

CITY OF LONG BEACH
FINANCIAL STATEMENTS
Year Ended June 30, 2012

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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, 2012 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.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

PERSONAL SERVICE. TRUSTED ADVICE. 

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

245 PARK AVENUE, 24TH 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, scheduling of funding progress for other postemployment benefits 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 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.

A. Bruehl, Viegman, Zwick & Co., P.C.

Hauppauge, New York
May 3, 2013

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2012

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, 2012. 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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The *statement of activities* presents information showing how the City's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.
- 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, 2012

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 six individual governmental funds; General Fund, Water Fund, Sewer 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, 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 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, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities exceeded assets by \$21,510,656 at the close of the most recent 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, 2012 and 2011**

	Governmental Activities	
	2012	As Restated 2011
Assets		
Current and other assets	\$ 15,932,650	\$ 14,799,623
Capital and other assets	79,710,393	84,883,989
Total Assets	95,643,043	99,683,612
Liabilities		
Current and other liabilities	25,698,429	8,066,437
Long-term liabilities	91,455,270	94,432,539
Total Liabilities	117,153,699	102,498,976
Net assets		
Invested in capital assets, net of debt	33,736,474	34,223,285
Restricted	2,249,838	4,687,769
Unrestricted	(57,496,968)	(41,726,418)
Total Net Assets	\$ (21,510,656)	\$ (2,815,364)

Total assets of the City on June 30, 2012, were \$95,643,043, a decrease of \$4,040,569 from the prior year. Total liabilities were \$117,153,699, an increase of \$14,654,723 over the prior year. This results in a net deficit balance of \$21,510,656, an increase of \$18,695,292 from the prior year. Of the City's net deficit, \$33,736,474 were invested in capital assets net of related debt, while \$2,249,838 were restricted by statute or other legal requirements, and were not available to finance day-to-day operations of the City leaving an unrestricted net deficit of \$57,496,968.

At the end of the year, the City is able to report a positive balance in the categories of invested in capital asset, net of related debt and restricted. The deficit balance in unrestricted arose primarily due to the recognition of long-term liabilities which include general obligation bonds, retirement system obligations, compensated absences and the accrual of the City's annual other post-employment benefit cost in accordance with the provisions of GASB Statement No. 45. Also attributing to the increase in unrestricted net deficit is the net operational deficit existing at the fund level.

By far, the largest component of the City's net assets 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 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, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

**Changes in Net Assets
for the years ended June 30, 2012 and 2011**

	Governmental Activities	
	2012	As Restated 2011
Program Revenues		
Charges for services	\$ 28,894,060	\$ 28,134,604
Operating grants and contributions	3,316,707	1,891,441
Capital grants and contributions	1,185,623	1,895,187
Total Program Revenues	<u>33,396,390</u>	<u>31,921,232</u>
General Revenues		
Real property taxes	28,298,601	28,455,745
Other real property tax items	601,473	538,680
Non-property tax items	4,628,138	4,842,213
Earnings on investments	67,636	49,700
Grants - unrestricted	3,873,945	4,033,790
Sale of property and compensation for loss	560,734	380,236
Other	116,220	139,921
Total General Revenues	<u>38,146,747</u>	<u>38,440,285</u>
Total Revenues	<u>71,543,137</u>	<u>70,361,517</u>
Program Expenses		
General government support	15,476,348	18,694,725
Public safety	32,298,864	30,482,743
Transportation	3,661,671	3,529,765
Economic assistance and opportunity	212,618	200,859
Culture and recreation	11,841,844	11,568,418
Home and community services	24,647,014	20,514,314
Education	47,782	230,415
Interest on debt	2,052,288	2,199,936
Total Program Expenses	<u>90,238,429</u>	<u>87,421,175</u>
Change in Net Assets	(18,695,292)	(17,059,658)
Net Assets (Deficit) at Beginning of Year	(2,815,364)	14,244,294
Net Deficit at End of Year	<u>\$ (21,510,656)</u>	<u>\$ (2,815,364)</u>

Key elements of the governmental activities are:

- Program revenues increased by \$1,475,158 from the prior year primarily due to receipt of Federal and State disaster aid for storm clean-up costs related to Hurricane Irene in the amount of \$1,974,233 and a decrease in Federal Aid for bus transportation services in the amount of \$603,102.
- Overall expenses increased by \$2,817,254, primarily due to an increase in the net other postemployment expense of \$2,177,011.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Total cost of services provided by the City totaled \$90,238,429 for the year ended June 30, 2011 of which 37.01% was funded from program revenues (32.02% from charges for services, 4.99% from operating and capital grants); 31.36% was funded by real property taxes, 5.13% from non-property taxes and 4.29% from unrestricted aid from other governments. For the year ended June 30, 2011, the total cost of services provided by the City totaled \$87,421,175, of which 36.51% was funded from program revenues (32.18% from charges for services and 4.33% from operating and capital grants) 32.55% was fund by real property taxes, 5.54% from non-property tax items and 4.61% from unrestricted aid from other governments.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

As of June 30, 2012, governmental funds reported overall fund balance deficits of \$5,051,684, a decrease of \$10,850,543 from the beginning year positive fund balance of \$5,798,859. Of this amount, \$6,407,352 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 to the General Fund within the next annual operating cycle. Restricted fund balance of \$3,337,520 primarily represents the fund balance in the Capital Projects Fund of \$2,173,561 that can only be used to fund authorized capital projects and \$1,085,879 which can only be used to fund debt service. Accordingly, this leaves a deficit balance of \$14,796,556 in unassigned fund balance, primarily representing the accumulated fund deficits in the General, Water and Sewer funds.

General Fund

The General Fund is the chief operating fund of the City.

At the end of the current year, total fund balance of the General Fund was a deficit of \$5,738,396, a decrease of \$8,137,511 from the prior year as expenditures exceeded revenues. After accounting for the amounts considered nonspendable totaling \$6,407,352, primarily due to long-term advances to the Water and Sewer Funds, the City has a \$12,182,070 unassigned fund deficit.

The key elements of the fund balance decrease of \$8,137,511 are as follows:

- There was an original budgeted use of \$932,729 to balance the 2011-2012 budget.
- Non-property tax item revenue fell short of budgeted amounts by \$1,569,446, primarily due to the timing of the receipt of various revenues.
- Overall departmental income was \$1,269,984 under budgeted, with the largest variances noted in commercial sanitation fees, ambulance charges, and police fees.
- Federal aid exceeded the budgeted amount by \$485,104, primarily due to the receipt of unbudgeted emergency disaster assistance in the amount of \$1,386,304 and the transportation improvement program revenue being under budget by \$868,000.
- State and local aid was \$1,061,625 under budget due to lower mortgage tax receipts, Chips grant aid and other state and local aid.
- General government support expenditures exceeded original budgeted amounts by \$1,356,949 primarily due to unexpected termination payments of \$2,008,029.
- Public safety expenditures exceeded the original budget by \$916,950 primarily due to unexpected overtime costs in both the fire and police departments.
- Culture and recreation expenditures exceeded original budgeted amounts by \$564,765 primarily due to increased salary costs.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2012

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (continued)

Water Fund

In the Water Fund, the fund balance deficit increased from \$528,452 at June 30, 2011 to \$642,498 at June 30, 2012. In order to fund operations, over a period of years, the General Fund has advanced the Water Fund \$2,277,790. For the year ended June 30, 2012, expenditures exceeded revenues by \$114,046. The current revenue streams and water rates are insufficient to support the water operations including debt service costs.

Sewer Fund

In the Sewer Fund, the fund balance deficit increased from \$1,032,082 at June 30, 2011 to \$1,971,988 at June 30, 2012. In order to fund operations, over a period of years, the General Fund has advanced the Sewer Fund \$3,886,698. For the year ended June 30, 2012, expenditures exceeded revenues by \$939,906. The current revenue streams and are insufficient to support the sewer operations including debt service costs.

Debt Service Fund

The Debt Service Fund has a total fund balance of \$1,085,879 which is consistent with the prior year balance of \$1,085,758. The fund balance is restricted for the payment of debt service. During the year ended June 30, 2012, the City paid \$3,938,000 of principal and \$1,852,075 of interest. These expenditures were funded by \$5,790,075 of operating transfers from the General Fund, Water and Sewer Funds, (\$3,849,128, \$724,216, and \$1,216,731, respectively).

Capital Projects Fund

The Capital Projects Fund has a total fund balance of \$2,173,561, a decrease in fund \$1,698,749 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the year, there was no significant change in the total revenue budgetary estimates, as adopted by the City Council in the spring of 2011, in the amount of \$65,223,546. Total expenditure budgetary estimates, including operating transfers out, as adopted by the City Council totaled \$66,156,275. During the year ended June 30, 2012, the City amended the budget by \$2,684,364 thereby increasing total appropriations to \$68,840,639. Of the \$2,684,364 increase in total appropriations, \$2,526,468 was to increase the budget for unexpected termination payments for retiring employees.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2012, the City had \$79,470,416 in net capital assets, of which \$61,275,297 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 3.D in the notes to financial statements.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

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, 2012 and 2011

Governmental Activities:	2012	2011
Land	\$ 4,135,210	\$ 4,135,210
Construction-in-progress	4,560,192	13,318,845
Buildings	16,019,322	16,019,322
Machinery and equipment	24,926,907	24,764,514
Infrastructure	127,924,240	116,911,376
Total capital assets	177,565,871	175,149,267
Less: accumulated depreciation	98,095,455	91,162,248
Total net governmental capital assets	\$ 79,470,416	\$ 83,987,019

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 bond anticipation notes. During the year ended June 30, 2012, the City issued \$10,250,000 of short term debt consisting of tax anticipation notes, revenue anticipation notes and budgetary notes. The City did not issue any general obligation bonds. The details of City's long-term obligations are shown in Note 3.E and F in the notes to financial statements.

A summary of long-term outstanding debt, related to governmental activities, at June 30, 2012 and 2011 is as follows:

Long-Term Debt	2012	2011
Capital leases payable	\$ 1,636,386	\$ 2,084,078
General obligation bonds payable, exclusive of deferred loss on refunding	44,385,000	48,323,000
Total long-term debt	\$ 46,021,386	\$ 50,407,078

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Debt (continued)

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.

At June 30, 2012, the total outstanding bonded indebtedness of the City aggregated \$44,385,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City employs approximately 360 full-time employees as of June 30, 2012. The Civil Service Employees Association ("CSEA") covers approximately 234 employees. Their contract was renewed on July 1, 2009 and will expire June 30, 2015. The International Association of Firefighters AFL-CIO Uniform Firefighters Association Local 287 covers approximately 27 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 71 employees. Their contract expired on June 30, 2008 and is in the process of being renewed.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2012

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

- Subsequent to year end, Hurricane Sandy struck much of the Atlantic coast of New York including the City. As a result of the direct impact of the hurricane, 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 Hurricane 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. Additionally, although the City is not expecting a shortfall in the 2012-2013 year as the property tax levy has been set, there will be an impact on the 2013-2014 property tax revenue. Management expects to make adjustments to the 2013-2014 tax roll (which has not yet been finalized) to minimize the effects of potential tax certiorari proceedings. 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 a \$24.3 million advance from the Federal Emergency Management Agency to assist with the clean-up costs and the restoration of the City's capital assets.
- In December 2012, the City issued \$9,060,000 of bond anticipation notes to finance various public improvements and termination payments and in July 2012, the City issued a \$5 million tax anticipation note to fund cash flow deficits.
- 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 takes 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.
- In May 2012, the City Council voted to override the New York Tax Cap Law. The adopted budget for the year beginning July 1, 2012 includes a \$2.2 million increase in real property taxes in the general fund. This increase equates to a 14.49% increase, which exceeds the Tax Cap Law.
- Subsequent to year end, the City requested the New York State Legislature to approve a deficit financing bill which would enable the City to issue bonds to fund the deficits. As of the issuance date of this report, New York State Legislature has not voted on this matter.

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 ASSETS
June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 5,739,511
Restricted cash	36,322
Accounts receivable	3,688,720
Benefit assessments receivable	596,474
Due from other governments	5,115,819
Due from trust and agency fund	755,804
Total Current Assets	<u>15,932,650</u>
Noncurrent Assets:	
Deferred charges	239,977
Non-depreciable capital assets	4,560,192
Depreciable capital assets, net of accumulated depreciation	74,910,224
Total Noncurrent Assets	<u>79,710,393</u>
Total Assets	<u>95,643,043</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and other current liabilities	6,406,386
Accrued interest payable	618,873
Due to trust and agency fund	220,023
Due to other governments	209,732
Unearned revenues	248,679
Short term notes payables	10,250,000
Noncurrent liabilities due within one year:	
Compensated absences	1,321,957
Claims and judgments payable	1,434,515
Tax certioraris payable	83,092
Capital lease payable	468,686
Due to New York State Retirement Systems	423,486
General obligation bonds payable, net	4,013,000
Total Current Liabilities	<u>25,698,429</u>
Noncurrent Liabilities:	
Compensated absences	25,117,185
Claims and judgments payable	4,075,980
Tax certioraris payable	604,628
Other postemployment benefits payable	18,646,662
Capital lease payable	1,167,700
Due to New York State Retirement Systems	1,758,559
General obligation bonds payable, net	40,084,556
Total Noncurrent Liabilities	<u>91,455,270</u>
Total Liabilities	<u>117,153,699</u>
NET ASSETS	
Invested in capital assets, net of related debt	33,736,474
Restricted for:	
Capital projects	1,085,879
Community development purposes	41,758
Debt service	1,085,879
Public safety	36,322
Unrestricted	<u>(57,496,968)</u>
Total Net Assets	<u>\$ (21,510,656)</u>

See notes to the financial statements.

CITY OF LONG BEACH
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

ASSETS	Major Funds					Nonmajor	Totals
	General	Water	Sewer	Debt Service	Capital Projects	Governmental Fund	
Cash and investments	\$ 1,703,192	\$ 50	\$ 50	\$ 688,228	\$ 1,783,500	\$ 162,462	\$ 4,337,482
Restricted cash	36,322						36,322
Accounts receivable	451,239	1,631,581	1,605,900				3,688,720
Special assessments receivable	596,474						596,474
Due from other funds	1,917,118	609,781	660,970	2,260,860	1,073,928	301,746	6,824,403
Due from other governments	4,751,453		121,801		171,532	71,034	5,115,820
Advances to other funds	6,164,488						6,164,488
Total Assets	<u>\$ 15,620,286</u>	<u>\$ 2,241,412</u>	<u>\$ 2,388,721</u>	<u>\$ 2,949,088</u>	<u>\$ 3,028,960</u>	<u>\$ 535,242</u>	<u>\$ 26,763,709</u>
LIABILITIES AND FUND BALANCES (DEFICITS)							
Liabilities							
Accounts payable and accrued liabilities	\$ 4,892,844	\$ 344,693	\$ 301,290		\$ 829,056	\$ 32,919	\$ 6,400,802
Due to other funds	3,890,965	261,427	172,721	\$ 1,863,209	26,343	460,565	6,675,230
Tax assessment refunds payable	83,092						83,092
Due to other governments	209,732						209,732
Deferred revenues	2,032,049						2,032,049
Short-term notes payable	10,250,000						10,250,000
Advances to other funds		2,277,790	3,886,698				6,164,488
Total Liabilities	<u>21,358,682</u>	<u>2,883,910</u>	<u>4,360,709</u>	<u>1,863,209</u>	<u>855,399</u>	<u>493,484</u>	<u>31,815,393</u>
Fund Balances (Deficits)							
Nonspendable	6,407,352						6,407,352
Restricted	36,322			1,085,879	2,173,561	41,758	3,337,520
Unassigned	(12,182,070)	(642,498)	(1,971,988)				(14,796,556)
Total Fund Balances (Deficits)	<u>(5,738,396)</u>	<u>(642,498)</u>	<u>(1,971,988)</u>	<u>1,085,879</u>	<u>2,173,561</u>	<u>41,758</u>	<u>(5,051,684)</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 15,620,286</u>	<u>\$ 2,241,412</u>	<u>\$ 2,388,721</u>	<u>\$ 2,949,088</u>	<u>\$ 3,028,960</u>	<u>\$ 535,242</u>	<u>\$ 26,763,709</u>

See notes to the financial statements.

CITY OF LONG BEACH
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012

TOTAL FUND BALANCES- GOVERNMENTAL FUNDS \$ (5,051,684)

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

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

Capital assets - non-depreciable	\$ 8,695,402	
Capital assets - depreciable	168,870,469	
Accumulated depreciation	<u>(98,095,455)</u>	79,470,416

Internal Service Fund is used to account for the City's risk retention and charges to individual funds 1,783,054

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 Assets. 1,783,368

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 Assets:

Compensated absences	(26,439,142)	
Claims and judgments payable	(5,510,495)	
Tax certioraris payable	(604,628)	
Due to New York State Retirement Systems	(2,182,045)	
Other postemployment benefits payable	(18,646,662)	
Capital lease payable	(1,636,386)	
General obligation bonds payable, net	<u>(44,097,556)</u>	(99,116,914)

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 Assets. (618,873)

Other assets and liabilities not reported in the governmental funds. 239,977

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (21,510,656)

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, 2012

	General	Water	Sewer	Debt Service	Capital Projects	Nonmajor Governmental Fund	Total Governmental Funds
REVENUES							
Real property taxes and tax items	\$ 28,298,601						\$ 28,298,601
Other real property tax items	601,474						601,474
Non-property tax items	4,245,554						4,245,554
Departmental income	17,259,172	\$ 3,925,497	\$ 3,786,109				24,970,778
Intergovernmental charges	743,969		443,863				1,187,832
Use of money and property	545,875		18,232	\$ 121		\$ 85,261	649,489
Licenses and permits	1,141,019	31,550	16,250				1,188,819
Fines and forfeitures	946,177						946,177
Special assessments	478,930						478,930
Sale of property and compensation for loss		9,514					9,514
Miscellaneous local sources	211,465	37			\$ 149,973	53,494	414,969
State and local aid	5,020,129				435,384		5,455,513
Federal aid	1,590,549					405,303	1,995,852
Total Revenues	<u>61,082,914</u>	<u>3,966,598</u>	<u>4,264,454</u>	<u>121</u>	<u>585,357</u>	<u>544,058</u>	<u>70,443,502</u>
EXPENDITURES							
Current:							
General government support	12,674,922	147,434	164,234				12,986,590
Education	47,782						47,782
Public safety	15,877,391						15,877,391
Transportation	1,847,568						1,847,568
Economic assistance and opportunity	137,185						137,185
Culture and recreation	7,247,955						7,247,955
Home and community services	9,090,981	2,517,235	3,114,472			504,510	15,227,198
Employee benefits	17,953,874	673,542	708,923				19,336,339
Capital outlay					2,254,212		2,254,212
Debt service:							
Bond issuance costs	56,000						56,000
Principal	431,671	16,021		3,938,000			4,385,692
Interest	92,522	2,666		1,852,075			1,947,263
Total Expenditures	<u>65,457,851</u>	<u>3,356,898</u>	<u>3,987,629</u>	<u>5,790,075</u>	<u>2,254,212</u>	<u>504,510</u>	<u>81,351,175</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,374,937)</u>	<u>609,700</u>	<u>276,825</u>	<u>(5,789,954)</u>	<u>(1,668,855)</u>	<u>39,548</u>	<u>(10,907,673)</u>
OTHER FINANCING SOURCES (USES)							
Premium on bonds	57,130						57,130
Transfers in	27,361	470		5,790,075			5,817,906
Transfers out	(3,847,065)	(724,216)	(1,216,731)		(29,894)		(5,817,906)
Total Other Financing Sources (Uses)	<u>(3,762,574)</u>	<u>(723,746)</u>	<u>(1,216,731)</u>	<u>5,790,075</u>	<u>(29,894)</u>	<u>-0-</u>	<u>57,130</u>
Net Change in Fund Balances	(8,137,511)	(114,046)	(939,906)	121	(1,698,749)	39,548	(10,850,543)
Fund Balances (Deficits), Beginning of Year, As Restated	<u>2,399,115</u>	<u>(528,452)</u>	<u>(1,032,082)</u>	<u>1,085,758</u>	<u>3,872,310</u>	<u>2,210</u>	<u>5,798,859</u>
Fund Balances (Deficits) at End of Year	<u>\$ (5,738,396)</u>	<u>\$ (642,498)</u>	<u>\$ (1,971,988)</u>	<u>\$ 1,085,879</u>	<u>\$ 2,173,561</u>	<u>\$ 41,758</u>	<u>\$ (5,051,684)</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, 2012

NET CHANGE IN FUND BALANCES \$ (10,850,543)

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 depreciation exceeds capital outlay in the current period is:

Capital outlay	\$ 2,416,604	
Depreciation expense	<u>(6,933,207)</u>	(4,516,603)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	1,783,370
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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 assets.

Compensated absences	(3,174,033)	
Tax certioraris payable	(162,107)	
Other postemployment benefits payable	(6,582,242)	
Repayment of capital leases	447,692	
Net change in Due to New York State Retirement Systems	(403,500)	
Repayment of bond principal	3,938,000	
Amortization of deferred loss on refunding	(35,930)	
Accrued interest costs	<u>10,898</u>	(5,961,222)

Other assets not available to pay for current period expenditures and therefore, are deferred and amortized in the Statement of Activities	(79,993)
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Effects of restating benefit assessment receivable	(577,000)
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The Internal Service Fund is used by management to charge the costs of insurance activities to the individual funds. The net loss of the Internal Service Fund is reported with governmental activities.

Claims and judgments payable	<u>1,506,699</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (18,695,292)

See notes to the financial statements.

CITY OF LONG BEACH
STATEMENT OF NET ASSETS
PROPRIETARY FUND
INTERNAL SERVICE FUND - RISK RETENTION FUND
June 30, 2012

ASSETS

Current Assets:

Cash	\$	1,402,030
Due from other funds		1,438,021
		2,840,051
Total Current Assets		2,840,051

	\$	2,840,051
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LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	\$	5,585
Due to other funds		1,051,412
Claims and judgments payable		1,434,515
		2,491,512
Total Current Liabilities		2,491,512

Noncurrent Liabilities:

Claims and judgments payable		4,075,980
		4,075,980
Total Liabilities		6,567,492

NET DEFICIT

Unrestricted		(3,727,441)
		(3,727,441)
Total Net Deficit	\$	(3,727,441)

See notes to the financial statements.

CITY OF LONG BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
INTERNAL SERVICE FUND - RISK RETENTION FUND
Year Ended June 30, 2012

OPERATING REVENUES

**Premiums Charged for
Risk Retention:**

Judgment and claims	\$	624,209
Employee benefits - workers' compensation		2,204,153
		2,828,362
Total Operating Revenues		2,828,362

OPERATING EXPENSES

Administrative costs		239,016
Employee benefits - workers' compensation claims		1,560,244
Judgment and claims		(476,734)
		1,322,526
Total Operating Expenses		1,322,526

		1,505,836
--	--	-----------

NON-OPERATING REVENUES

Interest on investments		865
		865
Total Non-Operating Revenues		865

		1,506,701
--	--	-----------

		(5,234,142)
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	\$	(3,727,441)
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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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Revenue Collected:		
Receipts for interfund services provided	\$	2,708,540
Payments for Expenses:		
Payments to insurance carriers and claimants		(2,388,129)
Payments for other		<u>(244,294)</u>
		<u>76,117</u>
Net Cash Provided by Operating Activities		<u>76,117</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and earnings received		<u>865</u>
Net Cash Provided by Investing Activities		<u>865</u>

Net Change in Cash		76,982
Cash at Beginning of Year		<u>1,325,048</u>
Cash at End of Year	\$	<u><u>1,402,030</u></u>

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

Income from Operations	\$	1,505,836
Adjustments to reconcile operating income to net cash provided by operating activities:		
Due from other funds		(119,822)
Accounts payable		(5,278)
Due to other funds		(16,874)
Claims and judgments payable		<u>(1,287,745)</u>
Net Cash Provided by Operating Activities	\$	<u><u>76,117</u></u>

See notes to the financial statements.

CITY OF LONG BEACH
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2012

	Agency Fund	Pension Trust Fund
ASSETS		
Cash	\$ 774,531	
Investments in annuities, at fair value		\$ 1,282,803
Due from other funds	220,022	
Total Assets	\$ 994,553	\$ 1,282,803
 LIABILITIES		
Accounts payable	\$ 10,531	\$ -0-
Employee payroll deductions	150,297	
Due to other funds	755,804	
Other agency liabilities	77,921	
Total Liabilities	\$ 994,553	\$ -0-
 NET ASSETS		
Held in trust for pension benefits	\$ -0-	\$ 1,282,803

See notes to the financial statements.

CITY OF LONG BEACH
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUND - FIRE SERVICE AWARDS PROGRAM
Year Ended June 30, 2012

ADDITIONS:		
Earnings on Investments	\$	21,607
Net change in fair value of investments		<u>17,883</u>
Total Additions		<u>39,490</u>
 DEDUCTIONS:		
Pension benefits		<u>157,734</u>
Total Deductions		<u>157,734</u>
Change in Net Assets		(118,244)
Net Assets Held in Trust for Pension Benefits, Beginning of Year		<u>1,401,047</u>
Net Assets Held in Trust for Pension Benefits, End of Year	\$	<u><u>1,282,803</u></u>

See notes to the financial statements.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 as set forth in GASB Statement No. 14, as amended by GASB Statement No. 39.

The decision to include a potential component unit in the City's reporting entity is based on several criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, 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 assets 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, 2012

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. 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, 2012

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.

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 nonmajor fund:

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

Proprietary Fund – The Proprietary Fund is used to account for ongoing activities, which are similar to those often found in the private sector. Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets 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 non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets 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.

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.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. A 90 day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures generally are 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. 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 Capital Projects Fund, long-term debt is recognized as revenue upon receipt of the proceeds.

Proprietary funds distinguish between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services. The principal operating revenues consists of charges to other funds on a cost reimbursement basis. Operating expenses include judgment 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' governmental column, reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net assets and the change in net assets.

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 utilized the accrual basis of accounting for reporting its assets and liabilities.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR FUND EQUITY

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.

The City participates in a cooperative investment pool established pursuant to General Municipal Law. The sponsoring agency of the pool is another governmental unit, which acting through the fiscal officer, is primarily responsible for executing the provisions of the cooperative agreement. The pool is comprised of various U.S. Treasury obligations and repurchase agreements. The amount reported represents the amortized costs of the cooperative shares and is considered to approximate fair value. Additional information concerning the Cooperative is presented in the annual report of the Cooperative Liquid Assets Securities System ("CLASS"), which may be obtained from the MBIA Municipal Investors Service Corporation, 113 King Street, Armonk, New York 10504.

CLASS is rated AAA by Standard and Poor's. Local government investment cooperatives in this rating category meet the highest standards for credit quality, conservative investment policies and safety of principal. The cooperative invests in a high quality portfolio of investments legally permissible for municipalities in the State and is not required to be collateralized.

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.

Activity 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 from/to 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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR FUND EQUITY (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 system, street lighting, water mains and sewer system 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, compensated absences, claims and judgments, certain pension obligations, and other postemployment benefits are recognized in the statement of net assets. 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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR FUND EQUITY (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 ASSETS AND FUND EQUITY CLASSIFICATIONS

Net Assets

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

- a) **Invested in capital assets, net of related debt** – 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 net assets** – consists of net assets 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 net assets** – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Balance/Deficit

In accordance with Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Definitions*” (GASB 54), the classification of fund balance is based on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- 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 (b) 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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR FUND EQUITY (continued)

7. NET ASSETS AND FUND EQUITY 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.

When both restricted and unrestricted resources are available for use, it is the City's 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.

Property taxes receivable includes restored taxes from prior tax rolls received within 60 days of year end.

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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUE AND EXPENDITURES/EXPENSES (continued)

2. 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 non-current liability in the government-wide statements. The current year increase in the liability is based on the most recent actuarial valuation in accordance with parameters of GASB Statement No. 45.

3. 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. 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.

4. 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.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUE AND EXPENDITURES/EXPENSES (continued)

4. INTERFUND TRANSACTIONS (continued)

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.

5. 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.

H. NEW ACCOUNTING PRINCIPLES

The City has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. During the year ended June 30, 2012, the City adopted GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions and amendment of GASB Statement No. 53*.

Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions and amendment of GASB Statement No. 53*, clarifies whether an effective hedging relations continues after a replacement of a swap counterparty or swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This Statement had no effect on the City's financial statements.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.
- 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 and Community Development Block Grant Funds are budgeted on a project or grant basis.
- 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.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

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	Debt Service Fund	Capital Projects Fund	Non-major Funds	Total
Fund Balances (Deficits):							
Nonspendable:							
Long-term advances	\$ 6,164,488						\$ 6,164,488
Long-term receivables	242,864	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	242,864
Total Nonspendable	<u>6,407,352</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>6,407,352</u>
Restricted for:							
Capital projects					2,173,561		2,173,561
Debt service				1,085,879			1,085,879
Public safety	36,322						36,322
Grantor restrictions:							
Home and community						41,758	41,758
Total Restricted	<u>36,322</u>	<u>-0-</u>	<u>-0-</u>	<u>1,085,879</u>	<u>2,173,561</u>	<u>41,758</u>	<u>3,337,520</u>
Unassigned, reported in:							
General Fund	(12,182,070)						(12,182,070)
Special revenue funds		(642,498)	(1,971,988)				(2,614,486)
Total Unassigned	<u>(12,182,070)</u>	<u>(642,498)</u>	<u>(1,971,988)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(14,796,556)</u>
Total Fund Balances (Deficits)	<u>\$ (5,738,396)</u>	<u>\$ (642,498)</u>	<u>\$ (1,971,988)</u>	<u>\$ 1,085,879</u>	<u>\$ 2,173,561</u>	<u>\$ 41,758</u>	<u>\$ (5,051,684)</u>

DEFICIT FUND EQUITY

The General, Water and the Sewer Funds deficits of \$5,738,396, \$642,498 and \$1,971,988, respectively, at June 30, 2012, resulted from incurring unanticipated expenditures and revenue shortfalls. The City has requested that the New York State Legislature approve a deficit financing bill which would allow the City to issue bonds to restore fiscal balance to these funds. Additionally, the City is implementing the following: a \$1,875,000 General Fund surcharge to property taxes for the next three years, general property tax increase for the 2012-2013 year, various fee 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, and rate increases in the Water and Sewer funds.

The Internal Service Fund deficit of \$3,727,441, 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.

EXPENDITURES IN EXCESS OF APPROPRIATIONS

An excess of expenditures over appropriations in individual funds were as follows for the year ended June 30, 2012: General Fund \$466,340 and the Water Fund \$18,685.

The over expenditures in the General Fund were funded by the issuance of budgetary notes and the Water Fund's excess of expenditures was funded by temporary advances from the General Fund.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

C. PRIOR PERIOD ADJUSTMENTS

The City has recorded various prior-period adjustments in the Water, Sewer and Capital Funds, as summarized below.

	<u>Net Assets (Deficit)</u>	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Capital Projects</u>
Net asset /fund balance (deficit), as originally reported	\$ (3,365,111)	\$ 2,280,377	\$ (212,995)	\$ (929,039)	\$ 3,599,801
Adjustment for:					
Overstatement of receivables	(299,762)		(264,307)	(35,455)	
Understatement of grant receivable	153,482				153,482
Understatement of benefit assessment receivable	577,000				
Understatement of deferred revenue	(125,000)				(125,000)
Interest charged on interfund balances		118,738	(51,150)	(67,588)	
Overstatement of accrued liabilities	244,027				244,027
Net asset/fund balance (deficit), as restated	<u>\$ (2,815,364)</u>	<u>\$ 2,399,115</u>	<u>\$ (528,452)</u>	<u>\$ (1,032,082)</u>	<u>\$ 3,872,310</u>

3. 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, 2012, the City's cash and investments totaled \$6,379,346. This amount is inclusive of Fiduciary Fund deposits of \$774,531 and Internal Service Fund deposits of \$1,402,030 but exclusive of petty cash of \$7,628 and investment in CLASS of \$163,391. The bank balance was \$6,906,155. Of the bank balance, \$3,682,713 was covered by Federal deposit insurance, and \$3,223,442 was covered by collateral held by the City's agent, a third-party financial institution, in the City's name. The CLASS investment consists of U.S. Treasury obligations and is not subject to risk categorization.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

3. DETAIL NOTES ON ALL FUNDS (continued)

A. CASH (continued)

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, 2012, 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 public safety activities.

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	\$ 1,917,118	\$ 3,890,965	\$ 6,164,488	
Water Fund	609,781	261,427		\$ 2,277,790
Sewer Fund	660,970	172,721		3,886,698
Debt Service Fund	2,260,860	1,863,209		
Capital Projects Fund	1,073,928	26,343		
Non-Major Fund:				
Community Development Fund	301,746	460,565		
Business-type Funds:				
Internal Service Fund	<u>1,438,021</u>	<u>1,051,412</u>		
Subtotal governmental funds	8,262,424	7,726,642	6,164,488	6,164,488
Trust and Agency Funds	<u>220,022</u>	<u>755,804</u>		
Total	<u>\$ 8,482,446</u>	<u>\$ 8,482,446</u>	<u>\$ 6,164,488</u>	<u>\$ 6,164,488</u>

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

3. DETAIL NOTES ON ALL FUNDS (continued)

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

At June 30, 2012, 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	\$ 27,361	\$ 3,847,065
Water Fund	470	724,216
Sewer Fund		1,216,731
Debt Service Fund	5,790,075	
Capital Projects Fund		29,894
Total	<u>\$ 5,817,906</u>	<u>\$ 5,817,906</u>

C. BENEFIT ASSESSMENT RECEIVABLE

The amounts due for benefit assessments 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>
2013	\$ 226,800	\$ 70,241	\$ 297,041
2014	113,400	23,639	137,039
2015	113,400	15,984	129,384
2016	123,400	8,330	131,730
Total	<u>\$ 577,000</u>	<u>\$ 118,193</u>	<u>\$ 695,193</u>

The receivable balance recorded in the financial statements of \$596,474 includes the total of principal installments due as well as the amount of interest due during the year ended June 30, 2012.

The installment due in 2013, as noted above, includes the past due amounts for 2012 as well as the scheduled 2013 payments.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

3. DETAIL NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS

A summary of changes within the governmental activities capital assets for the year ended June 30, 2012 is as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,135,210			\$ 4,135,210
Construction-in-progress	13,318,845	\$ 2,254,211	\$ 11,012,864	4,560,192
Total capital assets not being depreciated	<u>17,454,055</u>	<u>2,254,211</u>	<u>11,012,864</u>	<u>8,695,402</u>
Depreciable capital assets:				
Buildings	16,019,322			16,019,322
Machinery and equipment	24,764,514	162,393		24,926,907
Infrastructure	116,911,376	11,012,864		127,924,240
Total depreciable capital assets	<u>157,695,212</u>	<u>11,175,257</u>	<u>-0-</u>	<u>168,870,469</u>
Less accumulated depreciation:				
Buildings	10,617,178	379,626		10,996,804
Machinery and equipment	18,130,788	2,318,920		20,449,708
Infrastructure	62,414,282	4,234,661		66,648,943
Total accumulated depreciation	<u>\$ 91,162,248</u>	<u>\$ 6,933,207</u>	<u>\$ -0-</u>	<u>98,095,455</u>
Total net depreciable capital assets				<u>70,775,014</u>
Total net capital assets				<u>\$ 79,470,416</u>
Depreciation expense was charged to governmental functions as follows:				
General government support		\$ 1,226,651		
Public safety		2,284,510		
Transportation		826,764		
Economic assistance and opportunity		14,482		
Culture and recreation		912,386		
Home and community services		1,668,414		
Total governmental activities depreciation expense		<u>\$ 6,933,207</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. There has been no such impairment losses recorded during the year ended June 30, 2012. However, subsequent to year end, Hurricane 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, including its capital assets. See Note 5, Subsequent Events for additional information.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

3. 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. Revenue anticipation notes are used as a temporary means of funding timing differences between revenues and expenditures and the City used the proceeds to finance its cash flow needs. The revenue anticipation notes bear interest at 4.15% and mature in April 2013, however the notes are subject to redemption prior to maturity on or after October 19, 2012. In accordance with New York State Local Finance Law section 25 and the terms of bond indenture, the City is required to set a-side the pledged revenue as received. As of June 30, 2012, the City has set a-side \$0- for the express purpose of debt repayment.

Tax Anticipation Note- During December 2011 the City issued \$1,750,000 of tax anticipation notes. The notes were issued to finance the cash flow needs of the City. The tax anticipation notes bear interest at 0.63% and matured in August 2012.

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

LONG-TERM DEBT

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	\$ 2,261,000	2020	4.270 -5.220%	\$ 1,335,000
Public Improvements	6,250,000	2012	6.200%	25,000
Refunding	4,990,000	2013	5.300%	225,000
Public Improvements Series A	2,654,000	2019	4.700-4.750%	1,035,000
Public Improvements Series B	3,135,523	2017	4.700%	1,355,000
Public Improvements	9,300,000	2024	4.000-4.125%	7,065,000
Refunding	22,585,000	2020	2.750-5.000%	10,500,000
Public Improvements	5,575,000	2022	4.000%	4,300,000
Public Improvements	4,650,000	2020	3.250-3.500%	3,565,000
Public Improvements	16,045,000	2030	3.500-4.000%	14,980,000
			Total Governmental Activities	<u>\$ 44,385,000</u>

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

3. 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>
2013	\$ 4,013,000	\$ 1,690,933	\$ 5,703,933
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 - 2022	14,538,000	33,896,329	48,434,329
2023 - 2027	6,685,000	1,360,654	8,045,654
2028-2030	3,290,000	266,600	3,556,600
Total	<u>\$ 44,385,000</u>	<u>\$ 42,469,758</u>	<u>\$ 86,854,758</u>

Capital Leases

The City entered into lease agreements to finance the acquisition of various equipment. The agreements are, in substance purchases (capital leases) and are to be reported as capital lease obligations. The various agreements expire between June 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, 2012, the principal balance outstanding was \$1,636,386.

The following schedule presents future minimum lease payments as of June 30, 2012:

<u>Years ending June 30,</u>	
2013	\$ 542,917
2014	342,757
2015	207,528
2016	198,184
2017	156,505
2018 - 2022	<u>469,515</u>
Future minimum payments	1,917,406
Less: interest	<u>(281,020)</u>
Present value of future minimum payments	<u>\$ 1,636,386</u>

Included in capital assets are various equipment financed under a capital lease with a cost of \$2,883,042 and accumulated depreciation of \$1,011,921.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

3. 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, 2012 is as follows:

	Balance July 1, 2011	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2012	Noncurrent liabilities due within one year	Noncurrent liabilities
Governmental Activities:						
Bonds payable	\$ 48,323,000	\$ -0-	\$ 3,938,000	\$ 44,385,000	\$ 4,013,000	\$ 40,372,000
Less: deferred amounts on refunding	(323,374)		(35,930)	(287,444)	(35,930)	(251,514)
Total bonds payable	47,999,626	-0-	3,902,070	44,097,556	3,977,070	40,120,486
Capital leases	2,084,078		447,692	1,636,386	468,686	1,167,700
Retirement incentives and other						
pension obligations	1,778,545	798,440	394,940	2,182,045	423,486	1,758,559
Compensated absences	23,265,109	5,826,678	2,652,645	26,439,142	1,321,957	25,117,185
Claims and judgments	6,798,240	(46,581)	1,241,164	5,510,495	1,434,513	4,075,982
Tax certioraris payable	442,521	966,219	804,112	604,628	604,628	-
Other postemployment benefits	12,064,420	9,688,462	3,106,220	18,646,662	-0-	18,646,662
Total non-current liabilities	<u>\$ 94,432,539</u>	<u>\$ 17,233,218</u>	<u>\$ 12,548,843</u>	<u>\$ 99,116,914</u>	<u>\$ 8,230,340</u>	<u>\$ 90,886,574</u>

The liabilities for general obligation bonds payable, capital leases, retirement incentive and other pension obligations, compensated absences, other postemployment benefits payable and 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. There 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, 2012

3. 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
2012	\$	2,006,382	\$	2,700,568
2011		2,083,844		2,352,530
2010		1,412,613		1,714,960

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, 2012, the outstanding amounts owed to the System totaled \$478,536 (\$194,188 related to ERS and \$284,347 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, 2012, the outstanding amounts owed to the System totaled \$255,743 (\$39,563 related to ERS and \$216,180 related to PFRS).

In 2010, 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, 2012, the amount due to the System related to this deferral is \$649,366 (all related to ERS).

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

3. DETAIL NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Retirement Incentives and Other Pension Obligations (continued)

In 2011, 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 3.75%. At June 30, 2012, the amount due to the System related to this deferral is \$798,440 (\$585,547 relates to ERS and \$212,893 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	
2013	\$ 265,285	\$ 82,343	\$ 158,201	\$ 33,014	\$ 538,843
2014	281,600	66,029	165,991	25,322	538,942
2015	298,901	48,728	174,058	17,256	538,943
2016	246,068	30,254	78,105	8,795	363,222
2017	57,167	14,130	20,794	5,140	97,231
2018-2022	319,644	35,722	116,271	13,401	485,038
Total	\$ 1,468,665	\$ 277,206	\$ 713,420	\$ 102,928	\$ 2,562,219

G. OTHER POSTEMPLOYMENT BENEFITS

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 who 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, 2012

3. DETAIL NOTES ON ALL FUNDS (continued)

G. OTHER POSTEMPLOYMENT BENEFITS (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, 2011, the effective date of the most recent OPEB 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. GASB Statement No. 45 does not require that the unfunded liability be funded; 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, 2012, the City's annual other postemployment benefits cost (expense) was \$9,688,462. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$3,106,220 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$6,582,242 for the year ended June 30, 2012.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

3. DETAIL NOTES ON ALL FUNDS (continued)

G. OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual Other Postemployment Benefit Cost and Net Obligation (continued)

Benefit Obligations and Normal Cost

Actuarial Accrued Liability (AAL)	
Active employees	\$ 48,881,092
Retired employees	<u>59,195,942</u>
Total Actuarial Accrued Liability (AAL)	108,077,034
Actuarial value of plan assets	<u>-0-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 108,077,034</u>
Funded Ratio	0.00%
Normal cost at the beginning of the year	\$ 3,552,354
Amortization cost at the beginning of the year	\$ 6,363,923
Annual covered payroll	\$ 27,365,670
UAAL as a percentage of covered payroll	394.94%

The City's annual other postemployment benefit cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. 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, 2012 amounted to \$108,077,034.

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	\$ 3,552,354
Amortization of unfunded actuarial liability (UAAL) over 30 years	<u>6,363,923</u>
Annual required contribution (ARC)	9,916,277
Interest on net OPEB obligation	482,577
Adjustment to ARC	<u>(710,392)</u>
OPEB Cost	9,688,462
Less: Contribution for year ended June 30, 2012	<u>3,106,220</u>
Increase in other postemployment benefits liability	6,582,242
Other postemployment benefits liability at June 30, 2011	<u>12,064,420</u>
Other postemployment benefits liability at June 30, 2012	<u>\$ 18,646,662</u>
Percent of annual OPEB cost contributed	32.06%

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

3. DETAIL NOTES ON ALL FUNDS (continued)

G. OTHER POSTEMPLOYMENT BENEFITS (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
2012	\$ 9,688,462	\$ 3,106,220	32.06%	\$ 18,646,662
2011	6,174,735	2,415,764	39.12%	12,064,420
2010	6,056,459	2,329,977	38.47%	7,659,189

The funded status of the plan as of June 30, 2012 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, 2011	\$ 108,077,034	\$ -0-	\$ 108,077,034	0.00%	\$ 27,365,670	394.94%

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.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

3. DETAIL NOTES ON ALL FUNDS (continued)

G. OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions (continued)

In the July 1, 2011 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, 2012, the remaining closed amortization period was 25 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, 2011 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'.

Mortality assumptions are used to project the expected number of employees who will be receiving benefits each year in the future. In 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. 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 Assets. 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, 2012, the value of the City's accumulated vacation time and sick leave for governmental activities was \$26,439,142.

4. 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.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

A. RISK RETENTION (continued)

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 207A, 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 \$2,628,896 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, 2012 and 2011 is as follows:

	Workers' Compensation		General Liability	
	2012	2011	2012	2011
Unpaid claims as of July 1,	\$ 4,372,362	\$ 2,556,221	\$ 2,425,878	\$ 1,887,725
Incurring Claims including IBNR		3,298,431	440,450	1,149,911
Changes to prior years estimates	(181,752)		(917,184)	
Payments of claims	(738,830)	(1,482,290)	(481,194)	(611,758)
Unpaid Claims as of June 30,	<u>\$ 3,451,780</u>	<u>\$ 4,372,362</u>	<u>\$ 1,467,950</u>	<u>\$ 2,425,878</u>

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 \$804,112 for the year ended June 30, 2012.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

C. CONSTRUCTION AND OTHER CAPITAL ACQUISITION COMMITMENTS

Construction in progress commitments for equipment purchases and other capital acquisition commitments amounting to \$1,204,257 are recorded as encumbrances in the Capital Projects 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, 2012, 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. 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. The City cannot determine with any degree of certainty any liabilities that may be associated with this case.

E. OTHER

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, 2012. 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, 2011.

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.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

F. LENGTH OF SERVICE AWARD PROGRAM (continued)

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.

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 Councils 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 March 2011.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

F. LENGTH OF SERVICE AWARD PROGRAM (continued)

As of January 1, 2011, the date of the most recent actuarial valuation:

Funded Status of the Plan:

Actuarial present value of benefits	\$	1,524,352
Less: Assets available for benefits		1,319,630
Total unfunded benefits		204,722
Less: Unfunded liability for separately amortized costs		-
Unfunded normal benefits	\$	204,722
 <u>Assets Available for Benefits</u>		
Genworth fixed annuity	\$	665,815
Standard Security fixed annuity		653,815
Plan assets available for benefits, at December 31, 2011 the Plan's year end applicable to actuarial valuation date	\$	1,319,630
Plan assets available for benefits, at June 30, 2012, the City's fiscal year end	\$	1,282,803

Contributions

The amount of the City's contribution recommended by the actuary for the Plan year ended December 31, 2011 was:

Recommended Contribution Range:

	10 year amortization	12 year amortization
Normal cost	\$ 61,547	\$ 61,547
Unfunded liability amortization payment	-	-
Post-entitlement age liability amortization payment	25,497	17,577
Annual Required Contribution	\$ 87,044	\$ 79,124

Current membership in the Plan is comprised of the following at December 31, 2011:

Retirees and beneficiaries receiving benefits	3
Terminated members entitled to but not yet receiving benefits	10
Active:	
Non-vested	56
Vested	82

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%.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

F. LENGTH OF SERVICE AWARD PROGRAM (continued)

Funding Methodology and Actuarial Assumptions (continued)

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

Actuarial Valuation Date January 1,	Annual Required Contribution	Annual Contribution	Percentage of Annual Program Cost Contributed	Net Pension Obligation	Increase (Decrease) in Net Pension Obligation
2011	\$ 79,124	\$ -0-	0.00%	\$ 79,124	\$ 79,124
2010	53,003	90,000	169.80%	-0-	-0-
2009	53,572	90,000	168.00%	-0-	-0-

The funded status of the plan as of January 1, 2011, the date of the most recent actuarial valuation is as follows:

Actuarial Valuation Date January 1,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
2011	\$ 1,319,630	\$ 1,524,352	\$ 204,722	86.57%

5. SUBSEQUENT EVENTS

A. DEBT ISSUANCES

During July 2012, the City issued \$5 million of tax anticipation notes to finance estimated cash flow deficits. The notes bear interest at 3.4% and matured in March 2013.

During December 2012, the City issued bond anticipation notes in the amount of \$9,060,000 for the financing of various public improvements and employee termination payments. The notes bear interest at 3% and matures in December 2013.

B. NATURAL DISASTER/HURRICANE SANDY

On October, 27, 2012, Hurricane Sandy, a Category 1 post-tropical cyclone, struck the southern Atlantic coast of Nassau County, New York and caused destruction across the City and various states, particularly New York and New Jersey. Hurricane Sandy's impact on land during high tide, together with the tidal surges and strong winds caused unprecedented flooding levels leaving much of the City underwater. Approximately fifty percent of the City's residents left under mandatory evacuation orders. As a result of a direct impact of the hurricane, the City suffered widespread physical damage to buildings, infrastructure and equipment. The City has also has incurred significant 'clean-up' costs including costs associated with debris removal. Although the full extent of the damage caused by Hurricane 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.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

5. SUBSEQUENT EVENTS (continued)

B. NATURAL DISASTER/HURRICANE SANDY (continued)

The City had purchased commercial insurance to cover its risk of loss from destruction of assets and has received a \$10 million dollar advance. Additionally, on October 30, 2012, the President of the United States declared Hurricane Sandy a major disaster which thereby allows the Federal Emergency Management Agency ("FEMA") to assist with coordinating a response, providing expertise in rebuilding efforts and provides financial assistance related to the clean-up and restoration costs. Certain expenses relating to debris removal, emergency protective measures, repairs and reconstruction of roads, utility systems and governmental buildings, and restoration of parks are eligible for financial assistance from FEMA. The City expects to receive at least 75% of eligible costs from FEMA. New York State is expected to match up to the remaining 25% local share of the eligible costs. The City has received \$24.3 million advance from FEMA to assist the City in recovering from the effects of Hurricane Sandy and the City has established a FEMA Fund to separately account for the FEMA grants received.

6. 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, 2013:

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, establishes measurement, recognition and disclosure requirements for service concession arrangements. A service concession arrangement is an arrangement between a transferor (government) and an operator (government or non-government) in which the transferor conveys to an operator the right and related obligation to provide services or another public asset through the use of infrastructure in exchange for significant consideration and the operator collects and is compensated by fees from third parties.

Statement 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.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

6. NEW PRONOUNCEMENTS (continued)

The Statement also supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. Those entities who chose to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements can continue to apply those pronouncements as other accounting literature.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial and reporting guidance for deferred outflows of resources, which is a consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources which is an acquisition of net assets by the government that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. This Statement also amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

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

REQUIRED SUPPLEMENTARY INFORMATION
Other than Management 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, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Real Property Taxes				
Real Property Taxes	\$ 28,675,907	\$ 28,675,907	\$ 28,298,601	\$ (377,306)
Total Real Property Taxes	\$ 28,675,907	\$ 28,675,907	\$ 28,298,601	\$ (377,306)
Other Real Property Tax Items				
Hospital bulkhead assessment	152,348	152,348	19,474	(132,874)
Payment in lieu of taxes	115,000	115,000	120,904	5,904
Interest and penalties on real property tax	112,406	112,406	461,096	348,690
Total Other Real Property Tax Items	379,754	379,754	601,474	221,720
Non-Property Tax Items				
Non-property tax distribution from County	3,290,000	3,290,000	2,719,642	(570,358)
Utilities gross receipts tax	1,750,000	1,750,000	787,025	(962,975)
Hotel occupancy tax	175,000	175,000	-0-	(175,000)
Franchise fees	600,000	600,000	738,887	138,887
Total Non-Property Tax Items	5,815,000	5,815,000	4,245,554	(1,569,446)
Departmental Income				
Civil service charges	115,000	115,000	26,717	(88,283)
Clerk fees	100,500	100,500	81,498	(19,002)
Other general fees	7,350	7,350	11,596	4,246
Emergency tenant protection act fees	9,100	9,100	7,764	(1,336)
Police fees	310,000	310,000	88,109	(221,891)
Fire and automatic alarm fees	115,000	115,000	116,250	1,250
Clean lots and secure buildings	10,000	10,000	9,993	(7)
Sidewalk and curb charges	10,000	10,000	3,150	(6,850)
Recreation fees	1,255,000	1,255,000	1,121,273	(133,727)
Ambulances charges	1,100,000	1,100,000	882,002	(217,998)
Data processing fees	-0-	-0-	800	800
Parking, meters and gate access fees	144,000	144,000	128,798	(15,202)
Bus passenger fees	500,000	500,000	416,645	(83,355)
Beach charges	3,621,145	3,621,145	3,955,179	334,034
Long Beach arena fees	690,000	690,000	636,978	(53,022)
Youth services	1,670,550	1,670,550	1,547,509	(123,041)
Community Center activities	8,000	8,000	10,306	2,306
Zoning and planning board	19,000	19,000	16,819	(2,181)
Memorial Garden fees	2,500	2,500	2,666	166
Resource conservation fees	-0-	-0-	658	658
Transportation advertising fees	50,000	50,000	74,287	24,287
Banner advertising fees	5,500	5,500	13,237	7,737
Surf and water safety fees	6,000	6,000	2,500	(3,500)
Handicapped parking education	3,600	3,600	3,585	(15)
Vending machine	6,200	6,200	5,671	(529)
Refuse and garbage charges	7,854,711	7,854,711	7,671,590	(183,121)
Commercial sanitation fees	915,000	915,000	423,592	(491,408)
Total Departmental Income	18,528,156	18,528,156	17,259,172	(1,268,984)

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES (continued)				
Intergovernmental Charges				
Fire protection and dispatching services	214,318	214,318	212,911	(1,407)
Public safety - hospital	12,200	12,200	-0-	(12,200)
Health and inspection services - Nassau County	417,000	417,000	370,924	(46,076)
Transit services - Nassau County	75,000	75,000	75,000	-0-
Gasoline and fuel charges	8,800	8,800	11,754	2,954
Telephone charges - City Court	20,000	20,000	8,380	(11,620)
Housing inspections	65,000	65,000	65,000	-0-
Total Intergovernmental Charges	<u>812,318</u>	<u>812,318</u>	<u>743,969</u>	<u>(68,349)</u>
Use of Money and Property				
Interest earnings	40,000	40,000	31,268	(8,732)
Interest earnings - interfund balances			131,821	131,821
Rental of real property	493,674	493,674	377,736	(115,938)
Interest and penalties	7,400	7,400	5,050	(2,350)
Total Use of Money and Property	<u>541,074</u>	<u>541,074</u>	<u>545,875</u>	<u>4,801</u>
Licenses and Permits				
Business and occupational licenses	648,500	648,500	816,408	167,908
Street opening permits	50,000	50,000	34,920	(15,080)
Plumbing permits	66,000	66,000	59,257	(6,743)
Dog licenses	-0-	-0-	4,314	4,314
Marriage licenses	3,300	3,300	3,368	68
Other	175,000	175,000	222,752	47,752
Total Licenses and Permits	<u>942,800</u>	<u>942,800</u>	<u>1,141,019</u>	<u>198,219</u>
Fines and Forfeitures				
Fines and forfeited bail	1,202,000	1,202,000	574,055	(627,945)
Seized property and unclaimed property	-0-	-0-	3,094	3,094
Court fees	300,000	300,000	369,028	69,028
Total Fines and Forfeitures	<u>1,502,000</u>	<u>1,502,000</u>	<u>946,177</u>	<u>(555,823)</u>
Sales of Property and Compensation for Loss				
Insurance recoveries	107,000	127,773	404,772	276,999
Sale of equipment	27,000	27,000	21,937	(5,063)
Sale of real property	150,000	150,000	-0-	(150,000)
Minor sales	18,750	18,750	41,360	22,610
Other compensation for loss	15,000	15,000	10,861	(4,139)
Total Sale of Property and Compensation for Loss	<u>317,750</u>	<u>338,523</u>	<u>478,930</u>	<u>140,407</u>
Miscellaneous Local Sources				
Refund of prior year's expenditures	4,500	4,500	5,200	700
Gifts and donations	68,750	68,750	53,804	(14,946)
Employee health insurance contributions	95,000	95,000	140,021	45,021
Other	407,338	407,338	12,440	(394,898)
Total Miscellaneous Local Sources	<u>575,588</u>	<u>575,588</u>	<u>211,465</u>	<u>(364,123)</u>

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES (continued)				
State and Local Aid				
Per capita	3,152,704	3,152,704	3,152,704	-0-
Mortgage tax	1,500,000	1,500,000	563,859	(936,141)
Court facilities aid	100,000	100,000	100,837	837
Public safety grants	28,250	28,250	38,108	9,858
Seat belt program	12,000	12,000	6,120	(5,880)
Bus operations	645,000	645,000	662,354	17,354
CHIPs grant	350,000	350,000	-0-	(350,000)
Emergency management assistance	-0-	-0-	491,929	491,929
Youth, elderly and out of school program	18,800	18,800	4,218	(14,582)
Other	275,000	275,000	-0-	(275,000)
Total State and Local Aid	<u>6,081,754</u>	<u>6,081,754</u>	<u>5,020,129</u>	<u>(1,061,625)</u>
Federal Aid				
Emergency management assistance	150,000	204,000	1,536,304	1,332,304
Mass transit	2,000	2,000	15,906	13,906
Transit preventative maintenance	-0-	-0-	5,978	5,978
Transportation improvement program	868,000	868,000	-0-	(868,000)
Justice assistance grant	-0-	-0-	32,361	32,361
Federal aid project 21	31,445	31,445	-0-	(31,445)
Total Federal Aid	<u>1,051,445</u>	<u>1,105,445</u>	<u>1,590,549</u>	<u>485,104</u>
Total Revenues	<u>\$ 65,223,546</u>	<u>\$ 65,298,319</u>	<u>\$ 61,082,914</u>	<u>\$ (4,215,405)</u>

CITY OF LONG BEACH
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>EXPENDITURES</u>				
General Government Support				
City council	\$ 103,909	\$ 104,414	\$ 103,540	\$ 874
Traffic violation bureau	44,800	55,866	103,936	(48,070)
City manager	325,076	326,424	309,208	17,216
City comptroller	617,385	613,805	561,326	52,479
Tax receiver	144,500	144,700	141,784	2,916
Purchasing	94,015	93,876	102,852	(8,976)
Tax assessor	197,595	197,875	165,074	32,801
Credit card fees	20,000	20,000	21,007	(1,007)
Fiscal agent fees	10,000	18,120	18,690	(570)
City Clerk	252,455	254,708	198,334	56,374
Legal counsel	970,751	1,147,170	1,111,406	35,764
Civil service	364,243	297,726	284,287	13,439
Buildings	373,501	373,319	333,166	40,153
Public works	824,068	782,397	657,910	124,487
Municipal building	885,524	859,470	871,173	(11,703)
Central garage	1,838,569	2,200,978	2,054,446	146,532
Central administration services	352,555	353,383	360,419	(7,036)
Central data processing	665,534	514,682	480,402	34,280
Other expenditures	132,435	123,243	113,224	10,019
Unallocated insurance	512,190	512,190	476,628	35,562
Refunds of real property taxes	670,000	670,650	824,762	(154,112)
Metropolitan commuter transportation mobility tax	-0-	-0-	131,521	(131,521)
Termination payments	617,589	3,144,057	2,625,618	518,439
Self insurance	501,279	501,279	624,209	(122,930)
Contingency	800,000	485,225	0	485,225
Total General Government Support	11,317,973	13,795,557	12,674,922	1,120,635
Education				
Community college chargeback	99,384	99,384	44,782	54,602
College reimbursements	5,000	5,000	3,000	2,000
Other education - D.A.R.E.	8,000	8,000	-0-	8,000
Total Education	112,384	112,384	47,782	64,602
Public Safety				
Police department	11,373,893	11,388,978	11,796,451	(407,473)
Fire department	3,417,761	3,478,809	3,952,432	(473,623)
Traffic patrol	132,000	135,000	111,000	24,000
Auxiliary police	36,787	36,887	17,508	19,379
Total Public Safety	14,960,441	15,039,674	15,877,391	(837,717)

CITY OF LONG BEACH
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
EXPENDITURES (continued)				
Transportation				
Bus Transportation	1,508,804	1,524,643	1,558,852	(34,209)
Street Lighting	235,000	235,000	285,416	(50,416)
Other transportation	17,000	17,000	3,300	13,700
Total Transportation	1,760,804	1,776,643	1,847,568	(70,925)
Economic Assistance and Opportunity				
Publicity	160,694	162,459	137,185	25,274
Total Economic Assistance and Opportunity	160,694	162,459	137,185	25,274
Culture and Recreation				
Recreation	2,514,157	2,456,683	3,203,242	(746,559)
Lifeguards	1,529,610	1,529,610	1,679,084	(149,474)
Beach park	538,250	540,274	565,081	(24,807)
Youth and family services	942,057	941,255	737,273	203,982
MLK childcare center	619,887	626,368	618,116	8,252
Magnolia community center	317,129	322,035	255,472	66,563
Celebrations	182,100	194,729	154,281	40,448
Veterans memorial	5,000	5,000	4,042	958
Performing arts	44,000	38,576	28,804	9,772
Recreation program for the aging	18,000	19,160	2,560	16,600
Total Culture and Recreation	6,710,190	6,673,690	7,247,955	(574,265)
Home and Community Services				
Zoning	72,169	72,169	70,264	1,905
Sanitation	4,820,438	4,718,714	4,504,247	214,467
Street maintenance	1,980,071	1,938,875	1,919,672	19,203
Beach maintenance	2,036,581	2,149,365	2,369,683	(220,318)
Shade trees	39,000	39,000	35,953	3,047
Conservation recycling	60,500	60,500	41,356	19,144
Emergency tenants protection act	9,000	9,000	6,470	2,530
Community development	-	131,590	131,590	-
Other	13,000	13,000	11,746	1,254
Total Home and Community Services	9,030,759	9,132,213	9,090,981	41,232
Employee Benefits				
State retirement	2,300,000	2,300,000	1,913,160	386,840
Police and fire retirement	2,873,846	2,873,846	2,790,045	83,801
Fire service award program	90,000	90,000	90,000	-
Social security	2,400,000	2,400,000	2,435,604	(35,604)
Life insurance	138,000	138,000	99,943	38,057
Unemployment insurance	65,000	65,000	115,829	(50,829)
Disability	10,000	10,000	4,779	5,221
Hospital and medical insurance	8,338,000	8,338,000	8,779,029	(441,029)
Firefighters' supplemental benefit- self insurance charge	219,178	264,167	265,493	(1,326)
Workers' compensation - self insurance charge	1,094,704	1,094,704	1,313,660	(218,956)
Other	200,000	200,000	146,332	53,668
Total Employee Benefits	17,728,728	17,773,717	17,953,874	(180,157)

CITY OF LONG BEACH
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
EXPENDITURES (continued)				
Debt Service				
Principal - capital lease	434,027	434,027	431,671	2,356
Interest - capital lease	91,147	91,147	92,522	(1,375)
Bond issuance costs	-0-	-0-	56,000	(56,000)
	<hr/>			
Total Debt Service	525,174	525,174	580,193	(55,019)
	<hr/>			
Total Expenditures	62,307,147	64,991,511	65,457,851	(466,340)
	<hr/>			
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,916,399	306,808	(4,374,937)	(4,681,745)
	<hr/>			
Other Financing Sources (Uses)				
Premium on short term notes issued	-0-	-0-	57,130	57,130
Transfers in	-0-	-0-	27,361	27,361
Transfers out	(3,849,128)	(3,849,128)	(3,847,065)	2,063
	<hr/>			
Total Other Financing Uses	(3,849,128)	(3,849,128)	(3,762,574)	86,554
	<hr/>			
Net Change in Fund Balance	\$ (932,729)	\$ (3,542,320)	\$ (8,137,511)	\$ (4,595,191)
	<hr/>			
Fund Balance at Beginning of Year - as restated			2,399,115	
	<hr/>			
Fund Deficit at End of Year			\$ (5,738,396)	
	<hr/>			

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
WATER FUND
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Departmental Income	\$ 4,356,537	\$ 4,356,537	\$ 3,925,497	\$ (431,040)
Licenses and Permits	2,500	2,500	31,550	29,050
Sales of Property and Compensation for Loss	7,500	7,500	9,514	2,014
Miscellaneous Local Sources	-0-	-0-	37	37
Total Revenues	<u>4,366,537</u>	<u>4,366,537</u>	<u>3,966,598</u>	<u>(399,939)</u>
EXPENDITURES				
Current:				
General government support	271,868	147,434	147,434	-0-
Home and community services	2,711,666	2,498,550	2,517,235	(18,685)
Employee benefits	640,100	673,542	673,542	-0-
Debt service:				
Principal - capital lease	16,021	16,021	16,021	-0-
Interest - capital lease	2,666	2,666	2,666	-0-
Total Expenditures	<u>3,642,321</u>	<u>3,338,213</u>	<u>3,356,898</u>	<u>(18,685)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>724,216</u>	<u>1,028,324</u>	<u>609,700</u>	<u>(418,624)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-0-	-0-	470	470
Transfers out	(724,216)	(724,216)	(724,216)	-0-
Total Other Financing Sources (Uses)	<u>(724,216)</u>	<u>(724,216)</u>	<u>(723,746)</u>	<u>470</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 304,108</u>	<u>(114,046)</u>	<u>\$ (418,154)</u>
Fund Deficit at Beginning of Year, as restated			<u>(528,452)</u>	
Fund Deficit at End of Year			<u>\$ (642,498)</u>	

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SEWER FUND
Year Ended June 30, 2012

	Budgeted Amounts			Variance
REVENUES	Original	Final	Actual	Positive (Negative)
Departmental Income	\$ 4,563,074	\$ 4,563,074	\$ 3,786,109	\$ (776,965)
Intergovernmental Charges	550,000	550,000	443,863	(106,137)
Use of Money and Property	30,000	30,000	18,232	(11,768)
Licenses and Permits	4,000	4,000	16,250	12,250
Total Revenues	5,147,074	5,147,074	4,264,454	(882,620)
 EXPENDITURES				
Current:				
General government support	211,405	208,405	164,234	44,171
Home and community services	3,083,238	3,099,361	3,114,472	(15,111)
Employee benefits	635,700	635,700	708,923	(73,223)
Total Expenditures	3,930,343	3,943,466	3,987,629	(44,163)
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 1,216,731	 1,203,608	 276,825	 (926,783)
 OTHER FINANCING SOURCES (USES)				
Transfers out	(1,216,731)	(1,216,731)	(1,216,731)	-0-
Total Other Financing Sources (Uses)	(1,216,731)	(1,216,731)	(1,216,731)	-0-
 Net Change in Fund Balances	 \$ -	 \$ (13,123)	 (939,906)	 \$ (926,783)
 Fund Deficit at Beginning of Year, as restated			 (1,032,082)	
 Fund Deficit at End of Year			 \$ (1,971,988)	

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Use of Money and Property	\$ 17,000	\$ 17,000	\$ 121	\$ (16,879)
Total Revenues	<u>17,000</u>	<u>17,000</u>	<u>121</u>	<u>(16,879)</u>
EXPENDITURES				
Debt Service:				
Principal:				
Principal - serial bonds	3,938,000	3,938,000	3,938,000	-0-
Interest - serial bonds	1,852,075	1,852,075	1,852,075	-0-
Total Expenditures	<u>5,790,075</u>	<u>5,790,075</u>	<u>5,790,075</u>	<u>-0-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,773,075)</u>	<u>(5,773,075)</u>	<u>(5,789,954)</u>	<u>(16,879)</u>
OTHER FINANCING SOURCES				
Transfers in	5,790,075	5,790,075	5,790,075	-0-
Total Other Financing Sources	<u>5,790,075</u>	<u>5,790,075</u>	<u>5,790,075</u>	<u>-0-</u>
Net Change in Fund Balances	<u>\$ 17,000</u>	<u>\$ 17,000</u>	121	<u>\$ (16,879)</u>
Fund Balance at Beginning of Year			<u>1,085,758</u>	
Fund Balance at End of Year			<u>\$ 1,085,879</u>	

CITY OF LONG BEACH
SCHEDULE OF FUNDING PROGRESS
FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
June 30, 2012

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
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%
2009	-0-	68,550,284	68,550,284	0.00%	30,900,000	221.85%