



**Long Beach Water**

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**Board of Water Commissioners**

May 14, 2020 Board Meeting

CHRISTOPHER J. GARNER, General Manager

**Subject:**

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Receive and File the Comprehensive Annual Financial Report for the period ended September 30, 2019.

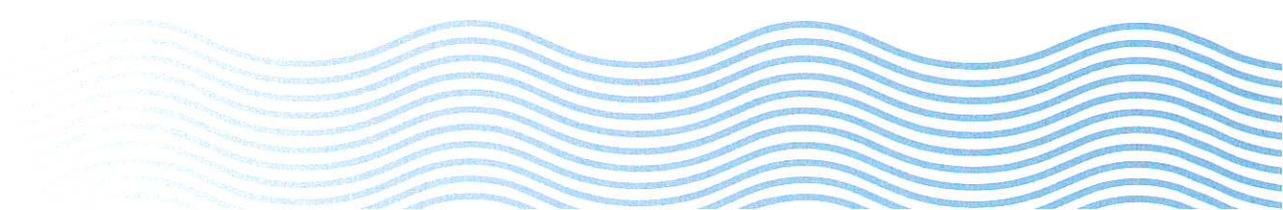
**Executive Summary:**

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The Comprehensive Annual Financial Report (CAFR) comprises the audited financial statements of the Water and Sewer Funds, which collectively represent the Water Department's financial position and results of operations for the fiscal year 2019.

The CAFR is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes a letter of transmittal with pertinent Department background information. The Financial Section includes the Independent Auditors' Report issued by KPMG LLP, the City's external independent certified public accounting firm; a Management Discussion and Analysis, which provides a narrative introduction, overview and analysis of the financial statements; and the financial statements with related footnotes. The Statistical Section includes relevant Department financial and operational data, covering ten-year historical trends where applicable. KPMG LLP has issued an unqualified ("clean") opinion on the Department's financial statements for the fiscal year ended September 30, 2019.

In addition, KPMG LLP has issued a separate "Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards". The results of their audit tests did not identify any deficiencies in internal control considered to be material weaknesses and disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. This report is also included as a separate attachment.







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

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the 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, and have issued our report thereon dated March 31, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Los Angeles, California  
March 31, 2020

**A COPY OF THE  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT FOR THE  
PERIOD ENDED  
SEPTEMBER 30, 2019  
IS AVAILABLE AT THE LONG  
BEACH WATER DEPARTMENT  
ADMINISTRATION OFFICE**