

CITY OF LONG BEACH
FINANCIAL STATEMENTS
Year Ended June 30, 2013

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditors' Report..... 1-2

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis 3-13

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

- Statement of Net Position..... 14
- Statement of Activities 15

Fund Financial Statements

- Governmental Fund Financial Statements

 - Balance Sheet 16
 - Reconciliation of the Governmental Funds Balance Sheet to
The Statement of Net Position..... 17
 - Statement of Revenues, Expenditures, and Changes in Fund Balances..... 18
 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
And Changes in Fund Balances to the Statement of Activities..... 19

- Fiduciary Fund Financial Statements

 - Statement of Fiduciary Net Position..... 20
 - Statement of Changes in Fiduciary Net Position – Pension Trust Fund 21

- Proprietary Fund Financial Statements

 - Statement of Net Position..... 22
 - Statement of Revenues, Expenses and Changes in Net Position 23
 - Statement of Cash Flows 24

Notes to Financial Statements 25-56

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual

- General Fund 57-62
- Water Fund..... 63
- Sewer Fund 64
- Debt Service Fund 65
- Other Postemployment Benefits - Schedule of Funding Progress 66



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, 2013 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. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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.

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

City Manager and City Council
City of Long Beach

Auditors' Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City Long Beach, New York, as of June 30, 2013, 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 June 19, 2014, 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. Abrecht, Vignano, Zurek & Co., P.C.

Hauppauge, New York
June 19, 2014

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2013

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, 2013. 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.

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.

Government-Wide Financial Statements

- The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.
- The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the City is improving or deteriorating.
- The *statement of activities* presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.
- The *governmental activities* of the City include public safety, education, transportation, economic opportunity and development, culture and recreation, home and community services, interest and general administrative support.

The government-wide financial statements can be found on the pages immediately following this section, as the first two pages of the basic financial statements.

Fund Financial Statements

- A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.
- *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, 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 financing requirements.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

- Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financing decisions. Both the governmental fund balance sheet and the 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 individual governmental funds; general fund, water fund, sewer fund, FEMA fund, debt service fund, capital projects fund and community development fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, water fund, sewer fund, FEMA fund, debt service fund and capital projects fund, which are considered to be 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. A budgetary comparison statement has been provided for the general, water and sewer funds within the basic financial statements to demonstrate compliance with the respective budget.
- 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.
- The *Fiduciary Funds* are used to account for assets held by the City in an agency capacity on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are *not* available to support the City's programs.

The financial statements for the governmental, proprietary and fiduciary funds can be found in the basic financial statements section of this report.

Notes to 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 financial statements can be found following the basic financial statements section of this report.

Other Information

Additional statements and schedules can be found immediately following the notes to financial statements. These include required supplementary information and schedules of budget to actual comparisons.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's overall financial health. In the case of the City, liabilities exceeded assets by \$32,880,566 at the close of the most recent fiscal year. This is a full accrual approach similar to what is used in the private sector as opposed to an annual operating budget which is how the City functions financially on a day-to-day basis.

Our analysis below focuses on the net deficit and changes in net deficit of the City's governmental activities.

**Condensed Statement of Net Assets
as of June 30, 2013 and 2012**

	Governmental Activities	
	2013	2012
Assets		
Current and other assets	\$ 30,314,378	\$ 15,932,650
Capital and other assets	87,618,390	79,710,393
Total Assets	117,932,768	95,643,043
Liabilities		
Current and other liabilities	47,327,871	25,698,429
Long-term liabilities	103,485,463	91,455,270
Total Liabilities	150,813,334	117,153,699
Net position		
Net investment in capital assets	42,289,395	33,736,474
Restricted	1,139,987	2,249,838
Unrestricted	(76,309,948)	(57,496,968)
Total Net Position	\$ (32,880,566)	\$ (21,510,656)

Total assets of the City on June 30, 2013, were \$117,932,768, an increase of \$22,289,725 from the prior year. Total liabilities were \$150,813,334, an increase of \$33,659,635 over the prior year. This results in a net position deficit balance of \$32,880,566, an increase of \$11,369,910 from the prior year. Of the City's net deficit position, \$42,289,395 consisted of the net investment in capital assets, while \$1,139,987 was restricted by statute or other legal requirements, and was not available to finance day-to-day operations of the City, leaving an unrestricted net deficit position of \$76,309,948.

At the end of the year, the City is able to report a positive balance in the categories of net investment in capital assets and restricted. 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 the accrual of the City's annual other postemployment benefit cost. Also attributing to the increase in unrestricted net deficit position is the net operational deficit existing at the fund level.

By far, the largest positive component of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that are 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.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

**Changes in Net Assets
for the years ended June 30, 2013 and 2012**

	Governmental Activities	
	2013	2012
Program Revenues		
Charges for services	\$ 27,951,644	\$ 28,894,060
Operating grants and contributions	19,118,052	3,316,707
Capital grants and contributions	11,734,781	1,185,623
Total Program Revenues	<u>58,804,477</u>	<u>33,396,390</u>
General Revenues		
Real property taxes	32,574,456	28,298,601
Other real property tax items	589,935	601,473
Non-property tax items	4,054,478	4,628,138
Earnings on investments	142,654	67,636
Grants - unrestricted	5,291,309	3,873,945
Sale of property and compensation for loss	556,112	560,734
Other	10,250	116,220
Total General Revenues	<u>43,219,194</u>	<u>38,146,747</u>
Extraordinary Item		
Gain on impairment	4,778,336	-0-
Total Revenues	<u>106,802,007</u>	<u>71,543,137</u>
Program Expenses		
General government support	25,618,377	15,476,348
Public safety	36,104,890	32,298,864
Transportation	3,378,748	3,661,671
Economic assistance and opportunity	190,098	212,618
Culture and recreation	9,723,213	11,841,844
Home and community services	40,728,800	24,647,014
Education	151,791	47,782
Interest on debt	2,276,000	2,052,288
Total Program Expenses	<u>118,171,917</u>	<u>90,238,429</u>
Change in Net Position	(11,369,910)	(18,695,292)
Net Position at Beginning of Year	(21,510,656)	(2,815,364)
Net Position at End of Year	<u>\$ (32,880,566)</u>	<u>\$ (21,510,656)</u>

Key elements of the governmental activities are:

- Program revenues increased by \$25,408,087 from the prior year primarily due to receipt of Federal and State disaster aid for storm clean-up costs related to Superstorm Sandy in the amount of \$26,374,203.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

- Real property taxes increased \$4,275,855 from the prior year due to an increase in the tax rate and a surcharge primarily to restore the general fund's deficit fund balance.
- Due to the significant damage to the City's capital assets incurred during Superstorm Sandy, the City received \$10,870,415 of insurance proceeds which exceeded the carrying value of the impaired assets and resulted in gain of \$4,778,336.
- Overall expenses increased by \$27,933,488, primarily due to \$20,869,887 of expenses incurred as a result of Superstorm Sandy for emergency and debris removal expenses as well as extensive repair costs. Overall, claims and judgments expense increased by \$7,264,335 primarily due to a \$5,000,000 general liability claim disputing the fair value of property the City acquired via eminent domain (see Note 5D) and increases in workers' compensation claims and fireman's disability claims of \$519,482.

Total cost of services provided by the City totaled \$118,171,917 for the year ended June 30, 2013 of which 49.76% was funded from program revenues (23.65% from charges for services, 26.11% from operating and capital grants); 27.57% was funded by real property taxes, 3.43% from non-property taxes and 4.48% from unrestricted aid from other governments. For the year ended June 30, 2012, the total cost of services provided by the City totaled \$90,238,429, of which 37.01% was funded from program revenues (32.02% from charges for services and 4.99% from operating and capital grants) 31.36% was fund by real property taxes, 5.13% from non-property tax items and 4.29% from unrestricted aid from other governments.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

As of June 30, 2013, governmental funds reported overall fund balance of \$3,675,744, an increase of \$8,727,428 from the beginning year deficit balance of \$5,051,684. Of this amount, \$5,957,512 is deemed nonspendable, recognizing that the cash advanced by the general fund to the water and sewer funds to provide cash flows in light of the deficits that exist in those funds cannot be repaid within the next annual operating cycle. Restricted fund balance of \$5,170,903 primarily represents the fund balance in the capital projects fund of \$4,030,916 that can only be used to fund authorized capital projects and \$620,477 which can only be used to fund debt service, \$460,495 which is restricted in accordance with grant requirements and \$59,015 restricted by statute for public safety purposes. Accordingly, this leaves a deficit balance of \$7,452,671 in unassigned fund balance, primarily representing the accumulated fund deficits in the water and sewer funds and the remaining balance of the general fund.

General Fund

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

At the end of the current year, the general fund fund's balance improved from a deficit balance of \$5,738,396 to a positive balance of \$851,163 a net change of \$6,589,559 from the prior year as revenues exceeded expenditures. After accounting for the amounts considered nonspendable totaling \$5,957,512, primarily due to long-term advances to the water and sewer funds, the City has a \$5,165,364 unassigned fund deficit.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2013

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (continued)

General Fund (continued)

The key elements of the positive change in fund balance of \$6,589,559 are as follows:

- An increase in real property taxes of \$4,275,855 from the prior year, of which \$1,875,000 was a deficit reduction surcharge.
- Overall departmental income was \$2,668,187 under budgeted, primarily due to short falls from youth services (\$1,020,081), refuse and garbage charges (\$221,936) and commercial sanitation fees (\$516,255), which resulted from the effects of Superstorm Sandy.
- Federal aid was less than the budgeted amount by \$1,599,092, as emergency management assistance grant revenue related to Hurricane Irene was recognized as revenue in the prior year.
- State and local aid was \$1,179,385 over budget due to higher than anticipated per capita revenue of \$1,285,000.
- Overall total expenditures (excluding other financing sources) were \$1,720,249 less than the final budgeted amount. This is primarily due the amounts budgeted for state retirement and police and fire retirement was \$1,819,276 more than the actual expenditure as the City elected to defer \$2,153,375 (City wide) of the current amount due in accordance with Chapter 57 Laws of 2010.
- General government support expenditures exceeded the budgeted amounts by \$647,618 as termination payments were \$1,205,553 more than expected.
- Home and community expenditures were under budget by \$651,022, primarily related to lower than expected waste and rubbish removal costs.
- During the year, the City issued long-term financing resulting in \$5,021,200 of other financing sources.

Water Fund

In the water fund, fund balance improved from a deficit of \$642,498 at the beginning of the year to a deficit balance of \$231,322 at the end of the year, an overall improvement of \$411,176. This is primarily due to the issuance of long-term financing in the amount of \$149,500, and lower than expected debt service requirements in the amount of \$188,291.

Sewer Fund

In the sewer fund, the fund balance deficit increased \$83,997 from \$1,971,988 at the beginning of the year to \$2,055,985 at the end of the year. The overall \$83,997 excess expenditures over revenues is due to a combination of lower than anticipated sewer charges of \$706,107, which was offset by receipt of long-term financing of \$279,300 and lower than expected debt service requirements of \$253,473.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2013

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (continued)

FEMA Fund

The FEMA fund is a newly created major fund that 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, 2013, the City received \$26,374,203 in federal aid as a result of the damage suffered from Superstorm Sandy. The City also received \$10,870,415 of insurance proceeds and \$1,596,421 of donations which are reported in the FEMA fund and will be used to fund both certain Superstorm Sandy related expenditures and provide assistance to community organizations. Federal emergency disaster grants are reimbursement basis grants where expenditures and related revenues have been accrued. During the year ended June 30, 2013, the City incurred \$38,430,481 of expenditures as a result of Superstorm Sandy for emergency and debris costs as well as extensive repairs and capital improvements. Grant funding will continue to be received in the year ending June 30, 2014 to cover 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.

Debt Service Fund

The debt service fund has a total fund balance of \$620,477 which is a decrease of \$465,402 from the prior year balance of \$1,085,879. The fund balance is restricted for the payment of debt service. During the year ended June 30, 2013, the City paid \$4,013,000 of serial bond principal and \$2,097,307 of related interest and paid \$399,503 of capital lease principal and \$65,989 of related interest. These expenditures were funded by \$6,110,307 of operating transfers from the general fund, water and sewer funds, (\$4,190,975, \$722,376, and \$1,196,956 respectively).

Capital Projects Fund

The capital projects fund has a total fund balance of \$4,030,916, an increase of \$1,857,355 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 \$3,610,000 of proceeds from long-term financing issued during the year ended June 30, 2013.

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 were increased from \$64,673,510 to \$66,548,510. The budgeted revenue increase of \$1,875,000 is a result of a real property tax surcharge of the same amount. The real property tax surcharge was assessed to assist in eliminating the deficit fund balance. Overall budgeted appropriations/expenditures (excluding other financing sources) increased \$947,541 from \$58,474,294 to \$59,421,835. The significant budget amendments were to increase appropriations for waste and rubbish removal contracts in the amount of \$659,441 and increase appropriations for employee benefits of \$239,774.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 June 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2013, the City had \$86,987,581 in net capital assets, of which \$70,528,027 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 includes reconstruction of the center parking mall, street light upgrades, sewer system improvements, and purchase of various machinery and equipment.

Capital assets, net of accumulated depreciation
At June 30, 2013 and 2012

Governmental Activities:	2013	2012
Land	\$ 4,135,210	\$ 4,135,210
Construction-in-progress	2,963,879	4,560,192
Buildings	14,891,905	16,019,322
Machinery and equipment	26,862,189	24,926,907
Infrastructure	136,980,696	127,924,240
Total capital assets	185,833,879	177,565,871
Less: accumulated depreciation	98,846,298	98,095,455
Total net governmental capital assets	\$ 86,987,581	\$ 79,470,416

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 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.

A summary of changes in short-term outstanding debt, related to governmental activities, for the year ended June 30, 2013, is as follows:

	Balance July 1, 2012	New Issues	Maturities	Balance June 30, 2013
Tax anticipation notes payable	\$ 1,750,000	\$ -0-	\$ 1,750,000	\$ -0-
Revenue anticipation notes payable	6,000,000	5,000,000	11,000,000	-0-
Budget notes payable	2,500,000	-0-	2,500,000	-0-
Total short-term debt	\$ 10,250,000	\$ 5,000,000	\$ 15,250,000	\$ -0-

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 June 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Debt (continued)

A summary of changes in outstanding long-term debt, related to governmental activities, for the year ended June 30, 2013, is as follows:

	Balance July 1, 2012	New Issues	Maturities	Balance June 30, 2013
Capital leases payable	\$ 1,636,386		\$ 468,686	\$ 1,167,700
Bond anticipation notes payable		\$ 9,060,000		9,060,000
General obligation bonds payable, exclusive of deferred loss on refunding	44,385,000		4,013,000	40,372,000
Total long-term debt	<u>\$ 46,021,386</u>	<u>\$ 9,060,000</u>	<u>\$ 4,481,686</u>	<u>\$ 50,599,700</u>

The New York State Constitution limits the power of the City (and other municipalities and school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations, in summary form, as generally applicable to the City, include the following:

Purpose and pledge - Subject to certain enumerated exceptions, the City shall not give or loan any money or property to, or in aid of, any individual or private corporation or private undertaking or give or loan its credit to, or in aid of, any of the foregoing or any public corporation. The City may contract indebtedness only for a City purpose and shall pledge its full faith and credit for the payment of principal and interest thereon.

Payment and Maturity – Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three years, indebtedness shall be paid in annual installments commencing no later than two years after the date of such indebtedness shall have been contracted and ending no later than the expiration of the probable usefulness of the object of purpose as determined by statute; no installment may be more than fifty percent (50%) in excess of the smallest prior installment unless the City authorized the issuance of bonds with a substantial level of declining debt service. The City is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its general obligation bonds and such required annual installments on its notes.

Debt Limit - The City has the power to contract indebtedness for any City purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven percent (7%) of the average full valuation of taxable real estate of the City and subject to certain enumerated exclusions and deductions such as water and sewer facilities and cash or appropriations for current debt service.

The constitutional method of determining full valuation is calculated by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Board of Equalization and Assessment.

The State Legislature is required to prescribe the manner by which such ration shall be determined. Average full valuation is determined by taking a sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2013

At June 30, 2013, the total outstanding bonded indebtedness of the City aggregated \$40,372,000 in general obligation bonds and \$9,060,000 in bond anticipation notes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City employs approximately 340 full-time employees as of June 30, 2013. The Civil Service Employees Association ("CSEA") covers approximately 220 employees. Their contract was renewed on July 1, 2009, and will expire June 30, 2017. 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 62 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.
- During the 2012-2013 fiscal year, Superstorm Sandy struck much of the Atlantic coast of New York, including the City. As a result of the direct impact of the superstorm, the City suffered widespread physical damage to buildings, infrastructure and equipment. The City has also incurred significant 'clean-up' costs associated with debris removal. Although the full extent of the damage caused by Superstorm Sandy and the long-term impact has not yet been determined, current estimates of some of the losses to the City total in excess of \$200 million for debris management and disposal and restoration/reconstruction of buildings, roads, bulkheads, parks and beaches. Although the City is still evaluating the extent of the damage incurred, the City has received a \$10 million dollar advance from the its commercial insurance carrier and has received approximately \$60.6 million from the Federal Emergency Management Agency to assist with the clean-up costs and the restoration of the City's capital assets.
- In December 2013, the City issued \$15,015,000 of serial bonds to convert bond anticipation notes used to finance various public improvements and separation payments, as well as to finance additional various public improvements. In February 2014, the City issued \$6.5 million in bond anticipation notes to fund retroactive police salaries and related benefits awarded through binding arbitration.
- 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, 2013, includes a \$485,042 increase in real property taxes in the general fund. This increase equates to a 1.49% increase, which does not exceed the Tax Cap Law.
- Subsequent to year end, the New York State Legislature approved a deficit financing bill which enables the City to issue bonds to fund its deficits. In April 2014, the New York State Office of the Comptroller certified the City's June 30, 2012, cumulative deficit at \$13,871,017. As of the issuance date of this report, the City has not issued any deficit financing bonds.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2013

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, 2013

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments	\$ 17,728,145
Restricted cash	1,504,911
Accounts receivable	4,590,221
Due from other governments	5,728,428
Due from trust and agency fund	762,673
Total Current Assets	30,314,378
Noncurrent Assets:	
Non-current benefit assessment receivable	470,825
Deferred charges	159,984
Non-depreciable capital assets	7,099,089
Depreciable capital assets, net of accumulated depreciation	79,888,492
Total Noncurrent Assets	87,618,390
Total Assets	117,932,768
LIABILITIES	
Current Liabilities:	
Accounts payable and other current liabilities	24,102,910
Accrued interest payable	600,032
Tax assessment refunds payable	69,506
Due to trust and agency fund	218,212
Due to other governments	87,725
Unearned revenues	339,885
Noncurrent liabilities due within one year:	
Accrued liabilities	6,437,055
Claims and judgments payable	1,151,226
Tax certioraris payable	515,072
Capital lease payable	288,786
Due to New York State Retirement Systems	635,392
Bond anticipation notes payable	9,060,000
General obligation bonds payable, net	3,822,070
Total Current Liabilities	47,327,871
Noncurrent Liabilities:	
Accrued liabilities	27,503,753
Claims and judgments payable	10,041,801
Other postemployment benefits payable	25,486,038
Capital lease payable	878,914
Due to New York State Retirement Systems	3,276,541
General obligation bonds payable, net	36,298,416
Total Noncurrent Liabilities	103,485,463
Total Liabilities	150,813,334
NET POSITION	
Net investment in capital assets	42,289,395
Restricted for:	
Community development purposes	49,508
Debt service	620,477
Public safety	59,015
Home and community	410,987
Unrestricted	(76,309,948)
Total Net Position	\$ (32,880,566)

See notes to the financial statements.

CITY OF LONG BEACH
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
June 30, 2013

Function/Program	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Position
					Governmental Activities
PRIMARY GOVERNMENT					
Government Activities:					
General government support	\$ 25,618,377	\$ 1,482,781	\$ 108,820	\$ 23,830	\$ (24,002,946)
Public safety	36,104,890	2,251,853	944,610		(32,908,427)
Transportation	3,378,748	597,897	821,418	1,734,466	(224,967)
Economic assistance and opportunity	190,098				(190,098)
Culture and recreation	9,723,213	6,149,737	20,796		(3,552,680)
Home and community services	40,728,800	17,469,376	17,219,069	9,976,485	3,936,130
Education	151,791		3,339		(148,452)
Interest on debt	2,276,000				(2,276,000)
Total Governmental Activities	<u>\$ 118,171,917</u>	<u>\$ 27,951,644</u>	<u>\$ 19,118,052</u>	<u>\$ 11,734,781</u>	<u>\$ (59,367,440)</u>
GENERAL REVENUES:					
					\$ 32,574,456
					589,935
					4,054,478
					142,654
					5,291,309
					556,112
					10,250
EXTRAORDINARY ITEM:					
					<u>4,778,336</u>
Total General Revenues and Extraordinary Items					<u>47,997,530</u>
				Change in Net Position	(11,369,910)
				Net Position at Beginning of Year	<u>(21,510,656)</u>
				Net Position at End of Year	<u>\$ (32,880,566)</u>

See notes to the financial statements.

CITY OF LONG BEACH
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	Major Funds						Nonmajor Governmental Fund	Total Governmental Funds
	General	Water	Sewer	FEMA	Debt Service	Capital Projects		
ASSETS								
Cash and investments	\$ 1,178	\$ 50	\$ 50	\$ 13,379,984	\$ 222,826	\$ 3,381,028	\$ 195,449	\$ 17,180,565
Restricted cash	59,015			1,445,896				1,504,911
Accounts receivable	842,792	1,852,074	1,822,313	73,043				4,590,222
Benefit assessment receivable	470,825							470,825
Due from other funds	2,763,660	725,068	659,331		2,260,860	1,073,928	616,566	8,099,413
Due from other governments	2,772,821		276,529	1,639,466		751,388	288,225	5,728,429
Advances to other funds	5,957,512							5,957,512
Total Assets	<u>\$ 12,867,803</u>	<u>\$ 2,577,192</u>	<u>\$ 2,758,223</u>	<u>\$ 16,538,389</u>	<u>\$ 2,483,686</u>	<u>\$ 5,206,344</u>	<u>\$ 1,100,240</u>	<u>\$ 43,531,877</u>
LIABILITIES AND FUND BALANCES (DEFICITS)								
Liabilities								
Accounts payable and accrued liabilities	\$ 6,389,317	\$ 205,034	\$ 253,627	\$ 15,990,674		\$ 1,149,085	\$ 114,346	\$ 24,102,083
Due to other funds	4,395,620	583,714	622,835	136,728	\$ 1,863,209	26,343	772,148	8,400,597
Tax assessment refunds payable	69,506							69,506
Due to other governments	87,725							87,725
Deferred revenues	1,074,472						164,238	1,238,710
Advances to other funds		2,019,766	3,937,746					5,957,512
Total Liabilities	<u>12,016,640</u>	<u>2,808,514</u>	<u>4,814,208</u>	<u>16,127,402</u>	<u>1,863,209</u>	<u>1,175,428</u>	<u>1,050,732</u>	<u>39,856,133</u>
Fund Balances (Deficits)								
Nonspendable	5,957,512							5,957,512
Restricted	59,015			410,987	620,477	4,030,916	49,508	5,170,903
Unassigned	(5,165,364)	(231,322)	(2,055,985)					(7,452,671)
Total Fund Balances (Deficits)	<u>851,163</u>	<u>(231,322)</u>	<u>(2,055,985)</u>	<u>410,987</u>	<u>620,477</u>	<u>4,030,916</u>	<u>49,508</u>	<u>3,675,744</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 12,867,803</u>	<u>\$ 2,577,192</u>	<u>\$ 2,758,223</u>	<u>\$ 16,538,389</u>	<u>\$ 2,483,686</u>	<u>\$ 5,206,344</u>	<u>\$ 1,100,240</u>	<u>\$ 43,531,877</u>

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, 2013

TOTAL FUND BALANCES- GOVERNMENTAL FUNDS **\$ 3,675,744**

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	\$ 7,099,089	
Capital assets - depreciable	178,734,790	
Accumulated depreciation	<u>(98,846,298)</u>	86,987,581

Internal Service Fund is used to account for the City's risk retention and charges to individual funds 1,392,398

Revenue that was deferred on the fund statements because it does not meet the availability criteria under the modified accrual basis of accounting is included in the Statement of Net Position. 898,823

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	(33,940,808)	
Claims and judgments payable	(11,193,027)	
Tax certioraris payable	(515,072)	
Due to New York State Retirement Systems	(3,911,933)	
Other postemployment benefits payable	(25,486,038)	
Capital lease payable	(1,167,700)	
Bond anticipation notes payable	(9,060,000)	
General obligation bonds payable, net	<u>(40,120,486)</u>	(125,395,064)

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. (600,032)

Other assets and liabilities not reported in the governmental funds. 159,984

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (32,880,566)**

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, 2013

	General	Water	Sewer	FEMA	Debt Service	Capital Projects	Nonmajor Governmental Fund	Total Governmental Funds
REVENUES								
Real property taxes and tax items	\$ 32,574,456							\$ 32,574,456
Other real property tax items	589,935							589,935
Non-property tax items	4,437,062							4,437,062
Departmental income	15,368,845	\$ 4,520,351	\$ 4,170,431					24,059,627
Intergovernmental charges	754,011		541,098					1,295,109
Use of money and property	545,634		22,116	\$ 429	\$ 90		\$ 82,988	651,257
Licenses and permits	1,155,572	7,000	3,000					1,165,572
Fines and forfeitures	750,929							750,929
Special assessments	537,606							537,606
Sale of property and compensation for loss		18,504						18,504
Miscellaneous local sources	260,273	10,000		1,596,421		\$ 91,409	13,854	1,971,957
State and local aid	6,163,439					1,314,673		7,478,112
Federal aid	322,908			26,374,203		77,963	771,927	27,547,001
Total Revenues	<u>63,460,670</u>	<u>4,555,855</u>	<u>4,736,645</u>	<u>27,971,053</u>	<u>90</u>	<u>1,484,045</u>	<u>868,769</u>	<u>103,077,127</u>
EXPENDITURES								
Current:								
General government support	10,709,814	264,863	401,721					11,376,398
Education	151,791							151,791
Public safety	14,895,398			818,669				15,714,067
Transportation	1,567,244						43,680	1,610,924
Economic assistance and opportunity	107,099							107,099
Culture and recreation	5,712,571							5,712,571
Home and community services	7,147,359	2,036,076	2,150,890	19,083,426			817,339	31,235,090
Employee benefits	17,344,192	1,206,386	1,255,439	967,792				20,773,809
Capital outlay				17,560,594		3,236,690		20,797,284
Debt service:								
Principal	52,553	16,630				4,412,503		4,481,686
Interest	13,565	47,848	94,936			2,163,296		2,319,645
Total Expenditures	<u>57,701,586</u>	<u>3,571,803</u>	<u>3,902,986</u>	<u>38,430,481</u>	<u>6,575,799</u>	<u>3,236,690</u>	<u>861,019</u>	<u>114,280,364</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,759,084</u>	<u>984,052</u>	<u>833,659</u>	<u>(10,459,428)</u>	<u>(6,575,709)</u>	<u>(1,752,645)</u>	<u>7,750</u>	<u>(11,203,237)</u>
OTHER FINANCING SOURCES (USES)								
Principal amount of bond issuance	5,021,200	149,500	279,300			3,610,000		9,060,000
Premium on bonds	250							250
Insurance recoveries - Superstorm Sandy				10,870,415				10,870,415
Transfers in					6,110,307			6,110,307
Transfers out	(4,190,975)	(722,376)	(1,196,956)					(6,110,307)
Total Other Financing Sources (Uses)	<u>830,475</u>	<u>(572,876)</u>	<u>(917,656)</u>	<u>10,870,415</u>	<u>6,110,307</u>	<u>3,610,000</u>	<u>-0-</u>	<u>19,930,665</u>
Net Change in Fund Balances	6,589,559	411,176	(83,997)	410,987	(465,402)	1,857,355	7,750	8,727,428
Fund Balances (Deficits), Beginning of Year	<u>(5,738,396)</u>	<u>(642,498)</u>	<u>(1,971,988)</u>	<u>-0-</u>	<u>1,085,879</u>	<u>2,173,561</u>	<u>41,758</u>	<u>(5,051,684)</u>
Fund Balances (Deficits) at End of Year	<u>\$ 851,163</u>	<u>\$ (231,322)</u>	<u>\$ (2,055,985)</u>	<u>\$ 410,987</u>	<u>\$ 620,477</u>	<u>\$ 4,030,916</u>	<u>\$ 49,508</u>	<u>\$ 3,675,744</u>

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, 2013

NET CHANGE IN FUND BALANCES \$ 8,727,428

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	\$	21,223,421	
Depreciation expense		(7,614,178)	
Loss on dispositions & impairment		(6,092,078)	
		7,517,165	7,517,165

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (884,545)

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		(7,501,666)	
Tax certioraris payable		89,556	
Other postemployment benefits payable		(6,839,376)	
Repayment of capital leases		468,686	
Net change in Due to New York State Retirement Systems		(1,729,888)	
Bonds and bond anticipation notes issued		(9,060,000)	
Repayment of bond principal		4,013,000	
Amortization of deferred loss on refunding		(35,930)	
Accrued interest costs		18,841	
		(20,576,777)	(20,576,777)

Other assets not available to pay for current period expenditures and therefore, are deferred and amortized in the Statement of Activities (79,993)

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		(6,073,188)	
		(6,073,188)	(6,073,188)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (11,369,910)

See notes to the financial statements.

CITY OF LONG BEACH
STATEMENT OF
FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Agency Fund	Pension Trust Fund
ASSETS		
Cash	\$ 1,043,889	
Investments in annuities, at fair value		\$ 1,282,839
Due from other funds	218,212	
Total Assets	\$ 1,262,101	\$ 1,282,839
 LIABILITIES		
Accounts payable	\$ 16,839	\$ -0-
Employee payroll deductions	95,648	
Due to other funds	762,673	
Other agency liabilities	386,941	
Total Liabilities	1,262,101	-0-
 NET POSITION		
Held in trust for pension benefits	\$ -0-	\$ 1,282,839

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, 2013

ADDITIONS:

Earnings on Investments	\$	21,640
Net change in fair value of investments		19,476
Plan contributions		2,337
Total Additions		43,453

DEDUCTIONS:

Pension benefits		38,776
Administrative costs		4,641
Total Deductions		43,417

Change in Net Position		36
Net Position Held in Trust for Pension Benefits, Beginning of Year		1,282,803
Net Position Held in Trust for Pension Benefits, End of Year	\$	1,282,839

See notes to the financial statements.

CITY OF LONG BEACH
STATEMENT OF NET POSITION
PROPRIETARY FUND
INTERNAL SERVICE FUND - RISK RETENTION FUND
June 30, 2013

ASSETS

Current Assets:

Cash	\$	547,580
Due from other funds		1,897,042
Total Current Assets		2,444,622

Total Assets	\$	2,444,622
---------------------	----	------------------

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	\$	827
Due to other funds		1,051,397
Claims and judgments payable		1,151,226
Total Current Liabilities		2,203,450

Noncurrent Liabilities:

Claims and judgments payable		10,041,801
------------------------------	--	------------

Total Liabilities		12,245,251
--------------------------	--	-------------------

NET POSITION

Unrestricted		(9,800,629)
Total Net Deficit	\$	(9,800,629)

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, 2013

OPERATING REVENUES

Premiums Charged for

Risk Retention:

Judgments and claims	\$	122,996
Employee benefits - workers' compensation		2,390,122
		2,513,118
Total Operating Revenues		2,513,118

OPERATING EXPENSES

Administrative costs		478,370
Employee benefits - workers' compensation claims		2,685,732
Judgments and claims		5,422,759
		8,586,861
Total Operating Expenses		8,586,861

		(6,073,743)
--	--	--------------------

NON-OPERATING REVENUES

Interest on investments		555
		555
Total Non-Operating Revenues		555

		(6,073,188)
--	--	-------------

		(3,727,441)
--	--	-------------

	\$	(9,800,629)
--	----	-------------

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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Revenue Collected:		
Receipts for interfund services provided	\$	2,054,097
Payments for Expenses:		
Payments to insurance carriers and claimants		(2,425,974)
Payments for other		<u>(483,128)</u>
		<u>(855,005)</u>
Net Cash Used by Operating Activities		<u>(855,005)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and earnings received		<u>555</u>
Net Cash Provided by Investing Activities		<u>555</u>

Net Change in Cash		(854,450)
Cash at Beginning of Year		<u>1,402,030</u>
Cash at End of Year	\$	<u><u>547,580</u></u>

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

Loss from Operations	\$	(6,073,743)
Adjustments to reconcile operating income to net cash used by operating activities:		
Due from other funds		(459,021)
Accounts payable		(4,758)
Due to other funds		(15)
Claims and judgments payable		<u>5,682,532</u>
Net Cash Used by Operating Activities	\$	<u><u>(855,005)</u></u>

See notes to the financial statements.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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, appointed by the City Council, 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 support.

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 FUNDS 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 separate columns for the primary governmental activities. For the most part, 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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-wide Financial Statements (continued)

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, liabilities, 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 or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund. Management has designated the water 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 all financial resources except those required to be accounted for in other funds.

Special Revenue Funds – are used to account for 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 is 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.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

Governmental Funds (continued)

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

FEMA Fund – a newly created 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, and insurance proceeds 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.

The City accounts for and reports the following non-major 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 liabilities (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 assets.

The City's Proprietary Fund type is as follows:

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.

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.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

Fiduciary Funds – 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 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.

Revenues susceptible to accrual include property taxes, charges for services, Nassau County local assistance (sales tax) at year end on behalf of the City, mortgage tax, franchise fees, and charges for services, 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. In the governmental funds, long-term debt is recognized as revenue upon receipt of the proceeds.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 AND NET POSITION OR FUND BALANCE/DEFICIT

1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of funds deposited in demand accounts, 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 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.

Collateral is required for demand deposits and time accounts and certificates of deposit at 100% of all deposits not covered by federal deposit insurance. 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.

2. INVESTMENTS

Investments are stated at fair value.

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.

Activities between funds that are representative of lending/borrowing arrangements outstanding at year end are referred to as either "due to/from funds" or "advances to/from 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.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCE/DEFICIT (continued)

4. CAPITAL ASSETS

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 at 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.

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

Buildings	20 - 50 years
Machinery and equipment	5 - 20 years
Infrastructure systems	10 - 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.

Intangible assets lack physical substance, are nonfinancial in nature, and have an estimated useful life extending beyond a single reporting period. The term depreciation, as used in these footnotes, includes amortization of intangible assets.

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

5. DEFERRED REVENUE/UNEARNED REVENUE

Deferred revenue/unearned revenue are those where asset recognition criteria have been met, but which revenue recognition criteria have not been met. Such amounts include collections in advance, unearned income, and amounts deemed to be "measurable" but not "available" to finance current expenses.

6. 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, certain pension obligations, and other postemployment benefits are recognized in the statement of net position. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Bond issuance costs that are immaterial are charged as a general fund operating expense.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCE/DEFICIT (continued)

6. 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. 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.

7. 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.
- 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).
- 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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCE/DEFICIT (continued)

7. 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. REVENUE AND EXPENDITURES/EXPENSES

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, 2013

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 employees may become eligible for these benefits if they reach normal retirement age while working for the City.

Health care benefits are currently provided by 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 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 expense are reported in the governmental funds only if they have matured, for example, as a result of employee resignation 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, 2013

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 revenue primarily relates to the internal service fund's charges to the general, water and sewer funds. Additionally, the general fund has charged the water and sewer funds interest on outstanding interfund balances.

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.

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 liabilities, and disclosure of contingent assets and liabilities, 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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. NEW ACCOUNTING PRINCIPLES

During the year ended June 30, 2013, the City adopted the following new accounting standards issued by the GASB:

GASB No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCAs)* establishes recognition, measurement and disclosure requirements for SCAs for both transferors and governmental operations. This Statement had no impact on the City's financial statements.

GASB No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and 34*, modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that were previously included as a component under the fiscal dependency criterion, a financial benefit/burden relationship must also be present between the primary government and the organization to be included in the reporting entity as a component unit. For organizations that do not meet the criterion for inclusion as a component unit but management determines it would be misleading not to include it, this statement clarifies the manner in which that determination should be made. This Statement had no impact on the City's financial statements.

GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* improves financial reporting by incorporating into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in GASB and ACIPA pronouncements issued on or before November 30, 1989. This Statement had no impact on the City's financial statements.

GASB No. 63, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, clarifies the circumstances in which hedge accounting continues to be applied when a swap counterparty is replaced. This Statement had no impact 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.

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, 2013

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.

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 Hurricane Sandy	Debt Service Fund	Capital Projects Fund	Non-major Funds	Total
Fund Balances (Deficits):								
Nonspendable:								
Long-term advances	\$ 5,957,512	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 5,957,512
Total Nonspendable	<u>5,957,512</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>5,957,512</u>
Restricted for:								
Capital projects						4,030,916		4,030,916
Debt service					620,477			620,477
Public safety	59,015							59,015
Grantor restrictions:								
Home and community				410,987			49,508	460,495
Total Restricted	<u>59,015</u>	<u>-0-</u>	<u>-0-</u>	<u>410,987</u>	<u>620,477</u>	<u>4,030,916</u>	<u>49,508</u>	<u>5,170,903</u>
Unassigned, reported in:								
General fund	(5,165,364)							(5,165,364)
Special revenue funds		(231,322)	(2,055,985)					(2,287,307)
Total Unassigned	<u>(5,165,364)</u>	<u>(231,322)</u>	<u>(2,055,985)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(7,452,671)</u>
Total Fund Balances (Deficits)	<u>\$ 851,163</u>	<u>\$ (231,322)</u>	<u>\$ (2,055,985)</u>	<u>\$ 410,987</u>	<u>\$ 620,477</u>	<u>\$ 4,030,916</u>	<u>\$ 49,508</u>	<u>\$ 3,675,744</u>

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. FUND EQUITY (continued)

DEFICIT FUND EQUITY

The water and sewer funds deficits of \$231,322 and \$2,055,985, respectively, at June 30, 2013, resulted from incurring unanticipated expenditures and revenue shortfalls in past years. Subsequent to year end, the New York State Legislature approved a deficit financing bill which would allow the City to issue bonds to restore fiscal balance to these funds. Additionally, the City has implemented the following: water and sewer rate increases, implementation of cost reductions related to non-personnel costs, reduction in personnel costs from concessions from two of the City's labor unions and reduction in the work force.

The internal service fund deficit of \$9,800,629, 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. See further discussion in Note 4D. As of June 30, 2013, approximately \$38.4 million for emergency protective measures, debris clean-up and other costs following the storm have been spent, 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.

During the year ended June 30, 2013, the City established a FEMA fund to account for and report the revenues and expenditures incurred as a result of Superstorm Sandy. The City's costs for emergency protective measures, debris removal and other recovery efforts totaled \$38.4 million during the year ended June 30, 2013. The City has received insurance payments totaling \$10.9 million from its insurance carrier. Additionally, has recorded \$26.4 million in aid from FEMA based on the contractual reimbursement rate of 90% of eligible costs incurred related to approved Project Worksheets. 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.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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, 2013, the City's bank deposit balances were \$20,118,754, of which \$685,437 was covered by the Federal Deposit Insurance Corporation, and \$19,433,317 was covered by collateral held by the City's agent, a third-party financial institution, in the City's name.

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, 2013, the City did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

Restricted cash consists of cash which is restricted by law to be used for Superstorm Sandy relief and restoration efforts and public safety activities.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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. Interfund interest charges have been included in the long-term advance balances.

	<u>Due to/from</u>		<u>Long-Term Advances</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Receivable</u>	<u>Payable</u>
Governmental Funds:				
Major Funds:				
General Fund	\$ 2,763,660	\$ 4,395,620	\$ 5,957,512	
Water Fund	725,068	583,714		\$ 2,019,766
Sewer Fund	659,331	622,835		3,937,746
FEMA Fund		136,728		
Debt Service Fund	2,260,860	1,863,209		
Capital Projects Fund	1,073,928	26,343		
Non-Major Fund:				
Community Development Fund	616,566	772,148		
Business-type Funds:				
Internal Service Fund	<u>1,897,042</u>	<u>1,051,397</u>		
Subtotal governmental funds	9,996,455	9,451,994	5,957,512	5,957,512
Trust and Agency Funds	<u>218,212</u>	<u>762,673</u>		
Total	<u>\$ 10,214,667</u>	<u>\$ 10,214,667</u>	<u>\$ 5,957,512</u>	<u>\$ 5,957,512</u>

At June 30, 2013, individual fund interfund transfer balances primarily represent receipt and payment of debt service and capital projects expenditures, and are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund		\$ 4,190,975
Water Fund		722,376
Sewer Fund		1,196,956
Debt Service Fund	<u>\$ 6,110,307</u>	
Total	<u>\$ 6,110,307</u>	<u>\$ 6,110,307</u>

C. BENEFIT ASSESSMENT RECEIVABLE

At June 30, 2013, the City has a receivable from benefit assessments, which consists of \$577,000 of principal and \$50,767 of accrued interest. The amounts due are billed semiannually. The annual requirements due to the City are as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2014	\$ 340,200	\$ 93,879	\$ 434,079
2015	113,400	15,984	129,384
2016	<u>123,400</u>	<u>8,330</u>	<u>131,730</u>
Total	<u>\$ 577,000</u>	<u>\$ 118,193</u>	<u>\$ 695,193</u>

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

4 DETAIL NOTES ON ALL FUNDS (continued)

C. BENEFIT ASSESSMENT RECEIVABLE (continued)

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 in the amount of \$156,942, resulting in a net reported balance of \$470,825 at June 30, 2013.

D. CAPITAL ASSETS

A summary of changes within the City's capital assets for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,135,210			\$ 4,135,210
Construction-in-progress	4,560,192		\$ 1,596,313	2,963,879
Total capital assets not being depreciated	<u>8,695,402</u>		<u>1,596,313</u>	<u>7,099,089</u>
Depreciable capital assets:				
Buildings	16,019,322	\$ 20,063	1,147,480	14,891,905
Machinery and equipment	24,926,907	2,670,627	735,345	26,862,189
Infrastructure	127,924,240	20,129,044	11,072,588	136,980,696
Total depreciable capital assets	<u>168,870,469</u>	<u>22,819,734</u>	<u>12,955,413</u>	<u>178,734,790</u>
Less accumulated depreciation:				
Buildings	10,996,804	380,629	787,712	10,589,721
Machinery and equipment	20,449,708	2,089,545	735,345	21,803,908
Infrastructure	66,648,943	5,144,004	5,340,278	66,452,669
Total accumulated depreciation	<u>\$ 98,095,455</u>	<u>\$ 7,614,178</u>	<u>\$ 6,863,335</u>	<u>98,846,298</u>
Total net depreciable capital assets				<u>79,888,492</u>
Total net capital assets				<u>\$ 86,987,581</u>

Depreciation expense was charged to governmental functions as follows:

General government support	\$ 1,347,131
Public safety	2,508,892
Transportation	907,968
Economic assistance and opportunity	15,905
Culture and recreation	1,001,999
Home and community services	1,832,283
Total governmental activities depreciation expense	<u>\$ 7,614,178</u>

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.

In October 2012, the City was impacted by Superstorm Sandy and certain assets sustained physical damage from flooding and winds. As a result, certain assets were destroyed and other assets, specifically the boardwalk and buildings, require restoration efforts to restore their service utility. The City evaluated its capital assets and realized a loss from impairment in the amount of \$6.1 million. The City had purchased commercial insurance to cover the risk loss from destruction of assets and under these policies realized \$10.9 million of insurance recoveries. Accordingly, the City has recorded a net gain of \$4.8 million in the accompanying statement of activities.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

4. DETAIL NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS

SHORT-TERM DEBT

Revenue Anticipation Notes – During April 2012, the City issued \$6 million of revenue anticipation notes, which were used as a temporary means of funding cash flow needs resulting from timing differences between revenues and expenditures. This note bore interest at 4.15% and was repaid in April 2013.

Tax Anticipation Note – During December 2011 the City issued \$1.75 million of tax anticipation notes which were repaid in August 2012 and bore interest at 0.63%. In July 2012, the City issued \$5,000,000 of tax anticipation notes, which were repaid in March 2013 and bore interest at 3.4%. These notes were issued to finance the cash flow needs of the City.

Budgetary Notes – In December 2011 the City issued a \$1.5 million budgetary note. This note bore interest at 0.77% and matured in December 2012. In April 2012 the City issued another budgetary note in the amount of \$1 million. This note bore interest at 3.35% and matured in April 2013. The proceeds were used to finance employee termination payments and unbudgeted overtime costs.

LONG-TERM DEBT

Bond Anticipation Notes

In December 2012, the City issued \$9.06 million of bond anticipation notes (BANs) to finance various public improvements as well as finance employee termination payments. Under the terms, the BANs mature in December 2013 and bear interest at 3%. Subsequent to year end, the City refinanced the BANs with general obligation bonds as part of a larger bond issuance (\$15.015 million). The general obligation bonds mature in August 2026 and bear interest at rates ranging from 2% to 4%. Accordingly, at June 30, 2013, the BANs have been included in long-term liabilities. Maturity schedules related to the general obligation 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.

These long-term liabilities are backed by the full faith and credit of the City. Interest rates of these bonds vary from 2.75% to 6.2%. 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>Balance</u>
Governmental Activities:				
EFC - Water Pollution Control Refunding	\$ 2,261,000	2020	4.270 -5.220%	\$ 1,212,000
Public Improvements Series A	4,990,000	2013	5.300%	50,000
Public Improvements Series B	2,654,000	2019	4.700-4.750%	860,000
Public Improvements Refunding	3,135,523	2017	4.700%	1,155,000
Public Improvements Refunding	9,300,000	2024	4.000-4.125%	6,655,000
Public Improvements	22,585,000	2020	2.750-5.000%	8,915,000
Public Improvements	5,575,000	2022	4.000%	3,945,000
Public Improvements	4,650,000	2020	3.250-3.500%	3,180,000
Public Improvements	16,045,000	2030	3.500-4.000%	14,400,000
			Total Governmental Activities	<u>\$ 40,372,000</u>

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

4 DETAIL NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

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>
2014	\$ 3,858,000	\$ 1,535,337	\$ 5,393,337
2015	3,949,000	1,388,270	5,337,270
2016	4,020,000	1,241,591	5,261,591
2017	4,032,000	1,090,044	5,122,044
2018	4,209,000	932,586	5,141,586
2019-2023	11,834,000	2,851,470	14,685,470
2024-2028	6,235,000	1,104,526	7,339,526
2029-2030	2,235,000	135,000	2,370,000
Total	<u>\$ 40,372,000</u>	<u>\$ 10,278,824</u>	<u>\$ 50,650,824</u>

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 November 2013 and November 2019. 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, 2013, the principal balance outstanding was \$1,167,700.

The following schedule presents future minimum lease payments as of June 30, 2013:

<u>Years ending June 30,</u>	
2014	\$ 342,757
2015	207,528
2016	198,184
2017	156,505
2018	156,505
2019-2020	<u>313,010</u>
Future minimum payments	1,374,489
Less: interest	<u>(206,789)</u>
Present value of future minimum payments	<u>\$ 1,167,700</u>

Included in capital assets are various equipment financed under a capital lease with a cost of \$2,883,042 and accumulated depreciation of \$1,076,677.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

4. DETAIL NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

Summary of Long-Term Debt

A summary of changes in long-term debt transactions for the year ended June 30, 2013, is as follows:

	Balance July 1, 2012	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2013	Noncurrent liabilities due within one year	Noncurrent liabilities
Governmental Activities:						
Bonds payable	\$ 44,385,000	\$ -0-	\$ 4,013,000	\$ 40,372,000	\$ 3,858,000	\$ 36,514,000
Less: deferred amounts on refunding	(287,444)		(35,930)	(251,514)	(35,930)	(215,584)
Total bonds payable	44,097,556	-0-	3,977,070	40,120,486	3,822,070	36,298,416
Bond anticipation notes payable		9,060,000		9,060,000	9,060,000	-0-
Capital leases	1,636,386		468,686	1,167,700	288,786	878,914
Retirement incentives and other pension obligations	2,182,045	2,153,375	423,487	3,911,933	635,392	3,276,541
Accrued liabilities:						
Compensated absences	26,439,142	2,352,682	2,208,729	26,583,095	1,329,155	25,253,940
Accrued payroll		894,196		894,196	44,710	849,486
Retroactive wage adjustment		6,463,517		6,463,517	5,063,190	1,400,327
Claims and judgments	5,510,495	7,009,531	1,326,999	11,193,027	1,151,226	10,041,801
Tax certioraris payable	604,628	536,968	626,524	515,072	515,072	-0-
Other postemployment benefits	18,646,662	10,038,783	3,199,407	25,486,038	-0-	25,486,038
Total non-current liabilities	<u>\$ 99,116,914</u>	<u>\$ 38,509,052</u>	<u>\$ 12,230,902</u>	<u>\$ 125,395,064</u>	<u>\$ 21,909,601</u>	<u>\$ 103,485,463</u>

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 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 publicly available financial reports that include financial statements and required supplemental information. These reports may be found at 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.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

4. DETAIL NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

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 3.00% 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 expressly used in computing the employers' contributions based on salaries paid during the NYSLRS' year ending March 31. Contributions for the current year and two preceding years were equal to 100.00% of the contributions required, and were as follows:

		ERS		PFRS
2013	\$	2,645,664	\$	2,918,009
2012		2,006,382		2,700,568
2011		2,083,844		2,352,530

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%. At June 30, 2013, the outstanding amounts owed to the System totaled \$326,740 (\$132,590 related to ERS and \$194,150 related to PFRS).

Chapter 260 of the Laws of 2004 of the State of New York also allowed the additional retirement contribution deferrals and in 2006, the City elected to defer a portion of its ERS and PFRS retirement contribution. The deferred amounts are due in ten annual installments including interest at 5% per annum. At June 30, 2013, the outstanding amounts owed to the System totaled \$196,407 (\$30,384 related to ERS and \$166,023 related to PFRS).

In 2011, the City elected to defer a portion of its retirement bill under Chapter 57 of the Laws of 2010 of the State of New York, subject to certain stipulations. The amount deferred under Chapter 57 is payable in ten annual installments including a rate of interest set by the New York State Comptroller annually, 5% for 2011. At June 30, 2013, the amount due to the System related to this deferral is \$504,158 (all related to ERS).

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 amount deferred under Chapter 57 is payable in ten annual installments including interest at 3.75%. At June 30, 2013, the amount due to the System related to this deferral is \$731,254 (\$536,208 relates to ERS and \$195,046 relates 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 amount deferred under Chapter 57 totaled is payable in ten annual installments including interest at 3.00%. At June 30, 2013, the amount due to the System related to this deferral is \$2,153,375 (\$1,524,831 relates to ERS and \$628,544 relates to PFRS).

Total principal and interest payments for the afore-mentioned programs are as follows:

Years ending June 30,	ERS		PFRS		Total Principal and Interest
	Principal	Interest	Principal	Interest	
2014	\$ 414,573	\$ 111,813	\$ 220,819	\$ 44,178	\$ 791,383
2015	435,903	90,483	230,531	34,467	791,384
2016	387,180	67,899	136,272	24,312	615,663
2017	202,513	47,541	80,706	18,912	349,672
2018	209,016	41,038	83,284	16,335	349,673
2019-2023	1,078,986	99,986	432,151	40,011	1,651,134
Total	<u>\$ 2,728,171</u>	<u>\$ 458,760</u>	<u>\$ 1,183,763</u>	<u>\$ 178,215</u>	<u>\$ 4,548,909</u>

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 will 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.

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.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

4. DETAIL NOTES ON ALL FUNDS (continued)

G. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Plan Description (continued)

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 Police 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, 2012, the effective date of the most recent OPEB roll forward valuation is as follows:

Active employees	346
Retired employees	<u>219</u>
Total	<u><u>565</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.

Annual Other Postemployment Benefit Cost and Net Obligation

For the year ended June 30, 2013, the City's annual other postemployment benefits cost (expense) was \$10,038,783. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$3,199,407 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$6,839,376 for the year ended June 30, 2013.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

4. DETAIL NOTES ON ALL FUNDS (continued)

G. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Annual Other Postemployment Benefit Cost and Net Obligation (continued)

Benefit Obligations and Normal Cost

Actuarial Accrued Liability (AAL)	
Active employees	\$ 60,924,155
Retired employees	<u>50,780,716</u>
Total Actuarial Accrued Liability (AAL)	111,704,871
Actuarial value of plan assets	<u>-0-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 111,704,871</u></u>
Funded Ratio	0.00%
Normal cost at the beginning of the year	\$ 3,694,448
Amortization cost at the beginning of the year	\$ 6,720,270
Annual covered payroll	\$ 38,827,134
UAAL as a percentage of covered payroll	287.70%

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, 2013, amounted to \$111,704,871.

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

Level Dollar Amortization Method
Calculation of ARC under the Projected Unit Credit Cost Method- Governmental Activities

Normal cost	\$ 3,694,448
Amortization of unfunded actuarial liability (UAAL) over 30 years	<u>6,720,270</u>
Annual required contribution (ARC)	10,414,718
Interest on net OPEB obligation	745,866
Adjustment to ARC	<u>(1,121,801)</u>
OPEB Cost	10,038,783
Less: Contribution for year ended June 30, 2012	<u>3,199,407</u>
Increase in other postemployment benefits liability	6,839,376
Other postemployment benefits liability at June 30, 2012	<u>18,646,662</u>
Other postemployment benefits liability at June 30, 2013	<u><u>\$ 25,486,038</u></u>
Percent of annual OPEB cost contributed	31.87%

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 were:

Year Ended June 30,	Annual OPEB Cost	Annual Contribution Made	Percentage Contributed	Net OPEB Obligation
2013	\$ 10,038,783	\$ 3,199,407	31.87%	\$ 25,486,038
2012	9,688,462	3,106,220	32.06%	18,646,662
2011	6,174,735	2,415,764	39.12%	12,064,420

The funded status of the plan as of June 30, 2013 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, 2012	\$ 111,704,871	\$ -0-	\$ 111,704,871	0.00%	\$ 38,827,134	287.70%

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, 2012 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, 2013, the remaining closed amortization period was 24 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, 2012 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, 2013

4. DETAIL NOTES ON ALL FUNDS (continued)

G. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Methods and Assumptions (continued)

Mortality assumptions are used to project the expected number of employees who will be receiving benefits each year in the future. Commencing with the July 1, 2011, actuarial valuation, the RP-2000 Mortality Table was used whereas in the past the actuarial valuation was computed using the 1985-1989 Group Life Insurance Mortality Tables. The change in mortality tables used was done to update mortality rates based on more current information and to reflect expected future mortality improvements in the calculation as required by the American Academy of Actuaries.

A copy of the City of Long Beach Retiree Medical Program 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, deferred compensation 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 and sick leave, 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 time and sick leave 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, 2013, the value of the City's accumulated vacation time and sick leave for governmental activities was \$26,583,095.

Accrued Payroll

In accordance with a stipulation of agreement entered into with a labor contract, the equivalent of ten days of pay is being withheld from each employee during the years ended/ending 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, 2013, the liability totaled \$894,196 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, 2013, the liability totaled \$6,463,517 which has been recorded in the Statement of Net Position.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 \$1,467,950, 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, with excess property coverage of up to \$46,570,300 for any one loss and annual aggregate. The City is self-insured for machinery and equipment protection on the first \$25,000 per loss with insurance protection coverage of up to \$72,000,000.

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 \$3,225,608 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. The City is of the opinion that the ultimate settlement of the outstanding claims will not result in a material adverse effect on the City's financial position.

Changes in the liability for claims and judgments for the years ended June 30, 2013 and 2012, is as follows:

	Workers' Compensation		General Liability	
	2013	2012	2013	2012
Unpaid claims as of July 1,	\$ 4,042,545	\$ 4,372,362	\$ 1,467,950	\$ 2,425,878
Incurred Claims including IBNR	1,209,683	590,765	5,531,000	440,450
Changes to prior years estimates	530,037	(181,752)	(261,190)	(917,184)
Payments of claims	<u>(1,220,238)</u>	<u>(738,830)</u>	<u>(106,760)</u>	<u>(481,194)</u>
Unpaid Claims as of June 30,	<u>\$ 4,562,027</u>	<u>\$ 4,042,545</u>	<u>\$ 6,631,000</u>	<u>\$ 1,467,950</u>

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 \$626,524 for the year ended June 30, 2013.

C. CONSTRUCTION AND OTHER CAPITAL ACQUISITION COMMITMENTS

Construction in progress commitments for equipment purchases and other capital acquisition commitments amounting to \$14,150,468 are recorded as encumbrances in the capital projects fund and \$2,019,188 are recorded as encumbrances in the FEMA 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, 2013, 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 six acres of land on the oceanfront between Long Beach Boulevard and Riverside Boulevard. Two of the property holders who owned various parcels of land have challenged the valuations and amounts of the advance payments made on the April 18, 2006, taking date. On October 3, 2012, the Court rendered its decision in favor of the property owners in the amount of approximately \$20,560,000, plus interest. The City has appealed the decision and is confident that the Appellate Court will reduce the judgment or order a new trial. This process is expected to take 9 to 15 months. Although the City cannot determine with any degree of certainty the final liabilities that may be associated with this matter, management has accrued a \$5 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. Management anticipates that any potential claims, if any, against the City would not materially affect the City's financial position.

E. OTHER

The City's employees are represented by 4 collective bargaining agreements: Civil Service Employees Association, Police Benevolent Association, Commanding Officers Associations and United Fire Fighters Association. Two of four collective bargaining agreements are expired. The Commanding Officers Association agreement expired on June 30, 2008 and the United Fire Fighters Association agreement expired on June 30, 2010. Contracts for these two bargaining units are under negotiations.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

5. COMMITMENTS AND CONTINGENCIES (continued)

E. OTHER (continued)

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. LENGTH OF SERVICE AWARD PROGRAM

The City's financial statements are for the year ended June 30, 2013. 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, 2012.

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.

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.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

5. COMMITMENTS AND CONTINGENCIES (continued)

F. LENGTH OF SERVICE AWARD PROGRAM (continued)

Fiduciary Investment and Control (continued)

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 May 2012.

As of January 1, 2012, the date of the most recent actuarial valuation:

Funded Status of the Plan:

Actuarial present value of benefits	\$	1,508,677
Less: Assets available for benefits		1,292,614
Total unfunded benefits		216,063
Less: Unfunded liability for separately amortized costs		-0-
Unfunded normal benefits	\$	216,063
<u>Assets Available for Benefits</u>		
Genworth fixed annuity	\$	619,023
Standard Security fixed annuity		673,591
Plan assets available for benefits, at December 31, 2012 the Plan's year end applicable to actuarial valuation date	\$	1,292,614
Plan assets available for benefits, at June 30, 2013, the City's fiscal year end	\$	1,282,839

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

5. COMMITMENTS AND CONTINGENCIES (continued)

F. 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, 2012 was:

<u>Recommended Contribution Range:</u>	<u>10 year amortization</u>	<u>12 year amortization</u>
Normal cost	\$ 59,089	\$ 59,089
Post-entitlement age liability amortization payment	26,909	19,280
Annual Required Contribution	<u>\$ 85,998</u>	<u>\$ 78,369</u>

Current membership in the Plan is comprised of the following at December 31, 2012:

Retirees and beneficiaries receiving benefits	5
Terminated members entitled to but not yet receiving benefits	4
Active:	
Non-vested	52
Vested	69

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:

<u>Actuarial Valuation Date January 1,</u>	<u>Annual Required Contribution</u>	<u>Annual Contribution</u>	<u>Percentage of Annual Program Cost Contributed</u>	<u>Net Pension Obligation</u>	<u>Increase (Decrease) in Net Pension Obligation</u>
2012	\$ 78,369	\$ -0-	0.00%	\$ 78,369	\$ 78,369
2011	79,124	-0-	0.00%	79,124	79,124
2010	53,003	90,000	169.80%	-0-	-0-

The funded status of the plan as of January 1, 2012, the date of the most recent actuarial valuation is as follows:

<u>Actuarial Valuation Date January 1,</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>
2012	\$ 1,292,614	\$ 1,508,677	\$ 216,063	85.68%

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

6. SUBSEQUENT EVENTS

A. DEBT ISSUANCES

During September 2013, the City issued \$38.1 million (\$15.1 million Series A and \$23 million Series B) in revenue anticipation notes in advance of the receipt of various revenues including but not limited to, FEMA aid proceeds, state aid as well as certain other taxes, fees, rates and charges the City expects to collect. 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. Series B Notes will be subject to redemption prior to maturity, in whole or in part, on or after May 20, 2014.

During December 2013, the City issued \$15.015 million public improvement serial bonds to finance \$5.955 million of various public improvements and to refund the \$9.060 million outstanding bond anticipation notes. The bonds bear interest at rates ranging from 2.0% to 4.0% and mature in August 2026.

During February 2014, the City issued \$6.5 million 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.

B. OTHER

In February 2014, New York State Legislative Bill Number A8120 was signed into law which authorizes the City to issue bonds in an amount not to exceed \$12 million for the purpose of liquidating accumulated deficits in the general, sewer, water and risk retention funds. In accordance with Local Finance Law, these bonds, if issued, must be issued by June 30, 2015. Management expects to issue such bonds during the year ending June 30, 2014.

Additionally, the Bill allows the City to issue serial bonds to finance certain extraordinary expenses resulting from Superstorm Sandy.

7. NEW PRONOUNCEMENTS

The following statements have been issued by the Governmental Accounting Standards Board ("GASB") and are to be implemented in the year ending June 30, 2014:

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this statement are effective for fiscal years beginning after December 15, 2012.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

7. NEW PRONOUNCEMENTS (continued)

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. The requirements of this statement are effective for fiscal years beginning after December 15, 2012.

The City is evaluating the impact of the afore-mentioned GASB Statements on its financial statements.

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, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Real Property Taxes				
Real property taxes	\$ 30,699,456	\$ 32,574,456	\$ 32,574,456	\$ -0-
Total Real Property Taxes	30,699,456	32,574,456	32,574,456	-0-
Other Real Property Tax Items				
Hospital bulkhead assessment	152,348	152,348	-0-	(152,348)
Payment in lieu of taxes	115,000	115,000	232,498	117,498
Interest and penalties on real property tax	112,769	112,769	357,437	244,668
Total Other Real Property Tax Items	380,117	380,117	589,935	209,818
Non-Property Tax Items				
Non-property tax distribution from County	3,020,000	3,020,000	3,159,789	139,789
Utilities gross receipts tax	850,000	850,000	632,356	(217,644)
Hotel occupancy tax	75,000	75,000	-0-	(75,000)
Franchise fees	500,000	500,000	644,917	144,917
Total Non-Property Tax Items	4,445,000	4,445,000	4,437,062	(7,938)
Departmental Income				
Civil service charges	115,000	115,000	30,500	(84,500)
Clerk fees	100,500	100,500	55,434	(45,066)
Other general fees	8,165	8,165	9,827	1,662
Emergency tenant protection act fees	9,100	9,100	7,260	(1,840)
Police fees	310,000	310,000	159,041	(150,959)
Fire and automatic alarm fees	215,000	215,000	10,309	(204,691)
Clean lots and secure buildings	10,000	10,000	5,463	(4,537)
Sidewalk and curb charges	10,000	10,000	695	(9,305)
Recreation fees	1,073,344	1,073,344	1,007,669	(65,675)
Ambulances charges	950,000	950,000	782,585	(167,415)
Data processing fees	400	400	800	400
Parking, meters and gate access fees	144,000	144,000	111,472	(32,528)
Bus passenger fees	500,000	500,000	361,066	(138,934)
Beach charges	3,425,212	3,425,212	3,612,767	187,555
Long Beach arena fees	465,000	465,000	234,616	(230,384)
Other recreational charges	-0-	-0-	33,000	33,000
Youth services	1,827,550	1,827,550	807,469	(1,020,081)
Community Center activities	8,000	8,000	4,800	(3,200)
Zoning and planning board	18,750	18,750	26,317	7,567
Memorial Garden fees	2,500	2,500	1,225	(1,275)
Transportation advertising fees	50,000	50,000	48,828	(1,172)
Banner advertising fees	-0-	-0-	3,000	3,000
Surf and water safety fees	-0-	-0-	2,500	2,500
Handicapped parking education	3,600	3,600	3,135	(465)
Vending machine	6,200	6,200	2,547	(3,653)
Refuse and garbage charges	7,854,711	7,854,711	7,632,775	(221,936)
Commercial sanitation fees	930,000	930,000	413,745	(516,255)
Total Departmental Income	18,037,032	18,037,032	15,368,845	(2,668,187)

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES (continued)				
Intergovernmental Charges				
Fire protection and dispatching services	214,318	214,318	215,693	1,375
Public safety - hospital	12,200	12,200	77,911	65,711
Health and inspection services - Nassau County	375,000	375,000	395,030	20,030
Gasoline and fuel charges	8,800	8,800	377	(8,423)
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	695,318	754,011	58,693
Use of Money and Property				
Interest earnings	40,000	40,000	26,755	(13,245)
Interest earnings - interfund balances	-0-	-0-	140,728	140,728
Rental of real property	477,399	477,399	371,976	(105,423)
Interest and penalties	7,400	7,400	6,175	(1,225)
Total Use of Money and Property	524,799	524,799	545,634	20,835
Licenses and Permits				
Business and occupational licenses	725,000	725,000	948,971	223,971
Street opening permits	50,000	50,000	43,120	(6,880)
Plumbing permits	66,000	66,000	85,855	19,855
Dog licenses	3,375	3,375	2,334	(1,041)
Marriage licenses	3,300	3,300	2,708	(592)
Other	215,350	215,350	72,584	(142,766)
Total Licenses and Permits	1,063,025	1,063,025	1,155,572	92,547
Fines and Forfeitures				
Fines and forfeited bail	505,615	505,615	394,816	(110,799)
Seized property and unclaimed property	-0-	-0-	40,857	40,857
Court fees	300,000	300,000	315,256	15,256
Total Fines and Forfeitures	805,615	805,615	750,929	(54,686)
Sales of Property and Compensation for Loss				
Insurance recoveries	118,581	118,581	129,053	10,472
Sale of equipment	27,000	27,000	17,804	(9,196)
Sale of real property	300,000	300,000	297,966	(2,034)
Minor sales	37,925	37,925	54,849	16,924
Other compensation for loss	15,000	15,000	37,934	22,934
Total Sale of Property and Compensation for Loss	498,506	498,506	537,606	39,100
Miscellaneous Local Sources				
Refund of prior year's expenditures	4,500	4,500	-0-	(4,500)
Gifts and donations	68,750	68,750	57,819	(10,931)
Employee health insurance contributions	138,000	138,000	179,150	41,150
Other	407,338	407,338	23,304	(384,034)
Total Miscellaneous Local Sources	618,588	618,588	260,273	(358,315)

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES (continued)				
State and Local Aid				
Per capita	3,267,704	3,267,704	4,552,704	1,285,000
Mortgage tax	900,000	900,000	769,996	(130,004)
Court facilities aid	100,000	100,000	51,001	(48,999)
Public safety grants	28,250	28,250	12,000	(16,250)
Bus operations	651,300	651,300	777,738	126,438
Youth, elderly and out of school program	18,800	18,800	-0-	(18,800)
Other	18,000	18,000	-0-	(18,000)
Total State and Local Aid	<u>4,984,054</u>	<u>4,984,054</u>	<u>6,163,439</u>	<u>1,179,385</u>
Federal Aid				
Emergency management assistance	1,800,000	1,800,000	544	(1,799,456)
Firefighters safety grant	-0-	-0-	192,277	192,277
Mass transit	10,000	10,000	99,452	89,452
Transportation improvement program	100,000	100,000	-0-	(100,000)
Seat belt program	12,000	12,000	-0-	(12,000)
Other	-0-	-0-	30,635	30,635
Total Federal Aid	<u>1,922,000</u>	<u>1,922,000</u>	<u>322,908</u>	<u>(1,599,092)</u>
Total Revenues	<u>\$ 64,673,510</u>	<u>\$ 66,548,510</u>	<u>\$ 63,460,670</u>	<u>\$ (3,087,840)</u>

CITY OF LONG BEACH
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>EXPENDITURES</u>				
General Government Support				
City council	\$ 92,799	\$ 92,799	\$ 92,488	\$ 311
Traffic violation bureau	79,800	79,800	59,737	20,063
City manager	292,989	295,418	291,776	3,642
City comptroller	455,761	478,413	499,892	(21,479)
Tax receiver	137,190	137,190	137,241	(51)
Purchasing	102,661	102,661	104,255	(1,594)
Tax assessor	146,616	146,616	125,804	20,812
Credit card fees	15,000	16,845	35,192	(18,347)
Fiscal agent fees	20,000	25,668	25,668	-0-
City clerk	216,312	225,671	150,187	75,484
Legal counsel	812,134	1,155,470	1,216,395	(60,925)
Civil service	283,296	283,296	197,995	85,301
Buildings	282,856	283,656	385,478	(101,822)
Public works	674,252	700,595	603,541	97,054
Municipal building	962,493	962,738	846,458	116,280
Central garage	1,609,105	1,628,400	2,033,473	(405,073)
Central administration services	333,560	334,178	300,417	33,761
Central data processing	552,313	569,813	452,503	117,310
Other expenditures	136,000	137,762	47,382	90,380
Unallocated insurance	512,190	512,190	439,852	72,338
Refunds of real property taxes	570,000	627,000	626,524	476
Metropolitan commuter transportation mobility tax	140,000	140,000	114,583	25,417
Termination payments	814,924	594,424	1,799,977	(1,205,553)
Self insurance	501,279	496,429	122,996	373,433
Contingency	776,504	35,164	-0-	35,164
Total General Government Support	10,520,034	10,062,196	10,709,814	(647,618)
Education				
Community college chargeback	50,000	83,255	150,591	(67,336)
College reimbursements	-0-	1,200	1,200	-0-
Total Education	50,000	84,455	151,791	(67,336)
Public Safety				
Police department	11,169,106	11,191,335	11,000,027	191,308
Fire department	3,324,286	3,490,931	3,644,428	(153,497)
Fire service award program	-0-	92,337	92,337	-0-
Traffic patrol	132,000	136,000	136,000	-0-
Auxiliary police	20,350	31,066	22,606	8,460
Total Public Safety	14,645,742	14,941,669	14,895,398	46,271

CITY OF LONG BEACH
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
EXPENDITURES (continued)				
Transportation				
Bus transportation	1,130,944	1,142,234	1,340,810	(198,576)
Street lighting	265,000	265,000	205,294	59,706
Other transportation	17,620	28,790	21,140	7,650
Total Transportation	<u>1,413,564</u>	<u>1,436,024</u>	<u>1,567,244</u>	<u>(131,220)</u>
Economic Assistance and Opportunity				
Publicity	120,061	127,175	107,099	20,076
Total Economic Assistance and Opportunity	<u>120,061</u>	<u>127,175</u>	<u>107,099</u>	<u>20,076</u>
Culture and Recreation				
Recreation	2,345,640	2,360,292	2,653,141	(292,849)
Lifeguards	1,221,990	1,228,161	1,214,578	13,583
Beach park	331,000	333,303	544,039	(210,736)
Youth and family services	657,849	667,191	606,142	61,049
MLK childcare center	588,969	589,434	392,478	196,956
Magnolia community center	262,529	262,609	185,207	77,402
Celebrations	89,865	92,763	87,986	4,777
Performing arts	43,500	45,000	27,550	17,450
Recreation program for the aging	19,160	19,160	1,450	17,710
Total Culture and Recreation	<u>5,560,502</u>	<u>5,597,913</u>	<u>5,712,571</u>	<u>(114,658)</u>
Home and Community Services				
Zoning	70,019	70,019	68,677	1,342
Sanitation	3,726,316	4,483,479	3,584,792	898,687
Street maintenance	1,658,329	1,659,129	1,372,227	286,902
Beach maintenance	1,523,479	1,532,266	2,091,687	(559,421)
Conservation recycling	30,000	30,000	12,535	17,465
Emergency tenants protection act	9,000	9,000	6,050	2,950
Other	13,000	14,488	11,391	3,097
Total Home and Community Services	<u>7,030,143</u>	<u>7,798,381</u>	<u>7,147,359</u>	<u>651,022</u>
Employee Benefits				
State retirement	2,627,337	2,625,837	1,704,119	921,718
Police and fire retirement	3,676,518	3,676,518	2,778,960	897,558
Social security	2,450,000	2,450,000	2,206,082	243,918
Life insurance	138,000	138,000	73,578	64,422
Unemployment insurance	146,000	347,964	379,344	(31,380)
Disability	10,000	10,000	5,268	4,732
Hospital and medical insurance	8,374,000	8,413,310	8,497,602	(84,292)
Firefighters' supplemental benefit- self insurance charge	427,948	427,948	609,612	(181,664)
Workers' compensation - self insurance charge	1,018,521	1,018,521	991,527	26,994
Other	175,000	175,000	98,100	76,900
Total Employee Benefits	<u>19,043,324</u>	<u>19,283,098</u>	<u>17,344,192</u>	<u>1,938,906</u>

CITY OF LONG BEACH
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
EXPENDITURES (continued)				
Debt Service				
Principal - capital lease	60,616	60,616	52,553	8,063
Interest - capital lease	30,308	30,308	13,565	16,743
Total Debt Service	<u>90,924</u>	<u>90,924</u>	<u>66,118</u>	<u>24,806</u>
Total Expenditures	<u>58,474,294</u>	<u>59,421,835</u>	<u>57,701,586</u>	<u>1,720,249</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>6,199,216</u>	<u>7,126,675</u>	<u>5,759,084</u>	<u>(1,367,591)</u>
Other Financing Sources (Uses)				
Principal amount of bond issuance	-0-	-0-	5,021,200	5,021,200
Premium on short term notes issued	-0-	-0-	250	250
Transfers out	(6,199,216)	(5,408,476)	(4,190,975)	1,217,501
Total Other Financing Uses	<u>(6,199,216)</u>	<u>(5,408,476)</u>	<u>830,475</u>	<u>6,238,951</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 1,718,199</u>	<u>\$ 6,589,559</u>	<u>\$ 4,871,360</u>
Fund Deficit at Beginning of Year			<u>(5,738,396)</u>	
Fund Balance at End of Year			<u>\$ 851,163</u>	

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
WATER FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Departmental income	\$ 4,490,833	\$ 4,490,833	\$ 4,520,351	\$ 29,518
Licenses and permits	27,300	27,300	7,000	(20,300)
Sales of property and compensation for loss	-0-	-0-	18,504	18,504
Miscellaneous local sources	-0-	-0-	10,000	10,000
Total Revenues	<u>4,518,133</u>	<u>4,518,133</u>	<u>4,555,855</u>	<u>37,722</u>
EXPENDITURES				
Current:				
General government support	275,187	274,117	264,863	9,254
Home and community services	2,020,214	2,023,258	2,036,076	(12,818)
Employee benefits	1,181,700	1,181,920	1,206,386	(24,466)
Debt service:				
Interest - interfund	-0-	-0-	45,792	(45,792)
Principal - capital lease	16,021	16,021	16,630	(609)
Interest - capital lease	2,666	2,666	2,056	610
Total Expenditures	<u>3,495,788</u>	<u>3,497,982</u>	<u>3,571,803</u>	<u>(73,821)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>1,022,345</u>	<u>1,020,151</u>	<u>984,052</u>	<u>(36,099)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-0-	-0-	149,500	149,500
Transfers out	(910,667)	(910,667)	(722,376)	188,291
Total Other Financing Sources (Uses)	<u>(910,667)</u>	<u>(910,667)</u>	<u>(572,876)</u>	<u>337,791</u>
Net Change in Fund Balance	<u>\$ 111,678</u>	<u>\$ 109,484</u>	411,176	<u>\$ 301,692</u>
Fund Deficit at Beginning of Year			<u>(642,498)</u>	
Fund Deficit at End of Year			<u>\$ (231,322)</u>	

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SEWER FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Departmental income	\$ 4,876,448	\$ 4,876,448	\$ 4,170,431	\$ (706,017)
Intergovernmental charges	500,000	500,000	541,098	41,098
Use of money and property	13,000	13,000	22,116	9,116
Licenses and permits	7,500	7,500	3,000	(4,500)
Total Revenues	<u>5,396,948</u>	<u>5,396,948</u>	<u>4,736,645</u>	<u>(660,303)</u>
EXPENDITURES				
Current:				
General government support	225,000	225,000	401,721	(176,721)
Home and community services	2,414,465	2,463,283	2,150,890	312,393
Employee benefits	1,250,066	1,250,356	1,255,439	(5,083)
Debt service:				
Interest - interfund	-0-	-0-	94,936	(94,936)
Total Expenditures	<u>3,889,531</u>	<u>3,938,639</u>	<u>3,902,986</u>	<u>35,653</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>1,507,417</u>	<u>1,458,309</u>	<u>833,659</u>	<u>(624,650)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-0-	-0-	279,300	279,300
Transfers out	(1,450,429)	(1,450,429)	(1,196,956)	253,473
Total Other Financing Sources (Uses)	<u>(1,450,429)</u>	<u>(1,450,429)</u>	<u>(917,656)</u>	<u>532,773</u>
Net Change in Fund Balances	<u>\$ 56,988</u>	<u>\$ 7,880</u>	<u>(83,997)</u>	<u>\$ (91,877)</u>
Fund Deficit at Beginning of Year			<u>(1,971,988)</u>	
Fund Deficit at End of Year			<u>\$ (2,055,985)</u>	

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 5,000	\$ 5,000	\$ 90	\$ (4,910)
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>90</u>	<u>(4,910)</u>
EXPENDITURES				
Debt Service:				
Principal - serial bonds	5,181,679	5,517,908	4,013,000	1,504,908
Interest - serial bonds	2,917,632	2,581,403	2,097,307	484,096
Principal - capital leases	400,000	400,000	399,503	497
Interest - capital leases	66,000	66,000	65,989	11
Total Expenditures	<u>8,565,311</u>	<u>8,565,311</u>	<u>6,575,799</u>	<u>1,989,512</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,560,311)</u>	<u>(8,560,311)</u>	<u>(6,575,709)</u>	<u>1,984,602</u>
OTHER FINANCING SOURCES				
Transfers in	8,560,311	8,560,311	6,110,307	(2,450,004)
Total Other Financing Sources	<u>8,560,311</u>	<u>8,560,311</u>	<u>6,110,307</u>	<u>(2,450,004)</u>
Net Change in Fund Balances	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>(465,402)</u>	<u>\$ (465,402)</u>
Fund Balance at Beginning of Year			<u>1,085,879</u>	
Fund Balance at End of Year			<u>\$ 620,477</u>	

CITY OF LONG BEACH
SCHEDULE OF FUNDING PROGRESS
FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
June 30, 2013

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
2012	\$ -0-	\$ 111,704,871	\$ 111,704,871	0.00%	\$ 38,827,134	287.70%
2011	-0-	108,077,034	108,077,034	0.00%	27,365,670	394.94%
2010	-0-	78,622,609	78,622,609	0.00%	27,365,670	287.30%