susceptible to accrual include property taxes, charges for services, state and federal aid, sales tax, mortgage tax, franchise fees, intergovernmental revenues and operating transfers. Permits, fees, and other similar revenues are not susceptible to accrual because generally they are not measurable until they are received in cash. As previously discussed, in those instances where expenditures are the prime factor in determining eligibility for state and federal grants, revenues are recognized when the expenditure is incurred and all other grant requirements are met. Expenditures for prepaids are recognized when incurred. In the governmental funds, long-term debt is recognized as revenue upon receipt of the proceeds.

Proprietary funds distinguish between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services. The principal operating revenues consists of charges to other funds on a cost reimbursement basis. Operating expenses include judgments and claims, employee benefits in the form of workers' compensation and certain administrative costs. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and the change in net position.

The proprietary and pension trust funds are reported using the economic measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCE/DEFICIT

1. CASH AND INVESTMENTS

Cash consists of funds deposited in demand accounts, both interest bearing and non-interest bearing, petty cash, time deposit accounts and certificates of deposit with maturities of less than three months.

State statutes govern the City's investment policies. The City has a written investment policy stating that City money must be deposited in Federal Deposit Insurance Company (FDIC) insured commercial banks or trust companies located within the State. The City is authorized to use demand accounts, time deposits and certificates of deposit. Permissible investments include obligations of the United States Treasury and United States Agencies, repurchase agreements, and obligations of New York State or its localities. Investments are stated at fair value.

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of New York State or its agencies and instrumentalities that have a market value of no less than the principal amount of the deposits. The City's investment policy requires collateral for all demand deposits and time deposit accounts and certificates of deposit at 100% of all deposits not covered by the FDIC. Obligations that may be pledged as collateral include obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCE/DEFICIT (continued)

2. RESTRICTED CASH

Restricted cash consists of cash which is to be used for Superstorm Sandy relief and restoration efforts and public safety activities. In addition, restricted cash consists of funds set aside to pay off the revenue anticipation notes that were issued in September 2013.

3. RECEIVABLES

Receivables relating to governmental-type activities primarily include amounts due from federal, state, and other local governments, individuals and entities for services provided by the City, special assessments, as well as amounts due related to various grant and franchise agreements. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred.

4. DUE FROM/TO OTHER FUNDS

During the course of operations, the City has activity between funds for various purposes. Activities between funds that are representative of lending/borrowing arrangements outstanding at year end are referred to as either "due to/from other funds" or "advances to/from other funds". Long-term advances between funds, reported as advances to/from other funds in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds statements to indicate that it is not available for appropriation and are not expendable available resources. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

5. PREPAID ITEMS

Certain payments to vendors and other parties reflect costs applicable to future accounting periods and are reported as prepaid items in both the government-wide and fund financial statements.

In governmental funds, amounts reported as prepaid expenses are equally offset by nonspendable fund balance amounts, indicating that they do not constitute available spendable resources even though they are a component of net current assets.

6. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Donated capital assets are recorded at fair market value on the date received. Additions, improvements and other capital outlay that significantly extend the useful lives of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCE/DEFICIT (continued)

6. CAPITAL ASSETS (continued)

Depreciation on all assets is calculated on the straight-line basis over the following estimated useful lives:

Buildings	20 - 50 years
Machinery and equipment	5 - 20 years
Infrastructure systems	5 - 50 years

Infrastructure assets, consisting of certain improvements other than buildings, including roads, curbs, sidewalks, drainage systems, street lighting, water mains and sewer systems are capitalized along with other capital assets.

In the fund financial statements, capital assets are recorded as capital outlay expenditures in the governmental fund upon acquisition.

7. UNEARNED REVENUES

Unearned revenues are those where asset recognition criteria have been met, but which revenue recognition criteria have not been met. Such amounts include collections in advance, unspent grant monies, and amounts deemed to be "measurable" but not "available" to finance current expenses.

8. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has reported deferred outflows of resources from a deferred loss on refunding bonds in the government-wide statement of net position. A deferred loss on a refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for the deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. On the fund financial statements, the City reports deferred inflows of resources for items that will be recognized as revenues in the period that the amounts become available which include \$325,703 for the bulkhead receivable as well as \$302,010 related to civil service chargebacks. On the government-wide financial statements, the City did not report any deferred inflows of resources.

9. LONG-TERM OBLIGATIONS

In the government-wide financial statements, liabilities for long-term obligations consisting of general obligation bonds, capital leases, accrued liabilities (compensated absences, deferred compensation and retroactive wages due pursuant to a contract renegotiation), claims and judgments, tax certioraris payable, certain pension obligations, and other postemployment benefits are recognized in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of applicable bond premium or discount.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCE/DEFICIT (continued)

9. LONG-TERM OBLIGATIONS (continued)

In the fund financial statements governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources and payment of principal and interest reported as debt service expenditures. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

10. NET POSITION AND FUND BALANCE/DEFICIT CLASSIFICATIONS

Net Position

In the government-wide and proprietary fund financial statements equity is classified as net position and displayed in three components:

- a) Net investment in capital assets— consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Accounts payable in the capital projects fund are capital related debt and are used in the calculation of net investment in capital assets.
- b) Restricted – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance/Deficit

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are 1) nonspendable, 2) restricted, 3) committed, 4) assigned or 5) unassigned.

- a) Nonspendable - includes amounts that cannot be spent because they are either (a) not in spendable form (i.e. prepaid items or inventories), or (b) will not convert to cash within the current period (i.e. long term receivables and financial assets held for resale), or (c) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

- b) Restricted - reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCE/DEFICIT (continued)

10. NET POSITION AND FUND BALANCE/DEFICIT CLASSIFICATIONS (continued)

Fund Balance/Deficit (continued)

- c) Committed - reflects amounts that can only be used for specific purposes by a government using its highest and most binding level of decision making authority. The City's highest decision making authority is the City Council, who by adoption of a City ordinance prior to year end, can commit fund balance. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action imposing the commitment.
- d) Assigned - reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.
- e) Unassigned - is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

Net Position and Fund Balance Flow Assumptions

When outlays for a particular purpose can be funded from both restricted and unrestricted net position resources it is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

When both restricted and unrestricted fund balance resources are available for use, it is the City's default policy to use restricted resources first, and then unrestricted resources - committed, assigned and unassigned - in order as needed.

E. REVENUES AND EXPENDITURES

1. REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES

The City's property taxes are levied and become a lien on July 1st, each year. Taxes are levied based upon the taxable value of all real property located within the City. The City taxes are recorded as a receivable on July 1st, and are payable in two installments, 50% due July 1st and 50% due January 1st, payable without penalty to July 31st and January 31st, respectively. County taxes are due in two installments, 50% due January 1st and 50% due July 1st, payable without penalty to February 10th and August 10th, respectively. On or about September 1st, the City returns the uncollected items to the County, which assumes collection responsibility. The City is not responsible for the collection of school taxes.

Real property taxes become a lien on the respective days when they become due and payable.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUE AND EXPENDITURES/EXPENSES (continued)

2. GRANTS

Federal, State and County grants and assistance awards made on the basis of entitlement periods are recorded as receivables (due from other governments) and revenues when entitlement occurs. All other Federal, State and County reimbursement type grants are recorded as receivables and revenues when all eligibility requirements are met and as applied to FEMA, as project worksheets are approved.

3. OTHER POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, the City provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the City's full-time employees may become eligible for these benefits if they reach normal retirement age while working for the City.

Health care benefits in accordance with New York State Health Insurance Rules and Regulations (administered by the New York State Department of Civil Service), are provided through the New York State Health Insurance Program NYSHIP (Empire Plan) whose premiums are based on the benefits paid throughout the State during the year.

The City recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. The City's union contracts and ordinances require that it provide its eligible enrollees with the Empire Plan benefit coverage, or if another provider is utilized, the equivalent coverage. Under the provisions of the Empire Plan, premiums are adjusted on a prospective basis for any losses experienced by the Empire Plan. The City has the option to terminate its participation in the Empire Plan at any time without liability for its respective share of any previously incurred loss. The liability for these postemployment benefits payable is recorded as a noncurrent liability in the government-wide statements. The current year increase in the liability is based on the most recent actuarial valuation.

4. COMPENSATED ABSENCES

The liability for vested or accumulated vacation and sick leave (compensated absences) is recorded as current and noncurrent obligations in the government-wide and proprietary fund financial statements as accrued liabilities. The current portion of this obligation is estimated based on historical trends. The compensated absences liability and expenses are reported in the governmental funds only if they have matured, for example, as a result of employee resignation, terminations and retirements.

The amount that is expected to be liquidated with expendable available financial resources is reported as expenditures and a liability in the governmental fund financial statements in the respective fund that will pay it.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUE AND EXPENDITURES/EXPENSES (continued)

5. INTERFUND TRANSACTIONS

Interfund transactions, exclusive of interfund services provided and used, have been eliminated from the government-wide financial statements. In the funds statements interfund transactions include:

a) Interfund Revenues

Interfund revenues represent amounts received from other funds for services or facilities provided by another fund. The amounts paid by the fund receiving the benefits of the service or facilities are reflected as an expenditure of that fund. Interfund revenues primarily relates FEMA fund reimbursements to the general, water and sewer funds for various labor and equipment usage related to Superstorm Sandy.

b) Transfers

Transfers primarily represent payments to the debt service and capital projects funds from the other funds for their appropriate share of the debt service or capital project costs as well as allocating FEMA revenues from the FEMA fund to the appropriate operating funds to cover certain Superstorm Sandy related expenditures.

6. RISK MANAGEMENT

The internal service fund services claims for risk of loss, associated with workers' compensation and general liability, to which the City is exposed. All funds of the City participate. The City allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund. This charge considers recent trends in actual claim experience of the City as a whole and makes provisions for catastrophic losses. The premiums paid by the operating funds are accounted for as expenditures/expenses of the funds.

F. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes, is employed in the governmental funds. Encumbrances are reported as restrictions, commitments, or assignments of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

G. USE OF ESTIMATES

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources, and disclosure of contingent assets and deferred outflows of resources and liabilities and deferred inflows of resources, at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. NEW ACCOUNTING PRINCIPLES

The City has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. During the year ended June 30, 2014, the City adopted:

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, originally introduced and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*, as a consumption of net assets applicable to a future reporting period and an acquisition of net assets applicable to a future reporting period, respectively. Further, Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of net position. Statement No. 65, *Items Previously Reported as Assets and Liabilities* reclassifies certain items that are currently reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and recognize certain items currently being reported as assets and liabilities as outflows and inflow of resources. In addition, it limits the use of the term deferred in the financial statement presentation. Concepts Statement No. 4 requires that deferred outflows and deferred inflows be recognized only in those instances specifically identified in GASB pronouncements. Statement No. 65 provides that guidance. The implementation of this Statement resulted in reporting a restatement of the City's net position (see Note 6) and to change the presentation of the statement of net position.

Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and 62*, provides financial and reporting guidance by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICAP Pronouncements*. This statement also amends existing standards regarding accounting and financial reporting of risk financing and related insurance issues by removing the provision that limits fund based reporting of risk financing activities to the general fund and internal service funds. This statement also amends existing standards regarding accounting and financial reporting of the following: operating leases, the difference between initial investment in purchased loans and the principal balance and servicing fees related to mortgage loans when sold. This Statement had no effect on the City's financial statements.

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date of the financial statements. See Note 7.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- a) On or before April 10th, the City Manager submits to the City Council a tentative operating budget for the year commencing the following July 1st. The tentative budget includes proposed expenditures and the means of financing.
- b) A copy of the submitted budget is filed in the City Clerk's office no later than 10 days after the date of submission of the budget to the City Council by the City Manager and is available for inspection by the public.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

- c) The City Council conducts public hearings on the tentative budget to obtain taxpayer comments.
- d) After the public hearings and no later than May 31st, the City Council meets to consider and adopt the budget.
- e) Formal budgetary integration is employed during the year as a management control device for the general, water, sewer and debt service funds.
- f) The budgets for the general, water, sewer and debt service funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The capital projects, FEMA and community development funds are budgeted on a project or grant basis. The City also adopts a budget for the risk retention fund, which is an internal service fund.
- g) The City Council has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the City Council for amounts exceeding \$1,500. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the City Council.
- h) Appropriations in general, water, sewer and debt service funds lapse at year end, except that outstanding encumbrances, where applicable, are re-appropriated in the succeeding year.
- i) In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012 and lasting through at least June 15, 2016, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. The City did not exceed the 2% cap in 2014.

B. FUND EQUITY

FUND BALANCE (DEFICIT)

The following table provides the detail regarding fund balance categories and classifications for the governmental funds which show components of nonspendable fund balances, as well as the purposes for restricted, and assigned fund balance. The unassigned fund balance is also shown.

	General Fund	Water Fund	Sewer Fund	FEMA Fund	Debt Service Fund	Capital Projects Fund	Non-major Fund	Total
Fund Balances (Deficits):								
Nonspendable:								
Long-term advances	\$ 3,338,974	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 3,338,974
Prepaid items	35,105							35,105
Total Nonspendable	3,374,079	-0-	-0-	-0-	-0-	-0-	-0-	3,374,079
Restricted for:								
Capital projects						4,480,774		4,480,774
Debt service					1,472,208			1,472,208
Public safety	44,985							44,985
Total Restricted	44,985	-0-	-0-	-0-	1,472,208	4,480,774	-0-	5,997,967
Assigned to:								
Subsequent year's budget	1,500,000							1,500,000
Special revenue funds		1,870,469	209,034					2,079,503
Total Assigned	1,500,000	1,870,469	209,034	-0-	-0-	-0-	-0-	3,579,503
Unassigned, reported in:								
General fund	5,009,900							5,009,900
Special revenue funds				(21,854,100)			(103,621)	(21,957,721)
Total Unassigned	5,009,900	-0-	-0-	(21,854,100)	-0-	-0-	(103,621)	(16,947,821)
Total Fund Balances (Deficits)	\$ 9,928,964	\$ 1,870,469	\$ 209,034	\$ (21,854,100)	\$ 1,472,208	\$ 4,480,774	\$ (103,621)	\$ (3,996,272)

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. FUND EQUITY (continued)

DEFICIT FUND EQUITY

The FEMA fund deficit of \$21,854,100 at June 30, 2014 resulted from incurring excess expenditures over revenues in the current year. Additional FEMA aid revenue will be recognized as other Project Worksheets are approved by FEMA. Any unfunded portion of expenditures reported in the FEMA fund will either be reimbursed by New York State, borne by the City's operating funds, financed with long-term debt or some combination.

The non-major fund deficit of \$103,621 at June 30, 2014 resulted from an interfund transfer to the capital projects fund related to the purchase of new buses.

The internal service fund deficit of \$21,988,654 is a result of charging the operating funds only that which is expected to be paid in the near term. As the long-term liabilities mature, the internal service fund will charge the operating funds sufficient amounts to fund the payments on a modified accrual basis of accounting at the operating fund level.

3. NATURAL DISASTER/SUPERSTORM SANDY

On October, 27, 2012, Superstorm Sandy, a Category 1 post-tropical cyclone, struck the southern Atlantic coast of Nassau County, New York. The resulting storm surge and winds caused substantial damage to the City, as well as widespread physical damage throughout the City and in nearby areas of New York City and Nassau and Suffolk Counties. As a result of a direct impact of the superstorm, the City suffered widespread physical damage to buildings, infrastructure and equipment. As of June 30, 2014, approximately \$92.5 million for emergency protective measures, debris clean-up and other costs following the storm have been spent over the last two years, and the City continues to incur costs associated with the recovery efforts.

In response to the damages caused by Superstorm Sandy, the President of the United States signed a major disaster declaration on October 30, 2012, authorizing the Federal Emergency Management Agency ("FEMA") to provide Public Assistance aid to governmental entities for response and recovery efforts. The emergency declaration supports the reimbursement of eligible emergency work (emergency protective measures and debris removal efforts) and permanent work (restoration of infrastructure and capital assets). The authorized reimbursement rate is 90% of eligible costs incurred. As part of FEMA's Public Assistance program, local governments were required to cover 10% of the costs incurred. In July 2014, New York State announced funding to cover local governments' costs to repair and rebuild infrastructure damaged by Superstorm Sandy with the state-allocated Community Development Block Grant – Disaster Relief (CDBG-DR) funds to cover the localities' costs on a project by project basis. The City will record these funds when they have been approved for payment.

In fiscal year 2013, the City established a FEMA fund to account for and report the revenues and expenditures incurred as a result of Superstorm Sandy. To date, the City's costs for emergency protective measures, debris removal, capital repair/replacement and other recovery efforts totaled \$92.5 million during the two years ended June 30, 2014. The City has received insurance payments totaling \$10.9 million from its insurance carrier during the two years ended June 30, 2014. Additionally, the City has recorded \$64.8 million in aid from FEMA during the two years ended June 30, 2014 based on the contractual reimbursement rate of 90% of eligible costs incurred related to approved Project Worksheets.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

3. NATURAL DISASTER/SUPERSTORM SANDY (continued)

Additional FEMA aid revenue will be recognized as other Project Worksheets are approved by FEMA. Any unfunded portion of expenditures reported in the FEMA fund will either be reimbursed by New York State, borne by the City's operating funds, financed with long-term debt or some combination. Currently, 100% of these expenditures are reported in the FEMA fund.

4. DETAIL NOTES ON ALL FUNDS

A. CASH

Custodial Credit Risk – Deposits / Investments – Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

Deposits are required to be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

- Uncollateralized
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name

At June 30, 2014, the City's cash and investments totaled \$39,825,710. This amount is inclusive of fiduciary fund deposits of \$788,542, internal service fund deposits of \$1,541,974 and restricted cash of \$20,159,092 but exclusive of petty cash of \$7,126. The bank balance was \$40,274,850. Of the total bank balance, \$921,774 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$21,684,057 was covered by collateral held by the City's agent, a third-party financial institution, in the City's name. The remaining balance of \$17,669,019 was uncollateralized as of June 30, 2014 due to an error on the part of the bank but was subsequently corrected in July 2014.

Credit Risk – State law and City law limit investments to those authorized by State statutes. The City has a written investment policy.

Interest-Rate Risk – Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid a potential loss.

Concentration of Credit Risk – Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5% or more in securities of a single issuer.

As of June 30, 2014, the City did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

4 DETAIL NOTES ON ALL FUNDS (continued)

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The interfund balances, categorized as due to/from funds, represent reimbursements of operating expenditures. The interfund balances categorized as advances, represent reimbursements of operating expenditures and temporary advances for cash flow purposes, are not expected to be repaid in the subsequent year and are therefore considered long-term advances. At June 30, 2014, these interfund receivable and payable balances are summarized as follows:

	Due to/from		Long-Term Advances	
	Receivable	Payable	Receivable	Payable
Governmental Funds:				
Major Funds:				
General fund	\$ 7,227,575	\$ 167,925	\$ 3,338,974	
Water fund	1,188,779			\$ 1,353,774
Sewer fund	606,358			1,985,200
FEMA fund		6,449,132		
Capital projects fund	195,266	1,916,239		
Non-Major Fund:				
Community development fund	190,836	725,048	_____	_____
Proprietary Fund:				
Internal Service Fund	_____	147,852	_____	_____
Subtotal governmental funds	9,408,814	9,406,196	3,338,974	3,338,974
Trust and agency funds	_____	2,618	_____	_____
Total	\$ 9,408,814	\$ 9,408,814	\$ 3,338,974	\$ 3,338,974

At June 30, 2014, individual fund interfund transfer balances primarily represent receipt and payment of debt service and capital projects expenditures as well as allocation of FEMA revenues, and are summarized as follows:

	Transfers In	Transfers Out
Major Funds:		
General fund	\$ 4,904,319	\$ 4,678,009
Water fund	746,568	747,037
Sewer fund	324,039	1,019,849
FEMA fund		5,977,393
Debt service fund	6,232,257	
Capital projects fund	383,408	
Non-Major Fund:		
Community development fund	2,467	170,770
Total	\$ 12,593,058	\$ 12,593,058

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

4 DETAIL NOTES ON ALL FUNDS (continued)

C. BENEFIT ASSESSMENT RECEIVABLE

At June 30, 2014, the City has a receivable from benefit assessments, which consists of \$577,000 of principal and \$74,405 of accrued interest. The amounts due are billed semiannually. The annual requirements due to the City are as follows:

Years ending June 30,	Principal	Interest	Total Principal and Interest
2015	\$ 453,600	\$ 109,863	\$ 563,463
2016	123,400	8,330	131,730
Total	<u>\$ 577,000</u>	<u>\$ 118,193</u>	<u>\$ 695,193</u>

The entities which owe the City these funds have filed for bankruptcy, primarily due to the effects of Superstorm Sandy. Management believes the majority of the benefit assessment receivable is collectible, but has established an allowance for doubtful accounts of 50% in the amount of \$325,702, resulting in a net reported balance of \$325,703 at June 30, 2014.

D. CAPITAL ASSETS

A summary of changes within the City's capital assets for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,135,210			\$ 4,135,210
Construction-in-progress	2,963,879	\$ 9,636,345	\$ 697,117	11,903,107
Total capital assets not being depreciated	<u>7,099,089</u>	<u>9,636,345</u>	<u>697,117</u>	<u>16,038,317</u>
Depreciable capital assets:				
Buildings	14,891,905	66,095		14,958,000
Machinery and equipment	26,862,189	7,128,282		33,990,471
Infrastructure	136,980,696	34,551,210	606,790	170,925,116
Total depreciable capital assets	<u>178,734,790</u>	<u>41,745,587</u>	<u>606,790</u>	<u>219,873,587</u>
Less accumulated depreciation:				
Buildings	10,589,721	383,934		10,973,655
Machinery and equipment	21,803,908	2,365,047		24,168,955
Infrastructure	66,452,669	8,632,308	60,679	75,024,298
Total accumulated depreciation	<u>\$ 98,846,298</u>	<u>\$ 11,381,289</u>	<u>\$ 60,679</u>	<u>110,166,908</u>
Total net depreciable capital assets				<u>109,706,679</u>
Total net capital assets				<u>\$ 125,744,996</u>

Depreciation expense was charged to governmental functions as follows:

General government support	\$ 1,235,440
Public safety	2,169,279
Transportation	1,198,295
Economic assistance and opportunity	12,257
Culture and recreation	1,945,263
Home and community services	4,820,755
Total governmental activities depreciation expense	<u>\$ 11,381,289</u>

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

4. DETAIL NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The City's policy is to record an impairment loss in the period when the City determines that the carrying amount of the asset will not be recoverable. At June 30, 2014, the City has not recorded any such impairment losses.

E. INDEBTEDNESS

SHORT-TERM DEBT

Revenue Anticipation Notes – In September 2013, the City issued \$38.1 million (\$15 million Series A and \$23.1 million Series B) in revenue anticipation notes in advance of the receipt of various revenues including but not limited to, FEMA aid, state aid, sales and use taxes, utilities gross receipts taxes, as well as various fees, rates and charges the City expects to receive. The proceeds of the RANs will be used to pay expenditures incurred as a result of Superstorm Sandy as well as ordinary and current operating expenses. The notes bear interest at rates ranging from 2% to 2.25% and mature in September 2014.

These notes are summarized as follows:

	Balance July 1, 2013	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2014
Revenue Anticipation Notes	\$ -0-	\$ 38,100,000	\$ -0-	\$ 38,100,000

LONG-TERM DEBT

Bond Anticipation Notes

In February 2014, the City issued \$6,500,000 in bond anticipation notes to finance retroactive payments due to police officers pursuant to an arbitration agreement. The bond anticipation notes bear interest at 2.25% and mature in February 2015. Subsequent to year end, the City refinanced the BANs with \$6,500,000 of public improvement serial bonds. The public improvement serial bonds mature in February 2029 and bear interest at rates ranging from 2% to 3%. Accordingly, at June 30, 2014, the BANs have been included in long-term liabilities. Maturity schedules related to the public improvement serial bonds will be presented next year.

General Obligation Bonds

The City borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

In December 2013, the City issued \$15,015,000 of public improvement serial bonds at interest rates ranging from 2% to 4% and maturing in installments from 2014 to 2026. Proceeds of the bonds were used to retire \$9,060,000 of outstanding bond anticipation notes and the remaining proceeds will be used to finance employee separation payments and various capital projects throughout the City, including reconstruction and resurfacing roads, improvements to buildings, improvements to water and sewer systems, purchase of sanitation trucks and various improvements to parks.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

4 DETAIL NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

In June 2014, the City issued \$8,200,000 of general obligation serial bonds – 2014 series A at interest rates ranging from 2% to 4% and maturing in November 2023. These bonds were issued pursuant to the Constitution and statutes of New York State, including Chapter 3 of the Laws of 2014, the local finance law and adoption by City Council authorizing the issuance of these bonds to liquidate the accumulated deficit in the City’s general fund, water fund, sewer fund, and risk retention fund as of June 30, 2012.

These long-term liabilities are backed by the full faith and credit of the City. Interest rates on these bonds vary from 2.75% to 5.22%. A summary of these bonds outstanding is as follows:

<u>Description of Issue</u>	<u>Original Debt</u>	<u>Year Maturity</u>	<u>Interest Rate</u>	<u>Outstanding Balance</u>
Governmental Activities:				
EFC - Water Pollution Control	\$ 2,261,000	2020	4.270 -5.220%	\$ 1,084,000
Public Improvements Series A	2,654,000	2019	4.700-4.750%	735,000
Public Improvements Series B	3,135,523	2017	4.700%	945,000
Public Improvements	9,300,000	2024	4.000-4.125%	6,225,000
Refunding	22,585,000	2020	2.750-5.000%	7,380,000
Public Improvements	5,575,000	2022	4.000%	3,575,000
Public Improvements	4,650,000	2020	3.250-3.500%	2,775,000
Public Improvements	16,045,000	2030	3.500-4.000%	13,795,000
Public Improvements	15,015,000	2027	2.000-4.000%	15,015,000
Public Improvements	8,200,000	2023	2.000-4.000%	8,200,000
Total Governmental Activities				<u>\$ 59,729,000</u>

The annual debt service requirements of the City, including principal and interest of governmental activities, are as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2015	\$ 4,519,000	\$ 2,198,046	\$ 6,717,046
2016	5,790,000	1,980,332	7,770,332
2017	5,856,999	1,788,294	7,645,293
2018	6,099,000	1,579,674	7,678,674
2019	5,301,001	1,342,135	6,643,136
2020-2024	20,993,000	4,297,532	25,290,532
2025-2029	10,030,000	1,127,731	11,157,731
2030	1,140,000	45,600	1,185,600
Total	<u>\$ 59,729,000</u>	<u>\$ 14,359,344</u>	<u>\$ 74,088,344</u>

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

4. DETAIL NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

Capital Leases

The City entered into lease agreements to finance the acquisition of equipment purchases. The agreements are in substance purchases (capital leases) and are to be reported as capital lease obligations. The various agreements expire between December 2015 and July 2024. The leases are being repaid in monthly/quarterly/annual installments (as per the agreements) and bear interest at rates ranging from 3.75% to 5.168%. At June 30, 2014, the principal balance outstanding was \$2,798,523.

The following schedule presents future minimum lease payments as of June 30, 2014:

Years ending June 30,	Principal	Interest	Total Principal and Interest
2015	\$ 163,762	\$ 43,765	\$ 207,527
2016	320,996	113,581	434,577
2017	294,617	98,279	392,896
2018	307,827	85,069	392,896
2019	321,641	71,256	392,897
2020-2024	1,162,290	176,172	1,338,462
2025	227,390	9,002	236,392
	<u>\$ 2,798,523</u>	<u>\$ 597,124</u>	<u>\$ 3,395,647</u>

Included in capital assets are various equipment financed under a capital lease with a cost of \$5,054,901 and accumulated depreciation of \$2,208,207.

Summary of Long-Term Debt

A summary of changes in long-term debt transactions for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2014	Noncurrent liabilities due within one year	Noncurrent liabilities
Governmental Activities:						
Bonds payable	\$ 40,372,000	\$ 23,215,000	\$ 3,858,000	\$ 59,729,000	\$ 4,519,000	\$ 55,210,000
Plus: premiums on issuance	-	425,820	-	425,820	47,313	378,507
Total bonds payable	40,372,000	23,640,820	3,858,000	60,154,820	4,566,313	55,588,507
Bond anticipation notes payable	9,060,000	6,500,000	9,060,000	6,500,000	6,500,000	-
Capital leases	1,167,700	2,156,000	525,177	2,798,523	163,762	2,634,761
Retirement incentives and other pension obligations	3,911,933	1,523,852	635,391	4,800,394	795,312	4,005,082
Accrued liabilities:						
Compensated absences	26,583,095	5,656,966	1,463,062	30,776,999	1,538,850	29,238,149
Accrued payroll	894,196	281,512	14,028	1,161,680	58,084	1,103,596
Retroactive wage adjustment	6,463,517	-	5,413,272	1,050,245	1,050,245	-
Claims and judgments	11,193,027	13,571,007	1,382,983	23,381,051	987,057	22,393,994
Tax certioraris payable	515,072	1,108,409	727,094	896,387	896,387	-
Other postemployment benefits	25,486,038	10,368,097	3,716,702	32,137,433	-	32,137,433
Total non-current liabilities	<u>\$ 125,646,578</u>	<u>\$ 64,806,663</u>	<u>\$ 26,795,709</u>	<u>\$ 163,657,532</u>	<u>\$ 16,556,010</u>	<u>\$ 147,101,522</u>

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

4. DETAIL NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

Summary of Long-Term Debt (continued)

The liabilities for general obligation bonds payable, bond anticipation notes payable, capital leases, retirement incentive and other pension obligations, accrued liabilities, and other postemployment benefits payable will be liquidated through future budgetary appropriation in the fund that gave rise to the liability. The liability for claims and judgments payable and tax certioraris payable will be liquidated through the internal service fund.

F. RETIREMENT SYSTEM

Plan Description

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS), collectively known as NYSLRS. These are cost sharing multiple public employer retirement systems and provide retirement benefits as well as death and disability benefits.

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the NYSLRS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the NYSLRS and for the custody and control of its funds. The NYSLRS issues a publicly available financial report that includes financial statements and required supplemental information. That report may be found at <http://www.osc.state.ny.us/retire/publications/index.php> or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy

The NYSLRS are noncontributory for plan members who joined the system before July 27, 1976. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) generally contribute 3% of their salary throughout active membership. Those joining on or after April 1, 2012 (ERS and PFRS) and are required to contribute between 3% and 6% depending upon their salary, throughout active membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed as proportions of payroll members, used in computing the employers' contributions based on salaries paid during the NYSLRS' fiscal year ending March 31.

The City is required to contribute at an actuarially determined rate. The actual contributions were equal to 100% of the actuarially required amounts and also include additional contributions to fund early retirement incentives made available to City employees. The credits and miscellaneous adjustments represent modifications made by the ERS and PFRS to the prior year's contributions due to differences between estimated and actual salaries for the plan year.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

4. DETAIL NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Funding Policy (continued)

The required contributions for the current year and two preceding years were:

Annual Required Contribution - ERS

	Annual Required Contribution	Retirement Incentive Installment	Amortization Adjustments	Credits and Miscellaneous Adjustments	Total Payment
2014	\$ 3,302,156	\$ 193,868	\$ (382,218)	\$ (472,112)	\$ 2,641,694
2013	3,364,429	193,868	(1,371,072)	458,439	2,645,664
2012	2,450,918	193,867	(503,083)	(135,320)	2,006,382

Annual Required Contribution - PFRS

	Annual Required Contribution	Retirement Incentive Installment	Amortization Adjustments	Credits and Miscellaneous Adjustments	Total Payment
2014	\$ 3,708,878	\$ -0-	\$ (544,119)	\$ (162,770)	\$ 3,001,989
2013	3,379,356	-0-	(437,229)	(24,118)	2,918,009
2012	2,794,700	-0-	(47,614)	(46,518)	2,700,568

Retirement Incentives and Other Pension Obligations

The State, at various times, will enact laws which allow local employers to defer a portion of their retirement bill and enact laws authorizing local governments to make available various retirement incentive programs and amortize certain contribution costs. Below is a summary of these programs with which the City opted to participate.

In 2005, the City elected to defer a portion of its ERS and PFRS retirement contribution under Chapter 260 of the Laws of 2004 of the State of New York. The deferred amounts are due in ten annual installments including interest at 5% per annum. At June 30, 2014, the outstanding amounts owed to the System totaled \$167,355 (\$67,912 related to ERS and \$99,443 related to PFRS).

In 2006, the City elected to defer a portion of its ERS and PFRS retirement contribution under Chapter 260 of the Laws of 2004 of the State of New York. The deferred amounts are due in ten annual installments including interest at 5% per annum. At June 30, 2014, the outstanding amounts owed to the System totaled \$134,105 (\$20,746 related to ERS and \$113,359 related to PFRS).

In 2011, the City elected to defer a portion of its retirement incentive under Chapter 105 of the Laws of 2010 of the State of New York, subject to certain stipulations. The deferred amounts are due in five annual installments including interest at 7.5% per annum. At June 30, 2014, the outstanding amounts owed to the System related to this deferral totaled \$348,102 (all related to ERS).

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

4. DETAIL NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Retirement Incentives and Other Pension Obligations (continued)

In 2012, the City elected to defer a portion of its ERS and PFRS retirement contribution under Chapter 57 of the Laws of 2010 of the State of New York. The deferred amounts are due in ten annual installments including interest at 3.75% per annum. At June 30, 2014, the outstanding amounts owed to the System totaled \$661,445 (\$485,019 related to ERS and \$176,426 related to PFRS).

In 2013, the City elected to defer a portion of its ERS and PFRS retirement contribution under Chapter 57 of the Laws of 2010 of the State of New York. The deferred amounts are due in ten annual installments including interest at 3.00% per annum. At June 30, 2014, the outstanding amounts owed to the System totaled \$1,965,535 (\$1,391,819 related to ERS and \$573,716 related to PFRS).

In 2014, the City elected to defer a portion of its ERS and PFRS retirement contribution under Chapter 57 of the Laws of 2010 of the State of New York. The deferred amounts are due in ten annual installments including interest at 3.67% per annum. At June 30, 2014, the outstanding amounts owed to the System totaled \$1,523,852 (\$714,736 related to ERS and \$809,116 related to PFRS).

Future principal and interest payments to maturity for the afore-mentioned programs are as follows:

Years ending June 30,	ERS		PFRS		Total Principal and Interest
	Principal	Interest	Principal	Interest	
2015	\$ 496,351	\$ 116,714	\$ 298,961	\$ 64,162	\$ 976,188
2016	449,846	91,912	207,214	51,495	800,467
2017	267,479	69,254	154,251	43,492	534,476
2018	276,367	60,366	159,528	38,216	534,477
2019	285,554	51,179	164,986	32,757	534,476
2020-2024	1,252,737	109,576	787,120	76,046	2,225,479
Total	\$ 3,028,334	\$ 499,001	\$ 1,772,060	\$ 306,168	\$ 5,605,563

G. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City, a participant in a single-employer defined benefit plan, has collective bargaining contracts with three associations a) Civil Service Employees Association, Inc., b) City of Long Beach Police Benevolent Association and c) International Association of Fire Fighters AFL-CIO Uniformed Fire Fighters Association Local 287. These contracts may be renegotiated at various times in the future.

The City, in accordance with its contract with Civil Service Employees Association, Inc., will pay 100% of the premium costs for medical insurance coverage (currently provided by the New York State Empire Plan) and life insurance coverage at retirement, provided the employee is credited with at least 15 years of service under the New York State Retirement System and is at least 55 years old; or has at least 30 years of service with the City under the New York State Retirement System.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

4. DETAIL NOTES ON ALL FUNDS (continued)

G. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Plan Description (continued)

The City, in accordance with its contract with City of Long Beach Police Benevolent Association, will pay 100% of the premium costs for medical insurance coverage (currently provided by the New York State Empire Plan), as well as life insurance coverage at retirement for the retiree and their families who is credited with 20 years of service in the New York State Policeman and Fireman's Retirement System and 15 years of service in the City of Long Beach Police Department. Upon death of the retiree, the surviving spouses and dependent children will continue to receive health and dental coverage for three years.

The City, in accordance with its contract with the International Association of Fire Fighters AFL-CIO Uniformed Fire Fighters Association Local 287, will pay 100% of the premium costs for medical insurance coverage (currently provided by the New York State Empire Plan), as well as dental and life insurance coverage at retirement for the retiree who is credited with 20 years of service in the New York State Policeman and Fireman's Retirement System and 15 years of service in the City of Long Beach Fire Department. Upon the death of the retiree, the surviving spouse and dependents will continue to receive health insurance coverage for one year.

All retirees are eligible for Medicare reimbursement in accordance with the Plan provisions. Upon death of a retiree, the City will cease to pay any portion of the health insurance premium for the surviving spouse; however the spouse is still eligible for Medicare reimbursement.

The number of participants as of July 1, 2013, the effective date of the most recent OPEB valuation is as follows:

Active employees	329
Retired employees	<u>240</u>
Total	<u><u>569</u></u>

There have been no significant changes in the number of employees or the type of coverage since that date.

The City, as administrator of the plan, does not issue a separate report.

Funding Policy

The City currently pays for other postemployment benefits on a pay-as-you-go basis. It is not required to fund the accrued liability; only that the unfunded accrued liability is accounted for and in compliance in meeting its Annual Required Contribution (ARC). However, if the liability is funded, assets must be transferred to a qualifying irrevocable trust or equivalent arrangement for the exclusive benefit of plan members and must be protected from creditors. At this time, there is no New York State statute providing local governments with the requisite authority for establishing an other postemployment benefits trust. Therefore, these financial statements are presented on a pay-as-you-go basis until a funding mechanism is authorized for municipalities by New York State statute.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

4. DETAIL NOTES ON ALL FUNDS (continued)

G. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Annual Other Postemployment Benefit Cost and Net Obligation

For the year ended June 30, 2014, the City's annual other postemployment benefits cost (expense) was \$10,368,097. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$3,716,702 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$6,651,395 for the year ended June 30, 2014.

Benefit Obligations and Normal Cost

Actuarial Accrued Liability (AAL)	
Active employees	\$ 45,739,650
Retired employees	<u>66,405,362</u>
Total Actuarial Accrued Liability (AAL)	112,145,012
Actuarial value of plan assets	<u>-0-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 112,145,012</u>
Funded Ratio	0.00%
Normal cost at the beginning of the year	\$ 4,014,799
Amortization cost at the beginning of the year	\$ 6,902,521
Annual covered payroll	\$ 33,212,727
UAAL as a percentage of covered payroll	337.66%

The City's annual other postemployment benefit cost is calculated based on the actuarially determined annual required contribution (ARC) of the City. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The unfunded actuarial accrued liability for the City for the year ended June 30, 2014, amounted to \$112,145,012.

The following table shows the components of the City's other postemployment benefits liability:

<u>Level Dollar Amortization Method</u>	
<u>Calculation of ARC under the Projected Unit Credit Cost Method- Governmental Activities</u>	
Normal cost	\$ 4,014,799
Amortization of unfunded actuarial liability (UAAL) over 30 years	<u>6,902,521</u>
Annual required contribution (ARC)	10,917,320
Interest on net OPEB obligation	1,019,442
Adjustment to ARC	<u>(1,568,665)</u>
OPEB Cost	10,368,097
Less: Contribution for year ended June 30, 2014	<u>3,716,702</u>
Increase in other postemployment benefits liability	6,651,395
Other postemployment benefits liability at June 30, 2013	<u>25,486,038</u>
Other postemployment benefits liability at June 30, 2014	<u>\$ 32,137,433</u>
Percent of annual OPEB cost contributed	35.85%

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

4. DETAIL NOTES ON ALL FUNDS (continued)

G. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Funded Status and Funding Progress

The percentage contributed, as it relates to the City, for the current year and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Annual Contribution Made	Percentage Contributed	Net OPEB Obligation
2014	\$ 10,368,097	\$ 3,716,702	35.85%	\$ 32,137,433
2013	10,038,783	3,199,407	31.87%	25,486,038
2012	9,688,462	3,106,220	32.06%	18,646,662

The funded status of the plan as of July 1, 2013, projected for the year ended June 30, 2014 as follows:

	Actuarial Accrued Liability (AAL)	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$ 112,145,012	\$ -0-	\$ 112,145,012	0.00%	\$ 33,212,727	337.66%

The required schedule of funding progress can be found immediately following the notes, in required supplementary information, and presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of a plan and the City's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the July 1, 2013 actuarial valuation, the liabilities were computed using the projected unit credit actuarial cost method and level dollar amortization method over a closed 30 year amortization period to amortize the initial unfunded liability. At June 30, 2014, the remaining closed amortization period was 23 years. The actuarial assumptions utilized a 4.0% interest rate and a 4.0% inflation rate. The valuation assumes an initial 10% healthcare cost trend and reduced by 1% increments until a rate of 5.0% after five years. The mortality table used was the RP-2000 Mortality Table. The July 1, 2013 actuarial valuation did not reflect any effects of the Affordable Care Act and more specifically the effects of the potential taxes as a result of the Affordable Care Act, commonly referred to as the 'Cadillac Tax'.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

4. DETAIL NOTES ON ALL FUNDS (continued)

G. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Methods and Assumptions (continued)

A copy of the City of Long Beach Postemployment Benefits Valuation is available by contacting the City of Long Beach, Office of Comptroller, Long Beach, New York.

H. ACCRUED LIABILITIES

Accrued liabilities consist of compensated absences, accrued payroll and retroactive wage adjustment.

Compensated Absences

City employees are granted vacation and sick leave and earn compensatory absences in varying amounts, the terms of which must comply with the current collective bargaining agreements. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation, sick leave and compensatory absences, subject to certain limitations.

Estimated vacation, sick leave, and compensatory absences accumulated by governmental employees have been recorded in the Statements of Net Position. Payment of vacation, sick leave, and compensatory absences is dependent upon many factors, therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation, sick leave, and compensatory absences when such payments become due. As of June 30, 2014, the value of the City's accumulated vacation, sick leave, and compensatory absences for governmental activities was \$30,776,999 which has been recorded in the Statement of Net Position.

Accrued Payroll

In accordance with a stipulation of agreement entered into with a labor contract, the equivalent of ten days of pay was withheld from each employee during the years ended June 30, 2013 and 2014. This liability is payable upon the employee's separation from employment at the rate of pay at time of such separation. As of June 30, 2014, the liability totaled \$1,161,680 which has been recorded in the Statement of Net Position.

Retroactive Wage Adjustment

Pursuant to the renegotiation of the Long Beach Police Benevolent Association Inc. labor agreement, the City has accrued a liability for retroactive wages, related taxes and pension contributions. As of June 30, 2014, the liability totaled \$1,050,245 which has been recorded in the Statement of Net Position.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

5. COMMITMENTS AND CONTINGENCIES

A. RISK RETENTION

In common with other municipalities, the City receives numerous notices of claims. The City is self-insured for the first \$500,000 per occurrence and carries excess liability insurance coverage of \$3,000,000 per occurrence with a \$3,000,000 annual aggregate and is self-insured for claims under this threshold. Automobile claims are subject to a \$10,000 self-insured retention, however the policy provides for a potential refund of the premium paid based on the claims experience during the policy period. Although the eventual outcome of these claims cannot presently be determined, the City has estimated unsettled claims and litigation to be \$18,140,872, which is included in the claims and judgments payable in the government-wide financial statements and in the risk retention fund, which is an Internal Service Fund.

The City is self-insured for property protection on the first \$25,000 per loss with insurance protection coverage of up to \$25,000,000. The City is self-insured for machinery and equipment protection on the first \$25,000 per loss with insurance protection coverage of up to \$70,320,530.

Through June 30, 2007, the City was self-insured with respect to workers' compensation insurance. Subsequent to that date, the City purchased insurance through a group self-insured program in order to minimize the costs. Under this policy, the City's coverage is unlimited.

In accordance with General Municipal Law, section 207-a, the City is required to compensate firemen who are injured or suffered illness in performance of their duties, their regular salary less any retirement allowance received. The City is self-insured for this and the liability of \$4,379,437 is included in the workers' compensation liability below.

The City established a risk management fund, which in an internal service fund, to account for the general liability and workers' compensation claims activity. The risk management fund is funded by charges to the City's other funds.

There have been no significant reductions in insurance coverage as compared to the prior year, and there were no settlements in excess of insurance coverage over the last three years.

Changes in the liability for claims and judgments for the years ended June 30, 2014 and 2013, is as follows:

	Workers' Compensation		General Liability	
	2014	2013	2014	2013
Unpaid claims as of July 1,	\$ 4,562,027	\$ 4,042,545	\$ 6,631,000	\$ 1,467,950
Incurred Claims including IBNR	1,862,846	1,209,683	359,300	5,531,000
Changes to prior years estimates	(390,035)	530,037	11,348,861	(261,190)
Payments of claims	(794,659)	(1,220,238)	(198,289)	(106,760)
Unpaid Claims as of June 30,	<u>\$ 5,240,179</u>	<u>\$ 4,562,027</u>	<u>\$ 18,140,872</u>	<u>\$ 6,631,000</u>

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

5. COMMITMENTS AND CONTINGENCIES (continued)

B. TAX CERTIORARI PROCEEDINGS

From time to time, the City is involved in tax certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. The amount refunded to City taxpayers as a result of tax certiorari proceedings was \$727,094 for the year ended June 30, 2014. As of June 30, 2014, the liability totaled \$896,387 which has been recorded in the Statement of Net Position.

C. CONSTRUCTION AND OTHER CAPITAL ACQUISITION COMMITMENTS

Construction in progress commitments for equipment purchases and other capital acquisition commitments amounting to \$1,709,686 are recorded as encumbrances in the capital projects fund, \$785,480 are recorded as encumbrances in the FEMA fund and \$52,756 are recorded as encumbrances in the community development fund.

D. LITIGATION

The City is a party to various legal proceedings arising principally in the normal course of operations. These cases are in various stages of litigation and their outcome cannot presently be determined. As of June 30, 2014, no liability has been recorded in the financial statements for these matters.

Eminent Domain

In April 2006, the City of Long Beach acquired, via eminent domain, individual parcels of land collectively comprising 6 acres of land on the oceanfront between Long Beach Boulevard and Riverside Boulevard ("Superblock property"). Two of the property holders who owned various parcels of land challenged the valuations and amounts of the advance payments made on the April 18, 2006 taking date. In October 2012, the Nassau County Supreme Court rendered two decisions and two judgments in favor of the property owners. In January 2015, the Appellate Division, Second Department, issued two separate decisions which upheld these judgments. The City is appealing the Second Department's decisions to the New York State Court of Appeals, and has filed the necessary paperwork to preserve the stays of the judgments. Additionally, plaintiffs were awarded the cost of attorney & expert fees (which is being appealed separately). The total of these judgments in favor of the plaintiffs is \$18.8 million plus interest. In calculating the estimated liability, the City has included the accrued interest, and also considered the advance payments made to the property owners and recoveries received from others of approximately \$2.5 million to offset this liability. Accordingly, the City has accrued a \$16 million liability in the risk retention fund.

Other Litigation

In addition to the above referenced case, the City is involved in various other litigation matters and administrative proceedings. Except as noted above, management anticipates that any potential claims, if any, against the City would not materially affect the City's financial position.

As of June 30, 2014, no liability has been recorded in the financial statements on these matters except as disclosed above.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

5. COMMITMENTS AND CONTINGENCIES (continued)

E. GRANTS

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

F. OTHER

The City's employees are represented by four collective bargaining agreements: Civil Service Employees Association, Police Benevolent Association, Commanding Officers Associations and United Fire Fighters Association. Two of the four collective bargaining agreements are expired. The Commanding Officers Association agreement expired on June 30, 2008 and the Uniformed Fire Fighters Association agreement expired on June 30, 2010. Contracts for these two bargaining units are under negotiations.

G. LENGTH OF SERVICE AWARD PROGRAM

The City's financial statements are for the year ended June 30, 2014. However, the Length of Service Awards Program ("Plan") has a year end of December 31st, and the actuarial valuation is performed as of the beginning of the Plan's year, January 1st. Information contained in this note is for the Plan is based on the date of the applicable actuarial valuation, January 1, 2013.

The City established a defined benefit Plan for the active volunteer firefighters of the City of Long Beach Fire Department ("Fire Department"). The program was established on January 1, 1994. The program was established pursuant to Article 11-A of New York State General Municipal Law. The Plan provides municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The City is the sponsor and program administrator of the Plan.

Program Description

Participation, vesting and service credit

Active volunteer firefighters who have reached the age of 18 and who have completed one year of firefighting service are eligible to participate in the Plan. Participants acquire a non-forfeitable right to a service award after being credited with five years of firefighting service or upon attaining the program's entitlement age or the participant is awarded a finding of total and permanent disability. The Plan's entitlement age is the later of age 65 or the age after first year of service credit. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the Plan in which they accumulate fifty points. Points are granted for the performance of certain activities in accordance with a system ("Point System") established by the City on the basis of a statutory list of activities and point values. A Participant may also receive credit for five years of firefighting service (called "Prior Service") rendered prior to the establishment of the Plan.

Benefits

A participant's benefit under the program is a continuous monthly payment life annuity with 10 years certain equal to \$20 multiplied by the firefighter's total number of years firefighting experience. The maximum number of years of firefighting service for which a participant may receive a contribution is twenty years.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

5. COMMITMENTS AND CONTINGENCIES (continued)

E. LENGTH OF SERVICE AWARD PROGRAM (continued)

Fiduciary Investment and Control

Service credit is determined based on information certified to the City Council by the Fire Department. The Fire Department must maintain all required records on forms prescribed by the City Council.

The City Council has retained and designated Harbridge Consulting Group, LLC to assist in the administration of the Plan. The designated Plan administrator's functions include calculating the amount to be contributed at the end of each year based upon the criteria set forth in the Plan document. Disbursements of Plan assets for the payment of benefits or administrative expenses must be approved by the City Council and delivered to the Custodian through a payment schedule. The City Council has retained and designated Hometown Firefighters as the Custodian of the Plan's assets. The Custodian shall make payments to Plan participants and their beneficiaries in accordance with the payment schedule.

Program assets are required to be held in trust by Length of Service Award Program legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program.

Plan Financial Condition

The Service Award Program Trust Document is dated January 1994, and the trustees are the City Council. Authority to invest Plan assets is vested in the City Council. Subject to restrictions in the Plan document, plan assets are invested in accordance with a statutory "prudent person" rule. The City is required to retain an actuary to determine the amount of the City's contributions to the Plan. The actuary retained by the City for this purpose is Harbridge Consulting Group, LLC. Portions of the following information are derived from a report prepared by the actuary dated June 2013.

As of January 1, 2013, the date of the most recent actuarial valuation:

Funded Status of the Plan:

Actuarial present value of benefits	\$	1,599,397
Less: Assets available for benefits		1,303,410
Total unfunded benefits		295,987
Less: Unfunded liability for separately amortized costs		-0-
Unfunded normal benefits	\$	295,987
<u>Assets Available for Benefits</u>		
Genworth fixed annuity	\$	693,633
First Security fixed annuity		609,777
Plan assets available for benefits, at December 31, 2013 the Plan's year end applicable to actuarial valuation date	\$	1,303,410
Plan assets available for benefits, at June 30, 2014, the City's fiscal year end	\$	1,488,068

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

5. COMMITMENTS AND CONTINGENCIES (continued)

G. LENGTH OF SERVICE AWARD PROGRAM (continued)

Plan Financial Condition (continued)

Contributions

The amount of the City's contribution recommended by the actuary for the Plan year ended December 31, 2013 was:

Recommended Contribution Range:

	10 year amortization	15 year amortization
Normal cost	\$ 53,696	\$ 53,696
Post-entitlement age liability amortization payment	36,863	27,553
Annual Required Contribution	\$ 90,559	\$ 81,249

Current membership in the Plan is comprised of the following at December 31, 2013:

Retirees and beneficiaries receiving benefits	6
Terminated members entitled to but not yet receiving benefits	4
Active:	
Non-vested	42
Vested	67

Funding Methodology and Actuarial Assumptions

The actuarial valuation methodology used by the actuary to determine the City's contribution is the unit credit cost method. The amortization method is level dollar closed and remaining amortization period is 10 years. The assumed investment rate is 5.25%.

The City's annual program cost, the percentage of the annual program costs contributed to the plan and the net pension obligation for the current and two preceding years were as follows:

Actuarial Valuation Date January 1,	Annual Recommended Contribution	Annual Contribution	Percentage of Annual Program Cost Contributed	Net Pension Obligation	Increase (Decrease) in Net Pension Obligation
2013	\$ 81,249	\$ 90,000	110.77%	\$ -0-	\$ -0-
2012	78,369	90,000	114.84%	-0-	-0-
2011	79,124	-0-	0.00%	79,124	79,124

The funded status of the plan as of January 1, 2013, the date of the most recent actuarial valuation is as follows:

Actuarial Valuation Date January 1,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
2013	\$ 1,303,410	\$ 1,599,397	\$ 295,987	81.49%

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

6. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. One of the provisions of this Statement is to recognize debt issuance costs as an outflow of resources/expense in the period incurred, as these costs no longer meet the definition of an asset or deferred outflows of resources, as defined in Statement No. 65 or Concepts Statement No. 4.

The implementation of this Statement required the City to retroactively recognize costs of debt issuance as outflows of resources and restate its net position as of July 1, 2013. As a result, the City's July 1, 2013 net position was decreased by \$159,984 from a deficit of \$32,880,566 to \$33,040,550. The difference represents a restatement for unamortized bond issuance costs that were amortized under the prior standard but expensed in the period incurred under the new standard.

7. SUBSEQUENT EVENTS

A. DEBT ISSUANCES

In July 2014, the City issued \$7,765,000 of general obligation refunding bonds – 2014 Series B to refund all or a portion of the City's public improvement serial bonds, 1999 Series A, currently outstanding in the principal amount of \$735,000, public improvement serial bonds, 1999 Series B, currently outstanding in the principal amount of \$945,000, and public improvement serial bonds, 2004 Series A, currently outstanding in the principal amount of \$6,225,000. The bonds bear interest at rates ranging from 2% to 4% and mature in December 2024.

During September 2014, the City issued \$25,000,000 (\$14,570,000 Series A and \$10,430,000 Series B) in revenue anticipation notes in advance of the receipt of FEMA and state aid relating to Superstorm Sandy. The proceeds of the RAN's will be used to refund \$14,570,000 in RAN's issued in September 2013 and to pay expenditures incurred as a result of Superstorm Sandy. The notes bear interest at rates of 1.5% and mature in September 2015. Series A notes will be subject to redemption prior to maturity, in whole or in part, on or after May 19, 2015.

During February 2015, the City issued \$6,500,000 million public improvement serial bonds to refund the \$6,500,000 million outstanding bond anticipation notes. The bonds bear interest at rates ranging from 2.0% to 3.0% and mature in February 2029.

During February 2015, the City issued \$7,913,000 in bond anticipation notes to finance various capital projects throughout the City. The bond anticipation notes bear interest at 1.25% and mature in February 2016.

B. OTHER

Pursuant to an agreement with the Governor's Office of Storm Recovery – NY Rising Community Reconstruction Program, the City of Long Beach is eligible for up to \$25 million in Community Development Block Grant – Disaster Recovery grant funding for certain capital projects including but not limited to: stormwater remediation, bulkhead replacement, critical facility resiliency, and flood projection of buildings, subject to final approval of the grantor. Such projects have been included in the City's 2014/2015 capital improvement plan.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

8. NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 67 *“Financial Reporting for Pensions”*—an amendment of 25 and Statement No. 68 *“Accounting and Financial Reporting for Pensions”*—an amendment of GASB Statement No. 27. These Statements establish financial reporting standards for state and local governments, state and local governmental pension plans, defined benefit plans and defined contribution pension plans that are administered through trusts or equivalent arrangements. The requirements of GASB No. 67 (applicable to pension plans) are effective for fiscal years beginning after June 15, 2013 and the requirements of GASB No. 68 (applicable to state and local governments) are effective for fiscal years beginning after June 15, 2014.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 69 *“Government Combinations and Disposals of Government Operations”*. The statement establishes accounting and financial reporting standards related to governmental combinations and disposals of governmental operations. As used in this Statement, the term government combination includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this statement are effective for combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 71 *“Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No.68*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

The City is currently evaluating the impact, if any, of the above pronouncements.

REQUIRED SUPPLEMENTARY INFORMATION
Other than Management's Discussion and Analysis

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Real Property Taxes				
Real property taxes	\$ 33,059,498	\$ 33,059,498	\$ 33,053,752	\$ (5,746)
Total Real Property Taxes	33,059,498	33,059,498	33,053,752	(5,746)
Other Real Property Tax Items				
Hospital bulkhead assessment	152,348	152,348	-0-	(152,348)
Payment in lieu of taxes	225,000	225,000	231,494	6,494
Interest and penalties on real property tax	113,559	113,559	248,368	134,809
Total Other Real Property Tax Items	490,907	490,907	479,862	(11,045)
Non-Property Tax Items				
Non-property tax distribution from County	3,020,000	3,020,000	3,360,261	340,261
Utilities gross receipts tax	700,000	700,000	1,028,688	328,688
Franchise fees	500,000	500,000	727,737	227,737
Total Non-Property Tax Items	4,220,000	4,220,000	5,116,686	896,686
Departmental Income				
Civil service charges	115,000	115,000	2,400	(112,600)
Clerk fees	100,500	100,500	52,113	(48,387)
Other general fees	8,165	8,165	10,024	1,859
Emergency tenant protection act fees	9,100	9,100	7,164	(1,936)
Police fees	75,000	75,000	84,242	9,242
Fire and automatic alarm fees	165,000	165,000	49,982	(115,018)
Clean lots and secure buildings	10,000	10,000	16,112	6,112
Sidewalk and curb charges	10,000	10,000	4,899	(5,101)
Recreation fees	973,344	973,344	1,164,073	190,729
Ambulances charges	950,000	950,000	820,565	(129,435)
Data processing fees	400	400	800	400
Parking, meters and gate access fees	134,000	134,000	138,787	4,787
Bus passenger fees	500,000	500,000	387,408	(112,592)
Beach charges	3,212,466	3,212,466	3,760,806	548,340
Long Beach arena fees	465,000	520,000	762,983	242,983
Other recreational charges	-0-	-0-	37,672	37,672
Youth services	1,820,350	1,820,350	831,597	(988,753)
Community Center activities	8,000	8,000	3,380	(4,620)
Zoning and planning board	18,750	18,750	38,420	19,670
Memorial Garden fees	2,500	2,500	1,225	(1,275)
Refuse and garbage charges	7,854,711	7,854,711	7,595,250	(259,461)
Commercial sanitation fees	450,000	450,000	422,323	(27,677)
Total Departmental Income	16,882,286	16,937,286	16,192,225	(745,061)
Intergovernmental Charges				
Fire protection and dispatching services	214,318	214,318	216,929	2,611
Public safety - hospital	12,200	12,200	-0-	(12,200)
Health and inspection services - Nassau County	375,000	375,000	417,890	42,890
Transit services - Nassau County	-0-	854,760	262,262	(592,498)
Gasoline and fuel charges	8,800	8,800	13,797	4,997
Telephone charges - City Court	20,000	20,000	-0-	(20,000)
Housing inspections	65,000	65,000	65,000	-0-
Total Intergovernmental Charges	695,318	1,550,078	975,878	(574,200)

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES (continued)				
Use of Money and Property				
Interest earnings	40,000	40,000	58,993	18,993
Interest earnings - interfund balances	22,500	22,500	17,600	(4,900)
Transportation advertising fees	50,000	50,000	30,325	(19,675)
Banner advertising fees	5,000	5,000	-0-	(5,000)
Surf and water safety fees	-0-	-0-	2,500	2,500
Vending machine	6,000	6,000	5,649	(351)
Rental of real property	402,674	402,674	278,115	(124,559)
Interest and penalties	7,400	7,400	6,292	(1,108)
Total Use of Money and Property	<u>533,574</u>	<u>533,574</u>	<u>399,474</u>	<u>(134,100)</u>
Licenses and Permits				
Business and occupational licenses	750,000	750,000	1,268,881	518,881
Street opening permits	50,000	50,000	170,258	120,258
Plumbing permits	75,000	75,000	106,657	31,657
Dog licenses	3,375	3,375	2,355	(1,020)
Marriage licenses	3,300	3,300	2,978	(322)
Other	215,350	215,350	124,681	(90,669)
Total Licenses and Permits	<u>1,097,025</u>	<u>1,097,025</u>	<u>1,675,810</u>	<u>578,785</u>
Fines and Forfeitures				
Fines and forfeited bail	530,000	530,000	385,172	(144,828)
Seized property and unclaimed property	-0-	-0-	21,602	21,602
Handicapped parking education	3,600	3,600	3,410	(190)
Court fees	325,000	325,000	289,372	(35,628)
Total Fines and Forfeitures	<u>858,600</u>	<u>858,600</u>	<u>699,556</u>	<u>(159,044)</u>
Sales of Property and Compensation for Loss				
Insurance recoveries	160,000	415,965	629,123	213,158
Sale of equipment	27,000	27,000	90,945	63,945
Minor sales	55,000	55,000	56,121	1,121
Other compensation for loss	25,000	25,000	23,985	(1,015)
Total Sale of Property and Compensation for Loss	<u>267,000</u>	<u>522,965</u>	<u>800,174</u>	<u>277,209</u>
Miscellaneous Local Sources				
Refund of prior year's expenditures	-0-	-0-	10,206	10,206
Gifts and donations	65,000	148,440	66,360	(82,080)
Employee health insurance contributions	160,000	160,000	135,518	(24,482)
Other	50,000	228,092	287,095	59,003
Total Miscellaneous Local Sources	<u>275,000</u>	<u>536,532</u>	<u>499,179</u>	<u>(37,353)</u>

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES (continued)				
Interfund Revenues	-0-	-0-	410,725	410,725
State and Local Aid				
Per capita	3,152,704	3,152,704	3,152,704	-0-
Mortgage tax	900,000	900,000	891,411	(8,589)
Court facilities aid	100,000	100,000	55,149	(44,851)
Public safety grants	28,250	28,250	18,222	(10,028)
Bus operations	651,300	651,300	768,466	117,166
Emergency management assistance	-0-	-0-	398	398
Youth, elderly and out of school program	18,800	18,800	8,027	(10,773)
Other	-0-	74,616	48,434	(26,182)
Total State and Local Aid	<u>4,851,054</u>	<u>4,925,670</u>	<u>4,942,811</u>	<u>17,141</u>
Federal Aid				
Youth services	-0-	-0-	19,597	19,597
Emergency management assistance	1,937,232	1,937,232	2,391	(1,934,841)
Firefighters safety grant	-0-	-0-	488,016	488,016
Mass transit	10,000	10,000	-0-	(10,000)
Other	-0-	-0-	44,574	44,574
Total Federal Aid	<u>1,947,232</u>	<u>1,947,232</u>	<u>554,578</u>	<u>(1,392,654)</u>
Total Revenues	<u>\$ 65,177,494</u>	<u>\$ 66,679,367</u>	<u>\$ 65,800,710</u>	<u>\$ (878,657)</u>

CITY OF LONG BEACH
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>EXPENDITURES</u>				
General Government Support				
City council	\$ 92,800	\$ 103,171	\$ 103,171	\$ -0-
Traffic violation bureau	79,800	78,300	54,289	24,011
City manager	299,044	283,652	283,652	-0-
City comptroller	587,756	710,238	710,238	-0-
Tax receiver	153,962	154,589	154,589	-0-
Purchasing	123,824	122,937	122,937	-0-
Tax assessor	181,933	160,942	160,942	-0-
Credit card fees	25,000	113,886	54,139	59,747
City clerk	297,439	249,218	249,218	-0-
Legal counsel	765,909	925,164	925,164	-0-
Civil service	282,532	237,452	237,452	-0-
Buildings	363,588	538,110	538,110	-0-
Public works	714,105	847,004	847,004	-0-
Municipal building	883,702	1,100,070	1,100,070	-0-
Central garage	1,807,730	2,003,823	2,003,823	-0-
Central administration services	227,661	252,877	252,877	-0-
Central data processing	485,774	461,948	461,948	-0-
Other expenditures	138,000	88,850	88,850	-0-
Unallocated insurance	512,190	703,210	703,210	-0-
Refunds of real property taxes	750,000	871,972	871,972	-0-
Metropolitan commuter transportation mobility tax	120,000	164,281	142,737	21,544
Termination payments	-0-	2,082,067	2,082,067	-0-
Publicity	152,425	151,395	151,395	-0-
Self insurance	501,279	501,279	217,759	283,520
Contingency	1,900,000	998,260	-0-	998,260
Total General Government Support	11,446,453	13,904,695	12,517,613	1,387,082
Education				
Community college chargeback	100,000	295,401	295,401	-0-
College reimbursements	4,000	2,550	2,550	-0-
Total Education	104,000	297,951	297,951	-0-
Public Safety				
Police department	11,017,756	16,870,292	16,870,292	-0-
Fire department	3,814,533	4,009,180	4,009,180	-0-
Traffic patrol	136,000	142,000	142,000	-0-
Auxiliary police	35,350	26,237	26,237	-0-
Animal control	-0-	8,886	8,886	-0-
Total Public Safety	15,003,639	21,056,595	21,056,595	-0-

CITY OF LONG BEACH
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
EXPENDITURES (continued)				
Transportation				
Bus transportation	1,240,984	1,302,098	1,302,098	-0-
Street lighting	225,000	307,763	307,763	-0-
Other transportation	25,000	8,963	8,963	-0-
Total Transportation	1,490,984	1,618,824	1,618,824	-0-
Economic Assistance and Opportunity				
Economic development	-0-	207,900	125,287	82,613
Veterans services	-0-	10,715	10,715	-0-
Total Economic Assistance and Opportunity	-0-	218,615	136,002	82,613
Culture and Recreation				
Recreation	2,705,017	3,398,501	3,397,903	598
Lifeguards	1,323,575	1,281,341	1,281,341	-0-
Beach park	547,000	675,339	675,339	-0-
Youth and family services	682,728	688,951	688,951	-0-
MLK childcare center	576,052	313,188	313,188	-0-
Magnolia community center	271,934	257,120	257,120	-0-
Celebrations	89,865	121,755	121,755	-0-
Performing arts	48,500	40,072	40,072	-0-
Recreation program for the aging	19,160	1,200	1,200	-0-
Total Culture and Recreation	6,263,831	6,777,467	6,776,869	598
Home and Community Services				
Zoning	71,514	18,480	18,480	-0-
Sanitation	3,579,313	4,041,094	4,041,094	-0-
Street maintenance	1,699,823	2,543,727	1,795,881	747,846
Beach maintenance	1,786,924	1,846,744	1,846,554	190
Conservation recycling	30,000	35,327	35,327	-0-
Emergency tenants protection act	9,000	5,970	5,970	-0-
Other	13,000	12,951	12,951	-0-
Total Home and Community Services	7,189,574	8,504,293	7,756,257	748,036
Employee Benefits				
State retirement	2,300,000	1,949,596	1,949,596	-0-
Fire service award program	90,000	90,000	-	90,000
Police and fire retirement	2,925,000	4,608,374	3,171,564	1,436,810
Social security	2,550,000	2,935,182	2,576,904	358,278
Life insurance	138,000	104,333	104,333	-0-
Unemployment insurance	350,000	77,040	77,040	-0-
Disability	10,000	4,480	4,480	-0-
Hospital and medical insurance	9,077,000	8,917,379	8,781,860	135,519
Firefighters' supplemental benefit- self insurance charge	472,948	435,783	435,783	-0-
Workers' compensation - self insurance charge	1,218,521	1,312,841	1,312,841	-0-
Other fringe benefits	200,000	101,312	101,312	-0-
Total Employee Benefits	19,331,469	20,536,320	18,515,713	2,020,607

CITY OF LONG BEACH
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>EXPENDITURES</u> (continued)				
Debt Service				
Debt issuance costs	30,000	611,636	611,636	-0-
Total Debt Service	30,000	611,636	611,636	-0-
Total Expenditures	60,859,950	73,526,396	69,287,460	4,238,936
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	4,317,544	(6,847,029)	(3,486,750)	3,360,279
Other Financing Sources (Uses)				
Issuance of debt	-0-	6,500,000	12,285,414	5,785,414
Premiums on debt issuance	-0-	-0-	52,827	52,827
Transfers in	-0-	4,904,319	4,904,319	-0-
Transfers out	(4,317,544)	(4,774,050)	(4,678,009)	96,041
Total Other Financing Uses	(4,317,544)	6,630,269	12,564,551	5,934,282
Net Change in Fund Balance	\$ -0-	\$ (216,760)	\$ 9,077,801	\$ 9,294,561
Fund Balance at Beginning of Year			851,163	
Fund Balance at End of Year			\$ 9,928,964	

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
WATER FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Departmental income	\$ 4,000,333	\$ 4,000,333	\$ 4,431,375	\$ 431,042
Licenses and permits	27,300	37,300	168,800	131,500
Sales of property and compensation for loss	-0-	-0-	63,942	63,942
Miscellaneous local sources	-0-	-0-	500	500
Interfund revenues	-0-	-0-	68,791	68,791
Federal Aid	220,000	220,000	-0-	(220,000)
Total Revenues	<u>4,247,633</u>	<u>4,257,633</u>	<u>4,733,408</u>	<u>475,775</u>
EXPENDITURES				
Current:				
General government support	135,000	135,000	135,000	-0-
Home and community services	2,089,508	2,142,426	2,027,709	114,717
Employee benefits	1,040,100	1,093,569	1,093,569	-0-
Debt service:				
Interest - interfund	7,500	6,750	6,750	-0-
Debt issuance costs	-0-	16,799	16,799	-0-
Total Expenditures	<u>3,272,108</u>	<u>3,394,544</u>	<u>3,279,827</u>	<u>114,717</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>975,525</u>	<u>863,089</u>	<u>1,453,581</u>	<u>590,492</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-0-	-0-	642,598	642,598
Premiums on debt issuance	-0-	-0-	6,081	6,081
Transfers in	-0-	-0-	746,568	746,568
Transfers out	(950,000)	(905,671)	(747,037)	158,634
Total Other Financing Sources (Uses)	<u>(950,000)</u>	<u>(905,671)</u>	<u>648,210</u>	<u>1,553,881</u>
Net Change in Fund Balance	<u>\$ 25,525</u>	<u>\$ (42,582)</u>	2,101,791	<u>\$ 2,144,373</u>
Fund Deficit at Beginning of Year			<u>(231,322)</u>	
Fund Balance at End of Year			<u>\$ 1,870,469</u>	

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SEWER FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Departmental income	\$ 4,268,000	\$ 4,268,000	\$ 4,047,814	\$ (220,186)
Intergovernmental charges	437,500	437,500	563,535	126,035
Use of money and property	13,000	13,000	40,649	27,649
Licenses and permits	7,500	7,500	22,000	14,500
Interfund revenues	-0-	-0-	49,359	49,359
Federal Aid	290,000	290,000	-0-	(290,000)
Total Revenues	<u>5,016,000</u>	<u>5,016,000</u>	<u>4,723,357</u>	<u>(292,643)</u>
EXPENDITURES				
Current:				
General government support	150,000	150,000	150,000	-0-
Home and community services	2,381,568	2,491,631	2,289,753	201,878
Employee benefits	1,136,700	1,265,239	1,265,239	-0-
Debt service:				
Interest - interfund	15,000	10,850	10,850	-0-
Debt issuance costs	-0-	37,328	37,328	-0-
Total Expenditures	<u>3,683,268</u>	<u>3,955,048</u>	<u>3,753,170</u>	<u>201,878</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,332,732</u>	<u>1,060,952</u>	<u>970,187</u>	<u>(90,765)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-0-	-0-	1,971,988	1,971,988
Premiums on debt issuance	-0-	-0-	18,654	18,654
Transfers in	-0-	-0-	324,039	324,039
Transfers out	(1,285,000)	(1,166,351)	(1,019,849)	146,502
Total Other Financing Sources (Uses)	<u>(1,285,000)</u>	<u>(1,166,351)</u>	<u>1,294,832</u>	<u>2,461,183</u>
Net Change in Fund Balances	<u>\$ 47,732</u>	<u>\$ (105,399)</u>	<u>2,265,019</u>	<u>\$ 2,370,418</u>
Fund Deficit at Beginning of Year			<u>(2,055,985)</u>	
Fund Balance at End of Year			<u>\$ 209,034</u>	

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 500	\$ 500	\$ 74	\$ (426)
Total Revenues	<u>500</u>	<u>500</u>	<u>74</u>	<u>(426)</u>
EXPENDITURES				
Debt Service:				
Principal - serial bonds	3,709,824	3,858,000	3,858,000	-0-
Interest - serial bonds	2,264,071	2,115,071	1,806,382	308,689
Principal - capital leases	525,176	525,176	525,176	-0-
Interest - capital leases	53,973	53,973	53,973	-0-
Bond issuance costs	-0-	45,800	0	45,800
Total Expenditures	<u>6,553,044</u>	<u>6,598,020</u>	<u>6,243,531</u>	<u>354,489</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(6,552,544)</u>	<u>(6,597,520)</u>	<u>(6,243,457)</u>	<u>354,063</u>
OTHER FINANCING SOURCES				
Premiums on debt issuance	-0-	-0-	862,931	862,931
Transfers in	6,552,544	6,552,544	6,232,257	(320,287)
Total Other Financing Sources	<u>6,552,544</u>	<u>6,552,544</u>	<u>7,095,188</u>	<u>542,644</u>
Net Change in Fund Balances	<u>\$ -0-</u>	<u>\$ (44,976)</u>	851,731	<u>\$ 896,707</u>
Fund Balance at Beginning of Year			<u>620,477</u>	
Fund Balance at End of Year			<u>\$ 1,472,208</u>	

CITY OF LONG BEACH
SCHEDULE OF FUNDING PROGRESS
FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
June 30, 2014

Actuarial Valuation Date July 1,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
2013	\$ -0-	\$ 112,145,012	\$ 112,145,012	0.00%	\$ 33,212,727	337.66%
2011	-0-	108,077,034	108,077,034	0.00%	27,365,670	394.94%
2009	-0-	68,550,284	68,550,284	0.00%	30,930,000	221.63%