COMPREHENSIVE

ANNUAL FINANCIAL REPORT

OF THE LONG BEACH WATER DEPARTMENT

A Department of the City of Long Beach, California

For The Fiscal Year Ended
September 30, 2019

Long Beach Water

Long Beach Water

Exceptional Water • Exceptional Service

Long Beach Water Department

1800 East Wardlow Road
Long Beach, CA 90807
http://www.lbwater.org

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE LONG BEACH WATER DEPARTMENT

(A Department of the City of Long Beach, California)

For the Fiscal Year Ended
SEPTEMBER 30, 2019

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Prepared by the Finance Division
of the
Business Bureau

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INTRODUCTORY SECTION

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Comprehensive Annual Financial Report

of the

Long Beach Water Department
(A Department of the City of Long Beach, California)

For the Fiscal Year Ended September 30, 2019

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DATE March 31, 2020

TO Board of Water Commissioners

FROM B. Anatole Falagan, Assistant General Manager

SUBJECT Approval of Comprehensive Annual Financial Report for the fiscal years ended September 30, 2019

Management is pleased to present the Comprehensive Annual Financial Report (CAFR) of the Long Beach Water Department (Department), for the fiscal year ended September 30, 2019. The Department's financial statements are also included in the City of Long Beach (the City) Financial Statements as enterprise funds (Water Fund and Sewer Fund).

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The accompanying financial statements have been audited by KPMG LLP, an independent certified public accounting firm. KPMG LLP has issued an unmodified ("clean") opinion on the Department's financial statements for the fiscal year ended September 30, 2019. The independent auditors' report is located at the front of the financial section of this report.

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

THE REPORTING ENTITY

During the early years of the 20th Century, Long Beach began establishing itself as an up-and-coming area that seemed destined to someday become a large city. In order to sustain the expected growth that would occur in future years, it was critical that the City identify and secure a reliable source of water. In recognizing the importance of this, on June 27, 1911, Long Beach voters approved an $850,000 bond issuance to purchase two private water companies that had been providing water supplies to the Long Beach population. Three days later, on June 30, 1911, the Long Beach city council approved an emergency ordinance creating the Long Beach Water Department, thereby giving the City its own municipal water agency that would regulate and control the use, sale and distribution of water owned or controlled by the City.

Twenty years later, in 1931, two additional significant milestones came to pass for the Department. The first was the creation of the Long Beach Board of Water Commissioners (Board), which governs the Department and is comprised of five members appointed by the Mayor, subject to confirmation by the City Council. Members of the Board serve overlapping five-year terms to provide continuity of operations. That same year, the City also became one of the original 13 founding members of the Metropolitan Water District of Southern California (MWD). Joining MWD would allow the Department to eventually acquire imported water as a supplement to the City's groundwater supplies.

In February 1988, the Department assumed the responsibility of the various functions of the City's sanitary sewer system, including operations and maintenance. In April 1990, the citizens of Long Beach passed a City Charter amendment that allowed greater autonomy for the Department in administering the City's sanitary sewer operations.

The Department's service area encompasses the boundaries of the City of Long Beach, the seventh largest city in State, with an area of approximately 50 square miles and a population of 467,354 with some customers outside the City limits. The Department is not subject to regulation by the California Public Utilities Commission.

LOCAL ECONOMY

The City has a diverse economic base as both a major industrial center and popular beach resort area. In addition, the Port of Long Beach, along with its related commercial and international trade activities, strengthens the local economy. Further, the City has been successful in building and maintaining a substantial tourist and convention business. This diversification helped the City to weather the effects of the national great recession. Long Beach has drawn from the strength and adaptability of the local economy to maximize opportunities in today's global world economy. The blending of local, national and international businesses will help keep Long Beach competitive, adapting to meet the constantly changing needs of today's modern life. There will always be challenges which will require current and future commitment of the City to actively address. Long Beach will continue to meet these challenges by building on the City's diversity and strong sense of community.

As an older, established and geographically built-out City, the Department's customer base is relatively stable and is comprised of ninety percent (90%) residential accounts, with the remaining ten percent (10%) comprised of commercial, industrial, irrigation and other accounts. The residential accounts comprise approximately sixty-nine percent (69%) of the Department's total potable water sales. Further information on the local economy is provided in the City of Long Beach CAFR.

WATER SUPPLY

The Department meets the needs of its customers through an increasingly diverse portfolio of water resources. Local groundwater, combined with imported supplies, water recycling and water conservation are used in combination to meet the water demands within the service area.

Drought Related Developments

Long Beach water demand peaked in 1990, but water demand has been declining ever since. The reduced water demand can be attributed to a combination of a steady commitment to water conservation efforts by the Department and statewide droughts in 1990-1991, 2007-2009, and 2015-2016, each of which triggered a sharp decrease in water demand. Conservation efforts have included aggressive public outreach and incentive programs for water saving measures. The Water Department will continue these efforts to incorporate the conservation success into a sustained change in consumption behavior.

Reduced water usage due to conservation does result in reduced revenues. At the same time, those reductions are also offset by a reduction in operating expenses as a result of less imported water purchases from Metropolitan Water District (MWD).

Additionally, the Department managed discretionary budget expenses to minimize initial budget and rate impacts from reduced consumption. The Water Department's budget and rate structure is based annually on cost recovery and on State law governing water utility rate setting (Proposition 218).

The following subsections provide an overview of the Department's water resources.

Groundwater

Ownership of water rights allows approximately sixty percent (60%) of Long Beach's water supply needs to be produced from groundwater wells located within the City. Before it reaches our customers' taps, local groundwater must journey many miles from its source high up in the mountains. Rain and snow-melt from the San Gabriel Mountains watershed travel through washes and creeks into the San Gabriel River and the Whittier Narrows Basin. From there it percolates underground through sand and water beds where it begins a lengthy subsurface journey to Long Beach. High-powered pumps then extract it from 30 active groundwater wells and pump it to our groundwater treatment plant.

During the 1940's and 1950's the population grew and the increased water demand in the San Gabriel Valley significantly reduced the flows southward to the Central Basin, contributing to falling water tables. In 1959, to protect this vital source of local water supply, the Board initiated a lawsuit against major water producers in the San Gabriel Valley to guarantee water supplies to Central Basin producers.

Parties to the lawsuit negotiated a settlement which provided the basis of a stipulated judgment (the "Long Beach Judgment") rendered by the Superior Court on October 8, 1965. By separate action, a committee of Central Basin producers reached an agreement for voluntary reduction of pumpage within the basin to restore and protect the water table and to expedite the above judgment to permanently prevent excessive pumping. The reduction in pumping began October 1, 1962. The two events were of major importance in securing local water supplies for the City. The Department is the largest producer of water in the Central Basin.

Imported Supplies

Another portion of the City's potable (drinking) water supply is treated water purchased from MWD. This water originates from two sources: the Colorado River Aqueduct and the State Water Project (SWP).

Through its 242-mile long system, the Colorado River Aqueduct provides up to a billion gallons of water a day to residents and businesses in Southern California's coastal plain. Water is taken in at Lake Havasu and carried to the reservoir facilities at Lake Mathews. The State Water Project delivers water originating from the Oroville Dam and Reservoir and the Sacramento River Delta. The SWP is an intricate network of dams, pumping plants, reservoirs, hydroelectric plants, the Sacramento and San Joaquin Rivers and 440 miles of aqueducts that carry water to several Southern California reservoirs.

Water Recycling

Effective water recycling helps stretch the potable water supply; that is the primary reason the Department launched a reclaimed water system in 1978. In FY2019, the Department served approximately 1.2 billion gallons of reclaimed water to a variety of users throughout the City.

Water that would otherwise flow to the ocean and be wasted is reclaimed and used to irrigate park land, golf courses, freeway landscaping and school grounds, which reduces our dependence on imported water. Since 2005, recycled water treated at the Leo J. Vander Lans Advanced Water Treatment Facility (LVLAWTF) has partially replaced the use of imported water at the Alamitos Barrier, an engineered freshwater pressure ridge and seawater trough constructed to prevent seawater intrusion into the Central Basin and neighboring Orange County Groundwater Basin. In 2015, LVLAWTF was expanded, providing the operational flexibility to meet the needs of the Alamitos Barrier almost entirely with recycled water, minimizing the need of imported water.

Conservation

The Department has an aggressive water conservation program that offers a variety of opportunities to conserve water across different sectors of the community and for both indoor and outdoor water uses.

Single-family and multi-family customers together are responsible for approximately two-thirds of the City's demand for water. Several of the Department's programs provide rebates to residential customers towards the purchase of water-efficient toilets and washing machines.

Close to half of single-family residential water use is estimated to be for landscape irrigation. The Department provides, at no cost to the customers, very well attended and well received classroom instruction on the design, installation, and maintenance of water-efficient California-friendly landscapes. The Department has also developed and implemented an award-winning Lawn-to-Garden program whereby customers can apply for an incentive to replace up to 1,500 square feet of turf with a California-friendly landscape. Incentives are also offered for customers to change traditional spray irrigation systems to water-efficient drip irrigation.

In addition to promoting conservation to residential and landscape accounts, we work closely with commercial, industrial and institutional (CII) customers to help them conserve water. The Department has encouraged conservation through targeted direct marketing, through rebates for water conserving devices, and offers a Certified Blue program to promote water efficiency in restaurants which will be expanded to include other CII sectors.

Long Beach Water Department promotes water use efficiency with many community partners, including schools, organizations and businesses. The Department takes pride in its award-winning outreach efforts, including supporting community functions, making presentations at local and regional events, and marketing through print, digital and social media strategies.

WATER QUALITY

A primary objective of the Department is to deliver to our customers water that meets or exceeds all Federal and State standards. The Department continues to be recognized as a leader in the area of water quality. Our extensive testing and Quality Assurance/Quality Control program ensures that water delivered to our customers is of the highest possible quality.

The Long Beach Groundwater Treatment Plant is a state of the art water treatment facility, including four advanced water quality laboratories. This combination helps explain why the City's high quality drinking water consistently meets or exceeds all Federal and state drinking water regulations.

The Department conducts extensive sampling and testing of groundwater wells, water storage reservoirs, the water distribution system and, when appropriate, selected homes, businesses, schools and public facilities. This year, our Water Quality laboratories collected 16,316 samples and performed 75,459 tests while maintaining certification with the California Department of Health Services and Environmental Protection Agency (EPA).

During fiscal year 2019, the Groundwater Treatment Plant processed approximately 9.1 billion gallons of drinking water. Overall, 16.2 billion gallons of high-quality water were delivered to the Long Beach community.

MAJOR INITIATIVES

Seawater Desalination Research

Since 1994, the Department has researched seawater desalination as a potential source of drinking water. In 1996, the Department received authorization for Federal cost-sharing of a seawater desalination demonstration project; and in fiscal year 2001, the Department received an earmark in the Federal fiscal year 2002 budget, making it the only newly funded water project by the Federal government in that budget. Federal funding continued in fiscal years 2003 through 2015. Through an innovative public sector partnership, the Long Beach Water Department along with the Los Angeles Department of Water & Power and the United States Bureau of Reclamation operated a 300,000 gallon-per-day prototype desalination facility, one of the largest seawater desalination research and development facilities in the United States. The Seawater Desalination study was completed in March 2010 and research gathered from the operation of the prototype plant was published as a report to the U.S. Bureau of Reclamation. Additionally, the Department operates an ongoing research project for an under-ocean intake and discharge system.

Conjunctive Use

The Department has also partnered with MWD and the California Department of Water Resources (DWR) on an innovative groundwater storage program. The $4.5 million project, which was funded by State of California Proposition 13, stored surplus water in the Central Groundwater Basin, and has previously, delivered the stored water during previous drought conditions in 2008 and 2009. A second $2.7 million joint conjunctive use project with the City of Lakewood was completed in 2009 and water stored under this project may also be called upon in a drought.

Water Distribution System

The City has an aging infrastructure, which needs to be maintained and in certain parts replaced. At September 30, 2019, the water distribution system totaled 916 miles of water mains with approximately 90,000 service connections.

During fiscal year 2019, the Department and contractors replaced 9,216 feet of deteriorated cast iron water mains with new ductile iron pipe. This critical replacement program addresses upgrading old pipelines, many of which were installed more than 50 years ago.

The Department maintains 640 large control valves 20 inches or more in diameter and 22,993 smaller control valves. The Department has a maintenance and replacement program to ensure that control valves are operational and that they can be turned off or on promptly during emergencies. The Department responds immediately, 24-hours a day, 365 days a year to water emergencies. With 27 active water wells across Long Beach supplying just over half of the City's water, well maintenance is another ongoing project for the Department. Rehabilitation of water wells and storage tanks at Alamitos and J. Will Johnson Reservoirs continues to ensure a reliable supply of water in the future.

Sanitary Sewer Collection System

The Department has made considerable progress since 1988 in addressing the substantial challenges posed by an aging sanitary sewer infrastructure, much of which is between 60 and 80 years old. At September 30, 2019, the sanitary sewer collection system totaled 714 miles of sewer pipelines. The Department developed the first City-wide Sewer Master Plan in 1991, which provided an initial prioritization of sewer deficiencies to be addressed. The Department has since developed a comprehensive program of maintenance, monitoring and repair of sewer lines including:

- an aggressive annual pipeline cleaning program and Fats, Oil and Grease (FOG) program to address impacts to lines;
- a video monitoring program to assess conditions of pipelines;
- a comprehensive annual sewer infrastructure repair program.

In fiscal year 2009, the Department completed a comprehensive Sewer Master Plan Update, providing the Department with an updated evaluation and prioritization of current deficiencies. The plan included the use of dynamic hydraulic modeling software to assess existing collection system performance, as well as to evaluate the system for future conditions. Based on the plan, the Department developed and began implementation of a multi-year Capital Improvement Program to address aging infrastructure identified by the Master Plan analysis.

RELEVANT FINANCIAL POLICIES

The Department's financial statements are presented on the accrual basis of accounting. As an enterprise fund, the cost of providing water is recovered through user charges assessed by meter size, volumetric charges and other miscellaneous charges. The cost of providing sewer service is also recovered through user and volumetric charges for all water customers who are connected to the City's sewers. Certain services, such as payroll, civil service, public service, general service, customer billing, data processing, legal, etc., are provided to the Department by other City departments; these costs are reimbursed to the City by transfer of funds from the Water Fund or the Sewer Fund.

Internal Control Structure

In the development and enhancement of the Department's accounting system, careful consideration is given to the adequacy of the internal controls designed to provide reasonable assurance regarding the safeguarding of assets against possible loss, unauthorized use or disposition; to ensure the reliability of financial records for preparing financial statements and maintaining accountability for assets, and to promote operational efficiency and compliance with managerial policies. The concept of reasonable assurance recognizes that: (1) the cost of a specific control feature should not exceed the benefits likely to be derived, and; (2) the evaluation of costs and benefits requires continued estimates and judgment by management.

Budgetary Control

The budget is a management control device for the forthcoming fiscal year. Prior to July 1 each year, the Board adopts an operating budget, which covers anticipated revenues and expenditures of the Department. The Department's budget is also subject to the approval of the City Council. By September 30 each year, the City Council shall approve the budget as adopted by the Board of Water Commissioners, or shall amend the budget and approve it as amended.

Budgets are prepared on a cash basis for revenues and for several categories of expenses. These budgets are not designed to be pro-forma statements of income and expense in the same format as the Water Department's financial statements. Instead, they are utilized primarily for controlling costs along organizational and programmatic lines. Each Bureau within the Department is responsible for outlays initiated by Divisions. Revenues are monitored only at the departmental level, except in certain areas where they are controlled by individual projects.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2018. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting and its attainment represents a significant accomplishment by a government agency and its management. In order to be awarded a Certificate of Achievement, the Department must publish an easily readable and efficiently organized CAFR whose contents not only conform to the high program standards of the GFOA, but also satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to acknowledge the assistance of Sokhalay Hong, Senior Accountant, and Yumina C. Eggleston, Senior Accountant, of the Business Bureau Finance Division in the preparation of this report.

It is recommended that the Board of Water Commissioners receive and file the Comprehensive Annual Financial Report for the fiscal years ended September 30, 2019.

Prepared by: _____
Paul Fujita, Director of Finance

Submitted and
Recommended by: _____
B. Anatole Falagan, Assistant General Manager

Approved by: _____
Christopher J. Garner, General Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Long Beach Water Department

California

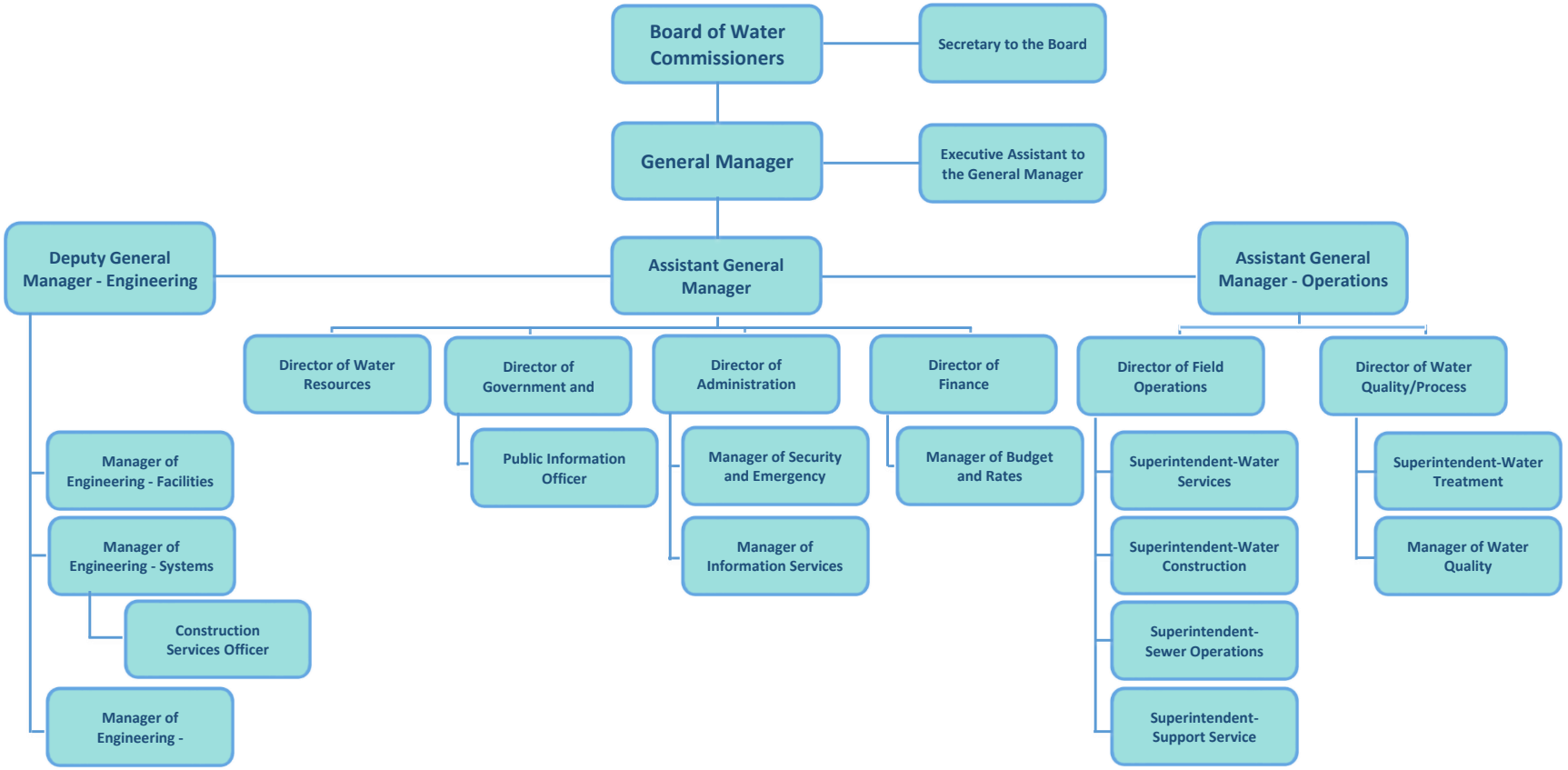
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morrill

Executive Director/CEO

Long Beach Water Department
Organizational Chart



LONG BEACH WATER DEPARTMENT

BOARD OF WATER COMMISSIONERS

HARRY SALTZGAVER	PRESIDENT
FRANK MARTINEZ	VICE PRESIDENT
ARTHUR LEVINE	SECRETARY
ROBERT SHANNON	MEMBER
GLORIA CORDERO	MEMBER

STAFF

CHRISTOPHER J. GARNER
General Manager

B. ANATOLE FALAGAN
Assistant General Manager

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FINANCIAL SECTION

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

Independent Auditors' Report

The Honorable Mayor and City Council
The Honorable Members of the Board of Water Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Long Beach Water Department (the Department) of the City of Long Beach, California (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the tables of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund for the Long Beach Water Department of the City of Long Beach, California, as of September 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Emphasis of Matter

As discussed in note 1, the financial statements of the Department are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City as of September 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3-20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2020 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
March 31, 2020

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis
September 30, 2019

As the management of the Long Beach Water Department, a department of the City of Long Beach (the City), we offer readers of the Long Beach Water Department's financial statements this narrative overview and analysis of the financial activities of the Long Beach Water Department (the Department) for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements. The Department comprises the City's Water Enterprise Fund (Water Fund) and Sewer Enterprise Fund (Sewer Fund) operations. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

The Department's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of fiscal year 2019 (FY2019) by $370,249 *(net position)*. The Department's net position is further broken down between the Water Fund and Sewer Fund below.

Water Fund. Assets and deferred outflows exceeded liabilities and deferred inflows at the close of FY2019 by $296,090. This amount includes a total of net investment in capital assets of $309,416, and $3,277 in resources that are subject to restrictions on how they may be used. The Water Fund showed a deficit in unrestricted net position of $16,603 in FY2019. Total Water Fund net position increased by $930 (+0.3%) from the prior fiscal year. The increase is mostly due to contributed capital received during the year.

Sewer Fund. Total Sewer Fund net position totaled $74,159 as of September 30, 2019, an increase of $5,232 (+7.6%) from the prior fiscal year. The increase reflects income in excess of expenses during the year and contributed capital received during the year. In FY2019, the net investment in capital assets and the unrestricted portion of net position totaled $67,357 and $6,508, respectively.

Significant Department Events

On November 8, 2017, the City of Long Beach (City) entered into a Settlement and Release Agreement (Agreement) with Diana Lejins (Ms. Lejins), a resident of the City and Water and Sewer service customer of the Department. The Agreement settled the lawsuit entitled Diana Lejins v. City of Long Beach (Los Angeles Superior Court Case No. BS1655724) alleging that the City's annual assessment and transfer of Pipeline Permit Fees from the Water and Sewer Funds to the City's general fund violates Proposition 218 (California Constitution Article XIII D).

The following is a summary of significant terms and conditions stipulated in the Agreement which affected the Water fund and Sewer fund:

- The City may no longer charge Pipeline Permit Fees to the Department's Water and Sewer Funds.
- The Agreement allows for an accepted methodology for calculating future transfers from the Department to the City's general fund based on a consultant study of City costs incurred for maintenance of the City street right-of-way (ROW study).

On June 5, 2018, the residents of the City of Long Beach voted to pass the Utility Revenue Transfer Charter Amendment (Measure M). With this amendment, the Department is authorized to make annual transfers of any funds from the Water and Sewer Funds to the General Fund that are determined by the Board of Water Commissioners (Commission) to be unnecessary to meet its obligations; provided that the maximum transfer does not exceed 12% of each funds' audited annual gross revenues. The transfers to the General Fund can be spent for unrestricted general revenue purposes. The Commission is authorized to set, and the City Council to approve, water and sewer rates in an amount sufficient to recover the cost of Water and Sewer Fund obligations.

On December 11, 2018, City Council approved the execution of a 15-year lease-purchase agreement through the City's Master Lease Agreement with Banc of America Public Capital Corporation to finance the Advanced Meter Infrastructure (AMI) Project. The AMI Project is an integrated network of smart meters, communication collectors, and data management systems that allow water meters to be read automatically and uploaded electronically. The AMI lease-purchase agreement was executed and funded on December 20, 2018. The total purchase price was $27,400, at an interest rate of 3.4%. The Water Fund and Sewer Fund will equally share the annual payment on the lease-purchase agreement which amounts to $2,326.

Effects of these significant events on the Water Fund and Sewer Fund operations are further discussed in the Financial Analysis section of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Department's financial statements. Because the Department is a business-type activity of the City, enterprise funds are used to account for its water and sewer operations. These financial statements include only the activities of the Department and provide comparative information for the last fiscal year. Information on Citywide financial operating results is

available in the City of Long Beach Comprehensive Annual Financial Report as of September 30, 2019.

The Department's financial statements comprise two components: 1) financial statements and 2) notes to financial statements. Included as part of the financial statements are the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Fund Net Position, and Statements of Cash Flows.

The *Statements of Net Position* present the Department's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *Statements of Revenues, Expenses, and Changes in Fund Net Position* present information showing how the Department's net position have changed during the most recent fiscal year. Results of operations are recorded under the accrual basis of accounting, whereby transactions are reported as underlying events occur, regardless of the timing of cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (i.e., accounts payable and accounts receivable). The Department's use of the accrual basis of accounting is more fully described in the accompanying *Notes to Financial Statements.*

The *Statements of Cash Flows* present flows of cash and cash equivalents during the last fiscal year, including certain restricted amounts.

The *Notes to Financial Statements* provide additional information that is essential to the full understanding of the data provided in the financial statements and can be found on pages 25-53 of this report.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Department's financial position. As of September 30, 2019, Water Fund assets exceeded liabilities by $296,090, and Sewer Fund assets exceeded liabilities by $74,159, representing a 0.3% increase in net position over the prior fiscal year for the Water Fund and an 7.6% increase in Sewer Fund net position. Net positions are further categorized by net investment in capital assets, restricted and unrestricted net positions.

As of September 30, 2019, investment in capital assets, such as production, transmission, and distribution facilities, less any related debt used to acquire those assets that remains outstanding, amounted to $309,416 and $67,357 of Water Fund and Sewer Fund,

respectively. The Department uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt on the Statements of Net Position must come from other sources such as operations.

The restricted portion of the Department's net position amounted to $3,277 and $294 for Water Fund and Sewer Fund, respectively. This represents resources that are subject to external restrictions on how they may be used. These restrictions are for items such as debt repayment and other legally restricted purposes.

The unrestricted portion of the net position for Water Fund reflects a deficit of $16,603 as of September 30, 2019, representing a 182.8% increase over FY2018. The Sewer Fund's unrestricted portion amounted to $6,508, representing a 7.4% decrease over FY2018. The unrestricted portion of the Department's net position may be used to meet the Department's ongoing obligations to creditors and customers.

The Department's Condensed Schedules of Net Position as of September 30, 2019 and 2018 are as follows (in thousands):

Long Beach Water Department
Condensed Schedules of Net Position
September 30, 2019 and 2018
(in thousands)

			Variance 2019/2018	
	2019	2018	Amount	%
Assets:				
Current and other assets	$ 92,627	$ 75,032	$ 17,595	23.4%
Capital assets	411,559	391,362	20,197	5.2%
Total assets	504,186	466,394	37,792	8.1%
Deferred outflows of resources	7,523	8,812	(1,289)	-14.6%
Liabilities:				
Current liabilities	31,122	24,328	6,794	27.9%
Noncurrent liabilities	106,085	81,482	24,603	30.2%
Total liabilities	137,207	105,810	31,397	29.7%
Deferred inflows of resources	4,253	5,309	(1,056)	-19.9%
Net Position:				
Net investment in capital assets	376,773	360,918	15,855	4.4%
Restricted	3,571	2,009	1,562	77.8%
Unrestricted	(10,095)	1,160	(11,255)	-970.3%
Total net position	$ 370,249	$ 364,087	$ 6,162	1.7%

The Department's financial position is further broken down as follows between the Department's Water Fund and the Sewer Fund as of September 30, 2019 and 2018:

Water Fund
Condensed Schedules of Net Position
September 30, 2019 and 2018
(in thousands)

	2019	2018	Variance 2019/2018 Amount	%
Assets:				
Current and other assets	$ 74,902	$ 56,791	$ 18,111	31.9%
Capital assets	334,184	319,277	14,907	4.7%
Total assets	409,086	376,068	33,018	8.8%
Deferred outflows of resources	6,128	7,564	(1,436)	-19.0%
Liabilities:				
Current liabilities	28,144	20,703	7,441	35.9%
Noncurrent liabilities	87,457	63,389	24,068	38.0%
Total liabilities	115,601	84,092	31,509	37.5%
Deferred inflows of resources	3,523	4,380	(857)	-19.6%
Net Position:				
Net investment in capital assets	309,416	299,325	10,091	3.4%
Restricted	3,277	1,706	1,571	92.1%
Unrestricted	(16,603)	(5,871)	(10,732)	182.8%
Total net position	$ 296,090	$ 295,160	$ 930	0.3%

Sewer Fund
Condensed Schedules of Net Position
September 30, 2019 and 2018
(in thousands)

	2019	2018	Variance 2019/2018 Amount	%
Assets:				
Current and other assets	$ 17,725	$ 18,241	$ (516)	-2.8%
Capital assets	77,375	72,085	5,290	7.3%
Total assets	95,100	90,326	4,774	5.3%
Deferred outflows of resources	1,395	1,248	147	11.8%
Liabilities:				
Current liabilities	2,978	3,625	(647)	-17.8%
Noncurrent liabilities	18,628	18,093	535	3.0%
Total liabilities	21,606	21,718	(112)	-0.5%
Deferred inflows of resources	730	929	(199)	-21.4%
Net Position:				
Net investment in capital assets	67,357	61,593	5,764	9.4%
Restricted	294	303	(9)	-3.0%
Unrestricted	6,508	7,031	(523)	-7.4%
Total net position	$ 74,159	$ 68,927	$ 5,232	7.6%

Fiscal Year Ended September 30, 2019 Compared to 2018

Water Fund. Net position increased by $930 (+0.3%) over FY2018. This net increase is attributable to contributed capital of $1,627 from various Developers for water distribution system improvements and a loss from operations of $697.

Current and other assets increased by $18,111 (+31.9%) from FY2018, due to an increase in cash and cash equivalents by $16,198 (+609.1%) which reflects the funds received from the AMI lease-purchase agreement executed by the Department in FY2019.

Capital assets increased by $14,907 (+4.7%) over the prior year, mainly due to the ongoing capital improvement program for cast iron water main replacement, water service installations, machinery and equipment purchases, and facility improvements.

Deferred outflows of resources decreased by $1,436 (-19.0%) over FY2018. This net decrease reflects a decrease of $1,275 (-21.13%) on deferred pension costs, a decrease of $198 (-17.94%) on debt refunding offset by an increase of $37 (+8.72%) in changes in actuarial assumptions on OPEB costs. The majority of the decrease is the result of deferred pension costs which decreased by $2,441 (-100.0%) as a result of actuarial changes in assumptions and experience. The decrease was offset by increases of $571 (+106.7%) and $568 (+21.7%) in the funds proportion of the Citywide pension liability compared to FY2018 and contributions after the measurement date, respectively. Additional information on deferred outflows related to pensions is provided on Note 5 - Retirement Program of the Notes to Financial Statements on page 41.

Current liabilities increased by $7,441 (+35.9%) compared to FY2018 mainly due to increases in accounts payable by $3,100 (+27.8%) and capital lease obligations by $1,466 (+100.0%), as a result of increased expenditures relating to ongoing capital improvement projects in potable and reclaimed water. In addition, the Department recorded liabilities to the City in the amount of $2,983 representing outstanding amounts due in relation to Measure M and ROW Study payments.

Noncurrent liabilities increased by $24,068 (+38.0%) from FY2018 primarily due to the lease-purchase agreement executed by the Department in the amount of $27,400 to finance the AMI project. Additional information is provided on Note 4 - Long-term Liabilities of the Notes to Financial Statements in page 37 and on Note 7 - Leasing Arrangements on page 51.

Deferred inflows of resources decreased by $857 (-19.6%) over FY2018. This net decrease reflects changes in actuarial assumptions, differences between actual and projected experience and proportionate share of deferred pension and OPEB costs. Additional information on deferred outflows related to pensions is provided on Note 5 - Retirement Program of the Notes to Financial Statements on page 41.

Sewer Fund. Net position increased $5,232 (+7.6%) over FY2018. This increase is primarily due to revenues in excess of expenses.

Current assets and other assets decreased by $516 (-2.8%), reflecting an increase in cash payments for goods and services in relation to sewer capital improvement projects in FY2019.

Capital assets increased by $5,290 (+7.3%) over FY2018 due to machinery and equipment purchases and to continued expenditures on sewer main pipe relining and replacement, and sewer pump station rehabilitation projects across the City of Long Beach.

Deferred outflows of resources increased by $147 (+11.8%) over FY2018. This net increase reflects an increase of $130 (+11.16%) on deferred pension costs and $17 (+19.29%) in changes in actuarial assumptions on OPEB costs. The actuarial determined deferred pension costs decreased $368 (-79.5%) due to changes in actuarial assumptions and experience. The decrease was offset by a increases of $434 (+356.0%) and $149 (+29.9%) in the funds proportion of the City wide pension liability compared to FY2018 and contributions after the measurement date, respectively. Additional information on deferred outflows related to pensions is provided on Note 5 - Retirement Program of the Notes to Financial Statements on page 41.

Current liabilities decreased by $647 (-17.8%) compared to FY2018, which reflects a decrease of $596 (-53.3%) in the amount due to the City as a result of decreased allocation on Measure M payments compared to FY2019 and termination of permit fees in accordance with the Agreement.

Noncurrent liabilities increased by $535 (+3.0%) from FY2018 primarily due to an increase in the net pension liabilities by $1,067 (+16.0%). In addition, long-term bonds payable decreased by $490 (-4.8%) due to annual principal payments on Series 2016A Bonds. Additional information is provided on Note 4 - Long-term Liabilities of the Notes to Financial Statements in page 37 and on Note 5 - Retirement Program on page 41.

Deferred Inflows of resources decreased by $199 (-21.4%) over FY2018. This decrease reflects changes in actuarial assumptions, differences between actual and projected experience and proportionate share of deferred pension and OPEB costs. Additional information on deferred outflows related to pensions is provided on the Note 5 - Retirement Program of the Notes to Financial Statements in page 41.

The Water Department's Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position provide further insight as to the nature and source of changes in net position and are summarized as follows for the years ended September 30, 2019 and 2018 (in thousands):

Long Beach Water Department
Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position
Fiscal Years Ended September 30, 2019 and 2018
(in thousands)

			Variance 2019/2018	
	2019	**2018**	**Amount**	**%**
Operating Revenues:				
Metered water sales	$ 66,047	$ 66,891	$ (844)	-1.3%
Reclaimed water sales	2,644	3,604	(960)	-26.6%
Service charges	40,203	38,697	1,506	3.9%
Maintenance services	86	86	-	-
Other services	9,439	8,767	672	7.7%
Total operating revenues	118,419	118,045	374	0.3%
Operating Expenses:				
Cost of water	28,659	29,927	(1,268)	-4.2%
Personal services	28,638	26,706	1,932	7.2%
Commercial Services	4,206	4,105	101	2.5%
Maintenance and other	28,535	28,984	(449)	-1.5%
Permit Fees	-	2,853	(2,853)	-100.0%
Street Impact charges	4,200	1,876	2,324	123.9%
Depreciation and amortization	14,145	15,043	(898)	-6.0%
Total operating expenses	108,383	109,494	(1,111)	-1.0%
Operating income	10,036	8,551	1,485	17.4%
Nonoperating Income (Expenses):				
Interest income	2,086	268	1,818	678.4%
Interest expense	(527)	(269)	(258)	95.9%
Gain on disposition of property	153	40	113	282.5%
Rental income	942	905	37	4.1%
Payments to the City	(9,722)	(300)	(9,422)	3140.7%
Other	1,471	1,868	(397)	-21.3%
Total non-operating income (expense)	(5,597)	2,512	(8,109)	-322.8%
Income (loss) before contributed capital	4,439	11,063	(6,624)	-59.9%
Contributed capital	1,723	6,671	(4,948)	-74.2%
Changes in net position	6,162	17,734	(11,572)	-65.3%
Net position - October 1	364,087	346,353	17,734	5.1%
Net position - September 30	$ 370,249	$ 364,087	$ 6,162	1.7%

The Department's operations are further broken down as follows between the Department's Water Fund and the Sewer Fund for the years ended September 30, 2019 and 2018:

Water Fund
Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position
Fiscal Years Ended September 30, 2019 and 2018
(in thousands)

			Variance 2019/2018	
	2019	2018	Amount	%
Operating Revenues:				
Metered water sales	$ 60,299	$ 60,886	$ (587)	-1.0%
Reclaimed water sales	2,644	3,604	(960)	-26.6%
Service charges	29,121	27,325	1,796	6.6%
Other services	7,225	7,358	(133)	-1.8%
Total operating revenues	99,289	99,173	116	0.1%
Operating Expenses:				
Cost of water	28,659	29,927	(1,268)	-4.2%
Personal services	23,532	22,500	1,032	4.6%
Commercial Services	2,263	2,272	(9)	-0.4%
Maintenance and other	25,137	25,397	(260)	-1.0%
Permit Fees	-	1,613	(1,613)	-100.0%
Street Impact charges	2,169	804	1,365	169.8%
Depreciation and amortization	11,720	12,553	(833)	-6.6%
Total operating expenses	93,480	95,066	(1,586)	-1.7%
Operating income	5,809	4,107	1,702	41.4%
Nonoperating Income (Expenses):				
Interest income	1,518	210	1,308	622.9%
Interest expense	(527)	(123)	(404)	328.5%
Gain on disposition of property	106	138	(32)	-23.2%
Rental income	942	905	37	4.1%
Payments to the City	(9,722)	(254)	(9,468)	3727.6%
Other	1,177	1,291	(114)	-8.8%
Total non-operating income (expense)	(6,506)	2,167	(8,673)	-400.2%
Income (loss) before contributed capital	(697)	6,274	(6,971)	-111.1%
Contributed capital	1,627	6,122	(4,495)	-73.4%
Changes in net position	930	12,396	(11,466)	-92.5%
Net position - October 1	295,160	282,764	12,396	4.4%
Net position - September 30	$ 296,090	$ 295,160	$ 930	0.3%

Sewer Fund
Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position
Fiscal Years Ended September 30, 2019 and 2018
(in thousands)

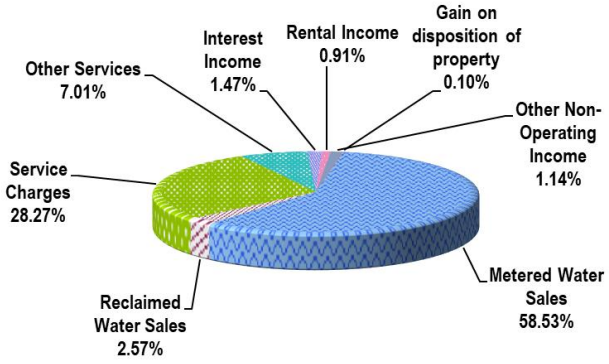
			Variance 2019/2018	
	2019	2018	Amount	%
Operating Revenues:				
Metered water sales	$ 5,748	$ 6,005	$ (257)	-4.3%
Service charges	11,082	11,372	(290)	-2.6%
Maintenance services	86	86	-	-
Other services	2,214	1,409	805	57.1%
Total operating revenues	19,130	18,872	258	1.4%
Operating Expenses:				
Personal services	5,106	4,206	900	21.4%
Commercial Services	1,943	1,833	110	6.0%
Maintenance and other	3,398	3,587	(189)	-5.3%
Permit Fees	-	1,240	(1,240)	-100.0%
Street Impact charges	2,031	1,072	959	89.5%
Depreciation	2,425	2,490	(65)	-2.6%
Total operating expenses	14,903	14,428	475	3.3%
Operating income	4,227	4,444	(217)	-4.9%
Nonoperating Income (Expenses):				
Interest income	568	58	510	879.3%
Interest expense	-	(146)	146	-100.0%
Gain/(loss) on disposition of property	47	(98)	145	-148.0%
Payments to the City	-	(46)	46	-100.0%
Other	294	577	(283)	-49.0%
Total non-operating income (expense)	909	345	564	163.5%
Income before contributed capital	5,136	4,789	347	7.2%
Contributed capital	96	549	(453)	-82.5%
Changes in net position	5,232	5,338	(106)	-2.0%
Net position - October 1	68,927	63,589	5,338	8.4%
Net position - September 30	$ 74,159	$ 68,927	$ 5,232	7.6%

Sources of Revenues

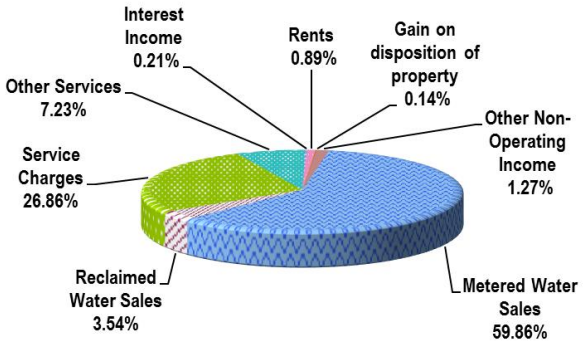
Sources of revenue for fiscal years 2019 and 2018 are shown on the following charts.

Water Fund

2019

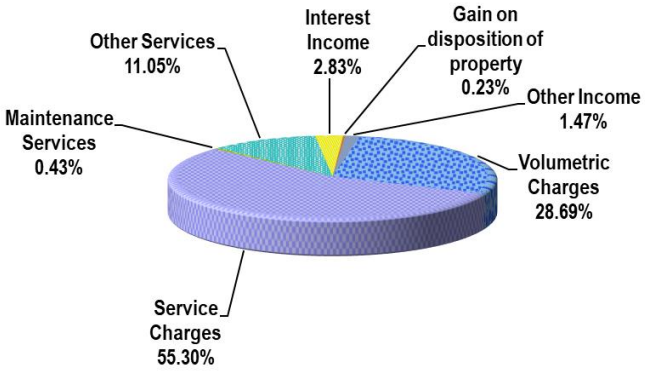


2018

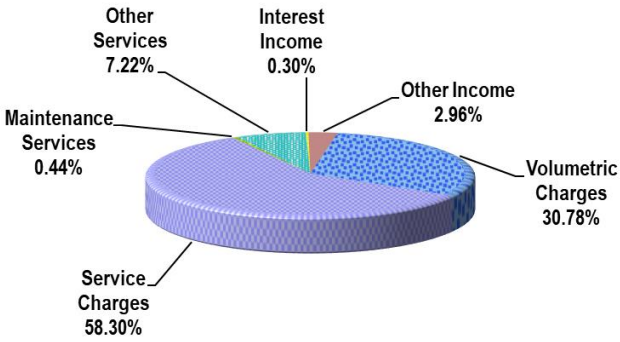


Sewer Fund

2019



2018



Management Review of the Department's Revenues

Water Fund

Fiscal Year Ended September 30, 2019 Compared to 2018

Total operating revenues were $99,289, an increase of $116 (+0.1%) over FY2018. The major elements of this net increase are as follows:

- Metered potable water sales revenue decreased by $587 (-1.0%) primarily due to 3,519 AF (-6.6%) decrease in consumption in FY2019. This decrease in consumption is due to heavy winter rains during the year, which was offset by a 7.2% water rate increase.
- Reclaimed water sales revenue decreased by $960 (-26.6%) over FY2018 mainly due to a 1,801 AF (-32.8%) decrease in consumption in FY2019. The heavy rains had a greater impact on reclaimed water demand as it is primarily used for irrigation. However, this decrease in consumption was offset by a 7.2% water rate increase.
- Service charges increased by $1,796 (+6.6%) over FY2018 which reflects the 7.2% rate increase effective October 1, 2018.

Contributed capital decreased by $4,495 (-73.4%) compared to FY2018 primarily due a decrease in distribution system development agreements with the Department.

Sewer Fund

Fiscal Year Ended September 30, 2019 Compared to 2018

Total operating revenues increased $258 (+1.4%) over FY2018. The key elements of this increase are as follows:

- Metered water sales revenue and service charges decreased by $257 (-4.3%) and $290 (-2.6%) respectively, over FY2018 as a result of a decrease in demand. There was no sewer rate increase in FY2019.
- Other services revenue increased by $805 (+57.1%) over FY2018 due to an increase in sewer capacity charges revenue as a result of several new residential and commercial developments in the city of Long Beach.

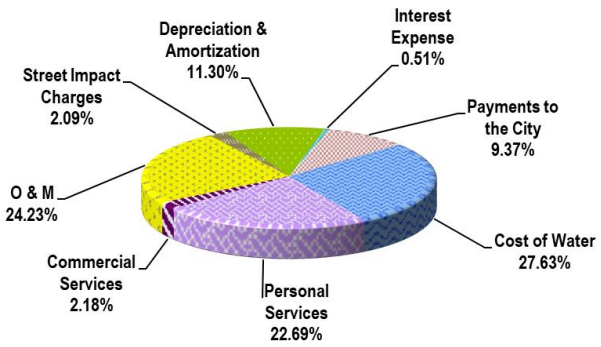
Contributed capital decreased by $453 (-82.5%) compared to FY2018 primarily due to a decrease in proceeds received from sewer collection system development agreements with the Department.

Functional Expenses

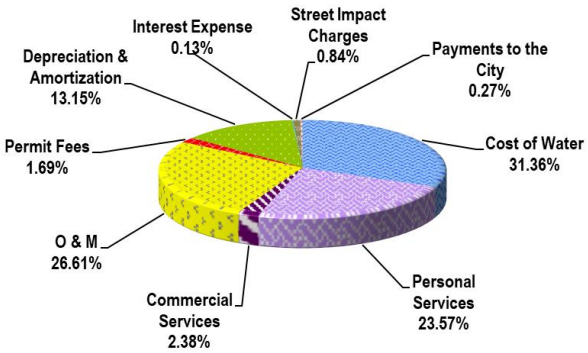
Functional expenses for the 2019 and 2018 fiscal years are shown on the following charts.

Water Fund

2019

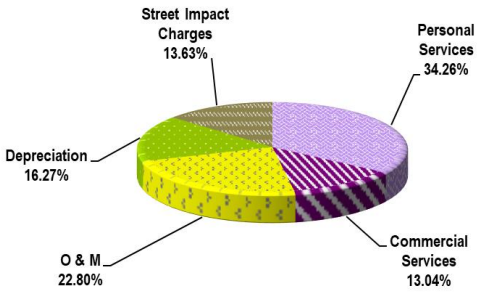


2018

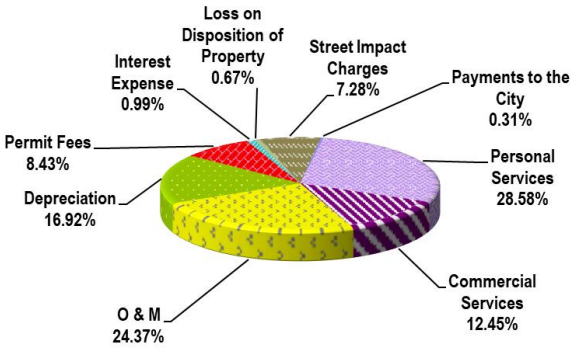


Sewer Fund

2019



2018



***Management Review of the Department's Expenses*.**

Water Fund

Fiscal Year Ended September 30, 2019 Compared to 2018

Operating expenses totaled $93,480, a decrease of $1,586 (-1.7%) over FY2018. The major elements attributable to the net increase are as follows:

- In FY2019, purchased water costs and volume decreased by $1,268 (-4.2%) and 2,369 AF (-9.8%) respectively. This net decrease is due to changes on potable water demand and rates as follows:
    - Purchased potable water from Metropolitan Water District (MWD) decreased by 3,357 AF (-15.1%) with a 3.4% Tier 1 full service treated volumetric rate increase compared to FY2018.
    - Purchased potable water through an agreement with the City of Lakewood via a distribution pipeline inter-tie connection increased by 988 AF (+47.4%) in FY2019. Also, during FY2019, increases in purchased water rates amounted to 6.4% compared to FY2019.
- Permit fees decreased by $1,613 (-100.0%) over FY2018 due to termination of the City's Pipeline Permit Fee assessments to the Department on December 31, 2017 as a result of the terms and conditions stated in the Settlement and Release Agreement discussed on page 3.
- Street Impact fees increased by $1,365 (+169.8%) over FY2018. This increase is due to a full-year recognition of City costs incurred for the ROW Study.

FY2019 net nonoperating expense totaled $6,506, a net decrease of $8,673 (-400.2%) over FY2018 which is primarily due to an increase in Payments to the City by $9,468 (+3727.6%) in relation to Measure M which came into effect on June 5, 2018.

Sewer Fund

Fiscal Year Ended September 30, 2019 Compared to 2018

Total operating expenses amounted to $14,903, an increase of $475 (+3.3%) over FY2018. This increase is mostly attributable to the following elements:

- Personal services costs increased by $900 (+21.4%) in FY2019 primarily as a result of increases in number of employees, negotiated Cost of Living Allowance (COLA), fringe benefits, and pension costs.

- Permit fees decreased by $1,240 (-100.0%) over FY2018 due to termination of the City's Pipeline Permit Fee assessments to the Department in FY2018 as a result of the terms and conditions stated in the Settlement and Release Agreement discussed on page 3.
- Street Impact fees increased by $959 (+89.5%) in FY2019 primarily due to a full-year recognition of City costs incurred for the ROW Study.

FY2019 net nonoperating income totaled $909, a net increase of $564 (+163.5%) over FY2018. This is primarily due to an increase of $510 (+879.3%) in interest income received in relation to mark-to-market pooled cash investments in FY2019.

Capital Assets and Debt Administration

Capital assets. The Department's capital assets (net of accumulated depreciation and amortization) as of September 30, 2019 amounted to $334,184 for the Water Fund and $77,375 for the Sewer Fund. Capital assets include investments in production, transmission, patent, improvements on buildings and structures, and distribution related facilities, as well as general items such as office equipment and furniture. For FY2019, net capital assets increased $14,907 (+4.7%) and $5,290 (+7.3%) for Water Fund and Sewer Fund, respectively. The net increase is due primarily to machinery and equipment purchases and capitalization of major potable water and reclaimed water distribution systems, and sewer collection systems.

The Department's capital assets are summarized as follows for the years ended September 30, 2019 and 2018 (in thousands):

Long Beach Water Department
Condensed schedules of Capital Assets
September 30, 2019 and 2018
(in thousands)

			Variance 2019/2018	
	2019	2018	Amount	%
Land	$ 11,214	$ 11,214	$ -	-
Water Rights	40	40	-	-
Patent	815	815	-	-
Buildings, structures, and facilities	149,889	149,204	685	0.5%
Distribution/collection systems	573,386	564,117	9,269	1.6%
Machinery and equipment	26,627	24,567	2,060	8.4%
Construction in progress	48,684	27,497	21,187	77.1%
Total capital assets	810,655	777,454	33,201	4.3%
Less: accumulated depreciation and amortization	(399,096)	(386,092)	(13,004)	3.4%
Total capital assets, net	$ 411,559	$ 391,362	$ 20,197	5.2%

The Department's capital assets are further broken down as follows between the Department's Water Fund and the Sewer Fund for the years ended September 30, 2019 and 2018:

Water Fund
Capital Assets
September 30, 2019 and 2018
(in thousands)

	2019	2018	Variance 2019/2018 Amount	Variance 2019/2018 %
Land	$ 11,214	$ 11,214	$ -	-
Water Rights	40	40	-	-
Patent	815	815	-	-
Buildings, structures, and facilities	140,267	139,582	685	0.5%
Distribution/collection systems	364,834	358,623	6,211	1.7%
Machinery and equipment	20,338	18,707	1,631	8.7%
Construction in progress	40,297	23,129	17,168	74.2%
Total capital assets	577,805	552,110	25,695	4.7%
Less: accumulated depreciation and amortization	(243,621)	(232,833)	(10,788)	4.6%
Total capital assets, net	$ 334,184	$ 319,277	$ 14,907	4.7%

Sewer Fund
Capital Assets
September 30, 2019 and 2018
(in thousands)

	2019	2018	Variance 2019/2018 Amount	Variance 2019/2018 %
Buildings, structures, and facilities	$ 9,622	$ 9,622	$ -	-
Distribution/collection systems	208,552	205,494	3,058	1.5%
Machinery and equipment	6,289	5,860	429	7.3%
Construction in progress	8,387	4,368	4,019	92.0%
Total capital assets	232,850	225,344	7,506	3.3%
Less: accumulated depreciation	(155,475)	(153,259)	(2,216)	1.4%
Net capital assets	$ 77,375	$ 72,085	$ 5,290	7.3%

Additional information regarding capital assets can be found in notes 1 and 3 to the Department's financial statements.

Long-term obligations. As of September 30, 2019, the Department had total outstanding long-term obligations in the amount of $42,165 for the Water Fund and $9,658 for the Sewer Fund. All debt is supported by Water Fund revenues and Sewer Fund revenues. Total Department outstanding debt as of September 30, 2019 and 2018 is summarized as follows:

Water Fund
Long-Term Obligations
September 30, 2019 and 2018
(in thousands)

	2019	2018	Variance 2019/2018 Amount	Variance 2019/2018 %
Capital Lease:				
AMI Capital Lease	$ 24,860	$ -	$ 24,860	100.0%
Total capital lease outstanding	24,860	-	24,860	100.0%
Long-term debt:				
Revenue refunding bonds	19,165	22,095	(2,930)	-13.3%
Less: Current portion	(3,050)	(2,930)	(120)	4.1%
Long-term debt outstanding, net	16,115	19,165	(3,050)	-15.9%
Add: Unamortized bond premium	1,190	1,537	(347)	-22.6%
Total long-term debt outstanding	17,305	20,702	(3,397)	-16.4%
Total long-term obligations	$ 42,165	$ 20,702	$ 21,463	103.7%

Sewer Fund
Long-Term Obligations
September 30, 2019 and 2018
(in thousands)

	2019	2018	Variance 2019/2018 Amount	Variance 2019/2018 %
Long-term debt:				
Revenue refunding bonds	$ 8,695	$ 9,040	$ (345)	-3.8%
Less: Current portion	(360)	(345)	(15)	4.3%
Long-term debt outstanding, net	8,335	8,695	(360)	-4.1%
Add: Unamortized bond premium	1,323	1,453	(130)	-8.9%
Total long-term debt outstanding	$ 9,658	$ 10,148	$ (490)	-4.8%

The Department maintains AA+ credit ratings from Standard & Poor's for the Water and Sewer Funds. Additional information on the Department's long-term obligations can be found in Note 4 - Long-term Liabilities of the Notes to Financial Statements in page 37 and on Note 7- Leasing Arrangements on page 51.

Economic Factors and Next Year's Budget and Rates

The Board of Water Commissioners (Board) approved the budget for the fiscal year-end September 30, 2020, with budgeted expenditures totaling approximately $134,857, an increase of $10,690 (+8.6%) compared to FY2019. In addition, Sewer Fund's budgeted expenditures amounted to $21,395, which decreased by $5,723 (-21.1%) in FY2020.

In fiscal year 2020 (FY2020), there were 12.0% rate increases for potable water and reclaimed water. There were no rate increases for sewer collection services in FY2020.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Long Beach Water Department, 1800 E. Wardlow Road, Long Beach, California 90807.

LONG BEACH WATER DEPARTMENT

Statements of Net Position
Business Type Activity - Enterprise
September 30, 2019

	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets:			
Pooled cash and cash equivalents	$ 16,362	15,595	31,957
Non-pooled cash equivalents	18,857	-	18,857
Interest receivable	43	-	43
Due from other government	315	-	315
Due from employee benefit fund	5,590	833	6,423
Customer accounts receivable	7,875	922	8,797
Allowance for doubtful accounts	(249)	(44)	(293)
Material and supplies inventory	16,996	125	17,121
Prepaid expense	2,552	-	2,552
Restricted assets:			
Pooled cash and cash equivalents:			
Funds held in trust	1,088	-	1,088
Bond service funds	2,716	294	3,010
Sub-total pooled cash and cash equivalents	3,804	294	4,098
Non-pooled investments	2,757	-	2,757
Total restricted assets	6,561	294	6,855
Total current assets	74,902	17,725	92,627
Noncurrent Assets:			
Capital assets:			
Land	11,214	-	11,214
Water rights	40	-	40
Patent	815	-	815
Buildings, structures and facilities	140,267	9,622	149,889
Distribution/collection systems	364,834	208,552	573,386
Machinery and equipment	20,338	6,289	26,627
Construction in progress	40,297	8,387	48,684
Total capital assets	577,805	232,850	810,655
Less: Accumulated depreciation and amortization	(243,621)	(155,475)	(399,096)
Total capital assets, net	334,184	77,375	411,559
Total assets	409,086	95,100	504,186
DEFERRED OUTFLOWS OF RESOURCES			
Economics loss from the refunding of debt	907	-	907
Pension contributions after measurement date	3,184	645	3,829
Pension changes in proportions	1,106	556	1,662
Pension changes in experience	470	95	565
OPEB contributions after measurement date	105	23	128
OPEB liability change in proportions	100	21	121
OPEB change in assumptions	256	55	311
Total deferred outflows of resources	$ 6,128	1,395	7,523

(Continued)

LONG BEACH WATER DEPARTMENT

Statements of Net Position
Business Type Activity - Enterprise
September 30, 2019

	Water Fund	Sewer Fund	Total
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 14,242	1,158	15,400
Accrued wages payable	704	193	897
Accrued compensated absences	1,946	68	2,014
Due to other funds	4,149	782	4,931
Advances from developers	1,127	264	1,391
Accrued interest payable	353	153	506
Capital lease due with in one year	1,466	-	1,466
Long-term debt due within one year	3,050	360	3,410
Customer deposits	1,107	-	1,107
Total current liabilities	28,144	2,978	31,122
Noncurrent Liabilities:			
Capital lease, net of current portion	24,860	-	24,860
Long-term debt, net of current portion	17,305	9,658	26,963
Compensated absences	5,237	1,046	6,283
Total OPEB liability	839	180	1,019
Net pension liability	38,216	7,744	45,960
Accrued site restoration cost	1,000	-	1,000
Total noncurrent liabilities	87,457	18,628	106,085
Total Liabilities	115,601	21,606	137,207
DEFERRED INFLOWS OF RESOURCES			
Difference between actual and expected CalPERS investment returns	620	126	746
Pension changes in assumptions	1,016	206	1,222
Pension changes in experience	590	120	710
OPEB change in assumptions	1,020	219	1,239
OPEB change in experience	277	59	336
Total deferred inflows of resources	3,523	730	4,253
NET POSITION			
Net investment in capital assets	309,416	67,357	376,773
Restricted for:			
Bond Service	2,716	294	3,010
Bond Reserve	561	-	561
Unrestricted	(16,603)	6,508	(10,095)
Total Net Position	$ 296,090	74,159	370,249

See accompanying notes to financial statements

LONG BEACH WATER DEPARTMENT

**Statements of Revenues, Expenses,
and Changes in Fund Net Position
Business Type Activity - Enterprise
Year Ended September 30, 2019**

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Metered water sales	$ 60,299	5,748	66,047
Reclaimed water sales	2,644	-	2,644
Service charges	29,121	11,082	40,203
Maintenance services	-	86	86
Other services	7,225	2,214	9,439
Total operating revenues	99,289	19,130	118,419
Operating Expenses:			
Cost of water	28,659	-	28,659
Personal services	23,532	5,106	28,638
Commercial services	2,263	1,943	4,206
Maintenance and other	25,137	3,398	28,535
Street Impact charges	2,169	2,031	4,200
Depreciation and amortization	11,720	2,425	14,145
Total operating expenses	93,480	14,903	108,383
Operating income	5,809	4,227	10,036
Non-operating Income (Expense):			
Interest income	1,518	568	2,086
Interest expense	(527)	-	(527)
Gain on disposition of property	106	47	153
Rental income	942	-	942
Payments to the City	(9,722)	-	(9,722)
Other	1,177	294	1,471
Total non-operating income (expense)	(6,506)	909	(5,597)
Income (loss) before contributed capital	(697)	5,136	4,439
Contributed capital	1,627	96	1,723
Changes in net position	930	5,232	6,162
Net position - October 1	295,160	68,927	364,087
Net Position - September 30	$ 296,090	74,159	370,249

See accompanying notes to financial statements

LONG BEACH WATER DEPARTMENT

Statements of Cash Flows
Business Type Activity - Enterprise
Year ended September 30, 2019

	Water Fund	Sewer Fund	Total
Cash flows from operating activities:			
Cash received from customers	$ 98,593	19,186	117,779
Cash paid to employees	(20,354)	(4,406)	(24,760)
Cash paid for water	(29,274)	-	(29,274)
Cash paid for goods and services	(33,949)	(6,124)	(40,073)
Cash paid for street impact charges	(2,169)	(2,031)	(4,200)
Net cash provided by operating activities	12,847	6,625	19,472
Cash flows from non-capital financing activities:			
Payments to the City - Measure M	(9,722)	-	(9,722)
Cash received from rental income	942	-	942
Other non-operating cash received	1,156	294	1,450
Net cash (used for)/provided by non-capital financing activities	(7,624)	294	(7,330)
Cash flows from capital and related financing activities:			
Proceeds from capital lease	27,400	-	27,400
Proceeds from sale of capital assets	194	47	241
Contributions in aid of construction	1,634	96	1,730
Payments for capital acquisitions	(25,328)	(7,340)	(32,668)
Principal repayments-bonds	(2,930)	(345)	(3,275)
Principal repayments-capital lease	(1,074)	-	(1,074)
Interest payments	(1,640)	(382)	(2,022)
Net cash used for capital and related financing activities	(1,744)	(7,924)	(9,668)
Cash flows from investing activities:			
Interest income received	1,488	568	2,056
Net cash provided by investing activities	1,488	568	2,056
Net increase (decrease) in cash and cash equivalents	4,970	(437)	4,533
Cash and cash equivalents, October 1	36,810	16,376	53,186
Cash and cash equivalents, September 30	41,780	15,939	57,719
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	5,809	4,227	10,036
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense and amortization	11,720	2,425	14,145
Pension, OPEB and Compensated Absences	3,056	674	3,730
(Decrease) increase in customer accounts receivable	(906)	7	(899)
Increase in due from City of Long Beach	327	50	377
Increase in material and supplies inventory	(12,542)	(28)	(12,570)
(Increase) decrease in accounts and retainage payable	3,100	(1,471)	1,629
Decrease in accrued wages payable	121	26	147
Decrease in due to City of Long Beach	2,281	715	2,996
Decrease in customer deposits	(119)	-	(119)
Total adjustments	7,038	2,398	9,436
Net cash provided by operating activities	$ 12,847	6,625	19,472

See accompanying notes to financial statements

Note 1 - Description of the Department and Summary of Significant Accounting Policies

Description of the Department

The Long Beach Water Department (the Department) was established in 1911 through adoption of the City Charter of the City of Long Beach, California (the City) to regulate and control the use, sale, and distribution of water owned or controlled by the City. In February 1988, the City Council of the City of Long Beach voted to transfer administrative, operational, and maintenance responsibility of the City's sewer system to the Department. In addition, in April 1990, the citizens of Long Beach passed a City Charter amendment that allowed greater autonomy of the Department in administering sewer operations. For accounting purposes, the transfer was effective July 1, 1988.

The Department services the City's sewer system that consists of 714 miles of sewer mains, 15,125 manholes, and 28 sewage pumping stations. This system is capable of transporting for treatment approximately 40 to 60 million gallons of raw sewage daily.

The Department obtains potable water for distribution from two sources. Historically, approximately half of the City's water is purchased from the Metropolitan Water District of Southern California; the other half is pumped from the Department's own groundwater wells. Potable water is stored in two reservoirs with a combined capacity of 108.9 million gallons. As of September 30, 2019, the Department also delivered over 1.2 billion gallons of reclaimed water to various users in the City.

Reporting Entity

The Department's financial activities are considered to be enterprise operations of the City of Long Beach; accordingly, such activities are included in the City's Comprehensive Annual Financial Report (CAFR) in the Water Utility Fund and Sewer Utility Fund. Control and management of the Department is vested in the five-member Board of Water Commissioners (the Board). Each Commissioner is appointed by the Mayor, confirmed by the City Council, and may serve two five-year terms.

The accompanying Department financial statements include the Water and Sewer Fund operations of the City of Long Beach. The statements of the Department are intended to present the financial position, and changes in financial position, and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City, as of September 30, 2019, and the changes in its financial position, and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The City's Comprehensive Annual Financial Report may be obtained by contacting:

City of Long Beach, California – Department of Financial Management
333 W. Ocean Blvd.
Long Beach, CA 90802

Basis of Accounting

The Department's accounts are maintained on a flow of economic resources measurement focus utilizing the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, regardless of when they are received, and expenses are recognized in the period incurred. The Department's operations are not subject to regulation by the Public Utilities Commission.

The Department applies all Governmental Accounting Standards Board (GASB) Statements and Interpretations.

Implementation of New Accounting Pronouncements

Application of the following Statements was effective for the Department's fiscal year ended September 30, 2019.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The purpose of this Statement is to address the accounting and financial reporting for a legally enforceable liability associated with the retirement of a tangible capital asset (Asset Retirement Obligations or ARO). This Statement establishes criteria for (1) determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources, (2) requires that recognition occur when the liability is both incurred and reasonably estimable, and (3) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Application of this statement had no material impact on the Department's financial statements.

In March of 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. This Statement is effective for reporting periods beginning after June 15, 2018. Application of this statement had no material impact on the Department's financial statements.

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

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Department is evaluating the impact of this standard.

In June of 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing and (b) to simplify accounting for certain interest costs. In financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. This approach is also applied for funds using the current financial resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Department is evaluating the impact of this standard.

In August of 2018, GASB issued Statement No. 90, *Majority Equity Interests.* The primary objective of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Except in situation when a majority equity interest meets the definition of an investment, a government should report the legally separate organization as a component unit, and the government that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Department is evaluating the impact of this standard.

City of Long Beach Investment Pool

In order to maximize investment return and in accordance with City Charter requirements, the Department pools its available cash with other City funds into the City of Long Beach Investment Pool (the Pool). The Pool is an internal investment pool that is used as a demand deposit account by participating units. Investment decisions are made by the City Treasurer and approved by a general investment committee whose membership includes a member of the Department's management. Interest income and realized and unrealized gains and losses arising from the Pool are apportioned to each participating unit based on their average daily cash balances compared to aggregate pooled cash and investments.

At September 30, 2019, the Water Fund and Sewer Fund had equity in the Pool of $20,166 and $15,889, respectively, which represents approximately 1.21% and 0.96%, respectively, for a total departmental equity of $36,055 or 2.17% of the Pool.

The Department's share of the Pool is stated at fair value.
For a complete description of the Pool and its underlying investments, refer to the City of Long Beach's separately issued financial statements.

Cash Equivalents

The Department classifies its investment in the Pool as cash and cash equivalents, regardless of the underlying maturity of the Pool's investments as the Department can withdraw amounts from the pool without penalty or notice.

The Department classifies all other investments with maturities of three months or less at the time of purchase as cash equivalents. These cash equivalents are reported at amortized cost in the accompanying financial statements.

Fair Value

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction.

The Department categorizes investments reported at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

Material and Supplies Inventory

Material and supplies inventory are reported at cost determined on a first-in, first-out basis.

Capital Assets

Capital assets, which include property, plant, equipment, and transmission and distribution infrastructure, are composed of assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of one year. The cost of additions to capital assets and replacement of retired property is capitalized. Interest costs incurred during construction of assets are also capitalized. The costs of replacement expenditures are expensed as incurred. Upon retirement or sale of capital assets, the cost and related accumulated depreciation are removed from the accounts, with any resulting gain or loss recorded in the Department's financial statements (see note 3).

Depreciation of capital assets is provided by the straight-line method based on the estimated service lives of the properties, as follows:

Buildings, structures, and facilities	10 to 50 years
Distribution/collection systems	20 to 75 years
Patents	20 years
Other machinery and equipment	5 to 10 years

Capitalized Interest

In fiscal year 2019, the Department incurred interest expense on Revenue Refunding Bonds in the amount of $915 and $376 for the Water and Sewer Funds, respectively, of which $915 was capitalized for Water Fund and $297 for Sewer Fund.

Contributed Capital

Advances received for construction of plant assets are recorded as unearned revenue when received. As construction progresses, advanced amounts equivalent to capitalized expenditures are recorded as capital contributions and included as other nonoperating revenue. Donated assets, donated works of art and similar items, capital assets received in service concession arrangement and assets constructed by developers and contributed to the Department are capitalized at fair value at the date of acquisition which equates to the acquisition cost.

The Department includes capital contributions for construction of plant assets as a nonoperating revenue in the accompanying statements of revenues, expenses, and changes in fund net position.

Revenue Recognition

Operating revenues include revenues derived from the sale of water, from providing sewer service, and from other activities closely related to providing water and sewer service. Principal revenues are derived from volumetric usage and service charges for water and sewer services. Nonoperating revenues and expenses are those not directly associated with the Department's normal business operations of supplying water and sewer service and include interest income and expense, rents received for Department property, and gains and losses on disposition of property. Revenues for water and sewer charges are recorded when delivered to customers. Billings to customers are based on monthly meter readings.

Operating Expenses

The cost of water includes all purchases of water from the Metropolitan Water District of Southern California. Personal services include labor costs for operations, maintenance, and general and administrative functions. Commercial services cost is the Department's share of the City's utility billing system. Maintenance and other costs include the operating costs of the Department and include costs of pumping and treating groundwater as well as general and administrative costs. Permit fees are transfers made to the City.

Employee Benefits, Compensated Absences and Termination Benefits

Excluding the residual balance of a City-administered Police and Fire Annuity Benefit Program that was terminated in 1945, historically, benefits for City employees have been paid and compensated leave balances at year-end have been reported in the City's Employee Benefits Internal Service Fund (EBF). For the fiscal year ended September 30, 2019, a proprietary fund liability is accrued for leave benefits in the respective fund's statement of net position. The City's policy is to pay all accumulated vacation and holiday pay when an employee retires or terminates. Beginning August 1, 2007, management employees, upon retirement, may have 75 percent of their outstanding vacation leave converted to sick leave. Vacation and holiday benefits are recognized when earned. The City also allows retirees the option of purchasing additional pension benefits from CalPERS with their unused sick leave balances.

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

Accumulated sick leave becomes vested only when an employee meets the City's minimum requirements for retirement. Accumulated sick leave is forfeited upon termination for reasons other than retirement. In accordance with the City's Personnel Ordinance, upon retirement from the City, the City allows retirees, their spouses, and eligible dependents to use the cash value at retirement of the retiring employee's accumulated unused sick leave to pay for health, dental, and long-term care insurance premiums until such time as the unused sick leave is exhausted.

The conversion of unused sick leave for postemployment benefits is reflected as accrued compensated absences benefits and accrued OPEB liability in the accompanying financial statements. These liabilities are being funded over time through burden rates, applied as a percentage of current productive salaries, and charged to the Department

Pension Plan and Postretirement Benefits

All full-time Department employees are members of the City's Miscellaneous Plan. The Department's policy is to fund all pension costs accrued. The costs to be funded are determined annually as of July 1 and are incorporated into the payroll burden rate to reimburse the Employee Benefits Internal Service Fund for contributions made on behalf of Department employees (see note 5).

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

The Department also participates in the City's Retired Employee Health Insurance Program (REHIP). This program is a single-employer defined benefit healthcare plan (see note 6).

Restricted Assets

Amounts restricted for bond indenture requirements and funds held in trust are recorded as restricted assets. Related liabilities of these funds are identified as amounts payable from restricted assets when such obligations are incurred.

Deferred Outflows/Inflows of Resources

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

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

Risk Management

The Department, as an entity of the City, participates in the City's self-insured program for workers' compensation, property, and tort liability. The City and the Department's management believe that sufficient funds are being accumulated in the City's Insurance Internal Service Fund (Insurance Fund) to meet losses as they arise. The Department contributes to the Insurance Fund through payroll burden charges applied as a percent of current productive salaries. In addition, various risk control techniques, including safety training for all employees and the inclusion of appropriate legal provisions in third-party contracts, have been implemented to minimize risk losses.

Estimates

The preparation of the Department's financial statements in conformity with the U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Position

The Department has adopted a policy of generally utilizing restricted funds, prior to unrestricted funds, when an expense is incurred for purposes for which both are available.

The Department's net position are classified into the following net position categories:

Net Investment in Capital Assets - Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and unexpended bond proceeds and economic losses of refunding of debt.

Restricted - Amounts restricted for bond indenture requirements.

Unrestricted - All other categories of net position.

Note 2 - Cash Equivalents and Investments

The Department's unrestricted and restricted cash equivalents and investments are as follows:

Water Fund

	Unrestricted	Restricted	Total Investments & Cash Equivalent
Equity in the City of Long Beach's investment pool	$ 16,362	3,804	20,166
Non-pooled cash equivalents	18,857	-	18,857
Investments - U.S. Treasury Notes	-	2,757	2,757
Total cash and investments	$ 35,219	6,561	41,780

Sewer Fund

Sewer Fund	Unrestricted	Restricted	Total Investments & Cash Equivalent
Equity in the City of Long Beach's investment pool	$ 15,595	294	15,889
Total cash and investments	$ 15,595	294	15,889

The Departments investment policy allows funds to be invested with the City or to be held outside of the Pool based on the requirements of bond indentures or by actions of the Board. The City's investment policy limits the permitted investments in the Investment Pool to the following: Obligations of the U.S. government, federal agencies, local agency bonds, medium-term corporate notes, certificates of deposit; bankers' acceptances, commercial paper, Local Agency Investment Fund, repurchase agreements, reverse repurchase agreements, securities lending, asset-backed securities, mortgage-backed securities and money market mutual funds. Cash equivalents held outside of the Pool are governed by the provisions of the debt agreement.

As of September 30, 2019, the City's Investment Pool has weighted average maturity of less than 2 years and is not rated. The Department's investment in the Pool is not categorized nor leveled in the fair value hierarchy.

The Water Funds' investments in U.S. Treasury notes have a weighted average maturity of 1.59 years and are not rated. These investments are reported at fair value using observable inputs and are accordingly reported as a level 1 investment in the fair value hierarchy.

Note 3 – Capital Assets

Capital assets at September 30, 2019 were as follows:

Water Fund	Balance September 30, 2018	Additions	Deletions, Retirements and Transfers	Balance September 30, 2019
Capital assets, not being depreciated:				
Land	$ 11,214	-	-	11,214
Construction in progress	23,129	26,234	(9,066)	40,297
Water Rights	40	-	-	40
Total capital assets, not being depreciated	34,383	26,234	(9,066)	51,551
Capital assets, being depreciated:	-	-	-	-
Buildings, structures and facilities	139,582	685	-	140,267
Patents	815	-	-	815
Distribution/collection systems	358,623	6,796	(585)	364,834
Machinery and equipment	18,707	2,045	(414)	20,338
Total capital assets, being depreciated	517,727	9,526	(999)	526,254
Less accumulated depreciation for:				
Buildings, structures and facilities	(66,581)	(3,329)	-	(69,910)
Patents	(490)	(41)	-	(531)
Distribution/collection systems	(150,015)	(6,925)	526	(156,414)
Machinery and equipment	(15,747)	(1,425)	406	(16,766)
Total accumulated depreciation	(232,833)	(11,720)	932	(243,621)
Total capital assets, being depreciated, net	284,894	(2,194)	(67)	282,633
Total Water Fund capital assets, net	$ 319,277	24,040	(9,133)	334,184

Sewer Fund	Balance September 30, 2018	Additions	Deletions, Retirements and Transfers	Balance September 30, 2019
Capital assets, not being depreciated:				
Construction in progress	$ 4,368	7,091	(3,072)	8,387
Total capital assets, not being depreciated	4,368	7,091	(3,072)	8,387
Capital assets, being depreciated:				
Buildings, structures and facilities	9,622	-	-	9,622
Distribution/collection systems	205,494	3,058	-	208,552
Machinery and equipment	5,860	638	(209)	6,289
Total capital assets, being depreciated	220,976	3,696	(209)	224,463
Less accumulated depreciation for:				
Buildings, structures and facilities	(2,221)	(217)	-	(2,438)
Distribution/collection systems	(147,585)	(1,749)	-	(149,334)
Machinery and equipment	(3,453)	(459)	209	(3,703)
Total accumulated depreciation	(153,259)	(2,425)	209	(155,475)
Total capital assets, being depreciated, net	67,717	1,271	-	68,988
Total Sewer Fund capital assets, net	$ 72,085	8,362	(3,072)	77,375

Combined Total	Balance September 30, 2018	Additions	Deletions, Retirements and Transfers	Balance September 30, 2019
Capital assets, not being depreciated:				
Land	$ 11,214	-	-	11,214
Construction in progress	27,497	33,325	(12,138)	48,684
Water Rights	40	-	-	40
Total capital assets, not being depreciated	38,751	33,325	(12,138)	59,938
Capital assets, being depreciated:				
Buildings, structures and facilities	149,204	685	-	149,889
Patents	815	-	-	815
Distribution/collection systems	564,117	9,854	(585)	573,386
Machinery and equipment	24,567	2,683	(623)	26,627
Total capital assets, being depreciated	738,703	13,222	(1,208)	750,717
Less accumulated depreciation for:				
Buildings, structures and facilities	(68,802)	(3,546)	-	(72,348)
Patents	(490)	(41)	-	(531)
Distribution/collection systems	(297,600)	(8,674)	526	(305,748)
Machinery and equipment	(19,200)	(1,884)	615	(20,469)
Total accumulated depreciation	(386,092)	(14,145)	1,141	(399,096)
Total capital assets, being depreciated, net	352,611	(923)	(67)	351,621
Total Department capital assets, net	$ 391,362	32,402	(12,205)	411,559

In FY2019, the Department capitalized enhancements to several facilities and structures, which amounted to $685 for Water Fund. These improvements included potable water tanks, and heating, ventilation and air-conditioning (HVAC) systems. In addition, the Department completed numerous projects as part of ongoing improvements to its current water distribution system and sewer collection system, which totaled $6,796 for the Water Fund and $3,058 for the Sewer Fund. The Department also purchased machinery and equipment which totaled $2,045 for the Water Fund and $638 for the Sewer Fund. These machinery and equipment purchases included vehicles, laboratory equipment and system upgrades, sewer collection pumps, sewer equipment for closed-circuit television (CCTV) monitoring of sewer mains and lateral pipes.

Construction in Progress

Construction in progress at September 30, 2019 includes the following projects:

Project		2019
Water Main Replacement Program	$	8,468
Water Reservoir Improvements		6,226
Water Well Development and Rehabilitation		7,087
Water System Facility Improvements		12,845
Reclaimed Water System		875
Sewer Main Replacement Program		3,977
Sewer Lift Stations Rehabilitation		3,194
Other Projects		6,012
Total Combined Construction in Progress	$	48,684
Such costs are allocated as follows:		
Water Enterprise Fund	$	40,297
Sewer Enterprise Fund		8,387
Total Water Department	$	48,684

It is the Department's policy to transfer the costs of projects after their completion to other capital asset classifications or to expense. For the fiscal year ended September 30, 2019, completed projects were transferred from Construction in progress as follows:

	2019	
	Water Fund	Sewer Fund
Transfers to Capital Assets	$ 8,371	3,058
Transfers to Expense	695	14
Total	$ 9,066	3,072

Note 4 – Long-term Liabilities:

Water Fund

September 30, 2019	Beginning of year	Additions	Reductions	End of year	Due within one year
2010 Water Revenue Refunding Bonds	$ 15,435	-	(2,300)	13,135	2,395
2012 Water Revenue Refunding Bonds	6,660	-	(630)	6,030	655
	22,095	-	(2,930)	19,165	3,050
Less current portion	(2,930)	(3,050)	2,930	(3,050)	-
Add 2010 unamortized bond premium	938	-	(240)	698	-
Add 2012 unamortized bond premium	599	-	(107)	492	-
Total long-term debt	20,702	(3,050)	(347)	17,305	3,050
Compensated Absences	6,525	3,008	(2,350)	7,183	1,946
Net Pension Liability	35,183	3,033	-	38,216	-
Total OPEB Liability	1,855	-	(1,016)	839	-
Capital Lease	-	28,860	(2,534)	26,326	1,466
Accrued site restoration cost	1,000	-	-	1,000	-
Total	$ 65,265	31,851	(6,247)	90,869	6,462

Sewer Fund

September 30, 2019	Beginning of year	Additions	Reductions	End of year	Due within one year
2016 Sewer Revenue Refunding Bonds	$ 9,040	-	(345)	8,695	360
	9,040	-	(345)	8,695	360
Less current portion	(345)	(360)	345	(360)	-
Add 2016 unamortized bond premium	1,453		(130)	1,323	-
Total long-term debt	10,148	(360)	(130)	9,658	360
Compensated Absences	977	381	(244)	1,114	68
Net Pension Liability	6,677	1,067	-	7,744	-
Total OPEB Liability	363	-	(183)	180	-
Total	$ 18,165	1,088	(557)	18,696	428

The bonds are payable from and secured by net revenues of the Department.

Second Lien Water Revenue Bonds - Series 2012A

On August 30, 2012, the Water Fund issued $9,850 in Second Lien Water Revenue Bonds, Series 2012A (the Series 2012A Bonds) at a premium of $1,342 to provide funds to (a) refund, on a current basis, $11,000 aggregate principal outstanding in Subordinate Water Revenue Commercial Paper Notes, and (b) pay the cost of issuing the Series 2012A Bonds. There is no bond reserve requirement. The objective of this debt refinancing was to take advantage of historically low fixed bond rates and provide the Department with

certainty in its future debt service payment requirements. The Commercial Paper program, as authorized by the Board under Resolution WD-1170, expired on October 1, 2012.
The Bonds bear interest ranging from 2.0% to 5.0% per annum payable on May 1 and November 1 of each year, commencing on November 1, 2012. Principal payments are due every May 1, commencing on May 1, 2013, with bond terms maturing through the year 2027. The initial issuance premium of $1,342 on the Series 2012 Bonds is reported as an addition to long-term debt and is amortized using the effective-interest-rate method over the life of the Bonds.

Under Board Resolution WD-1300 adopted July 24, 2012 authorizing the issuance and sale of the Series 2012A Bonds, the Board also approved closure of the Senior Lien trust indentures pursuant to which the Department previously issued the Series 1997A City of Long Beach Water Revenue Refunding Bonds and Series 2010A City of Long Beach Water Revenue Refunding Bonds. The Board also irrevocably covenanted that the Department would not issue any additional Parity Obligations in the future that would have a lien on Net Revenues senior to its Subordinate Obligations, including the 2012A Bonds.

The Board, on behalf of the City, has covenanted under the Master Subordinate Indenture, to set rates and charges for the supply of water to its customers sufficient to yield net revenues each year equal to at least equal to 1.10 times the aggregate annual amount of principal and interest due on the Senior Lien Bonds and any Subordinate Obligations, including the Series 2012A Bonds.

Water Revenue Refunding Bonds - Series 2010A

On September 29, 2010, the Water Fund issued $22,740 in Water Revenue Refunding Bonds, Series 2010A (the Series 2010A Bonds) at a premium of $3,021 to (a) advance refund 82.4% or $24,290 of the outstanding Series 1997A Water Revenue Refunding Bonds at a redemption premium of 2% over par value, (b) fund a reserve fund for the Series 2010A Bonds, and (c) pay the cost of issuing the 2010 Bonds. The Series 2010A Bonds bear interest ranging from 3.0% to 5.0% per annum payable on May 1 and November 1 of each year, commencing on November 1, 2010. Principal payments are due May 1, commencing on May 1, 2012.

The remaining Series 1997A Bonds maturing on May 1, 2015 were not subject to redemption prior to maturity and the $1,825 outstanding was paid off on May 1, 2015.

The initial issuance premium of $3,021 on the Series 2010A Bonds is reported as an addition to long-term debt and is amortized using the effective-interest-rate method over the life of the Bonds.

In addition, the refunding resulted in a difference between the reacquisition price and the net carrying amount of the Series 1997A Bonds of $2,697. This difference is considered to be a deferred outflow on the refunding and is reported in the Statement of Net Positon as a separate category under Deferred Outflows of Resources. The deferred outflow from the refunding is being amortized using the straight-line method over the life of the Series 2010A bonds, which have the same maturity as the old debt. The Refunded Series 1997A Bonds were refunded in order to take advantage of lower interest rates to achieve debt service savings. The Department reduced its aggregate debt service payments by $3,286, with the refunding structured to achieve such savings upfront over fiscal years 2011 and 2012. The economic gain from the refunding (difference between the present value of the old and new debt service payments) was $3,349.

The Series 2010A Bonds and any Parity Obligations are secured by a first lien upon and pledge of all of the net revenues of the entire water system (the Water Enterprise Fund) of the City of Long Beach. Net revenues are defined as all gross revenues derived by the ownership and operation of the Water Enterprise Fund less operation and maintenance costs. The Board has covenanted, on behalf of the City, to set rates and charges for the supply of water to its customers sufficient to provide net revenues each year equal to at least 1.10 times the aggregate annual amount of principal and interest due on the Bonds and any parity obligations.

Senior Sewer Revenue Refunding Bonds - Series 2016A

On September 7, 2016, the Sewer Fund issued $9,830 in Senior Sewer Revenue Refunding Bonds, Series 2016A (the Series 2016A Bonds) at a premium of $1,727 to provide funds to (a) refund, on a current basis, $11,250 aggregate principal outstanding in Subordinate Sewer Revenue Obligations pursuant to the terms of a credit agreement with Wells Fargo Bank, National Association, and (b) pay the cost of issuing the Series 2016A Bonds. There is no bond reserve requirement. The objective of this debt refinancing was to take advantage of low fixed bond yield rates, and provide the Department with certainty in its future debt service payment requirements.

The Series 2016A Bonds bear interest ranging from 4.0% to 5.0% per annum payable on May 1 and November 1 of each year, commencing on November 1, 2016. Principal payments are due every May 1, commencing on May 1, 2017, with bond terms maturing through the year 2036. The initial issuance premium of $1,727 on the Series 2016A Bonds is reported as an addition to long-term debt and is amortized using the effective-interest-rate method over the life of the Bonds.

The Series 2016A Bonds and any Parity Obligations are secured by a first lien upon and pledge of all of the net revenues of the Sewer Enterprise. Net revenues are defined as all gross revenues derived by ownership and operation of the Sewer Enterprise less operation and maintenance costs. The Board, on behalf of the City, has covenanted under the Senior

Indenture to set rates and charges for sewer service to its customers sufficient to yield net revenues each year which are at least equal to 1.25 times the aggregate annual amount of debt service on the Senior Bonds (including the Series 2016A Bonds) for such fiscal year.

Subordinate Sewer Revolving Line of Credit

On May 5, 2011, the Board approved Resolution WD-1282 authorizing the issuance from time to time of Subordinate Sewer Revenue Obligations pursuant to the terms of a credit agreement with Wells Fargo Bank, National Association, which provides for a Revolving Line of Credit (LOC) in an amount not to exceed $20,000 at any time. Obligations under the LOC are secured by and payable from a subordinate lien upon the City's Sewer Enterprise net revenues (gross revenues less operation and maintenance costs). The original term of the LOC was for three years, with a Commitment Expiration Date of May 26, 2014. Effective July 8, 2013, the Commitment Expiration Date was extended by an additional three years to May 26, 2017.

Interest rates are based on 70% of the London Interbank Offered Rate (LIBOR) plus an applicable margin, and can be designated as fixed or variable for one-month, three-month, or six-month interest periods. Interest rates have ranged from 0.76% to 1.06%.

On August 3, 2016, the Board, under Resolution WD-1360, authorized the amendment of the Credit Agreement with Wells Fargo Bank, National Association to extend the Commitment Expiration Date from May 26, 2017 to September 7, 2019. Additionally, the not-to-exceed amount of the LOC was reduced from $20,000 to $10,000. As of September 30, 2019, there were no additional draws on the LOC.

Accrued Site Restoration Cost

In FY2010, the Department completed its study on Seawater Nanofiltration Desalination Processes. The Department's prototype 300,000 gallons per day desalination research and development facility was located on land leased from Los Angeles Department of Water and Power. Under the terms of the lease, the Department was required to dismantle the facility and restore the site to its original condition. Estimated site restoration costs of $400 had been accrued as a long-term liability in FY2007. During FY2010, the estimated accrued site restoration costs were reduced and actual restoration costs relating to the dismantling of the prototype desalination research and development facility were recorded as expense.

In FY2008, the Department completed construction of a subsurface seawater intake and discharge facility. Facility construction costs totaling $4,614 have been capitalized and were depreciated over a period of two years. A Coastal Development Permit granted by the California Coastal Commission in September 2007, required the Department to restore the project site to its preexisting condition no later than May 21, 2012. On July 14, 2011, the Department was granted an extension for the restoration of the coastal area to May 26,

2017. On October 13, 2016, the Department was granted an additional five-year extension on the restoration from May 26, 2017 to May 27, 2022. Estimated site restoration costs of $1,000 have been accrued as a long-term liability and recorded as nonoperating expenses. Operating costs of the facility are expensed as incurred.

Total Annual Debt Service Requirements to Maturity

Annual debt service requirements to maturity are as follows:

Water Fund

Fiscal Year	Series 2010 Bonds		Series 2012 Bonds		Total		Total Debt
Ending Sept 30	Principal	Interest	Principal	Interest	Principal	Interest	Service
2020	$ 2,395	598	655	250	3,050	848	3,898
2021	2,490	502	680	223	3,170	725	3,895
2022	2,590	396	710	196	3,300	592	3,892
2023	2,715	276	735	168	3,450	444	3,894
2024	2,945	147	775	131	3,720	278	3,998
2025-2027	-	-	2,475	235	2,475	235	2,710
Total	$ 13,135	1,919	6,030	1,203	19,165	3,122	22,287

Sewer Fund

Fiscal Year	Series 2016 Bonds		Total Debt
Ending Sept 30	Principal	Interest	Service
2020	$ 360	368	728
2021	375	354	729
2022	390	339	729
2023	405	323	728
2024	420	307	727
2025-2029	2,380	1,255	3,635
2030-2034	2,990	649	3,639
2035-2036	1,375	83	1,458
Total	$ 8,695	3,678	12,373

Note 5 - Retirement Program

Plan Description – Public Employees' Retirement System (CalPERS)

The Department contributes to the California Public Employees' Retirement System (CalPERS) agent multiple-employer defined benefit pension plan. The City is considered the employer and the Department is a department of the City. The plan functions as a cost sharing plan for the Department. The Department's employees are enrolled in the City Miscellaneous Plan. CalPERS provides retirement benefits to plan members and

beneficiaries. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City resolution. All City departments are considered collectively to be a single employer, and the actuarial present value of vested and non-vested accumulated plan benefits attributable to the Department's employees is determined as the Department's percentage of the City as a single employer. Similarly, the net assets available for benefits of Department employees is determined as the Department's percentage of the City's net assets. CalPERS issues publicly available reports that include a full description of the pension plans, including benefit provisions, assumptions and membership information. All qualified permanent employees of the Department are eligible to participate in the Miscellaneous Plan. The reports can be found on the CalPERS website.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment, age at retirement and final compensation. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The cost of living adjustments for the plan is applied as specified by the Public Employees' Retirement Law.

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

The Plans' provisions and benefits in effect at September 30, 2019, are summarized in the following table:

	Miscellaneous		
Hire date	Prior to October 1, 2006	On or after October 1, 2006 and prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.5% @ 55	2.0% @ 62
Benefit vesting schedule		5 years of service	
Benefit payments		Monthly for life	
Retirement age	50 - 55	50 - 55	52 - 62
	Required Contribution Rates		
Employee	8.0%	8.0%	6.5%
Employer	25.594%	25.594%	25.594%
	Percentage of Eligible Compensation		
Monthly benefits	2.0% to 2.7%	2.0% to 2.5%	1.0% to 2.0%

Allocation Methodology

The City used a calculated percentage based on the Department's share of the pension plan contributions to the City's pension plan contributions amounts for each plan, to provide the Department's net pension liability and related GASB 68 accounting elements. The Department's calculated percentage was 7.3% (6.1% for Water and 1.2% for Sewer) for the Plan.

Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows Related to Pensions

The City's net pension liability for the Plan was measured as the total pension liability, less the plan's fiduciary net position. Net pension liability is measured as of June 30, 2019 (measurement date), using the actuarial valucation report as of June 30, 2018. The Department's net pension liability for the Plan was $45,960 ($38,216 for Water and $7,744 for Sewer) at September 30, 2019.

For the measurement period ended June 30, 2019 (the measurement date), the Department incurred a pension expense of $7,300 ($6,100 for Water and $1,200 for Sewer).

As of September 30, 2019, the Department had deferred outflows and deferred inflows related to pensions as follows:

Deferred outflows and inflows at September 30

		Water	Sewer	Total
Deferred outflows of resources:				
Pension contributions after measurement date	$	3,184	645	3,829
CalPERS differences between actual and expected experience		470	95	565
CalPERS change in proportion		1,106	556	1,662
Total deferred outflows of resources	$	4,760	1,296	6,056
Deferred inflows of resources:				
Difference between actual and expected CalPERS investment returns	$	620	126	746
CalPERS differences between actual and expected experience		590	120	710
CalPERS change in assumptions		1,016	206	1,222
Total deferred inflows of resources	$	2,225	452	2,678

Exclusive of deferred outflows related to payments after the measurement date, the net amount of deferred outflows (inflows) of resources related to pensions that will be recognized in future pension expense is as follows:

Measurement - Period ending June 30		Water	Sewer	Total
2020	$	(198)	79	(119)
2021		(392)	19	(373)
2022		(192)	75	(117)
2023		133	26	159
	$	(649)	199	(450)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

A summary of principal assumptions and methods used to determine the net pension liability is as follows:

	Miscellaneous
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.15% [1]
Mortality	[2]

[1] Net of Pension Plan Investment and Administrative Expenses; includes inflation.

[2] The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, refer to the 2017 experience study report.

All other actuarial assumptions used in the June 30, 2018 Actuarial Valuation Report were based on the results of an actuarial experience study for the period from 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB Statement No. 68 section.

The long-term expected rate of return on pension plan investments of 7.15% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

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

Asset Class	*New Strategic Allocation*	*Real Return Years 1 - 10*[a]	*Real Return Years 11+*[b]
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00	1.00	2.62
Inflation Sensitive	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

[a] An expected inflation of 2.00% used for this period

[b] An expected inflation of 2.92% used for this period

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the City for each plan as of the measurement date, calculated using the discount rate of 7.15%, compared to a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%):

Net Pension Liability	**Water**	**Sewer**	**Total**
1% Decrease (6.15%)	$ 59,830	12,125	71,955
Current Discount Rate (7.15%)	38,216	7,744	45,960
1% Increase (8.15%)	20,315	4,117	24,432

Note 6 – Post Retirement Health Care Benefits

Plan Description

The Department participates in the City of Long Beach Retiree Health Care plan (the Plan), a single-employer plan administers by the City of Long Beach. The Plan covers all eligible full-time employees of the City. The plan functions as a cost-sharing plan for the Department. City Council has the authority to establish and amend the benefit terms currently permitted by Ordinance No. C-7556.

Benefits provided

The Plan provides health, dental and long-term care insurance for retirees and their dependents as long as (a) that employee participated in a City provided insurance program of that type (PPO or HMO) during the year immediately preceding retirement, (b) has not attained the eligibility age for Medicare payments, and (c) has attained the minimum retirement age for the employee's retirement plan. Benefits are administered through a third-party provider, and the full cost of the benefits is covered by the plan.

Total OPEB Liability, OPEB expense, and Deferred Outflows of Resources Related to OPEB

At September 30, 2019, the Department reported a total OPEB liability of $1,019 ($839 for Water and $180 for Sewer) for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of September 30, 2018 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of September 30, 2018. The Departments proportion of the total OPEB liability was based on the Department's share of sick leave balances. At September 30, 2019, the Department's proportion was 4.4% (3.6% for Water and 0.8% for Sewer).

For the year ended September 30, 2019, the Department recognized OPEB expense of $54 ($44 for Water and $10 for Sewer). As of September 30, 2019, the Department had deferred outflows and deferred inflows related to OPEB as follows:

	Water	Sewer	Total
Deferred outflows of resources:			
OPEB contributions after measurement date	$ 105	23	128
OPEB change in assumptions	256	55	311
OPEB liability change in proportion	100	21	121
Total deferred outflows of resources	$ 461	99	560
Deferred inflows of resources:			
CalPERS change in OPEB assumption	$ 1,020	219	1,239
CalPERS change in OPEB experience	277	59	336
Total deferred inflows of resources	$ 1,297	278	1,575

Amounts reported as deferred outflows related to OPEB from the Department's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2019. Amounts related to both the deferred outflow of resources and deferred inflow of resources will be amortized over the next 9.5 years which is the expected remaining service life. Amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized in OPEB expense over the next five years as follows:

Water		***Sewer***	
Year Ended September 30	***Amount to be Recognized***	***Year Ended September 30***	***Amount to be Recognized***
2020	(109)	2020	(24)
2021	(109)	2021	(24)
2022	(109)	2022	(24)
2023	(109)	2023	(24)
2024	(109)	2024	(24)
Thereafter	(396)	Thereafter	(82)
Total	(941)	Total	(202)

Actuarial Assumptions

The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	September 30, 2018	
Measurement Date	September 30, 2018	
Actuarial Cost Method	Entry Age	
Actuarial Assumptions:		
Inflation	2.75%	
Discount Rate	3.83%	Based on Fidelity Municipal Bond GO AA 20-year Bond Index
Payroll Increases	Aggregate	3.00%
	Merit	CalPERS 1997-2015 Experience
Health Care Cost Trend Rates	7.5% for 2020, decreasing to 4% for 2076 and later	
Mortality, Withdrawal, Disability, Retirement	CalPERS 1997-2015 Experience Study	
Mortality Improvement	Mortality projected fully generational with Scale MP-2018	
Participation Rates:		
Miscellaneous Plan	75%, 100% select City plans	
Safety	90%, 85% select City plans	

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

The following presents the total OPEB liability of the Department, as well as what the Department's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.1%) or 1-percentage-point higher (4.1%) than the current discount rate:

	1 Percent Decrease (2.83%)	Discount Rate (3.83%)	1 Percent Decrease (4.83%)
Total OPEB Liability - Water	$ 424	839	1,110
Total OPEB Liability - Sewer	91	180	238

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the Department, as well as what the Department's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 decreasing to 4.0 percent) or 1-percentage-point higher (8.5 percent decreasing to 4.0 percentage) than the current discount rate:

	1 Percent Decrease (6.5%)	Healthare Cost Trend Rate (7.5%)	1 Percent Increase (8.5%)
Total OPEB Liability - Water	$ 957	839	739
Total OPEB Liability - Sewer	205	180	158

Termination Benefits

As of September 30, 2019, the Department has reported termination benefits liabilities totaling $8.3 million ($7.2 million for Water and $1.1 million for Sewer), which have been reported as compensated absences in the accompanying financial statements. These liabilities represent the Department's share an actuarial study of current and future retiree accumulated sick leave in accordance with GASB Statement No. 16, *Accounting for Compensated Absences (GASB 16).* The liability takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees. The liability is being funded over time through burden rates, applied as a percentage of current productive salaries.

Note 7 – Leasing Arrangements

The Department owns approximately 820 acres of land, approximately 80 acres of which is leased for commercial purposes. Minimum future rental income due to the Water Fund under noncancelable operating leases which have an initial term in excess of one year is as follows:

Year ending September 30:		
2020	$	934
2021		945
2022		969
2023		996
2024		1,024
2025-2029		5,079
2030-2034		3,233
2035-2039		1,390
2040-2044		333
Total minimum future rentals	$	14,903

Capital Lease-Advanced Metering Infrastructure

On November 1, 2018, the Board of Water Commissioners authorized the Long Beach Water Department to proceed with execution of a lease-purchase agreement and related financing documents with Banc of America Public Capital Corp, for the financing of the Advanced Meter Infrastructure (AMI) Project, in an amount not to exceed $36,000, including cost of issuance, principal and interest, payable over a fifteen-year period.

The AMI Project is an integrated network of smart meters, communication collectors, and data management systems that allow water meters to be read automatically and uploaded electronically. AMI Project costs to be financed total approximately $27,400.

On December 11, 2018, City Council approved the execution of the 15-year lease-purchase agreement through the City's Master Lease Agreement with Banc of America Public Capital Corporation to finance the AMI Project. The lease-purchase agreement was executed and funded on December 20, 2018. The total purchase price was $27,400, at an interest rate of 3.35%. In FY2019, the Department paid a total of $1,744, ($1,074 principal and $676 interest) in rental payments.

Water Fund - Capital Lease

Fiscal Year Ending Sept 30	Principal	Interest	Total Debt Service
2020	$ 1,466	860	2,326
2021	1,516	810	2,326
2022	1,568	758	2,326
2023	1,621	705	2,326
2024	1,676	650	2,326
2025-2029	9,276	2,354	11,630
2030-2034	9,203	683	9,886
Total	$ 26,326	6,820	33,146

Note 8 - Commitments and Contingencies

Litigation

The Department is subject to claims and lawsuits arising from the normal course of business. Such claims are routinely evaluated by representatives of the City Attorney's office. Department management may make provision for probable losses if deemed appropriate on advice of legal counsel. To the extent that such provision for damages is considered necessary, appropriate amounts are reflected in the accompanying basic financial statements. Based upon information obtained from the City Attorney with respect to remaining cases, it is the opinion of management that any liability for unreserved claims and lawsuits will not have a material impact on the basic financial statements of the Department.

Commitments

Contract commitments and purchase orders for which materials or services were not received as of September 30, 2019 amount to $7,298 and $3,172 for the Water Fund and Sewer Fund, respectively.

Note 9 – Subsequent Events

On June 5, 2018, the residents of the city of Long Beach voted to pass the Utility Revenue Transfer Charter Amendment (Measure M). With this amendment, the Department is authorized to make annual transfers of any funds from the Water and Sewer Funds to the General Fund that are determined by the Board of Water Commissioners (Commission) to be unnecessary to meet its obligations; provided that the maximum transfer does not exceed 12% of each funds' audited annual gross revenues. The transfers to the General Fund can be spent for unrestricted general revenue purposes. The Commission is authorized to set, and the City Council to approve, water and sewer rates in an amount sufficient to recover the cost of Water and Sewer Fund obligations.

In October of 2018, a lawsuit was filed against the City of Long Beach (City) alleging that, among other things, the passage of Measure M violated Article XIII of the California Constitution and was unenforceable insofar as it authorized the transfer of funds from the Water and Sewer Funds to the General Fund. On January 2, 2020, a judge in the Superior Court of Los Angeles County issued a tentative ruling in favor of the plaintiffs, finding Measure M unconstitutional, ordering the return of funds previously transferred under the authority granted by Measure M, and prohibiting the future transfer of funds pursuant to Measure M. The tentative ruling became final in February of 2020 and the City is expected to appeal the ruling.

In January 2020, the Coronavirus Disease 2019 (COVID-19) started to negatively impact the economy of China. By March of 2020, the virus and its impact on economic activity had spread across the globe. At this point, there are few quantifiable facts as to this scale and scope of the impact, but it has the potential to impact the Department revenue streams while increasing expenditures to respond the impact of the virus. The economic impact on revenues is not expected to be permanent and the time frame to return to a normal standard of operations cannot yet be determined.

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STATISTICAL SECTION
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Financial Trends

These schedules contain trend information to help the reader understand how the Department's financial performance and well-being have changed over time.

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Exhibit 1

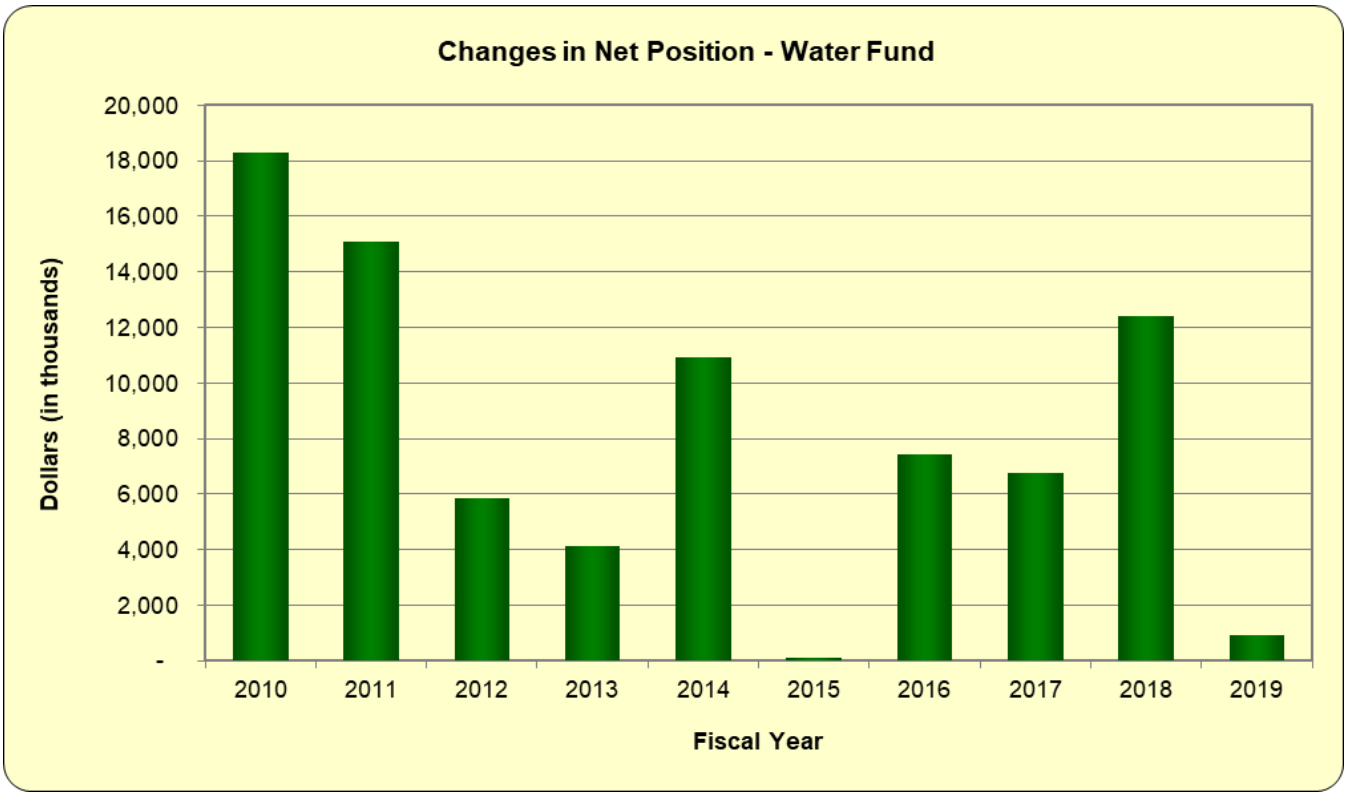
LONG BEACH WATER DEPARTMENT
CHANGES IN NET POSITION - WATER FUND
LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Total Operating Revenue [1]	Total Operating Expense	Operating Income (Loss)	Total Non-Operating Income (Expense)	Total Contributed capital	Changes in Net Position
9/30/2010	87,151	79,422	7,729	8,302	2,263	18,294
9/30/2011	88,576	80,403	8,173	(1,374)	8,283	15,082
9/30/2012	86,515	79,342	7,173	(1,573)	247	5,847
9/30/2013	91,949	85,783	6,166	(2,152)	131	4,145 [2]
9/30/2014	100,187	91,992	8,195	(216)	2,924	10,903
9/30/2015	99,475	102,134	(2,659)	1,051	1,726	118
9/30/2016	97,650	92,253	5,397	(672)	2,710	7,435
9/30/2017	97,383	91,893	5,490	510	734	6,734
9/30/2018	99,173	95,066	4,107	2,167	6,122	12,396
9/30/2019	99,289	93,480	5,809	(6,506)	1,627	930

Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.
(2) Changes in Net Position amount excludes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

Source: Department's annual reports

See accompanying independent auditors' report



(Unaudited)

Exhibit 2

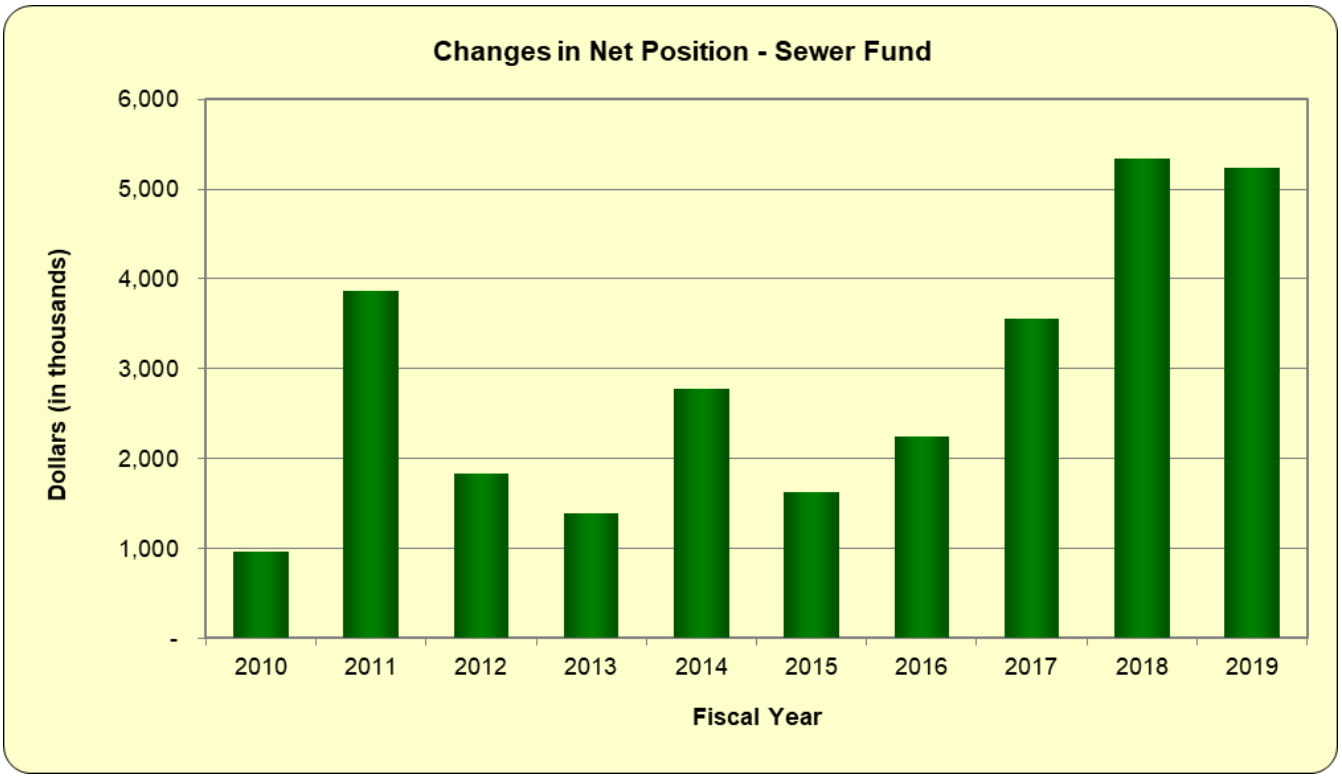
LONG BEACH WATER DEPARTMENT
CHANGES IN NET POSITION - SEWER FUND
LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Total Operating Revenue [1]	Total Operating Expense	Operating Income (Loss)	Total Non-Operating Income (Expense)	Total Contributed capital	Changes in Net Position
9/30/2010	15,186	14,015	1,171	(517)	310	964
9/30/2011	16,448	14,795	1,653	(650)	2,868	3,871
9/30/2012	17,325	14,411	2,914	(1,260)	185	1,839
9/30/2013	17,311	15,165	2,146	(761)	-	1,385 [2]
9/30/2014	17,953	15,479	2,474	(462)	759	2,771
9/30/2015	17,903	16,024	1,879	(257)	-	1,622
9/30/2016	18,355	15,835	2,520	(280)	-	2,240
9/30/2017	19,949	15,312	4,637	(1,087)	-	3,550
9/30/2018	18,872	14,428	4,444	345	549	5,338
9/30/2019	19,130	14,903	4,227	909	96	5,232

Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.
(2) Changes in Net Position amount excludes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

Source: Department's annual reports

See accompanying independent auditors' report



(Unaudited) **Exhibit 3**

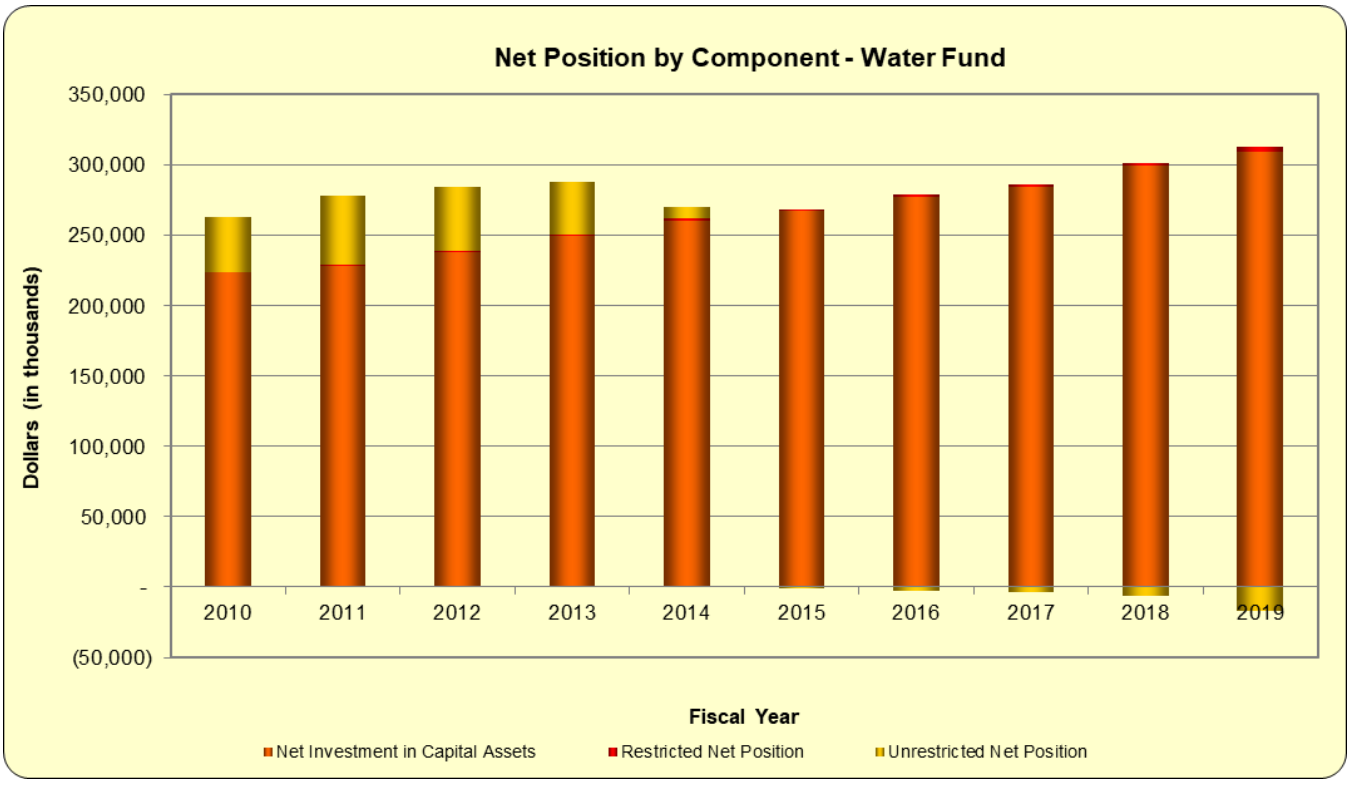
LONG BEACH WATER DEPARTMENT
NET POSITION BY COMPONENT - WATER FUND
LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position (deficit)	Total Net Position
9/30/2010	223,560	153	39,479	263,192
9/30/2011	228,196	736	49,342	278,274
9/30/2012	237,793	1,350	44,978	284,121
9/30/2013	249,256	1,656	36,814	287,726 (1)
9/30/2014	260,538	1,673	7,725	269,936
9/30/2015 (2)	267,041	1,697	(143)	268,595
9/30/2016	277,394	1,716	(3,080)	276,030
9/30/2017	284,413	1,700	(3,349)	282,764
9/30/2018	299,325	1,706	(5,871)	295,160
9/30/2019	309,416	3,277	(16,603)	296,090

Notes: (1) Total Net Position amount includes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.
(2) Amounts adjusted due to implementation of GASB Statement No. 75.

Source: Department's annual reports

See accompanying independent auditors' report



(Unaudited) **Exhibit 4**

LONG BEACH WATER DEPARTMENT

NET POSITION BY COMPONENT - SEWER FUND

LAST TEN FISCAL YEARS

(in thousands of dollars)

Fiscal Year Ended	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position	Total Net Position
9/30/2010	46,383	-	6,221	52,604
9/30/2011	47,378	-	9,097	56,475
9/30/2012	52,465	-	5,849	58,314
9/30/2013	52,151	-	7,412	59,563 (1)
9/30/2014	55,006	-	7,328	62,334
9/30/2015 (2)	53,604	-	4,195	57,799
9/30/2016	56,462	84	3,493	60,039
9/30/2017	58,927	302	4,360	63,589
9/30/2018	61,593	303	7,031	68,927
9/30/2019	67,357	294	6,508	74,159

Notes: (1) Total Net Position amount includes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.
(2) Amounts adjusted due to implementation of GASB Statement No. 75.

Source: Department's annual reports

See accompanying independent auditors' report

(Unaudited)

Exhibit 5

LONG BEACH WATER DEPARTMENT

WATER FUND REVENUE BY TYPE - LAST TEN FISCAL YEARS

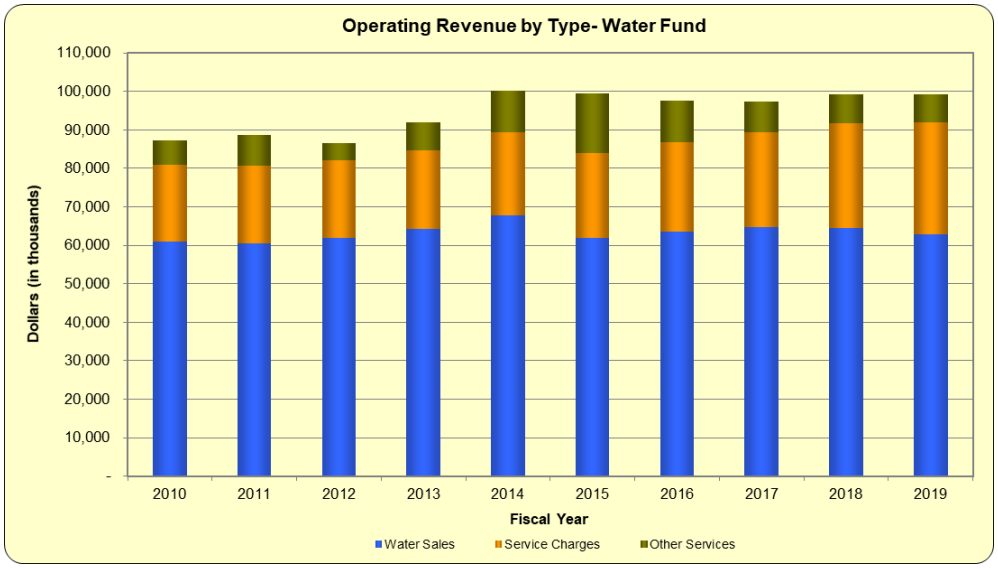
(in thousands of dollars)

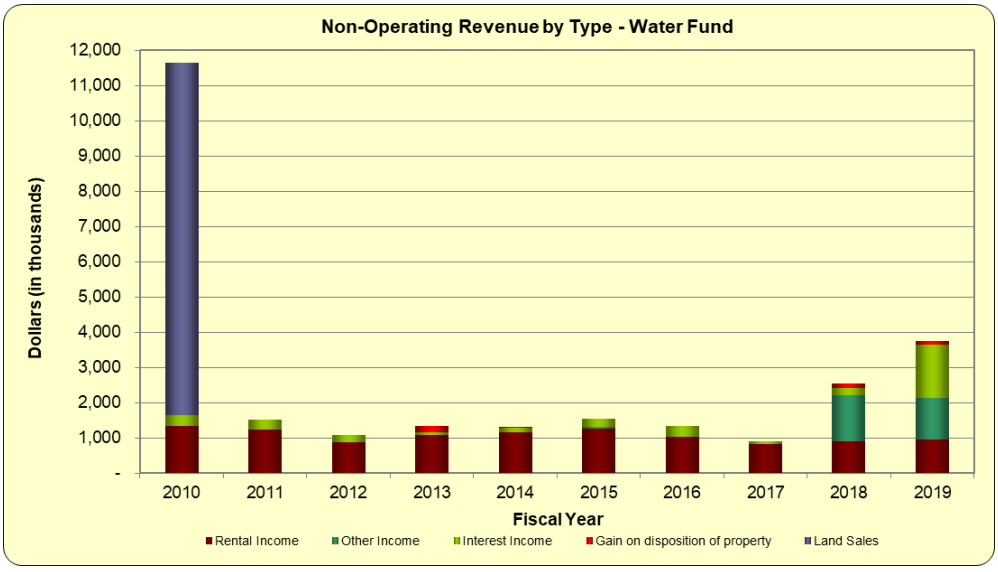
	OPERATING				NON-OPERATING					
Fiscal Year Ended	Water Sales [1]	Service Charges	Other Services	Total Operating Revenue	Interest Income	Rental Income	Land sales	Other Income	Gain on disposition of property	Total Non-Operating Income
9/30/2010	60,975	19,983	6,193	87,151	302	1,345	10,000	-	-	11,647
9/30/2011	60,398	20,251	7,927	88,576	294	1,221	-	-	-	1,515
9/30/2012	61,884	20,223	4,408	86,515	193	885	-	-	-	1,078
9/30/2013	64,347	20,363	7,239	91,949	58	1,087	-	-	196	1,341
9/30/2014	67,818	21,548	10,821	100,187	120	1,158	-	-	36	1,314
9/30/2015	61,995	22,061	15,419	99,475	223	1,256	-	62	-	1,541
9/30/2016	63,658	23,121	10,871	97,650	299	1,027	-	-	-	1,326
9/30/2017	64,721	24,599	8,063	97,383	87	811	-	-	-	898
9/30/2018	64,490	27,325	7,358	99,173	210	905	-	1,291	138	2,544
9/30/2019	62,943	29,121	7,225	99,289	1,518	942	-	1,177	106	3,743

Notes: (1) Water Sales is net of Provision for doubtful accounts expense.

Source: Department's annual reports

See accompanying independent auditors' report





(Unaudited) **Exhibit 6**

LONG BEACH WATER DEPARTMENT

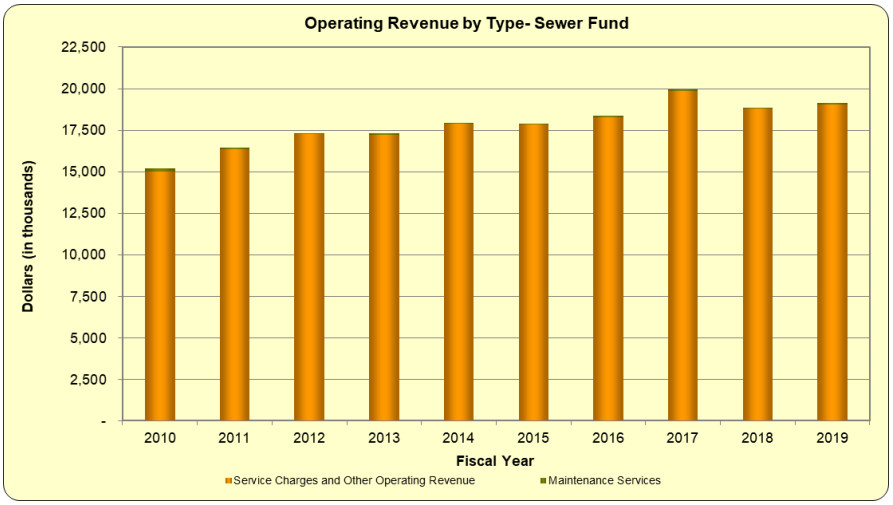
SEWER FUND REVENUE BY TYPE - LAST TEN FISCAL YEARS

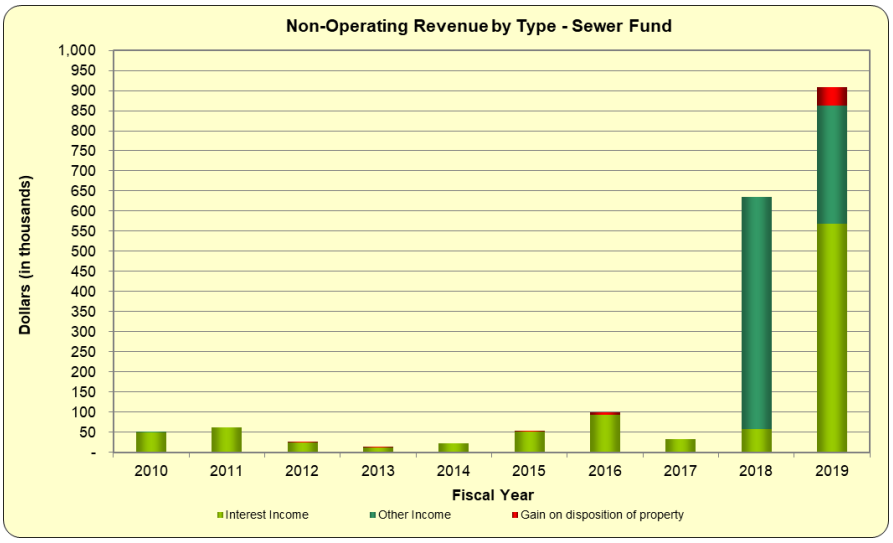
(in thousands of dollars)

	OPERATING			NON-OPERATING			
Fiscal Year Ended	Service Charges and Other Operating Revenue	Maintenance Services	Total Operating Revenue	Interest Income	Other Income	Gain on disposition of property	Total Non-Operating Income
9/30/2010	15,013	173	15,186	50	0.01	-	50
9/30/2011	16,362	86	16,448	63	-	-	63
9/30/2012	17,239	86	17,325	25	-	2	27
9/30/2013	17,225	86	17,311	11	-	2	13
9/30/2014	17,867	86	17,953	23	-	-	23
9/30/2015	17,817	86	17,903	52	-	2	54
9/30/2016	18,269	86	18,355	94	-	5	99
9/30/2017	19,863	86	19,949	32	-	-	32
9/30/2018	18,786	86	18,872	58	577	-	635
9/30/2019	19,044	86	19,130	568	294	47	909

Source: Department's annual reports

See accompanying independent auditors' report





(Unaudited) **Exhibit 7**

LONG BEACH WATER DEPARTMENT

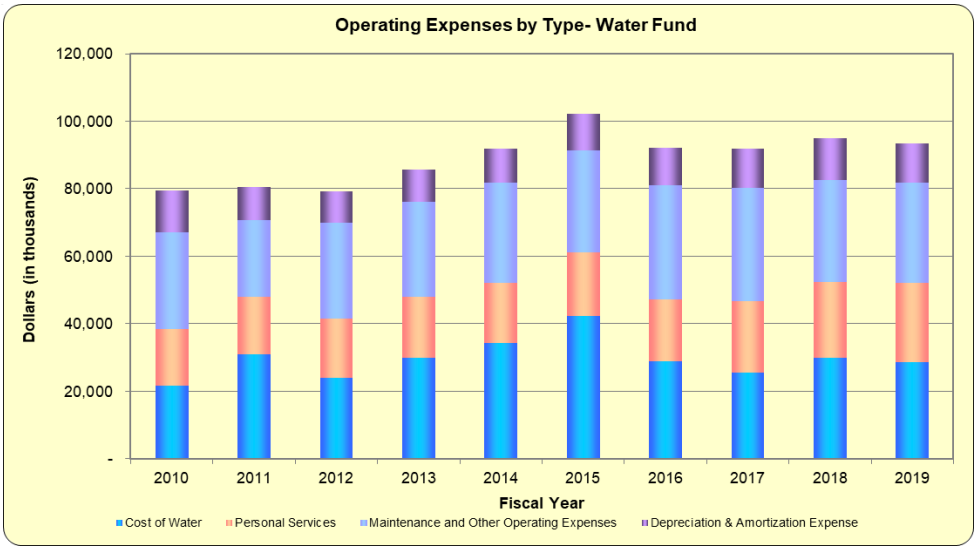
WATER FUND EXPENSES BY TYPE - LAST TEN FISCAL YEARS

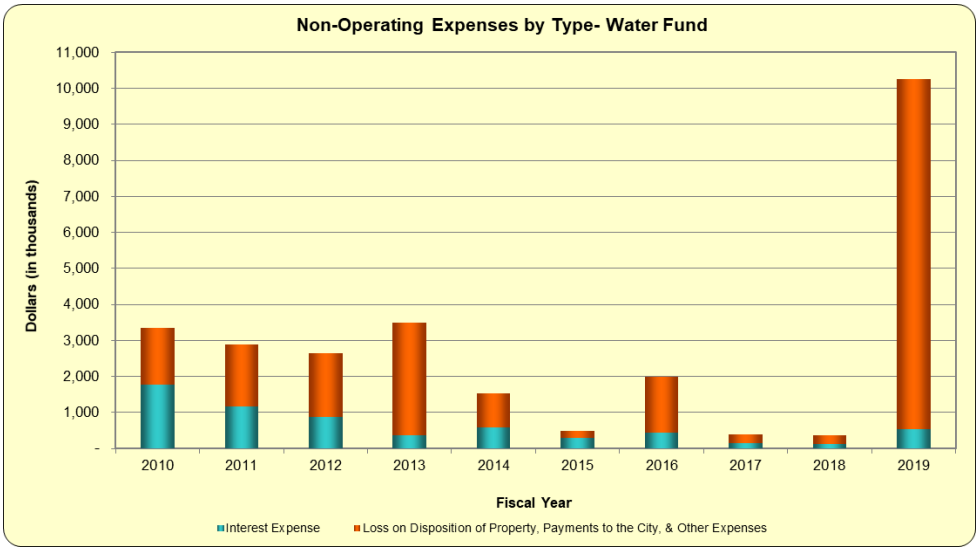
(in thousands of dollars)

	OPERATING					NON-OPERATING		
Fiscal Year Ended	Cost of Water	Personal Services	Maintenance and Other Operating Expenses	Depreciation & Amortization Expense	Total Operating Expenses	Interest Expense	Loss on Disposition of Property, Payments to the City & Other Expenses	Total Non-Operating Expenses
9/30/2010	21,588	16,855	28,648	12,331	79,422	1,773	1,572	3,345
9/30/2011	30,825	17,095	22,644	9,839	80,403	1,167	1,722	2,889
9/30/2012	23,887	17,594	28,502	9,359	79,342	872	1,779	2,651
9/30/2013	29,753	18,309	28,155	9,566	85,783	363	3,130	3,493
9/30/2014	34,378	17,822	29,566	10,226	91,992	587	943	1,530
9/30/2015	42,178	18,923	30,294	10,739	102,134	292	198	490
9/30/2016	28,743	18,405	33,936	11,169	92,253	433	1,565	1,998
9/30/2017	25,374	21,389	33,436	11,694	91,893	161	227	388
9/30/2018	29,927	22,500	30,086	12,553	95,066	123	254	377
9/30/2019	28,659	23,532	29,569	11,720	93,480	527	9,722	10,249

Source: Department's annual reports

See accompanying independent auditors' report





(Unaudited) **Exhibit 8**

LONG BEACH WATER DEPARTMENT

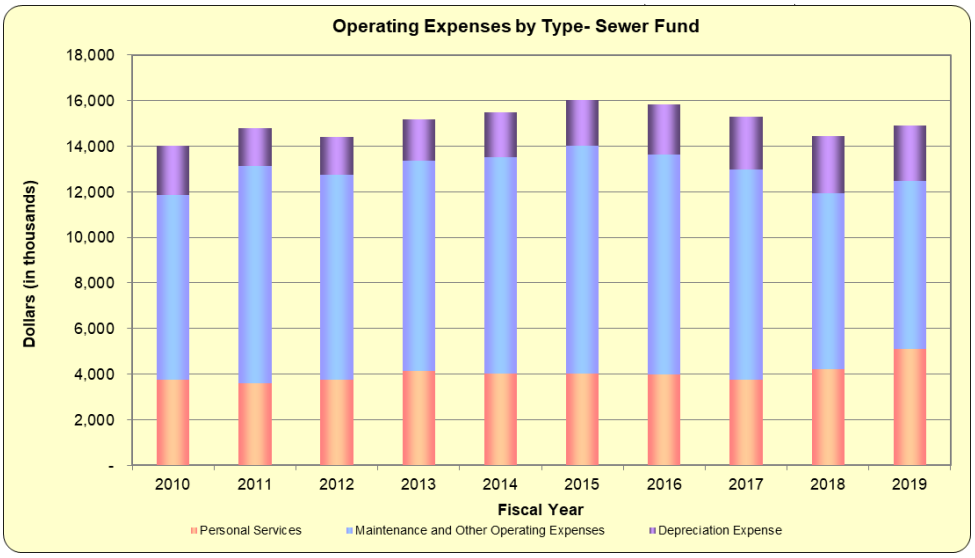
SEWER FUND EXPENSES BY TYPE - LAST TEN FISCAL YEARS

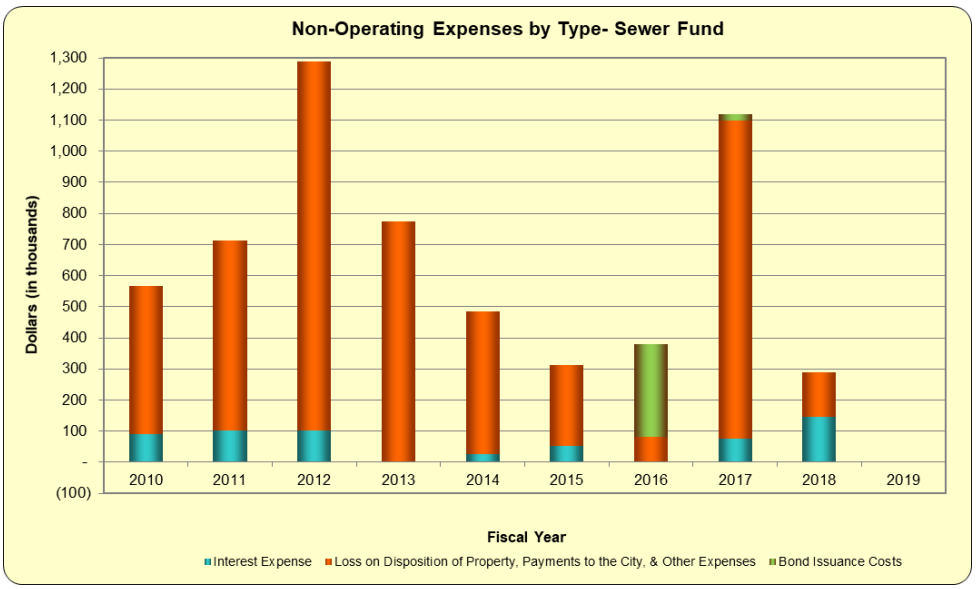
(in thousands of dollars)

	OPERATING				NON-OPERATING			
Fiscal Year Ended	Personal Services	Maintenance and Other Operating Expenses	Depreciation Expense	Total Operating Expenses	Interest Expense	Loss on Disposition of Property & Payments to the City & Other Expenses	Bond Issuance Costs	Total Non-Operating Expenses
9/30/2010	3,735	8,113	2,167	14,015	91	476	-	567
9/30/2011	3,607	9,528	1,660	14,795	102	611	-	713
9/30/2012	3,748	8,988	1,675	14,411	101	1,186	-	1,287
9/30/2013	4,122	9,246	1,797	15,165	2	772	-	774
9/30/2014	4,043	9,475	1,961	15,479	27	458	-	485
9/30/2015	4,021	9,993	2,010	16,024	51	260	-	311
9/30/2016	3,968	9,680	2,187	15,835	-	81	298	379
9/30/2017	3,764	9,225	2,323	15,312	77	1,021	21	1,119
9/30/2018	4,206	7,732	2,490	14,428	146	144	-	290
9/30/2019	5,106	7,372	2,425	14,903	-	-	-	-

Source: Department's annual reports

See accompanying independent auditors' report





Revenue Capacity

These schedules contain information to help the reader assess the Department's significant revenue sources.

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(Unaudited) **Exhibit 9**

LONG BEACH WATER DEPARTMENT

SOURCE OF WATER (PUMPED, PURCHASED, AND RECLAIMED) AND CONSUMPTION - LAST TEN FISCAL YEARS

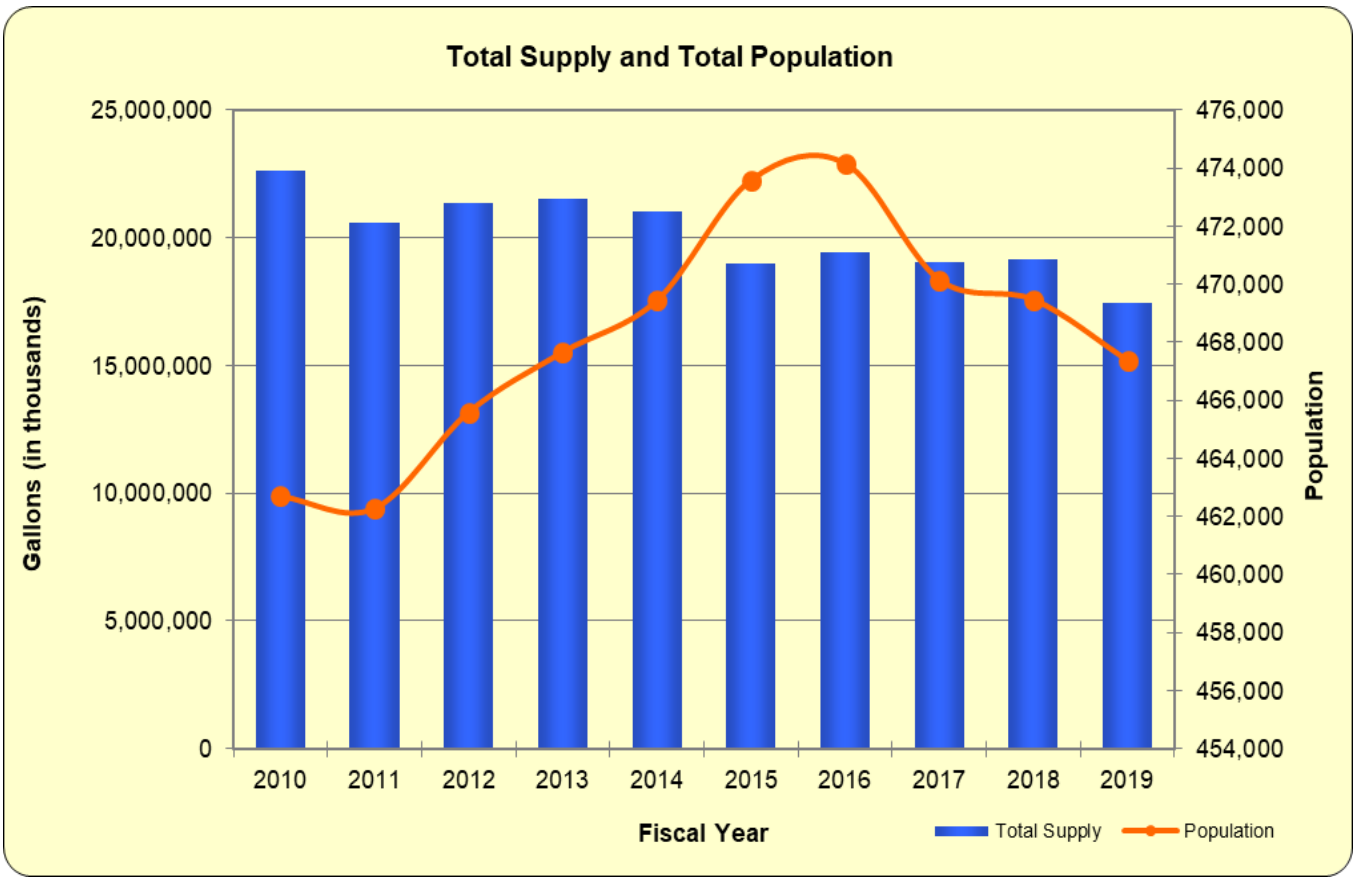
(in thousands of gallons, except population)

Fiscal Year Ended	SOURCE OF SUPPLY				CONSUMPTION			
	Potable Water		Reclaimed Water	Total Supply	Average Daily Demand Potable Water [1]	Peak Day Distribution	Average Daily Sales Per Capita	Population
	Pumped	Purchased						
9/30/2010	11,789,387	8,651,083	2,197,803	22,638,273	56,001	71,220	134	462,685
9/30/2011	5,856,585	12,725,394	2,022,264	20,604,243	50,910	72,300	122	462,257
9/30/2012	10,772,406	8,302,455	2,255,671	21,330,532	52,260	74,700	126	465,576
9/30/2013	10,125,461	9,248,531	2,164,954	21,538,946	53,079	68,700	126	467,646
9/30/2014	9,131,485	9,990,526	1,897,724	21,019,735	52,389	72,000	123	469,428
9/30/2015	7,169,276	10,146,544	1,684,650	19,000,470	47,441	68,600	110	473,577
9/30/2016	10,455,223	6,487,074	2,470,635	19,412,932	46,417	63,300	112	474,140
9/30/2017	10,283,141	6,459,051	2,303,734	19,045,926	45,869	60,300	111	470,130
9/30/2018	9,479,592	7,901,528	1,790,910	19,172,030	47,620	64,200	112	469,450
9/30/2019	9,105,157	7,129,392	1,204,117	17,438,666	44,478	63,900	102	467,354

Note: (1) Does not include reclaimed water which is used for irrigation only.

Source: Department's annual reports

See accompanying independent auditors' report



(Unaudited) **Exhibit 10**

LONG BEACH WATER DEPARTMENT
WATER RATES: VOLUMETRIC RATE CHARGES
LAST TEN FISCAL YEARS

	Potable Water [1]			Reclaimed Water		
Effective Date	TIER I [2]	TIER II [3]	TIER III [4]	Peaking Rate Per Cubic Foot [5]	Non-Peaking Rate Per Cubic Foot [6]	Interruptible Rate Per Cubic Foot [7]
10/1/2010	2.196	2.439	3.659	1.708	1.220	-
10/1/2011	2.196	2.439	3.659	1.708	1.220	1.220
10/1/2012	2.196	2.439	3.659	1.708	1.220	1.220
10/1/2013	2.283	2.537	3.806	1.776	1.269	1.269
10/1/2014	2.374	2.638	3.957	1.847	1.319	1.319
10/1/2015	2.470	2.744	4.116	1.921	1.372	1.372
10/1/2016	2.569	2.854	4.281	1.998	1.427	1.427
7/1/2017 [8]	1.921	3.678	5.366	1.859	1.578	1.578
10/1/2017	1.998	3.825	5.581	1.933	1.641	1.641
1/1/2018	1.914	3.664	5.347	1.852	1.572	1.572
10/1/2018	2.052	3.928	5.732	1.985	1.685	1.685

Note: (1) Volumetric rate charges for Single family residence, not granted an exemption (one billing unit equals 100 cubic feet).
(2) From 10/1/2007 to 10/1/2016, Tier I is billed for first five (5) billing units. Starting 7/1/2017, Tier I is billed for first six (6) billing units.
(3) All non-residential customers are charged at the Tier II rate. From 10/1/2007 to 10/1/2016, Tier II is billed for next ten (10) billing units. Starting 7/1/2017, Tier I is billed for first seven (7) billing units.
(4) From 10/1/2007 to 10/1/2016, Tier III is billed for over fifteen (15) billing units. Starting 7/1/2017, Tier III is billed for over thirteen (13) billing units.
(5) Rate for total average daily demand occurring between the hours of 9:00pm and 6:00am.
(6) Rate for total average daily demand occurring at a continuous, constant level over a 24 hour period.
(7) Rate for reclaimed water service that can be suspended at anytime at the Board of Water Commissioner's discretion, without liability and dependent upon the Department's reclaimed water system needs for such service.
(8) Restructured water rates effective July 1, 2017.

Source: Department's records

See accompanying independent auditors' report

(Unaudited) **Exhibit 11**

LONG BEACH WATER DEPARTMENT
WATER RATES: DAILY SERVICE CHARGE BY SIZE
LAST TEN FISCAL YEARS

Effective Date	3/4"	1" [1]	1-1/2"	2"	3"	4"	6"	8"	10"	12"	16"
10/1/2010	0.418	0.630	1.175	1.742	3.608	5.708	10.519	16.511	27.041	33.048	54.696
10/1/2011	0.418	0.630	1.175	1.742	3.608	5.708	10.519	16.511	27.041	33.048	54.696
10/1/2012	0.418	0.630	1.175	1.742	3.608	5.708	10.519	16.511	27.041	33.048	54.696
10/1/2013	0.435	0.655	1.222	1.812	3.752	5.936	10.940	17.171	28.123	34.370	56.884
10/1/2014	0.452	0.681	1.271	1.884	3.902	6.173	11.378	17.858	29.248	35.745	59.159
10/1/2015	0.470	0.708	1.322	1.959	4.058	6.420	11.833	18.572	30.418	37.175	59.159
10/1/2016	0.489	0.736	1.375	2.037	4.220	6.677	12.306	19.315	31.635	38.662	63.986
7/1/2017 [2]	0.550	0.815	1.478	2.273	4.790	8.102	18.039	37.251	55.800	70.374	103.497
10/1/2017	0.572	0.848	1.537	2.364	4.982	8.426	18.761	38.741	58.032	73.189	107.637
1/1/2018	0.548	0.812	1.472	2.265	4.773	8.072	17.973	37.114	55.595	70.115	103.116
10/1/2018	0.587	0.870	1.578	2.428	5.117	8.653	19.267	39.786	59.598	75.163	110.540

Note: (1) Normal residential size.
(2) Restructured water rates effective 7/1/2017.

Source: Department's records

See accompanying independent auditors' report

(Unaudited) **Exhibit 12**

LONG BEACH WATER DEPARTMENT
WATER RATES: DAILY FIRELINE SERVICE CHARGE BY SIZE
LAST TEN FISCAL YEARS

Effective Date	2"	3"	4"	6"	8"	10"	12"	16"
10/1/2010	0.872	1.491	2.203	3.754	5.503	7.444	9.383	13.758
10/1/2011	0.872	1.491	2.203	3.754	5.503	7.444	9.383	13.758
10/1/2012	0.872	1.491	2.203	3.754	5.503	7.444	9.383	13.758
10/1/2013	0.907	1.551	2.291	3.904	5.723	7.742	9.758	14.308
10/1/2014	0.943	1.613	2.383	4.060	5.952	8.052	10.148	14.880
10/1/2015	0.981	1.678	2.478	4.222	6.190	8.374	10.554	15.475
10/1/2016	1.020	1.745	2.577	4.391	6.438	8.709	10.976	16.094
7/1/2017[(1)]	0.325	0.654	1.221	3.256	6.767	12.047	19.365	41.095
10/1/2017	0.338	0.680	1.270	3.386	7.038	12.529	20.140	42.739
1/1/2018	0.324	0.651	1.217	3.244	6.742	12.003	19.294	40.944
10/1/2018	0.347	0.698	1.305	3.478	7.227	12.867	20.683	43.892

Note: (1) Restructured water rates effective 7/1/2017.

Source: Department's records

See accompanying independent auditors' report

(Unaudited) **Exhibit 13**

LONG BEACH WATER DEPARTMENT
TEN LARGEST POTABLE WATER USERS IN CITY OF LONG BEACH
CURRENT YEAR AND NINE YEARS AGO

Fiscal Year 2019					Fiscal Year 2010				
Industry	Ranking	Sales in thousands	Acre Feet (AF)	AF Percent of Total	Industry	Ranking	Sales in thousands	Acre Feet (AF)	AF Percent of Total
Government	1	$ 5,157	2,907	5.83 %	Government	1	$ 3,324	2,978	5.39 %
Education	2	1,188	548	1.10	Education	2	955	689	1.25
Utility	3	841	619	1.24	Utility	3	767	721	1.30
Education	4	662	427	0.86	Education	4	450	393	0.71
Utility	5	458	325	0.65	Utility	5	435	395	0.71
Cruise Line	6	440	312	0.63	Utility	6	433	404	0.73
Utility	7	429	268	0.54	Government	7	344	262	0.47
Healthcare	8	377	262	0.53	Healthcare	8	317	281	0.51
Healthcare	9	342	226	0.45	Healthcare	9	278	255	0.46
Education	10	240	78	0.16	Cruise Line	10	265	245	0.44
Total Ten Largest Users		10,134	5,972	11.99	Total Ten Largest Users		7,568	6,623	11.97
Total All Other Users		79,286	43,850	88.01	Total All Other Users		70,585	48,655	88.03
Total City		$ 89,420	49,822	100.00	Total City		$ 78,153	55,278	100.00

Source: Department's utility billing records

See accompanying independent auditors' report

(Unaudited) **Exhibit 14**

LONG BEACH WATER DEPARTMENT
TEN LARGEST RECLAIMED WATER USERS IN CITY OF LONG BEACH
CURRENT YEAR AND NINE YEARS AGO

Fiscal Year 2019				Fiscal Year 2010			
Industry	Ranking	Acre Feet (AF)	AF Percent of Total	Industry	Ranking	Acre Feet (AF)	AF Percent of Total
Golf Course	1	1,270	34.37 %	Water Resource Management	1	2,411	35.74 %
Government	2	964	26.09	Golf Course	2	1,216	18.03
Oil Production	3	582	15.75	Oil Production	3	1,195	17.72
Education	4	152	4.11	Government	4	1,164	17.26
Water Resource Management	5	135	3.65	Education	5	170	2.52
Education	6	123	3.33	Memorial Park	6	129	1.91
Memorial Park	7	112	3.03	Memorial Park	7	86	1.28
Education	8	80	2.17	Government	8	78	1.16
Memorial Park	9	77	2.08	Education	9	74	1.10
Government	10	36	0.97	Education	10	56	0.83
Total Ten Largest Users		3,531	95.55	Total Ten Largest Users		6,579	97.55
Total All Other Users		164	4.45	Total All Other Users		166	2.45
Total City		3,695	100.00	Total City		6,745	100.00

Source: Department's records

See accompanying independent auditors' report

(Unaudited) **Exhibit 15**

LONG BEACH WATER DEPARTMENT
SEWER RATES: VOLUMETRIC RATE CHARGES & CAPACITY CHARGES
LAST TEN FISCAL YEARS

Effective Date	Volumetric Rate Charges [1]	Capacity Charges [2]
10/1/2009	0.303	88.520
10/1/2010	0.330	90.380
10/1/2011	0.347	91.370
10/1/2012	0.347	93.200
10/1/2013	0.347	93.390
10/1/2014	0.361	97.310
10/1/2015	0.375	99.520
10/1/2016	0.390	101.110
7/1/2017[3]	0.390	101.110
10/1/2017	0.398	108.390
1/1/2018	0.357	108.390
10/1/2018	0.357	108.720

Note: (1) Volumetric rate charges one (1) billing unit equals 100 cubic feet.
(2) A one-time capacity charge per equivalent fixture unit is applied to all new developments in the City.
(3) Restructured sewer rates effective July 1, 2017

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 16

LONG BEACH WATER DEPARTMENT
SEWER RATES: DAILY SERVICE CHARGE BY SIZE
LAST TEN FISCAL YEARS

Effective Date	3/4"[1]	1"	1-1/2"	2"	3"	4"	6"	8"	10"	12"	16"
10/1/2009	0.218	0.346	0.630	0.914	1.891	2.990	5.517	8.668	14.180	17.333	28.363
10/1/2010	0.238	0.377	0.687	0.990	2.061	3.265	6.014	9.448	15.456	18.893	30.916
10/1/2011	0.250	0.396	0.721	1.046	2.164	3.428	6.315	9.920	16.229	19.838	32.462
10/1/2012	0.250	0.396	0.721	1.046	2.164	3.428	6.315	9.920	16.229	19.838	32.462
10/1/2013	0.250	0.396	0.721	1.046	2.164	3.428	6.315	9.920	16.229	19.838	32.462
10/1/2014	0.260	0.412	0.750	1.088	2.251	3.565	6.568	10.317	16.878	20.632	33.760
10/1/2015	0.270	0.428	0.780	1.132	2.341	3.708	6.831	10.731	17.553	21.457	35.110
10/1/2016	0.281	0.445	0.811	1.177	2.435	3.856	7.104	11.159	18.255	22.315	36.514
7/1/2017[2]	0.246	0.365	0.957	1.649	3.842	5.558	15.482	16.412	25.405	32.042	47.125
10/1/2017	0.251	0.372	0.976	1.682	3.919	5.669	15.792	16.740	25.913	32.683	48.068
1/1/2018	0.225	0.333	0.874	1.507	3.511	5.079	14.150	14.999	23.218	29.284	43.069
10/1/2018	0.225	0.333	0.874	1.507	3.511	5.079	14.150	14.999	23.218	29.284	43.069

Note: (1) Normal residential size
(2) Restructured sewer rates effective July 1, 2017

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 17

LONG BEACH WATER DEPARTMENT
TEN LARGEST SEWER USERS IN CITY OF LONG BEACH
CURRENT YEAR AND NINE YEARS AGO

	Fiscal Year 2019					Fiscal Year 2010				
Industry	Ranking	Sales in thousands	Acre Feet (AF)	AF Percent of Total	Industry	Ranking	Sales in thousands	Acre Feet (AF)	AF Percent of Total
Government	1	$ 432	1,202	3.25 %	Government	1	$ 271	1,432	3.51 %
Education	2	258	343	0.93	Education	2	150	374	0.92
Education	3	108	422	1.14	Education	3	69	383	0.94
Healthcare	4	77	265	0.72	Healthcare	4	48	273	0.67
Education	5	60	76	0.21	Government	5	43	195	0.48
Healthcare	6	34	119	0.32	Residential Community	6	21	111	0.27
Hotel	7	33	67	0.18	Hotel	7	20	59	0.14
Real Estate	8	30	84	0.23	Residential Community	8	17	83	0.20
Manufacturing	9	26	53	0.14	Education	9	17	49	0.12
Manufacturing	10	25	131	0.35	Residential Community	10	16	80	0.20
Total Ten Largest Users		1,083	2,762	7.47	Total Ten Largest Users		672	3,039	7.45
Total All Other Users		15,747	34,252	92.53	Total All Other Users		13,561	37,779	92.55
Total City		$ 16,830	37,014	100.00	Total City		$ 14,233	40,818	100.00

Source: Department's utility billing records

See accompanying independent auditors' report

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Debt Capacity Information

These schedules contain information to help the reader assess the affordability of the Department's current levels of outstanding debt and ability to issue additional debt in the future.

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(Unaudited) **Exhibit 18**

LONG BEACH WATER DEPARTMENT
WATER FUND DEBT SERVICE COVERAGE - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Total Operating Revenue [1]	Operating Expenses [2]	Net Operating Income	Net Non-Operating Income/ (Expense) [3]	Amount Available for Debt Service	Principal	Interest	Total Debt Service[4]	Times Coverage
9/30/2010	87,151	67,091	20,060	10,245	30,305	1,405	1,588	2,993	10.13
9/30/2011	88,576	70,564	18,012	(152)	17,860	-	861	861 [5]	20.74
9/30/2012	86,515	69,983	16,532	(331)	16,201	490	1,249	1,739	9.32
9/30/2013	91,949	76,217	15,732	(1,985)	13,747	2,110	1,485	3,595	3.82
9/30/2014	100,187	81,766	18,421	335	18,756	2,385	1,502	3,887	4.83
9/30/2015	99,475	91,395	8,080	1,541	9,621	2,510	1,390	3,900	2.47
9/30/2016	97,650	81,084	16,566	44	16,610	2,630	1,264	3,894	4.27
9/30/2017	97,383	80,199	17,184	764	17,948	2,730	1,165	3,895	4.61
9/30/2018	99,173	82,767	16,406	2,406	18,812	2,815	1,077	3,892	4.83
9/30/2019	99,289	81,760	17,529	(6,085)	11,444	2,930	965	3,895	2.94

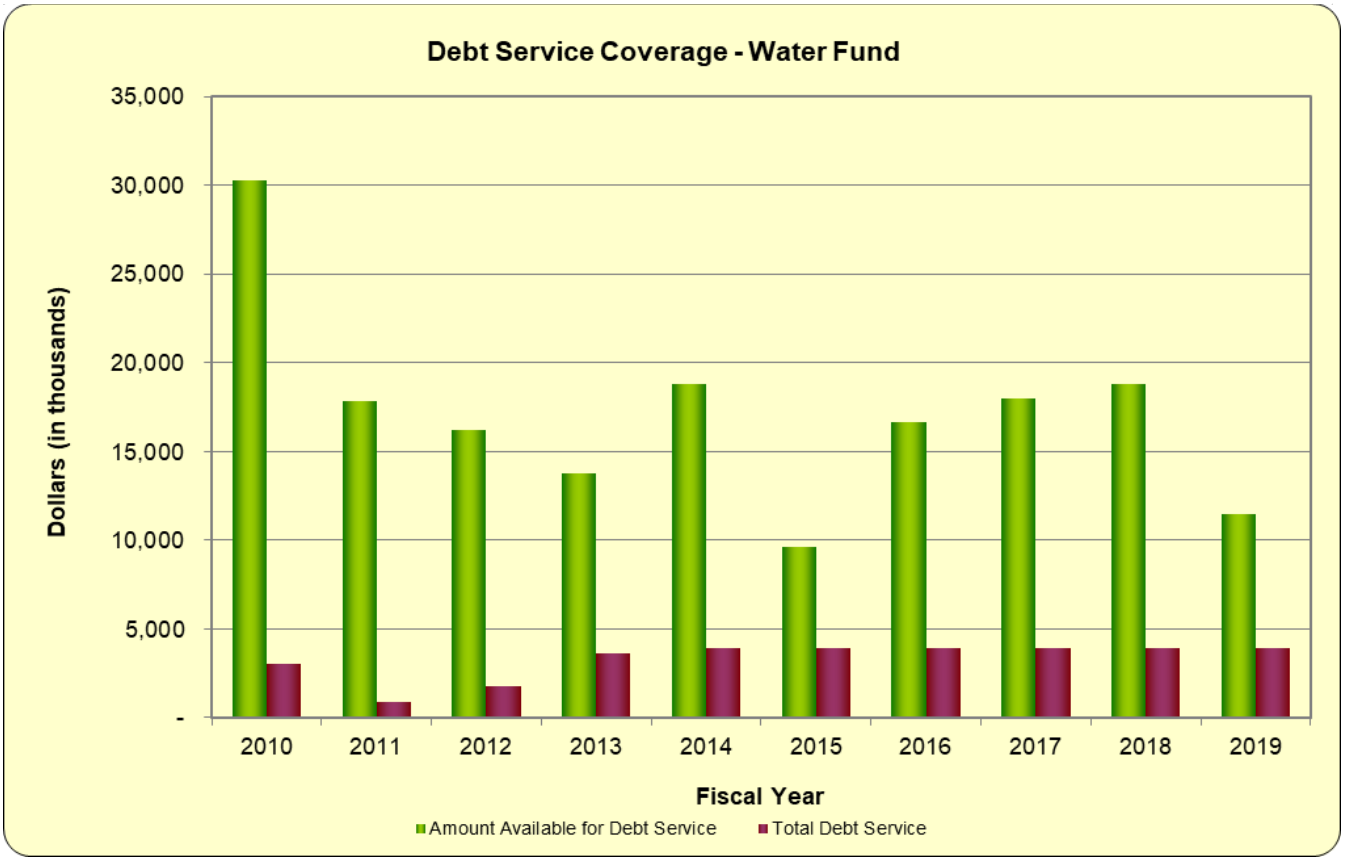
Bond Issues: Water Revenue Refunding Bonds - 1997 Series A, 2010 Series A, & 2012 Series A

Average Coverage, ten years	6.80
Rate Covenant (Series: 1997A, 2010A, & 2012A)	1.10

Notes:(1) Total Operating Revenue is net of Provision for doubtful accounts expense.
(2) Operating Expenses are exclusive of depreciation expense.
(3) Net Non-Operating Income (Expense) is exclusive of bond interest, amortization of bond issue costs, contributed capital and loss on disposition of property.
(4) Total Debt Service is the current year's scheduled principal interest payments on November 1st and May 1st.
(5) Debt Service for FY2010 includes interest only, reflecting the issuance of Water Revenue Refunding Bonds - Series 2010A to advance refund 82.4% of outstanding Series 1997A Water Revenue Refunding Bonds. The refunding reduced the Department's aggregate debt service payments by $3.3 million, with the refunding structured to achieve such savings upfront over fiscal years 2011 and 2012.

Source: Department's annual reports

See accompanying independent auditors' report



(Unaudited) **Exhibit 19**

LONG BEACH WATER DEPARTMENT
SEWER FUND DEBT SERVICE COVERAGE - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Total Operating Revenue [1]	Operating Expenses [2]	Net Operating Income	Net Non-Operating Income (Expense) [3]	Amount Available for Debt Service	Principal	Interest	Total Debt Service [4]	Times Coverage
9/30/2010	15,186	11,848	3,338	(426)	2,912	-	10	10	291.20
9/30/2011	16,448	13,135	3,313	(538)	2,775	-	27	27	102.78
9/30/2012	17,325	12,736	4,589	(1,161)	3,428	-	57	57	60.14
9/30/2013	17,311	13,368	3,943	(761)	3,182	-	54	54	58.93
9/30/2014	17,953	13,518	4,435	(434)	4,001	-	76	76	52.64
9/30/2015	17,903	14,014	3,889	(208)	3,681	-	79	79	46.59
9/30/2016	18,355	13,648	4,707	13	4,720	-	125	125	37.76
9/30/2017	19,949	12,989	6,960	(969)	5,991	460	269	729	8.22
9/30/2018	18,872	11,984	6,888	635	7,523	330	395	725	10.38
9/30/2019	19,130	12,478	6,652	812	7,464	345	382	727	10.27

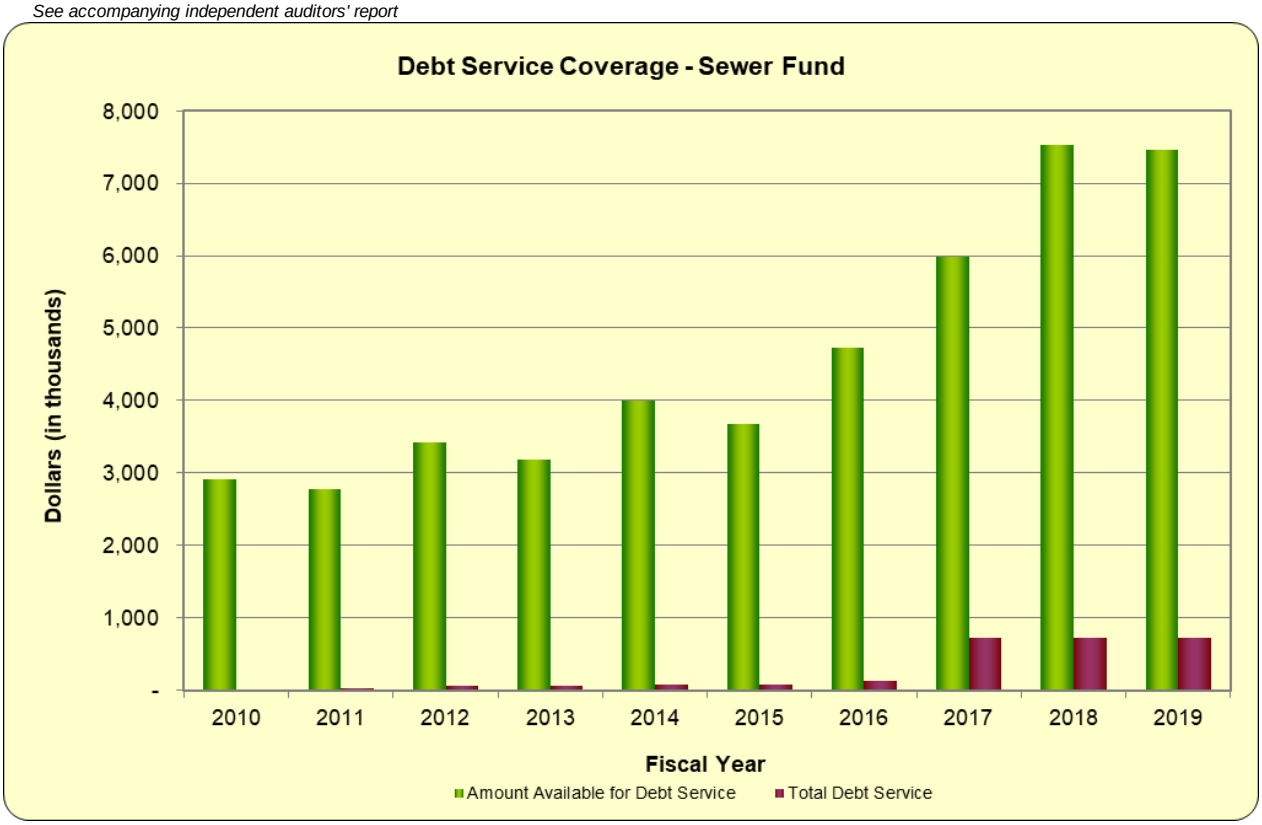
Average Coverage, ten years	67.89
Rate Covenant	1.25

Bond Issues: None

Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.
(2) Operating Expenses are exclusive of depreciation expense.
(3) Net Non-Operating Income (Expense) is exclusive of bond interest, amortization of bond issue costs, contributed capital and loss on disposition of property.
(4) Total Debt Service is the current year's scheduled principal interest payments on November 1st and May 1st.

Source: Department's annual reports

See accompanying independent auditors' report



(Unaudited) **Exhibit 20**

LONG BEACH WATER DEPARTMENT

WATER FUND RATIOS OF OUTSTANDING DEBT BY TYPE - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Revenue Refunding Bonds			Subordinate Water Revenue Commercial Paper Notes	Discounts, premiums, & adjustments	Total	Percentage of Personal Income [1]	Per Capita [1]
	Series 1997	Series 2010	Series 2012					
9/30/2010	5,175	22,740	-	11,000	334	39,249	0.30%	0.085
9/30/2011	5,175	22,740	-	11,000	309	39,224	0.29%	0.085
9/30/2012	5,175	22,250	9,850	-	1,584	38,859	0.28%	0.083
9/30/2013	3,545	22,125	9,495	-	3,498	38,663	0.26%	0.083
9/30/2014	1,825	21,995	8,960	-	3,107	35,887	0.23%	0.076
9/30/2015	-	21,860	8,410	-	2,703	32,973	0.20%	0.070
9/30/2016	-	19,795	7,845	-	2,303	29,943	0.18%	0.063
9/30/2017	-	17,645	7,265	-	1,914	26,824	0.15%	0.057
9/30/2018	-	15,435	6,660	-	1,537	23,632	0.13%	0.050
9/30/2019	-	13,135	6,030	-	1,190	20,355	0.11%	0.044

Notes: (1) See Exhibit 22-Demographic Statistics for Personal Income and Population Data.

Source: Department's annual reports

See accompanying independent auditors' report

(Unaudited) **Exhibit 21**

LONG BEACH WATER DEPARTMENT

SEWER FUND RATIOS OF OUTSTANDING DEBT - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Revenue Refunding Bonds Series 2016A	Subordinate Sewer Revenue Commercial Paper Notes	Sewer Revolving Line of Credit	Premium	Total	Percentage of Personal Income [1]	Per Capita [1]
9/30/2010	-	4,000	-	-	4,000	0.03%	0.009
9/30/2011	-	-	6,000	-	6,000	0.04%	0.013
9/30/2012	-	-	6,000	-	6,000	0.04%	0.013
9/30/2013	-	-	9,750	-	9,750	0.07%	0.021
9/30/2014	-	-	9,750	-	9,750	0.06%	0.021
9/30/2015	-	-	11,250	-	11,250	0.07%	0.024
9/30/2016	9,830	-	-	1,719	11,549	0.07%	0.024
9/30/2017	9,370	-	-	1,584	10,954	0.06%	0.023
9/30/2018	9,040	-	-	1,453	10,493	0.06%	0.022
9/30/2019	8,695	-	-	1,323	10,018	0.05%	0.021

Notes: (1) See Exhibit 22-Demographic Statistics for Personal Income and Population Data.

Source: Department's annual reports

See accompanying independent auditors' report

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Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Department's financial activities take place.

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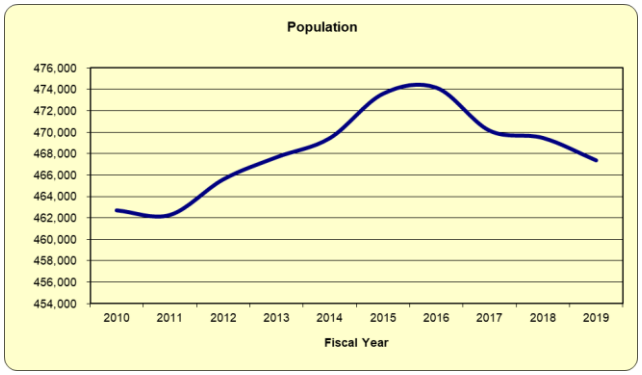
(Unaudited) **Exhibit 22**

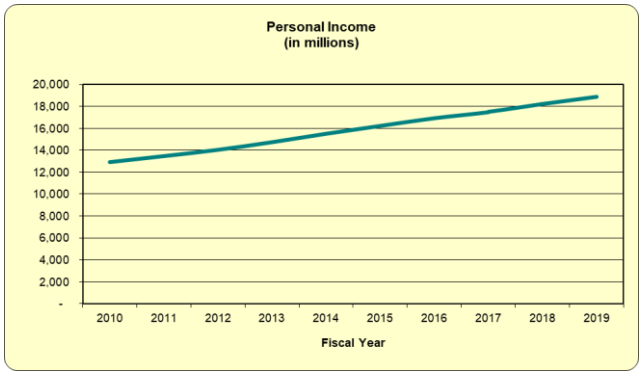
LONG BEACH WATER DEPARTMENT
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

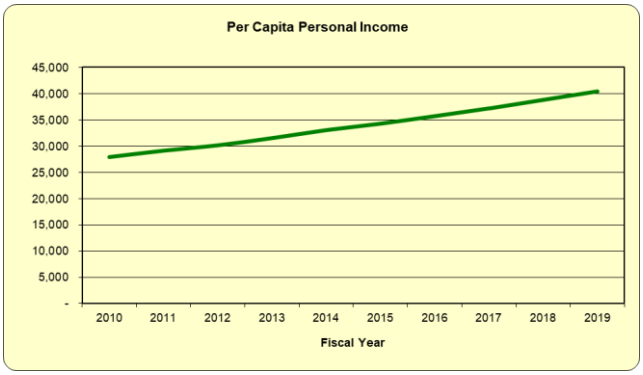
Fiscal Year Ended	Estimated Population [1] [4]	Personal Income (in millions) [2] [4]	Per Capita Personal Income [2] [4]	Unemployment Rate [3]
9/30/2010	462,685	12,938	27,964	13.9%
9/30/2011	462,257	13,486	29,173	13.4%
9/30/2012	465,576	14,058	30,196	12.2%
9/30/2013	467,646	14,757	31,556	10.3%
9/30/2014	469,428	15,525	33,072	8.6%
9/30/2015	473,577	16,242	34,296	6.8%
9/30/2016	474,140	16,939	35,725	5.7%
9/30/2017	470,130	17,490	37,203	5.3%
9/30/2018	469,450	18,209	38,789	4.7%
9/30/2019	467,354 [5]	18,892	40,423	4.7%

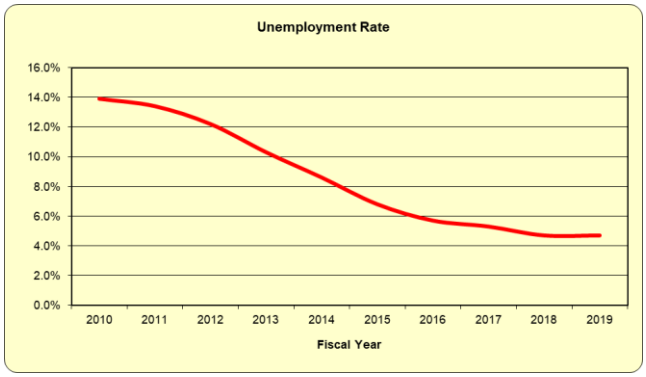
Source: (1) California Department of Finance Demographic Reports
(2) U.S. Department of Commerce, Bureau of Economic Analysis: Personal Income and per capita personal income are based on percent change of per capita personal income for Los Angeles-Long Beach-Anaheim, CA (Metropolitan Statistic Are). The BEA's Report does not have personal income available for 2015, so an average of the last five years was used.
(3) Average annual rate reported by California Employment Development Department (EDD) for Long Beach city.
(4) Data from 2008-2014 restated due to the annual revisions.
(5) Data is estimated value from previous year.

See accompanying independent auditors' report









(Unaudited) **Exhibit 23**

LONG BEACH WATER DEPARTMENT
MAJOR EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	Fiscal Year 2019			Fiscal Year 2010		
Employer	Ranking	Number of Employees [1]	Percentage of Total City Employment [2]	Ranking	Number of Employees [1]	Percentage of Total City Employment [2]
Long Beach Unified School District	**1**	12,825	5.31%	**1**	7,846	3.38%
City of Long Beach	**2**	5,476	2.27%	**4**	5,466	2.35%
Long Beach Memorial Medical Center	**3**	5,106	2.12%	**5**	5,105	2.20%
California State University Long Beach	**4**	3,962	1.64%	**3**	6,599	2.84%
Veteran Affairs Medical Center	**5**	3,040	1.26%	**6**	2,306	0.99%
Long Beach City College	**6**	2,670	1.11%	**7**	1,664	0.72%
Molina Healthcare Inc	**7**	1,967	0.81%			
St. Mary Medical Center	**8**	1,570	0.65%	**9**	1,461	0.63%
California State Univ Long Beach Research Foundation	**9**	1,524	0.63%			
The Boeing Company	**10**	1,202	0.50%	**2**	7,100	3.06%
United States Postal Service				**8**	1,471	0.63%
Verizon				**10**	1,200	0.52%

Sources: (1) Department of Financial Management Accounting and Business License
(2) State of California Employment Development Department Labor Market Info for 2010 and 2019.

This data was compiled from various sources by the City of Long Beach Departments of Development Services and Financial Management. Employment data is intended for use as a general guide only. The City of Long Beach does not warrant the accuracy of this data. Inquiries should be directed to the respective employer.

See accompanying independent auditors' report

(Unaudited) **Exhibit 24**

LONG BEACH WATER DEPARTMENT
NUMBER OF EMPLOYEES BY FUND
LAST TEN FISCAL YEARS

Fiscal Year Ended	Water Fund	Sewer Fund	Total
9/30/2010	175	44	219
9/30/2011	174	43	217
9/30/2012	184	48	232
9/30/2013	179	47	226
9/30/2014	170	49	219
9/30/2015	172	47	219
9/30/2016	180	44	224
9/30/2017	183	47	230
9/30/2018	207	47	254
9/30/2019	214	56	270

Sources: Department's Personnel records

See accompanying independent auditors' report

Operating Information

These schedules contain information about operations and resources
to help the reader understand how the
Department's financial information relates to the services the Department
provides and the activities it performs.

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(Unaudited) **Exhibit 25**

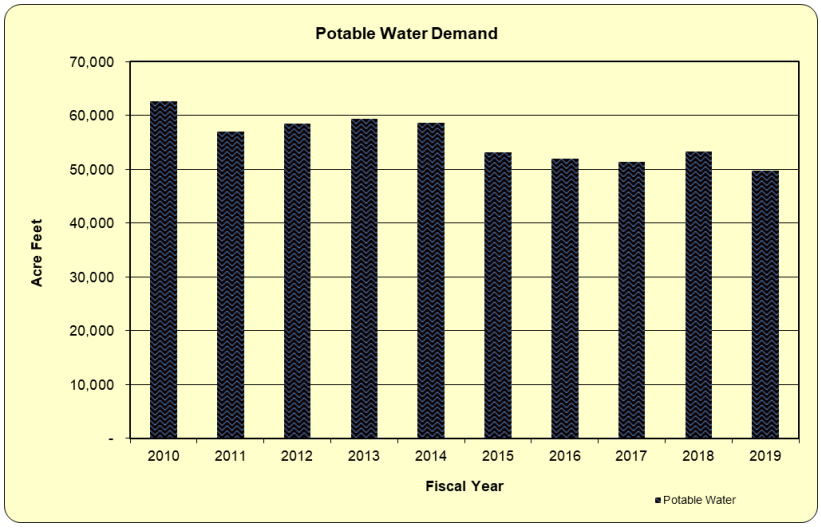
LONG BEACH WATER DEPARTMENT
WATER DEMAND - LAST TEN FISCAL YEARS
(in acre feet)

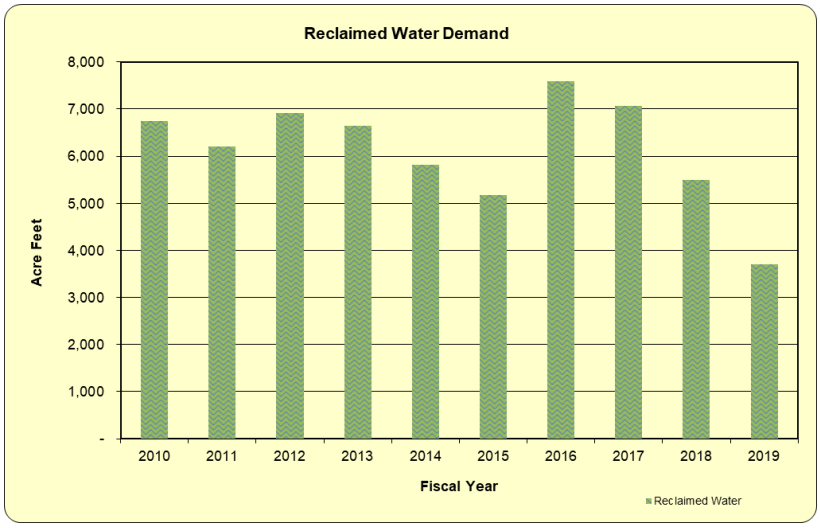
Fiscal Year Ended	Potable Water: Pumped	Potable Water: Purchased	Potable Water: Total Potable Demand	Reclaimed Water	Total Demand
9/30/2010	36,180	26,549	62,729	6,744	69,473
9/30/2011	17,973	39,053	57,026	6,206	63,232
9/30/2012	33,059	25,479	58,538	6,922	65,460
9/30/2013	31,074	28,383	59,457	6,644	66,101
9/30/2014	28,024	30,660	58,683	5,824	64,507
9/30/2015	22,002	31,139	53,141	5,170	58,311
9/30/2016	32,086	19,908	51,994	7,582	59,576
9/30/2017	31,558	19,822	51,380	7,070	58,450
9/30/2018	29,092	24,249	53,341	5,496	58,837
9/30/2019	27,943	21,879	49,822	3,695	53,517

Note: One acre foot equals 43,560 cubic feet or 325,851 gallons.

Source: Department's annual reports

See accompanying independent auditors' report





(Unaudited) **Exhibit 26**

LONG BEACH WATER DEPARTMENT
METROPOLITAN WATER DISTRICT'S RATE CHANGES - LAST TEN FISCAL YEARS
(in dollars per acre foot)

Effective Date	Non-Interruptible Treated Water	Percent Change Non-Interruptible Treated Water	Seasonal Treated Water [1]
1/1/2010	701	-	-
1/1/2011	744	6.1	-
1/1/2012	794	6.7	-
1/1/2013	847	6.7	-
1/1/2014	890	5.1	-
1/1/2015	923	3.7	-
1/1/2016	942	2.1	-
1/1/2017	979	3.9	-
1/1/2018	1,015	3.7	-
1/1/2019	1,050	3.4	-

Note: (1) Seasonal Water Treated Rate in accordance to Metropolitan Water District and Long Beach Water Department Agreement No. A04959 started on October 1, 1997 up to May 1, 2008.

Source: Metropolitan Water District of Southern California

See accompanying independent auditors' report

(Unaudited) **Exhibit 27**

LONG BEACH WATER DEPARTMENT
WATER REPLENISHMENT DISTRICT ASSESSMENT (PUMP TAX)
LAST TEN FISCAL YEARS

Effective Date	Rate per Acre-Foot	Percent Change
7/1/2010	205.00	12.7
7/1/2011	244.00	19.0
7/1/2012	244.00	-
7/1/2013	268.00	9.8
7/1/2014	268.00	-
7/1/2015	283.00	5.6
7/1/2016	297.00	4.9
7/1/2017	318.00	7.1
7/1/2018	339.00	6.6
7/1/2019	365.00	7.7

Source: Water Replenishment District of Southern California (WRD)

See accompanying independent auditors' report

(Unaudited) **Exhibit 28**

LONG BEACH WATER DEPARTMENT
OPERATING AND CAPITAL ASSETS STATISTICS - WATER FUND
LAST TEN FISCAL YEARS

	Water System				Water Quality		Reclaimed System
Fiscal Year Ended	Number of Active Groundwater wells	Miles of water mains	Number of active water service	Number of fire hydrants	Number of water samples collected	Number of tests performed	Miles of Pipeline
9/30/2010	31	909	89,706	6,529	17,126	84,923	33
9/30/2011	31	911	89,851	6,603	15,814	71,472	33
9/30/2012	31	911	89,957	6,594	12,292	57,310	33
9/30/2013	31	912	89,996	6,589	14,388	60,819	34
9/30/2014	31	912	89,895	6,604	13,750	58,968	34
9/30/2015	31	912	89,897	6,631	13,050	57,070	34
9/30/2016	31	912	90,955	6,894	14,635	72,587	34
9/30/2017	31	912	89,147	6,910	15,370	79,442	34
9/30/2018	30	912	89,354	6,953	16,421	82,033	34
9/30/2019	27	916	89,805	7,036	16,316	75,459	34

Source: Department's records

See accompanying independent auditors' report

(Unaudited) **Exhibit 29**

LONG BEACH WATER DEPARTMENT
OPERATING AND CAPITAL ASSETS STATISTICS - SEWER FUND
LAST TEN FISCAL YEARS

Fiscal Year Ended	Number of sewer pump stations	Miles of sewer pipelines	Number of sewer manholes
9/30/2010	28	712	16,135
9/30/2011	28	712	16,147
9/30/2012	28	712	16,148
9/30/2013	28	714	16,158
9/30/2014	28	714	16,170
9/30/2015	28	714	15,129
9/30/2016	28	714	15,127
9/30/2017	28	714	15,112
9/30/2018	28	714	15,122
9/30/2019	28	714	15,125

Source: Department's records

See accompanying independent auditors' report

(Unaudited) **Exhibit 30**

LONG BEACH WATER DEPARTMENT
INFRASTRUCTURE MAINTENANCE AND IMPROVEMENTS
LAST TEN FISCAL YEARS

Fiscal Year Ended	Cast Iron Water Mains Replaced (in feet)	Fire Hydrants Repaired	Water Meters Repaired	Sewer Mains & Laterals Repaired[1]	Sewer Mains Cleaned (in miles)	Sewer Manholes Chemically Treated
9/30/2010	21,137	94	8,441	182	547	5,000
9/30/2011	21,294	223	5,428	259	470	5,000
9/30/2012	25,733	269	3,690	261	414	5,000
9/30/2013	24,595	266	3,348	241	535	5,000
9/30/2014	19,475	208	1,835	213	498	5,000
9/30/2015	16,366	544	760	224	492	5,000
9/30/2016	20,427	259	2,037	215	405	7,719
9/30/2017	20,360	156	2,939	169	446	7,734
9/30/2018	22,198	492	1,751	157	439	8,100
9/30/2019	9,216	161	1,409	164	477	8,100

Note: (1) Repairs are tracked according to the number of jobs.

Source: Department's records

See accompanying independent auditors' report