KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

August 10, 2011

The City Council
City of Long Beach, California
333 West Ocean Boulevard
Long Beach, California 90802

Ladies and Gentlemen:

We have audited the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California (the City) as of September 30, 2010, and have issued our report thereon under the date of April 25, 2011. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditor. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audits. We also audited the following entities and have issued separate reports for each entity as of the City's annual audit:

- The Long Beach Airport
- The Long Beach Airport-Passenger Facility Charges
- Aquarium of the Pacific
- The Gas Enterprise Funds
- The Harbor Department
- The Redevelopment Agency
- The Housing Development Company
- The Water Department

Our Responsibility Under Professional Standards

We are responsible for forming and expressing an opinion about whether the financial statements, which have been prepared by management with the oversight of City Council, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with professional standards. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or City Council of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. However, during the course of our audit, we identified certain deficiencies in internal control that we consider to be significant deficiencies. Our required communications to you in writing, under professional standards, of all significant deficiencies in internal control identified during our audit were provided to you under separate cover.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of City Council in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the City's financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents. We have, however, read the other information included in the City's Comprehensive Annual Financial Report (CAFR), and no matters came to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the City's financial statements.

Accounting Practices and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by the City are described in Note 2 to the financial statements.

Unusual Transactions

We did not identify any unusual transactions in our audit.

Qualitative Aspects of Accounting Practices

We have discussed with the City's auditor and management our judgments about the quality, not just the acceptability, of the City's accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of the City's accounting policies and their application, and the understandability and completeness of the City's financial statements, which include related disclosures.

Management Judgments and Accounting Estimates

The preparation of the financial statements requires management of the City to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Management's estimate of the allowance for uncollectible accounts is based on relevant historical data and the City's policy in which all accounts aged greater than a specified period are reserved. Management's estimated for workers compensation, pension liabilities, other postemployment benefits, and general liabilities are based on historical data and other relevant factors to arrive at the actuarial determined estimated liabilities. Environmental remediation liabilities recorded by the Harbor Department is based on various vendor bids on the cost to perform the necessary site cleanup. Lastly, the derivative estimates are based on various cash flow projections including the future value of natural gas and interest rates.

Uncorrected and Corrected Misstatements

In connection with our audit of the City's financial statements, we have discussed with management certain financial statement misstatements that have not been corrected in the City's books and records as of and for the year ended September 30, 2010. We have reported such misstatements to management on a Summary of Audit Differences and have received written representations from management that management believes that the effects of the uncorrected financial statement misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Attached is a copy of the summary that has been provided to, and discussed with, management.

Also, during the course of our audit, we also identified certain misstatements that in our judgment could have a significant impact on the City's financial reporting process. Specifically, we proposed several corrections relating to revenue and expenditure cutoff. The corrections were not considered material in relation to the financial statements taken as a whole; however, such adjustments may impact the periodic reporting of fund balance through the financial reporting system.

Disagreements with Management

There were no disagreements with management on financial accounting, and reporting matters that, if not satisfactorily resolved, would have caused a modification of our auditors' report on the City's financial statements.

Management's Consultation with Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended September 30, 2010.

Significant Issues Discussed, or Subject to Correspondence, with Management

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with you and management each year prior to our retention by you as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Material Written Communications

Attached to this letter please find copies of the following material written communications between management and us:

1. Engagement letter;
2. Management representation letter; and
3. Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in accordance with *Government Auditing Standards.*

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Other Significant Findings or Issues

We did not identify any other significant findings or issues in our audit.

* * * * * * *

This letter to the City Council is intended solely for the information and use of the City Council and management, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

KPMG

KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Telephone +1 949 885 5400
Fax +1 949 885 5410
Internet www.us.kpmg.com

Our ref S:\L\L_MISC\Long Beach, City of\2010\Eng Ltr\N219cbr_v2.docx

August 5, 2010

Ms. Laura Doud
City Auditor
City of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802

Dear Ms. Doud:

This letter (the Engagement Letter) is incorporated by reference in the agreement between the City of Long Beach, California (the City) and KPMG LLP dated November 12, 2007 (the Agreement) and confirms our understanding of our engagement to provide professional services to the City of Long Beach, California (the City).

Objectives and Limitations of Services

Financial Statement Audit Services

We will issue a written report upon our audit of the City's financial statements as set forth in Appendix I.

We have the responsibility to conduct and will conduct the audit of the financial statements in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, with the objective of expressing an opinion as to whether the presentation of the financial statements, that have been prepared by management with the oversight of those charged with governance, conforms with U.S. generally accepted accounting principles.

In conducting the audit, we will perform tests of the accounting records and such other procedures, as we consider necessary in the circumstances, to provide a reasonable basis for our opinion on the financial statements. We also will assess the accounting principles used and significant estimates made by management, and evaluate the overall financial statement presentation.

Our audit of the financial statements is planned and performed to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Therefore, there is a risk that material errors, fraud (including fraud that may be an illegal act), and other illegal acts may exist and not be detected by an audit of financial statements performed in accordance with the auditing standards generally accepted in the United States of America. Also, an audit is not designed to detect matters that are immaterial to the financial statements, and because the determination of abuse is subjective, *Government Auditing Standards* does not expect auditors to provide reasonable assurance of detecting abuse.

Our report will be addressed to the City Council of the City. We cannot provide assurance that an unqualified opinion will be rendered. Circumstances may arise in which it is necessary for us to modify our report or withdraw from the engagement.

While our report may be sent to the City electronically for your convenience, only the hard copy report is to be relied upon as our work product.

Internal Control over Financial Reporting and Compliance and Other Matters

In planning and performing our audit of the financial statements, we will consider the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the effectiveness of the City's internal control over financial reporting. In accordance with *Government Auditing Standards*, we are required to communicate that the limited purpose of our consideration of internal control may not meet the needs of some users who require additional information about internal control. We can provide other services to provide you with additional information on internal control which we would be happy to discuss with you at your convenience.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, violations of which could have a direct and material effect on the financial statements. However, our objective is not to provide an opinion on compliance with such provisions.

In accordance with *Government Auditing Standards*, we will prepare a written report, *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* (GAGAS report), on our consideration of internal control over financial reporting and tests of compliance made as part of our audit of the financial statements. While the objective of our audit of the financial statements is not to report on the City's internal control over financial reporting and we are not obligated to search for material weaknesses or significant deficiencies as part of our audit of the financial statements, this report will include any material weaknesses and significant deficiencies to the extent they come to our attention. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. This report will also include illegal acts and fraud, unless clearly inconsequential, and material violations of provisions of contracts and grant agreements and abuse. It will indicate that it is intended solely for the information and use of the City Council and management of the City and federal awarding agencies and pass-through entities and that it is not intended to be and should not be used by anyone other than these specified parties.

In accordance with *Government Auditing Standards*, we will also issue a management letter to communicate violations of provisions of contracts or grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential that come to our attention.

In accordance with *Government Auditing Standards*, we are also required in certain circumstances to report fraud or illegal acts directly to parties outside the auditee.

OMB Circular A-133 Audit Services

We will also perform audit procedures with respect to the City's major federal programs in accordance with the provisions of OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133). OMB Circular A-133 includes specific audit requirements, mainly in the areas of internal control and compliance with laws, regulations, contracts, and grant agreements that exceed those required by *Government Auditing Standards*.

As part of our audit procedures performed in accordance with the provisions of OMB Circular A-133, we will perform tests to evaluate the effectiveness of the design and operation of internal controls that we consider relevant to preventing or detecting material noncompliance with laws, regulations, contracts, and grant agreements applicable to each of the City's major programs. The tests of internal control performed in accordance with OMB Circular A-133 are less in scope than would be necessary to render an opinion on internal control.

Compliance with laws, regulations, contracts, and grant agreements applicable to federal programs is the responsibility of management. We will perform tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements we determine to be necessary based on the *OMB Circular A-133 Compliance Supplement (Compliance Supplement)*. The procedures outlined in the *Compliance Supplement* are those suggested by each federal agency and do not cover all areas of regulations governing each program. Program reviews by federal agencies may identify additional instances of noncompliance.

As required by OMB Circular A-133, we will prepare a written report which provides our opinion on the schedule of expenditures of federal awards in relation to the City's financial statements. In addition, we will prepare a written report (A-133 report) which 1) provides our opinion on compliance with laws, regulations, contracts, and grant agreements that could have a direct and material effect on a major federal program and 2) communicates our consideration of internal control over major federal programs. The A-133 report will indicate that it is intended solely for the information and use of the City Council and management of the City and federal awarding agencies and pass-through entities and that it is not intended to be and should not be used by anyone other than these specified parties.

Offering Document

Should the City wish to include or incorporate by reference these financial statements and our audit report(s) thereon into an offering of exempt securities, prior to our consenting to include or incorporate by reference our report(s) on such financial statements, we would consider our consent to the inclusion of our report and the terms thereof at that time. We will be required to perform procedures as required by the standards of the American Institute of Certified Public Accountants, including, but not limited to, reading other information incorporated by reference in the offering document and performing subsequent event procedures. Our reading of the other information included or incorporated by reference in the offering document will consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. However, we will not perform procedures to corroborate such other information (including forward-looking statements). The specific terms of our future services with respect to future offering documents will be determined at the time the services are to be performed.

Should the City wish to include or incorporate by reference these financial statements and our audit report(s) thereon into an offering of exempt securities without obtaining our consent to include or incorporate by reference our report(s) on such financial statements, and we are not otherwise associated with the offering document, then the City agrees to include the following language in the offering document:

> "KPMG LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this official statement."

Our Responsibility to Communicate with the City Council

We will report to the City Council, in writing, the following matters:

- Corrected misstatements arising from the audit that could, in our judgment, either individually or in aggregate, have a significant effect on the City's financial reporting process. In this context, corrected misstatements are proposed corrections of the financial statements that were recorded by management and, in our judgment, may not have been detected except through the auditing procedures performed.
- Uncorrected misstatements aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in aggregate.
- Any disagreements with management or other significant difficulties encountered in performance of our audit.
- Other matters required to be communicated by auditing standards generally accepted in the United States of America.

We will also read minutes, if any, of City Council meetings for consistency with our understanding of the communications made to the City Council and determine that the City Council has received copies of all material written communications between ourselves and management. We will also determine that the City Council has been informed of i) the initial selection of, or the reasons for any change in, significant accounting policies or their application during the period under audit, ii) the methods used by management to account for significant unusual transactions, and iii) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

If, in performance of our audit procedures, circumstances arise which make it necessary to modify our report or withdraw from the engagement, we will communicate to the City Council our reasons for modification or withdrawal.

Management Responsibilities

The management of the City is responsible for the fair presentation, in accordance with U.S generally accepted accounting principles, of the financial statements and all representations contained therein. Management also is responsible for identifying and ensuring that the City complies with laws, regulations, contracts, and grant agreements applicable to its activities, and for informing us of any known material violations of such laws and regulations and provisions of contracts and grant agreements. Management also is responsible for preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud, for adopting sound accounting policies, and for establishing and maintaining effective internal controls and procedures for financial reporting to maintain the reliability of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements. Management is also responsible for informing us, of which it has knowledge, of all material weaknesses and significant deficiencies in the design or operation of such controls. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Management of the City also agrees that all records, documentation, and information we request in connection with our audit will be made available to us, that all material information will be disclosed to us, and that we will have the full cooperation of the City's personnel. As required by the auditing standards generally accepted in the United States of America, we will make specific inquiries of management about the representations embodied in the financial statements and the effectiveness of internal control, and obtain a representation letter from management about these matters. The responses to our inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter we will rely upon in forming an opinion on the financial statements.

In addition to the OMB Circular A-133 requirements to maintain internal control and comply with provisions of laws, regulations, contracts and grants applicable to federal programs as discussed above, OMB Circular A-133 also requires the City to prepare a:

- Schedule of expenditures of federal awards;
- Summary schedule of prior audit findings;
- Corrective action plan; and
- Data collection form (Part I).

While we may be separately engaged to assist you in the preparation of these items, preparation is the responsibility of the City.

Certain provisions of OMB Circular A-133 allow a granting agency to request that a specific program be selected as a major program provided that the federal granting agency is willing to pay the incremental audit cost arising from such selection. The City agrees to notify KPMG LLP (KPMG) of any such request by a granting agency and to work with KPMG to modify the terms of this letter as necessary to accommodate such a request.

In accordance with *Government Auditing Standards,* as part of our planning of the audit we will evaluate whether the City has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the financial statements. To assist us, management agrees to identify previous audits, attestation engagements, or other studies that relate to the objectives of the audit, including whether related recommendations have been implemented, prior to September 30, 2010.

Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements being reported upon. Because of the importance of management's representations to the effective performance of our services, the City will release KPMG and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter attributable to any misrepresentations in the representation letter referred to above.

Management is also responsible for providing us with written responses in accordance with *Government Auditing Standards* to the findings included in the GAGAS or A-133 report within 14 days of being provided with draft findings. If such information is not provided on a timely basis prior to release of the reports, the reports will indicate the status of management's responses.

Management is responsible for the distribution of the reports issued by KPMG.

Other Matters

This letter shall serve as the City's authorization for the use of e-mail and other electronic methods to transmit and receive information, including confidential information, between KPMG and the City and between KPMG and outside specialists or other entities engaged by either KPMG or the City. The City acknowledges that e-mail travels over the public Internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of KPMG. KPMG will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of transmitted information.

Further, for purposes of the services described in this letter only, the City hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all names, logos, trademarks and service marks of the City solely for presentations or reports to the City or for internal KPMG presentations and intranet sites.

KPMG is a limited liability partnership comprising both certified public accountants and certain principals who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this letter.

KPMG-controlled entities and KPMG member firms located outside the United States operating under our supervision may also participate in providing the services described in this letter, and KPMG uses administrative services operating at our direction, including third parties inside and outside the U.S., that may access your information to perform administrative and clerical procedures.

The City agrees to provide prompt notification if the City or any of its subsidiaries currently are or become subject to the laws of a foreign jurisdiction that require regulation of any securities issued by the City or such subsidiary.

The work papers for this engagement are the property of KPMG. Pursuant to *Government Auditing Standards*, we are required to make certain work papers available in a full and timely manner to Regulators upon request for their reviews of audit quality and for use by their auditors. In addition, we may be requested to make certain work papers available to regulators pursuant to authority provided by law or regulation. Access to the requested work papers will be provided under supervision of KPMG personnel. Furthermore, upon request, we may provide photocopies of selected work papers to Regulators. Such Regulators may intend, or decide, to distribute the photocopies or information contained therein to others, including other government agencies.

In the event KPMG is requested pursuant to subpoena or other legal process to produce its documents and/or testimony relating to this engagement for the City in judicial or administrative proceedings to which KPMG is not a party, the City shall reimburse KPMG at standard billing rates for its professional time and expenses, including reasonable attorney's fees, incurred in responding to such requests.

Other Government Auditing Standards Matters

As required by *Government Auditing Standards*, we have attached a copy of KPMG's most recent peer review report.

Additional Reports and Fees for Services

Appendix I to this letter lists the additional reports we will issue as part of this engagement and our fees for professional services to be performed per this letter.

In addition, fees for any special audit-related projects, such as research and/or consultation on special business or financial issues, will be billed separately from the audit fees for professional services set forth in Appendix I and may be subject to written arrangements supplemental to those in this letter.

* * * * * * *

Our engagement herein is for the provision of annual audit services for the financial statements and OMB Circular A-133 and for the periods described in Appendix I, and it is understood that such services are provided as a single annual engagement. Pursuant to our arrangement as reflected in this letter we will provide the services set forth in Appendix I as a single engagement for each of the City's subsequent fiscal years until either Management or we terminate this agreement, or mutually agree to the modification of its terms. The fees for each subsequent year will be annually subject to negotiation and approval by the Management.

In accordance with your instructions, we have forwarded a copy of this letter to Patrick West, Robert Shannon, Lori Ann Farrell.

We shall be pleased to discuss this letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign and return it to us.

Very truly yours,

Christopher B. Ray
Partner

CBR:glb

Enclosures:
Appendix I
Peer Review Report

cc:
Patrick West, City Manager, City of Long Beach
Robert Shannon, City Attorney, City of Long Beach
Lori Ann Farrell, Director of Finance, City of Long Beach

ACCEPTED:

City of Long Beach, California

Assistant City Manager

Authorized Signature

EXECUTED PURSUANT TO SECTION 301 OF THE CITY CHARTER.

City Manager

Title

8·26·10

Date

APPROVED AS TO FORM

8/11, 2010

ROBERT E. SHANNON, City Attorney

By

HEATHER A. MAHOOD
ASSISTANT CITY ATTORNEY

Appendix I

Fees for Services

Based upon our discussions with and representations of management, our fees for services we will perform are estimated as follows:

Audit of financial statements of the City of Long Beach, California as of and for the year ended September 30, 2010	$921,575

Other Reports:

The reports that we will issue as part of this engagement are as follows:

Report	Fee
Reports issued on the basic financial statements of the City	$ 369,865
Reports issued in connection with OMB Circular A-133[1]	134,700
Airport Enterprise Fund	52,430
Passenger Facility Charges	18,730
Aquarium of the Pacific – 9/30	50,910
Aquarium of the Pacific – 12/31	22,500
Harbor Department	119,730
Housing Development Company	34,410
Redevelopment Agency	65,870
Water Department	52,430

Additional fees for each single audit program exceeding 6 programs: $ 24,430

[1] Fee includes agreed-upon procedures to the financial information submitted electronically through the Department of Housing and Urban Development's (HUD) Real Estate Assessment Center (REAC) System of the Housing Authority of the City (the Housing Authority).

The above estimates are based on the level of experience of the individuals who will perform the services. In addition, expenses are billed for reimbursement as incurred. Expenses for items such as travel, telephone, postage, and typing, printing, and reproduction of financial statements are included in the above estimate. Circumstances encountered during the performance of these services that warrant additional time or expense could cause us to be unable to deliver them within the above estimates. We will endeavor to notify you of any such circumstances as they are assessed.

Where KPMG is reimbursed for expenses, it is KPMG's policy to bill clients the amount incurred at the time the good or service is purchased. If KPMG subsequently receives a volume rebate or other incentive payment from a vendor relating to such expenses, KPMG does not credit such payment to the client. Instead, KPMG applies such payments to reduce its overhead costs, which costs are taken into account in determining KPMG's standard billing rates and certain transaction charges which may be charged to clients.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
400 Campus Drive
P. O. Box 988
Florham Park NJ 07932
Telephone (973) 236 4000
Facsimile (973) 236 5000

System Review Report

To the Partners of KPMG LLP
and the AICPA Center for Public Company Audit Firms Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of KPMG LLP (the Firm) applicable to non-SEC issuers in effect for the year ended March 31, 2008. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The Firm is responsible for designing a system of quality control and complying with it to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*, audits of employee benefit plans, and an audit performed under FDICIA.

In our opinion, the system of quality control for the accounting and auditing practice applicable to non-SEC issuers of KPMG LLP in effect for the year ended March 31, 2008, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail*. KPMG LLP has received a peer review rating of *pass*.

PricewaterhouseCoopers LLP

December 2, 2008

B2

CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802 • 562.570.6726

April 25, 2011

KPMG, LLP
20 Pacifica, Suite 700
Irvine, CA 92618-3391

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the basic financial statements of the City of Long Beach, California, as of and for the year ended September 30, 2010, for the purpose of expressing opinions as to whether the basic financial statements present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Long Beach, California (the City), and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, and the Housing Development Fund for the year then ended, in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the basic financial statements of financial position, changes in financial position, and cash flows in conformity with U.S. generally accepted accounting principles. We are also responsible for establishing and maintaining effective internal control over financial reporting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit(s):

1. The basic financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles.

2. We have made available to you:

   a. All financial records and related data.

   b. All minutes of the meetings of the City Council, or summaries of actions of recent meetings for which minutes have not yet been prepared.

5/17/11 (approved 4/25/11)

4/25/11

3. Except as disclosed to you in writing, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

4. There are no:

   a. Violations or possible violations of laws or regulations, whose effects should be considered for disclosure in the basic financial statements or as a basis for recording a loss contingency.

   b. Unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards (SFAS) No. 5, *Accounting for Contingencies.*

   c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by SFAS No. 5.

   d. Material transactions, for example, grants and other contractual arrangements, that have not been properly recorded in the accounting records underlying the basic financial statements.

5. We believe that the effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the basic financial statements for each respective opinion unit.

6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent, deter, and detect fraud. We understand that the term "fraud" includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets.

7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:

   a. Management

   b. Employees who have significant roles in internal control over financial reporting, or

   c. Others where the fraud could have a material effect on the basic financial statements.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others.

9. The City has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

10. We have no knowledge of any officer or Council Member of the City, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

11. The following have been properly recorded or disclosed in the basic financial statements:

    a. Related party transactions including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties.

    b. Guarantees, whether written or oral, under which the City is contingently liable.

    c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and lines of credit or similar arrangements.

    d. Agreements to repurchase assets previously sold, including sales with recourse.

    e. Changes in accounting principle affecting consistency.

    f. The existence of and transactions with joint ventures and other related organizations.

12. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

13. The City has complied, in all material respects, with applicable laws, regulations, contracts, and grants that could have a material effect on the basic financial statements in the event of noncompliance.

14. Management is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the City. Management has identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.

15. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the City's ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you all such deficiencies that we believe to be

significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*.

16. The City's reporting entity includes all entities that are component units of the City. Such component units have been properly presented as either blended or discrete. Investments in joint ventures in which the City holds an equity interest have been properly recorded on the statement of net assets. The basic financial statements disclose all other joint ventures and other related organizations.

17. The basic financial statements properly classify all funds and activities.

18. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for presentation as major are identified and presented as such, and all other funds that are presented as major are considered to be particularly important to financial statement users by management.

19. The City has not elected to apply the option allowed in paragraph 7 of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Activities*, to its proprietary funds.

20. Inter-fund, internal and intra-entity activity and balances have been appropriately classified and reported.

21. Receivables reported in the basic financial statements represent valid claims against debtors arising on or before the date of the statement of net assets and have been appropriately reduced to their estimated net realizable value.

22. Deposits and investment securities are properly classified and reported.

23. The City is responsible for determining the fair value of certain investments as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* as amended. The amounts reported represent the City's best estimate of fair value of investments required to be reported under the Statement. The City also has disclosed the methods and significant assumptions used to estimate the fair value of its investments, and the nature of investments reported at amortized cost.

24. The City has identified and properly reported all of its derivative instruments and any related deferred inflows/outflows of resources related to hedging derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The City complied with the requirements of GASB Statement No. 53 related to the determination of hedging derivative instruments and the application of hedge accounting.

25. The estimate of fair value of derivative instruments is in compliance with GASB Statement No. 53. For derivative instruments with fair values that are based on other than quoted market prices, the City has disclosed the methods and significant assumptions used to estimate those fair values.

26. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the basic financial statements:

    a. Extent, nature, and terms of financial instruments with off-balance-sheet risk;

    b. The amount of credit risk of financial instruments with off-balance-sheet credit risk, and information about the collateral supporting such financial instruments; and

    c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

27. We believe that all material expenditures or expenses that have been deferred to future periods will be recoverable.

28. The City has properly applied the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* including those related to the recognition of outlays associated with the development of internally generated computer software.

29. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated. There are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

30. The City has no:

    a. Commitments for the purchase or sale of services or assets at prices involving material probable loss.

    b. Material amounts of obsolete, damaged, or unusable items included in the inventories at greater than salvage values.

31. For variable-rate demand bond obligations that are reported as general long-term debt or excluded from current liabilities of proprietary funds, we believe all of the conditions described in GASB Interpretation No. 1, *Demand Bonds Issued by State and Local Government Entities,* have been met.

32. The City has complied with all tax and debt limits and with all debt related covenants.

33. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under section 103 of the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.

34. We believe that the actuarial assumptions and methods used to measure financial statement liabilities and costs associated with pension and other post-employment benefits and to determine information related to the City's funding progress related to such benefits for financial reporting purposes are appropriate in the City's circumstances and that the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.

35. Provision has been made in the basic financial statements for the City's pollution remediation obligations. We believe that such estimate has been determined in accordance with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and is reasonable based on available information.

36. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.

37. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

38. The City has identified and properly accounted for all non-exchange transactions.

39. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

40. Special and extraordinary items are appropriately classified and reported.

41. The basic financial statements disclose all of the matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including significant conditions and events, and our plans.

42. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles (GAAP). We have evaluated the impact of the application of each such policy and practice, both individually and in

the aggregate, on the City's current period basic financial statements and our assessment of internal control over financial reporting, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the basic financial statements and our assessment of internal control over financial reporting is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the basic financial statements in future periods.

43. The City has presented all required supplementary information. This information has been measured and prepared within prescribed guidelines.

44. The City has complied with all applicable laws and regulations in adopting, approving and amending budgets.

45. In accordance with *Government Auditing Standards*, we have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.

Very truly yours,

Patrick H. West
City Manager

Stephen Hannah
Controller

PHW:SWH:FW:mrn
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City of Long Beach-CAFR (Governmental Activities)
Summary of Uncorrected Audit Differences [KAM 6244]
For year ended September 30, 2010

Method used to quantify audit differences: [KAM 6223] **Rollover (Income Statement)**

Audit difference posting threshold [KAM 6244US3]: $1,338,786

When audit test results identify misstatements in the financial statements, we consider whether such misstatements may be indicative of fraud. That determination affects our evaluation of materiality and the related responses necessary as a result of that evaluation. [KAM 7198US1]

		Correcting Entry Required at Current Period End **(Note - If there is an end-of-period balance sheet error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening retained earnings). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period balance sheet, include only a description in this section.)**				**Impact of audit differences on financial statement captions**									
						Income Statement Effect Debit/(Credit)			**Balance Sheet Effect Debit/(Credit)**			**Cash Flow Effect Increase/(Decrease)**			
W/P Ref	**#**	**Accounts and Description**	**Debit**	**(Credit)**	**Type of Error** Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Equity at period end	Assets	Liabilities	Operating Activities	Investing Activities	Financing Activities	**Identify the deficiency in internal control or provide rationale if no deficiency is noted, or cross-reference to the work paper where this is documented.**
			-------------- A --------------			**B**	**C = A (Only Inc Stmt accounts)**	**C - B**							
Government Wide															
H-110	1	Dr. CIP Cr. Net Assets - A To correct an entry related to prior year CIP and Land. $2.59M relates to RDA.	3,300,151	(3,300,151)	KD				(3,300,151)	3,300,151					Control deficiency identified. See SICD #4
F1-10	2	Dr. Unrestricted Net Assets Cr. Invested in Capital Assets, net of related debt *(to adjust invested in capital assets net of related debt due to an amount reported as a negative, but should have been a positive)*	12,820,000	(12,820,000)	KD				12,820,000 (12,820,000)						
F1-10	3	Dr. Unrestricted Net Assets Cr. Invested in Capital Assets, net of related debt *(to adjust invested in capital assets net of related debt due to improperly included unamortized issuance costs in the calculation)*	8,124,000	(8,124,000)	KD				8,124,000 (8,124,000)						
General Fund															
H-304	2	~~Dr. Pooled Cash~~ ~~Cr. Cash w/ Fiscal Agent~~ ~~To correct overstatement on Search Testwork~~ *(not included as not greater than Governmental ADPT)*	~~459,202~~	~~(459,202)~~	~~MLD~~										
H-414	3	To adjust expenditures for amount incurred in FY 09 (General Fund)- no error in the current end of period balance sheet amounts			KD		(4,139,292)	(4,139,292)							
H-414	4	Dr. Expenditures CR Accounts Payable *To accrue for expenditures incurred in FY 2010 in the current period (General Fund)*	2,702,895	(2,702,895)	KD		2,702,895	2,702,895	2,702,895		(2,702,895)				Control deficiency identified. See SICD #1
I-502B	5	~~Dr. GASB Accrual~~ ~~Dr. Net Assets - A~~ ~~Cr. Revenue- FY10~~ ~~To adjust sales tax revenue~~ *(not included as not greater than Governmental ADPT)*	~~1,282,400~~ ~~19,000~~	~~(1,301,400)~~	~~MLD~~										
I-502B	6	~~Dr. GASB Accrual~~ ~~Dr. Net Assets - A~~ ~~Cr. Revenue- FY10~~ ~~To adjust utilitiy tax revenue~~ *(not included as not greater than Governmental ADPT)*	~~104,784~~ ~~213,000~~	~~(317,784)~~	~~MLD~~										
I-502B	7	Dr. Revenue- FY10 Cr. GASB 33 Accrual Cr. Net Liabilities *To adjust other tax revenue*	1,492,335	(1,077,335) (415,000)	MLD		1,492,335	1,492,335	1,492,335 (415,000)	(1,077,335)					Control deficiency identified. See SICD #7
I-509-2	8	Dr. Revenue from Other Agencies Cr. Property Taxes *To correct VLF Swap*	39,122,477	(39,122,477)	KD		39,122,477 (39,122,477)	39,122,477 (39,122,477)	39,122,477 (39,122,477)						Control deficiency identified. See SICD #3
B9	9	~~Dr. Cash Restricted -Non Current~~ ~~Cr. Other Non-Current Receivables~~ ~~To adjust for cash currently recorded as other non-current receivables~~ *(not included as not greater than Governmental ADPT)*	~~987205~~	~~-987205~~	~~KD~~										
B9	10	To record revenue related to FY09 instead of FY10 - no error in the current end of period balance sheet amounts			KD		8,519,056	8,519,056							Control Deficieny See SICD #2
B9	11	Dr. Accounts Receivable Cr. Revenue *To record revenue in FY10 instead of FY11*	3,603,859	(3,603,859)	KD		(3,603,859)	(3,603,859)		3,603,859					Control Deficieny See SICD #2

Internal Service Funds															
K-302	12	~~Dr. Capital Lease Liability~~ ~~Cr. Capital Lease Expense~~ ~~Cr. Net Assets - A~~ ~~To correct the recording of early payments.~~ *(not included as not greater than Governmental ADPT)*	~~982,077~~	~~(859,531)~~ ~~(122,546)~~	~~KD~~										
K-610-1	13	Dr. Prepaid Assets Cr. Other Assets *To correct the pre-payments of furture pension liabilities*	45,513,810	(45,513,810)	KD					45,513,810 (45,513,810)					Control deficiency identified. See SICD #3
F1-10	2	Dr. Invested in Capital Assets, net of related debt Cr. Unrestricted Net Assets *(to adjust invested in capital assets net of related debt due to improperly included unamortized issuance costs in the calculation)*	1,920,000	(1,920,000)	KD				1,920,000 (1,920,000)						Significant Deficiency See SICD #3
F1-10	2	Dr. Unrestricted Net Assets Cr. Restricted for Health Care Insurance *(to remove a portion of the health care net asset restriction as there is no legal enforceable claim)*	6,324,000	(6,324,000)	KD				6,324,000 (6,324,000)						Significant Deficiency See SICD #3
RDA															
	1	Dr. Deferred revenue Cr. Other revenues To eliminate deferred revenue related to receivables on the government wide financial statements.	3,700,000	(3,700,000)	KD		(3,700,000)	(3,700,000)	(3,700,000)		3,700,000				Given the nature of the adjustment and the isolated impact to the financial staements taken as a whole, this is not considered a significant deficiency
	2	Capital assets should have been recorded in the agency-wide financial statements in the prior year that were recorded in the current period as such the ending fund balance is correct	2,519,116		KD										Not a control deficiency. Client ajudstment.
		Aggregate of uncorrected audit differences (before tax)				-	(3,700,000)	1,271,135	(3,219,921)	5,826,675	997,105	-	-	-	
		Tax effect of uncorrected audit differences													
		Aggregate of uncorrected audit differences (after tax)						1,271,135	(3,219,921)	5,826,675	997,105	-	-	-	
		Financial statement amounts (per final financial statements)						(4,503,000)	(674,160,000)	1,823,661,000	(1,149,501,000)				
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts					Note 1		0.5%	0.3%	-0.1%				

Aggregate of uncorrected audit differences - total impact on revenues	2,707,532
Financial statement amounts (as per final financial statements) - revenues	(761,506,000)
Uncorrected audit differences as a percentage of financial statement amounts	(0.36%)
Aggregate of uncorrected audit differences - total impact on expenditures	(1,436,397)
Financial statement amounts (as per final financial statements) - expenses	757,003,000
Uncorrected audit differences as a percentage of financial statement amounts	(0.19%)

Communication of Audit Differences

Discussed with: Steve Hannah Date:

Discussed by: Brianne Pierce Date:

Note 1 - As the City of Long Beach is a governmental agency, the comparison of the passed audit adjustments as a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the schedule above was revised to measure the audit adjustments to total revenues and expenses/expenditures (see HPSPPL 03-15)

FSA-NP/SE/VSE
SUMMARY OF AUDIT DIFFERENCES - US (05/09)
SCHEDULE 1B

City of Long Beach-CAFR (Business-Type Activities)
Summary of Uncorrected Audit Differences [KAM 6244]
For year ended September 30, 2010

Method used to quantify audit differences: [KAM 6223] **Rollover (Income Statement)**

Audit difference posting threshold [KAM 6244US3]: $4,173,290

When audit test results identify misstatements in the financial statements, we consider whether such misstatements may be indicative of fraud. That determination affects our evaluation of materiality and the related responses necessary as a result of that evaluation. [KAM 7198US1]

		Correcting Entry Required at Current Period End (Note - If there is an end-of-period balance sheet error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening retained earnings). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period balance sheet, include only a description in this section.)				Impact of audit differences on financial statement captions: Income Statement Effect Debit/(Credit)			Balance Sheet Effect Debit/(Credit)			Cash Flow Effect Increase/(Decrease)			
W/P Ref	#	Accounts and Description	Debit	(Credit)	Type of Error Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Equity at period end	Assets	Liabilities	Operating Activities	Investing Activities	Financing Activities	Identify the deficiency in internal control or provide rationale if no deficiency is noted, or cross-reference to the work paper where this is documented.
			------------- A --------------			B	C = A (Only Inc Stmt accounts)	C - B							
Solid Waste Management															
K-202	1	~~Dr. Interest Expense~~ ~~Cr. Operating Expense~~ ~~*Bond interest expense captured as operating expense as opposed to non-operating*~~ *(note - not included since below Business-Type Activities ADPT)*	~~184,901~~	~~(184,901)~~	~~KD~~										Control Deficiency see SICD #1
H-103a	2	~~Dr. CIP~~ ~~Cr. Interest Expense~~ ~~Cr. Net Assets~~ ~~*To record capitalized interest- Non-GAAP Policy*~~ *(note - not included since below Business-Type Activities ADPT)*	~~221,000~~	~~(5,000)~~ ~~(216,000)~~	~~KD~~										
B9	3	~~Dr. Accounts Receivable~~ ~~Dr. Revenue~~ ~~Cr. Net Assets~~ ~~*To timely record revenue from utility billing system-Non GAAP Policy*~~ *(note - not included since below Business-Type Activities ADPT)*	~~3176000~~ ~~50000~~	~~-3226000~~	~~MLD~~										
H-454	4	~~Dr. Beginning Net Assets~~ ~~Cr. Expenses~~ ~~To adjust expenditures in the current period for expenditures incurred in FY 09 (Solid Waste Management)~~ *(note - not included since below Business-Type Activities ADPT)*	~~1,612,859~~	~~(1,612,859)~~	~~KD~~										
H-455	5	~~Dr. Beginning Net Assets~~ ~~Cr. Expenses~~ ~~To adjust expenditures in the current period for expenditures incurred in FY 09 (Solid Waste Management)~~ *(note - not included since below Business-Type Activities ADPT)*	~~93,223~~	~~(93,223)~~	~~MLD~~										
	6 & 7	not used					-	-							
B9	8	~~Dr. Revenue~~ ~~Cr. Net Assets~~ ~~*To record revenue for SERF Facility Distribution for FY10*~~	~~2,166,785~~	~~(2,166,785)~~	~~KD~~										
B9	9	~~Dr. Net Assets~~ ~~Cr. Accounts Payable~~ ~~Cr. Expenses~~ ~~*To record expenditures for SERF Facility Distribution for FY10*~~	~~3,078,150~~	~~(1,994,757)~~ ~~(1,083,393)~~	~~KD~~										
B9	10	~~Dr. Unamortized Bond Issuance Costs~~ ~~Cr. Interest Expense~~ ~~*To record effective interest rate effect*~~ *(note - not included since below Business-Type Activities ADPT)*	~~123,057~~	~~(123,057)~~	~~KD~~										
GAS Fund															
H-103a	11	~~Dr. CIP~~ ~~Cr. Interest Expense~~ ~~Cr. Beginning Net Assets~~ ~~*To record capitalized interest- Non-GAAP Policy*~~ *(note - not included since below Business-Type Activities ADPT)*	~~2,056,000~~	~~(185,000)~~ ~~(1,871,000)~~	~~KD~~										
B9	12	~~Dr. Accounts Receivable~~ ~~Dr. Revenue~~ ~~Cr. Net Assets~~ ~~*To timely record revenue from utility billing system-Non GAAP Policy*~~	~~3,253,000~~ ~~51,000~~	~~(3,304,000)~~	~~MLD~~										

		(note - not included since below Business-Type Activities ADPT)							-						
Water Fund															
H-103a	13	Dr. CIP Cr. Interest Expense Cr. Beginning Net Assets *To record capitalized interest- Non-GAAP Policy*	9,449,000	(1,007,500) (8,441,500)	KD		(1,007,500)	(1,007,500)	(1,007,500) (8,441,500)	9,449,000					Control Deficiency See SCID #2
B9	14	Dr. Accounts Receivable Dr. Revenue Cr. Net Assets *To timely record revenue from utility billing system-Non GAAP Policy*	3,586,000 57,000	(3,643,000)	MLD		57,000	57,000	57,000 (3,643,000)	9,449,000					Control Deficiency See SCID #2
I-3C (Water Binder Ref.)	15	~~Dr. Beginning Net Assets~~ ~~Cr. Maintenance Expense~~ ~~*(To reflect expenditures in the correct period)*~~ *(note - not included since below Business-Type Activities ADPT)*	~~1,172,892~~	~~(1,172,892)~~											
F-6 (Water Binder Ref.)	16	~~Dr. Beginning Net Assets~~ ~~Cr. Bonds Payable~~ ~~Cr. Interest Expense~~ ~~*To recognize interest expense using the effective interest rate method*~~ *(note - not included since below Business-Type Activities ADPT)*	~~251,533~~	~~(245,038)~~ ~~(6,495)~~											
F-6 (Water Binder Ref.)	17	Dr. CIP Cr. Interest Expense Cr. Beginning Net Assets (To adjust accumulated depreciation for timing of CIP Transfers)	9,305,000	(1,040,000) (8,264,000)		(1,400,000)	(1,040,000)	360,000	360,000 (8,264,000)	9,305,000					Control Deficiency See SCID #2
Tidelands Fund															
H-103a	18	Dr. CIP Cr. Interest Expense Cr. Beginning Net Assets *To record capitalized interest- Non-GAAP Policy*	6,964,000	(425,000) (6,539,000)	KD		(425,000)	(425,000)	(425,000) (6,539,000)	6,964,000					Control Deficiency see SICD #2
Harbor Fund															
H-103a	19	Dr. CIP Cr. Interest Expense Cr. Beginning Net Assets *To record capitalized interest- Non-GAAP Policy*	42,357,000	(9,507,000) (32,850,000)	KD		(9,507,000)	(9,507,000)	(9,507,000) (32,850,000)	42,357,000					Control Deficiency see SICD #2
Sewer Fund															
I-4 (Sewer W/P Binder)	20	~~Dr Accumulated Depreciation~~ ~~Cr Depreciation Expense~~ ~~Cr Beginning Net Assets (See Note 2)~~ ~~(To adjust depreciation expense for timing of CIP Transfers)~~ *(note - not included since below Business-Type Activities ADPT)*	~~1,235,416~~	~~(618,217)~~ ~~(617,199)~~	~~KD~~										
M-1 (Sewer W/P Binder)	21	~~Dr. Invested in Capital Assets, net of related debt~~ ~~Cr. Unrestricted Capital Assets~~ ~~(To remove issuance costs from the calculation of Invested in Capital Assets)~~ *(note - not included since below Business-Type Activities ADPT)*	~~299,366~~	~~(299,366)~~	~~KD~~										
F6-1 (Sewer W/P Binder)	22	~~Dr. CIP~~ ~~Cr. Interest Expense~~ ~~Cr. Beginning Net Assets (See Note 2)~~ ~~(To record capitalized interest - Non-GAAP Policy)~~ *(note - not included since below Business-Type Activities ADPT)*	~~2,867,000~~	~~(62,000)~~ ~~(2,805,000)~~	~~KD~~										
I-3a-1 (Sewer W/P Binder)	23	~~Dr. CIP Closures~~ ~~Cr. Contributed Capital~~ (To adjust CIP balance due to Timing) *(note - not included since below Business-Type Activities ADPT)*	~~45,797~~	~~(45,797)~~	~~KD~~										
		Aggregate of uncorrected audit differences (before tax)				(1,400,000)	(11,922,500)	(10,522,500)	(70,260,000)	77,524,000	-	-	-	-	
		Tax effect of uncorrected audit differences													
		Aggregate of uncorrected audit differences (after tax)						(10,522,500)	(70,260,000)	77,524,000	-	-	-	-	
		Financial statement amounts (per final financial statements)						(164,342,000)	(3,468,489,000)	5,852,704,000	(2,384,215,000)				
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts						Note 1	2.0%	1.3%	0.0%				
		Aggregate of uncorrected audit differences - total impact on revenues						57,000							
		Financial statement amounts (as per final financial statements) - revenues						(1,061,837,000)							

Uncorrected audit differences as a percentage of financial statement amounts					(0.01%)
Aggregate of uncorrected audit differences - total impact on expenditures					(10,579,500)
Financial statement amounts (as per final financial statements) - expenses					897,495,000
Uncorrected audit differences as a percentage of financial statement amounts					(1.18%)

Communication of Audit Differences

Discussed with: Steve Hannah Date:

Discussed by: Brianne Pierce Date:

Note 1 - As the City of Long Beach is a governmental agency, the comparison of the passed audit adjustments as a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the schedule above was revised to measure the audit adjustments to total revenues and expenses/expenditures (see HPSPPL 03-15)

FSA-NP/SE/VSE
SUMMARY OF AUDIT DIFFERENCES - US (05/09)
SCHEDULE 1B

City of Long Beach-CAFR (General Fund)
Summary of Uncorrected Audit Differences [KAM 6244]
For year ended September 30, 2010

Method used to quantify audit differences: [KAM 6223] **Rollover (Income Statement)**

Audit difference posting threshold [KAM 6244US3]: $291,287

When audit test results identify misstatements in the financial statements, we consider whether such misstatements may be indicative of fraud. That determination affects our evaluation of materiality and the related responses necessary as a result of that evaluation. [KAM 7198US1]

		Correcting Entry Required at Current Period End **(Note - If there is an end-of-period balance sheet error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening retained earnings). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period balance sheet, include only a description in this section.)**				**Impact of audit differences on financial statement captions**									
						Income Statement Effect Debit/(Credit)			**Balance Sheet Effect Debit/(Credit)**			**Cash Flow Effect Increase/(Decrease)**			
W/P Ref	**#**	**Accounts and Description**	**Debit**	**(Credit)**	**Type of Error** Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Equity at period end	Assets	Liabilities	Operating Activities	Investing Activities	Financing Activities	**Identify the deficiency in internal control or provide rationale if no deficiency is noted, or cross-reference to the work paper where this is documented.**
			-------------- A --------------			**B**	**C = A (Only Inc Stmt accounts)**	**C - B**							
General Fund															
H-304	1	Dr. Pooled Cash Cr. Cash w/ Fiscal Agent *To correct overstatement on Search Testwork*	459,202	(459,202)	MLD					459,202 (459,202)					Control Deficieny See SICD #1
		Not used													
H-414	3	Dr. Net Assets CR Accounts Payable CR Expenditures To accrue for expenditures incurred in FY 2010 in the current period	4,139,292	(2,702,895) (1,436,397)	KD			(1,436,397)	4,139,292 (1,436,397)		(2,702,895)				Control Deficieny See SICD #1
I-502B	4	Dr. GASB Accrual Dr. Net Assets Cr. Revenue- FY10 *To adjust sales tax revenue*	1,282,400 19,000	(1,301,400)	MLD		(1,301,400)	(1,301,400)	19,000 (1,301,400)	1,282,400					Control Deficieny See SICD #7
I-502B	5	Dr. GASB Accrual Dr. Net Assets Cr. Revenue- FY10 *To adjust utilitiy tax revenue*	104,784 213,000	(317,784)	MLD		(317,784)	(317,784)	213,000 (317,784)	104,784					Control Deficieny See SICD #7
I-502B	6	Dr. Revenue- FY10 Cr. GASB 33 Accrual Cr. Net Liabilities *To adjust other tax revenue*	1,492,335	(1,077,335) (415,000)	MLD		1,492,335	1,492,335	1,492,335 (415,000)	(1,077,335)					Control Deficieny See SICD #7
I-509-2	7	Dr. Revenue from Other Agencies Cr. Property Taxes *To correct VLF Swap*	39,122,477	(39,122,477)	KD		39,122,477 (39,122,477)	39,122,477 (39,122,477)	39,122,477 (39,122,477)						Control Deficieny See SICD #3
B9	8	Dr. Cash-Restricted Non-Current Cr. Other Non-Current Receivables *To adjust for cash currently recorded as other non-current receivables*	987205	(987,205)	KD					987,205 (987,205)					Control Deficieny See SICD #2
B9	9	To record revenue related to FY09 instead of FY10 - no error in the current end of period balance sheet amounts			KD		8,519,056	8,519,056							Control Deficiency See SICD #2
B9	10	Dr. Accounts Receivable Cr. Revenue *To record revenue in FY10 instead of FY11*	3,603,859	(3,603,859)	KD		(3,603,859)	(3,603,859)	(3,603,859)	3,603,859					Control Deficieny See SICD #2
I-104-1	11	Dr. Proptery Tax Recievable Cr. Deferred Revenue	1,793,148	(1,793,148)	KD					1,793,148	(1,793,148)				Control Deficieny See SICD #2

To accrue for deliquent unsecured protpery taxes at 9/30/10										
Aggregate of uncorrected audit differences (before tax)	-	4,788,348	3,351,951	(1,210,813)	5,706,856	(4,496,043)	-	-	-	
Tax effect of uncorrected audit differences										
Aggregate of uncorrected audit differences (after tax)			3,351,951	(1,210,813)	5,706,856	(4,496,043)	-	-	-	
Financial statement amounts (per final financial statements)			(11,654,000)	(150,814,000)	284,788,000	(133,974,000)				
Uncorrected audit differences after tax effect as a percentage of financial statement amounts		Note 1		0.8%	2.0%	3.4%	#DIV/0!	#DIV/0!	#DIV/0!	

Aggregate of uncorrected audit differences - total impact on revenues	4,788,348
Financial statement amounts (as per final financial statements) - revenues	376,357,000
Uncorrected audit differences as a percentage of financial statement amounts	1.27%
Aggregate of uncorrected audit differences - total impact on expenditures	(1,436,397)
Financial statement amounts (as per final financial statements) - expenses	(388,011,000)
Uncorrected audit differences as a percentage of financial statement amounts	0.37%

Communication of Audit Differences

Discussed with: Steve Hannah Date: ____________

Discussed by: Brianne Pierce Date: ____________

Note 1 - As the City of Long Beach is a governmental agency, the comparison of the passed audit adjustments as a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the schedule above was revised to measure the audit adjustments to total revenues and expenses/expenditures (see HPSPPL 03-15)

Redevelopment Agency of the City of Long Beach - Agency-wide (Governmental)
Summary of Uncorrected Audit Differences [KAM 6244]
For year ended September 30, 2010
Amounts shown in thousands

Method used to quantify audit differences: [KAM 6223] **Rollover (Income Statement)**

Audit difference posting threshold [KAM 6244US3]: $257.000

When audit test results identify misstatements in the financial statements, we consider whether such misstatements may be indicative of fraud. That determination affects our evaluation of materiality and the related responses necessary as a result of that evaluation. [KAM 7198US1]

W/P Ref	#	Correcting Entry Required at Current Period End (Note - If there is an end-of-period balance sheet error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening retained earnings). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period balance sheet, include only a description in this section.)				Impact of audit differences on financial statement captions: Income Statement Effect Debit/(Credit)			Balance Sheet Effect Debit/(Credit)					Cash Flow Effect Increase/(Decrease)			Identify the deficiency in internal control or provide rationale if no deficiency is noted, or cross-reference to the work paper where this is documented.
		Accounts and Description	**Debit**	**(Credit)**	**Type of Error** Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Equity at period end	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Operating Activities	Investing Activities	Financing Activities	
			------------- A --------------			B	C = A (Only Inc Stmt accounts)	C - B									
		Dr. Deferred revenue	3,700,000									3,700,000					
	1	Cr. Other revenues		(3,700,000)	KD		(3,700,000)	(3,700,000)	(3,700,000)								Given the nature of the adjustment and the isolated impact to the financial staements taken as a whole, this is not considered a significant deficiency
		To eliminate deferred revenue related to receivables on the government wide financial statements.															
	2	Capital assets should have been recorded in the agency-wide financial statements in the prior year that were recorded in the current period as such the ending fund balance is correct	2,519,116		KD												Not a control deficiency. Client ajudstment.
		Aggregate of uncorrected audit differences (before tax)				-	(3,700,000)	(3,700,000)	(3,700,000)	-	-	3,700,000	-				
		Tax effect of uncorrected audit differences															
		Aggregate of uncorrected audit differences (after tax)						(3,700,000)	(3,700,000)	-	-	3,700,000	-				
		Financial statement amounts (per final financial statements)						(15,169,000)	155,420,000	410,660,000	89,593,000	(128,732,000)	(526,941,000)				
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts						Note 1	-2.4%	0.0%	0.0%	-2.9%	0.0%				
									Pass, immaterial			Pass, immaterial					

Communication of Uncorrected Audit Differences

Discussed with: Francine Wielgleman Date: 3/9/2011

Discussed by: Mark Tillotson

Adjustment related to beginning net assets	(2,519,116)	
Net assets, beginning of the year	140,251,000	
Adjustments as a % of beginning net assets	-2%	Pass, immaterial
% of Revenues/Expenditures		
Total revenues	(91,097,000)	
Adjustments as a % of total revenues	4%	Pass, immaterial
Total expenditure:	106,266,000	
Adjustments as a % of total expenditures	0%	

Note 1 - As the RDA is a governmental agency, the comparison of the passed audit adjustments as a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the schedule above was revised to measure the audit adjustments to total revenues and expenses/expenditures (see HPSPPL 03-15)

City of Long Beach-CAFR (Gas)
Summary of Uncorrected Audit Differences [KAM 6244]
For year ended September 30, 2010

Method used to quantify audit differences: [KAM 6223] **Rollover (Income Statement)**

Audit difference posting threshold [KAM 6244US3]: $647,903

When audit test results identify misstatements in the financial statements, we consider whether such misstatements may be indicative of fraud. That determination affects our evaluation of materiality and the related responses necessary as a result of that evaluation. [KAM 7198US1]

		Correcting Entry Required at Current Period End (Note - If there is an end-of-period balance sheet error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening retained earnings). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period balance sheet, include only a description in this section.)				**Impact of audit differences on financial statement captions** – **Income Statement Effect Debit/(Credit)**			**Balance Sheet Effect Debit/(Credit)**			**Cash Flow Effect Increase/(Decrease)**			
W/P Ref	**#**	**Accounts and Description**	**Debit**	**(Credit)**	**Type of Error** Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Equity at period end	Assets	Liabilities	Operating Activities	Investing Activities	Financing Activities	**Identify the deficiency in internal control or provide rationale if no deficiency is noted, or cross-reference to the work paper where this is documented.**
			-------------- A --------------			**B**	**C = A (Only Inc Stmt accounts)**	**C - B**							
GAS Fund															
1		Dr. Cash	2,256,555		KD					2,256,555					
		Cr. Interest Expense		(2,256,555)			(2,256,555)	(2,256,555)	(2,256,555)						
		(to adjust for error in reporting interest)													
		Aggregate of uncorrected audit differences (before tax)				-	(2,256,555)	(2,256,555)	(2,256,555)	2,256,555	-	-	-	-	
		Tax effect of uncorrected audit differences													
		Aggregate of uncorrected audit differences (after tax)						(2,256,555)	(2,256,555)	2,256,555	-	-	-	-	
		Financial statement amounts (per final financial statements)						(8,137,000)	(46,509,000)	1,014,717,000	(968,208,000)	45,607,000	5,403,000	(55,231,000)	
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts					Note 1		4.9%	0.2%	0.0%	0.0%	0.0%	0.0%	

Aggregate of uncorrected audit differences - total impact on revenues	-
Financial statement amounts (as per final financial statements) - revenues	81,440,000
Uncorrected audit differences as a percentage of financial statement amounts	0.00%
Aggregate of uncorrected audit differences - total impact on expenditures	(2,256,555)
Financial statement amounts (as per final financial statements) - expenses	(89,577,000)
Uncorrected audit differences as a percentage of financial statement amounts	2.52%

Communication of Audit Differences

Discussed with: Steve Hannah Date: ____________

Discussed by: Brianne Pierce Date: ____________

Note 1 - As the City of Long Beach is a governmental agency, the comparison of the passed audit adjustments as a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the schedule above was revised to measure the audit adjustments to total revenues and expenses/expenditures (see HPSPPL 03-15)

City of Long Beach-CAFR (Water)
Summary of Uncorrected Audit Differences [KAM 6244]
For year ended September 30, 2010

Method used to quantify audit differences: [KAM 6223] **Rollover (Income Statement)**

Audit difference posting threshold [KAM 6244US3]: $222,440

When audit test results identify misstatements in the financial statements, we consider whether such misstatements may be indicative of fraud. That determination affects our evaluation of materiality and the related responses necessary as a result of that evaluation. [KAM 7198US1]

W/P Ref	#	Correcting Entry Required at Current Period End (Note - If there is an end-of-period balance sheet error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening retained earnings). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period balance sheet, include only a description in this section.) Accounts and Description	Debit	(Credit)	Type of Error Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Impact of audit differences on financial statement captions Income Statement Effect Debit/(Credit) Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Balance Sheet Effect Debit/(Credit) Equity at period end	Assets	Liabilities	Cash Flow Effect Increase/(Decrease) Operating Activities	Investing Activities	Financing Activities	Identify the deficiency in internal control or provide rationale if no deficiency is noted, or cross-reference to the work paper where this is documented.
			------------- A --------------			B	C = A (Only Inc Stmt accounts)	C - B							
Water Fund															
I-4	1	Dr. CIP Cr. Interest Expense Cr. Net Assets (To adjust accumulated depreciation for timing of CIP Transfers)	1,135,552	(458,567) (676,985)	KD		(458,567)	(458,567)	(458,567) (676,985)	1,135,552			1,135,552 (458,567) (676,985)		Control Deficiency See SCID #2
H-15 (Water Workpapers)	2	Dr. Accounts Receivable Dr. Revenue Cr. Net Assets *To timely record revenue from utility billing system-Non GAAP Policy*	3,586,000 57,000	(3,643,000)	MLD		57,000	57,000	57,000 (3,643,000)	3,586,000		3,586,000 57,000 (3,643,000)			Control Deficiency See SCID #2
I-3C (Water Binder Ref)	3	To adjust expenses recorded in the current year which relate to the prior year - current end-of-period balance sheet amounts are correct					(1,172,892)	(1,172,892)							Significant Deficiency See SICD #1
F-6-1 (Water GB 2 of 2)	4	Dr. Net Assets Cr. Bonds Payable Cr. Interest Expense *(To recognize interest expense using the effective interest rate method)*	251,533	(245,038) (6,495)			(6,495)	(6,495)	251,533 (6,495)		(245,038)		251,533 (245,038) (6,495)		Control Deficiency See SCID #2
F-6 Water GB 2 of 2)	5	Dr. CIP Cr. Interest Expense Cr. Net Assets To record capitalized interest (non-GAAP policy)	9,305,000	(1,040,000) (8,265,000)			(1,040,000)	(1,040,000)	(1,040,000) (8,265,000)	9,305,000			9,305,000 (1,040,000) (8,265,000)		Control Deficiency See SCID #2
I-4 (Water w/p's)	6	Dr. Accum Depr Cr. Depreciation Exp Cr. Net Assets To adjust capital asset information to correct for inaccurate usefull lifes from the py	633,749	(152,315) (481,434)			(152,315)	(152,315)	(152,315) (481,434)	633,749			633,749 (152,315) (481,434)		
M-1 (Water w/p's)	6 7	Dr. Restricted Net Assets Cr. Unrestricted Net Assets To reclassify amounts related to management reserves established for water wells from proceeds of land sale (no external restriction)	9,984,934	(9,984,934)					9,984,934 (9,984,934)						
		Aggregate of uncorrected audit differences (before tax)				-	(2,773,269)	(2,773,269)	(14,415,263)	14,660,301	(245,038)	-	-	-	
		Tax effect of uncorrected audit differences													
		Aggregate of uncorrected audit differences (after tax)						(2,773,269)	(14,415,263)	14,660,301	(245,038)	-	-	-	
		Financial statement amounts (per final financial statements)						(18,294,000)	(263,191,000)	312,085,000	(48,894,000)	19,008,000	302,000	(1,460,000)	
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts					Note 1		5.5%	4.7%	0.5%	0.0%	0.0%	0.0%	

Aggregate of uncorrected audit differences - total impact on revenues	57,000
Financial statement amounts (as per final financial statements) - revenues	99,546,000
Uncorrected audit differences as a percentage of financial statement amounts	0.00%
Aggregate of uncorrected audit differences - total impact on expenditures	(2,830,269)
Financial statement amounts (as per final financial statements) - expenses	(117,840,000)
Uncorrected audit differences as a percentage of financial statement amounts	2.40%

Note 1 - As the City of Long Beach is a governmental agency, the comparison of the passed audit adjustments as a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the schedule above was revised to measure the audit adjustments to total revenues and expenses/expenditures (see HPSPPL 03-15)

Communication of Audit Differences

Discussed with: Steve Hannah Date: ____________

Discussed by: Brianne Pierce Date: ____________

City of Long Beach-CAFR (Solid Waste Management Fund)
Summary of Uncorrected Audit Differences [KAM 6244]
For year ended September 30, 2010

Method used to quantify audit differences: [KAM 6223] **Rollover (Income Statement)**

Audit difference posting threshold [KAM 6244US3]: $92,227

When audit test results identify misstatements in the financial statements, we consider whether such misstatements may be indicative of fraud. That determination affects our evaluation of materiality and the related responses necessary as a result of that evaluation. [KAM 7198US1]

W/P Ref	#	Accounts and Description	Debit	(Credit)	Type of Error: Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Equity at period end	Assets	Liabilities	Operating Activities	Investing Activities	Financing Activities	Identify the deficiency in internal control or provide rationale if no deficiency is noted, or cross-reference to the work paper where this is documented.
		Correcting Entry Required at Current Period End (Note - If there is an end-of-period balance sheet error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening retained earnings). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period balance sheet, include only a description in this section.)				**Impact of audit differences on financial statement captions** — **Income Statement Effect Debit/(Credit)**			**Balance Sheet Effect Debit/(Credit)**			**Cash Flow Effect Increase/(Decrease)**			
			-------------- A --------------			**B**	**C = A (Only Inc Stmt accounts)**	**C - B**							
Solid Waste Management															
K-202	1	Dr. Interest Expense Cr. Operating Expense *Bond interest expense captured as operating expense as opposed to non-operating*	184,901	(184,901)	KD		184,901 (184,901)	184,901 (184,901)	184,901 (184,901)			184,901 (184,901)			Control Deficiency see SICD #1
H-103a	2	Dr. CIP Cr. Interest Expense Cr. Net Assets *To record capitalized interest- Non-GAAP Policy*	221,000	(5,000) (216,000)	KD		(5,000)	(5,000)	(5,000) (216,000)	221,000			221,000 (5,000) (216,000)		Control Deficiency see SICD #3
B9	3	Dr. Accounts Receivable Dr. Revenue Cr. Net Assets *To timely record revenue from utility billing system-Non GAAP Policy*	3,176,000 50,000	(3,226,000)	MLD		50,000	50,000	50,000 (3,226,000)	3,176,000		3,176,000 50,000 (3,226,000)			Control Deficiency see SICD #2
H-454	4	Overstatement of expenses in the current period for expenditures incurred in FY 09 - no error in the current end of period balance sheet amounts			MLD		(1,612,859)	(1,612,859)							Control Deficiency see SICD #1
H-455	5	Overstatement of expenses in the current period for expenditures incurred in FY 09 - no error in the current end of period balance sheet amounts			MLD		(93,223)	(93,223)							Control Deficiency see SICD #1
		6 & 7 aren't used		-			-	-	- -		-	- - -			
B9	8	Dr. Revenue Cr. Net Assets *To record revenue for SERF Facility Distribution for FY10*	2,166,785	(2,166,785)	KD		2,166,785	2,166,785	2,166,785 (2,166,785)			(2,166,785)			Control Deficiency see SICD #2
B9	9	Dr. Net Assets Cr. Accounts Payable Cr. Expenses *To record expenditures for SERF Facility Distribution for FY10*	3,078,150	(1,994,757) (1,083,393)	KD		(1,083,393)	(1,083,393)	3,078,150 (1,083,393)		(1,994,757)	3,078,150 (1,994,757)			Control Deficiency see SICD #2
F1-10	10	Dr. Unrestricted Net Assets Cr. Invested in Capital Assets, net of related debt *(to adjust invested in capital assets net of related debt due to improperly included unamortized issuance costs in the calculation)*	1,510,000	(1,510,000)	KD				1,510,000 (1,510,000)						Significant Deficiency See SICD #3
K2-2	11	Dr. Interest Expense Cr. Operating Expense *(to adjust for reclassification purposes)*	184,901	(184,901)	KD		184,901 (184,901)	184,901 (184,901)	184,901 (184,901)						Significant Deficiency See SICD #3
B9	12	Dr. Unamortized Bond Issuance Costs Cr. Interest Expense *To record effective interest rate effect*	123,057	(123,057)	KD		123,057 (123,057)	123,057 (123,057)	123,057 (123,057)			123,057 (123,057)			Control Deficiency see SICD #2
		Aggregate of uncorrected audit differences (before tax)				-	(577,690)	(577,690)	(1,402,243)	3,397,000	(1,994,757)	(1,083,392)	-	-	
		Tax effect of uncorrected audit differences													
		Aggregate of uncorrected audit differences (after tax)						(577,690)	(1,402,243)	3,397,000	(1,994,757)	(1,083,392)	-	-	
		Financial statement amounts (per final financial statements)						165,000	(21,245,000)	114,403,000	(93,158,000)	11,959,000	798,000	(17,754,000)	
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts					Note 1		6.6%	3.0%	2.1%	-9.1%	0.0%	0.0%	

Aggregate of uncorrected audit differences - total impact on revenues	2,216,785
Financial statement amounts (as per final financial statements) - revenues	79,165,000
Uncorrected audit differences as a percentage of financial statement amounts	2.80%
Aggregate of uncorrected audit differences - total impact on expenditures	(2,794,475)
Financial statement amounts (as per final financial statements) - expenses	(79,000,000)
Uncorrected audit differences as a percentage of financial statement amounts	3.54%

Communication of Audit Differences

Discussed with: Steve Hannah Date:

Discussed by: Brianne Pierce Date:

Note 1 - As the City of Long Beach is a governmental agency, the comparison of the passed audit adjustments as a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the schedule above was revised to measure the audit adjustments to total revenues and expenses/expenditures (see HPSPPL 03-15)

FSA-NP/SE/VSE
SUMMARY OF AUDIT DIFFERENCES - US (05/09)
SCHEDULE 1B

City of Long Beach-CAFR (Tidelands)
Summary of Uncorrected Audit Differences [KAM 6244]
For year ended September 30, 2010

Method used to quantify audit differences: [KAM 6223] **Rollover (Income Statement)**

Audit difference posting threshold [KAM 6244US3]: $344,280

When audit test results identify misstatements in the financial statements, we consider whether such misstatements may be indicative of fraud. That determination affects our evaluation of materiality and the related responses necessary as a result of that evaluation. [KAM 7198US1]

		Correcting Entry Required at Current Period End (Note - If there is an end-of-period balance sheet error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening retained earnings). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period balance sheet, include only a description in this section.)				**Impact of audit differences on financial statement captions** — **Income Statement Effect Debit/(Credit)**			**Balance Sheet Effect Debit/(Credit)**			**Cash Flow Effect Increase/(Decrease)**			
W/P Ref	**#**	**Accounts and Description**	**Debit**	**(Credit)**	**Type of Error** Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Equity at period end	Assets	Liabilities	Operating Activities	Investing Activities	Financing Activities	**Identify the deficiency in internal control or provide rationale if no deficiency is noted, or cross-reference to the work paper where this is documented.**
			-------------- A ---------------			**B**	**C = A (Only Inc Stmt accounts)**	**C - B**							
Tidelands Fund															
H-103a	1	Dr. CIP Cr. Interest Expense Cr. Net Assets *To record capitalized interest- Non-GAAP Policy*	6,964,000	 (425,000) (6,539,000)	KD		 (425,000)	 (425,000)	 (425,000) (6,539,000)	6,964,000			6,964,000 (425,000) (6,539,000)		Control Deficiency See SICD #2
F1-10	2	Dr. Unrestricted Net Assets Cr. Invested in Capital Assets, net of related debt *(to adjust invested in capital assets net of related debt due to improperly included unamortized issuance costs in the calculation)*	1,945,000	 (1,945,000)	KD				1,945,000 (1,945,000)						Significant Deficiency See SICD #3
		Aggregate of uncorrected audit differences (before tax)				-	(425,000)	(425,000)	(6,964,000)	6,964,000	-	-	-	-	
		Tax effect of uncorrected audit differences													
		Aggregate of uncorrected audit differences (after tax)						(425,000)	(6,964,000)	6,964,000	-	-	-	-	
		Financial statement amounts (per final financial statements)						(23,353,000)	(245,629,000)	475,281,000	(229,652,000)	4,560,000	916,000	20,233	
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts					Note 1		2.8%	1.5%	0.0%	0.0%	0.0%	0.0%	

Aggregate of uncorrected audit differences - total impact on revenues	-
Financial statement amounts (as per final financial statements) - revenues	140,667,000
Uncorrected audit differences as a percentage of financial statement amounts	0.00%
Aggregate of uncorrected audit differences - total impact on expenditures	(425,000)
Financial statement amounts (as per final financial statements) - expenses	(164,020,000)
Uncorrected audit differences as a percentage of financial statement amounts	0.26%

Communication of Audit Differences

Discussed with: Steve Hannah Date: ____________

Discussed by: Brianne Pierce Date: ____________

Note 1 - As the City of Long Beach is a governmental agency, the comparison of the passed audit adjustments as a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the schedule above was revised to measure the audit adjustments to total revenues and expenses/expenditures (see HPSPPL 03-15)

FSA-NP/SE/VSE
SUMMARY OF AUDIT DIFFERENCES - US (05/09)
SCHEDULE 1B

City of Long Beach-CAFR (Tideland Oil)
Summary of Uncorrected Audit Differences [KAM 6244]
For year ended September 30, 2010

Method used to quantify audit differences: [KAM 6223] **Rollover (Income Statement)**

Audit difference posting threshold [KAM 6244US3]: $144,883

When audit test results identify misstatements in the financial statements, we consider whether such misstatements may be indicative of fraud. That determination affects our evaluation of materiality and the related responses necessary as a result of that evaluation. [KAM 7198US1]

		Correcting Entry Required at Current Period End **(Note - If there is an end-of-period balance sheet error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening retained earnings). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period balance sheet, include only a description in this section.)**				**Impact of audit differences on financial statement captions** — **Income Statement Effect Debit/(Credit)**			**Balance Sheet Effect Debit/(Credit)**			**Cash Flow Effect Increase/(Decrease)**			
W/P Ref	**#**	**Accounts and Description**	**Debit**	**(Credit)**	**Type of Error** Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Equity at period end	Assets	Liabilities	Operating Activities	Investing Activities	Financing Activities	**Identify the deficiency in internal control or provide rationale if no deficiency is noted, or cross-reference to the work paper where this is documented.**
			-------------- A	**---------------**		**B**	**C = A (Only Inc Stmt accounts)**	**C - B**							
Tidelands Oil Fund															
		None													
		Aggregate of uncorrected audit differences (before tax)				-	-	-	-	-	-	-	-	-	
		Tax effect of uncorrected audit differences													
		Aggregate of uncorrected audit differences (after tax)						-	-	-	-	-	-	-	
		Financial statement amounts (per final financial statements)													
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts						#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	

Communication of Uncorrected Audit Differences

Discussed with: N/A Date: ____________

Discussed by: ____________

City of Long Beach-CAFR (Harbor)
Summary of Uncorrected Audit Differences [KAM 6244]
For year ended September 30, 2010

Method used to quantify audit differences: [KAM 6223] **Rollover (Income Statement)**

Audit difference posting threshold [KAM 6244US3]: $2,556,698

When audit test results identify misstatements in the financial statements, we consider whether such misstatements may be indicative of fraud. That determination affects our evaluation of materiality and the related responses necessary as a result of that evaluation. [KAM 7198US1]

		Correcting Entry Required at Current Period End (Note - If there is an end-of-period balance sheet error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening retained earnings). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period balance sheet, include only a description in this section.)				**Impact of audit differences on financial statement captions** – **Income Statement Effect Debit/(Credit)**			**Balance Sheet Effect Debit/(Credit)**			**Cash Flow Effect Increase/(Decrease)**			
W/P Ref	**#**	**Accounts and Description**	**Debit**	**(Credit)**	**Type of Error** Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Equity at period end	Assets	Liabilities	Operating Activities	Investing Activities	Financing Activities	**Identify the deficiency in internal control or provide rationale if no deficiency is noted, or cross-reference to the work paper where this is documented.**
			-------------- A --------------			**B**	**C = A (Only Inc Stmt accounts)**	**C - B**							
Harbor Fund															
		Dr. CIP	42,357,000							42,357,000			42,357,000		
H-103a	1	Cr. Interest Expense		(9,507,000)	KD		(9,507,000)	(9,507,000)	(9,507,000)				(9,507,000)		Control Deficiency See SICD #2
		Cr. Net Assets		(32,850,000)					(32,850,000)				(32,850,000)		
		To record capitalized interest- Non-GAAP Policy													
	2	Dr. Capital Assets, net	1,599,578		MLD					1,599,578				(1,599,578)	N/A - Client adopted capitalization policy wayback in 2009.
2008 Entry / B4.01		Dr. Depreciation Expense	738,900				738,900	738,900				(738,900)			
		Cr. Net Asset		(2,338,478)					(2,338,478)			2,338,478			
		(To properly capitalize interest to CIP. This is a net entry)													
	3	Dr. Unrestricted Cash	46,045,000		KD					46,045,000					Considered to be a control deficiency. Non-GAAP policy of the client. See WP B5
2009 Entry F3.01/F3.07		Cr. Restricted Cash		(46,045,000)						(46,045,000)					
		(To reclassify the cash reserve associated with the ACTA Shortfall Advance agreement.)													
		Aggregate of uncorrected audit differences (before tax)				-	(8,768,100)	(8,768,100)	(44,695,478)	43,956,578	-	-	-	(1,599,578)	
		Tax effect of uncorrected audit differences													
		Aggregate of uncorrected audit differences (after tax)						(8,768,100)	(44,695,478)	43,956,578	-	-	-	(1,599,578)	
		Financial statement amounts (per final financial statements)						120,188,000	(2,548,005,000)	3,463,634,000	(915,629,000)	210,606,000	42,078,000	(345,058)	
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts					Note 1		1.8%	1.3%	0.0%	0.0%	0.0%	463.6%	

Aggregate of uncorrected audit differences - total impact on revenues	-
Financial statement amounts (as per final financial statements) - revenues	368,338,000
Uncorrected audit differences as a percentage of financial statement amounts	0.00%
Aggregate of uncorrected audit differences - total impact on expenditures	(8,768,100)
Financial statement amounts (as per final financial statements) - expenses	(248,150,000)
Uncorrected audit differences as a percentage of financial statement amounts	3.53%

Communication of Audit Differences

Discussed with: Steve Hannah Date: ____________

Discussed by: Brianne Pierce Date: ____________

Note 1 - As the City of Long Beach is a governmental agency, the comparison of the passed audit adjustments as a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the schedule above was revised to measure the audit adjustments to total revenues and expenses/expenditures (see HPSPPL 03-15)

KPMG

City of Long Beach-CAFR (Aggregate Remaining)
Summary of Uncorrected Audit Differences [KAM 6244]
For year ended September 30, 2010

Method used to quantify audit differences: [KAM 6223] **Rollover (Income Statement)**

Audit difference posting threshold [KAM 6244US3]: $850,487

When audit test results identify misstatements in the financial statements, we consider whether such misstatements may be indicative of fraud. That determination affects our evaluation of materiality and the related responses necessary as a result of that evaluation. [KAM 7198US1]

		Correcting Entry Required at Current Period End (Note - If there is an end-of-period balance sheet error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening retained earnings). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period balance sheet, include only a description in this section.)				Impact of audit differences on financial statement captions: Income Statement Effect Debit/(Credit)			Balance Sheet Effect Debit/(Credit)			Cash Flow Effect Increase/(Decrease)			
W/P Ref	**#**	**Accounts and Description**	**Debit**	**(Credit)**	**Type of Error** Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Equity at period end	Assets	Liabilities	Operating Activities	Investing Activities	Financing Activities	**Identify the deficiency in internal control or provide rationale if no deficiency is noted, or cross-reference to the work paper where this is documented.**
			------------- A --------------			**B**	**C = A (Only Inc Stmt accounts)**	**C - B**							
Internal Service Funds															
K-302	9	Dr. Capital Lease Liability Cr. Capital Lease Expense Cr. Net Assets *To correct the recording of early payments.*	982,077	(859,531) (122,546)	KD		(859,531)	(859,531)	(859,531) (122,546)		982,077				Control Deficiency See SCID #6
K-610-1	10	Dr. Prepaid Assets Cr. Other Assets *To correct the pre-payments of future pension liabilities*	45,513,810	(45,513,810)	KD					45,513,810 (45,513,810)					Significant Deficiency See SCID #3
F1-10	2	Dr. Invested in Capital Assets, net of related debt Cr. Unrestricted Net Assets *(to adjust invested in capital assets net of related debt due to improperly included unamortized issuance costs in the calculation)*	1,920,000	(1,920,000)	KD				1,920,000 (1,920,000)						Significant Deficiency See SICD #3
F1-10	2	Dr. Unrestricted Net Assets Cr. Restricted for Health Care Insurance *(to remove a portion of the health care net asset restriction as there is no legal enforceable claim)*	6,324,000	(6,324,000)	KD				6,324,000 (6,324,000)						Significant Deficiency See SICD #3
Non-Major Enterprise Funds															
H-103a	11	Dr. CIP Cr. Interest Expense Cr. Net Assets *To record capitalized interest- Non-GAAP Policy*	8,506,000	(1,573,500) (6,932,500)	KD		(1,573,500)	(1,573,500)	(1,573,500) (6,932,500)	8,506,000					Control Deficiency See SCID #2
Sewer Fund															
I-4 (Sewer W/P Binder)	1	Dr Accumulated Depreciation Cr Depreciation Expense Cr Net Assets (To adjust depreciation expense for timing of CIP Transfers)	1,235,416	(618,217) (617,199)	KD		(618,217)	(618,217)	(618,217) (617,199)	1,235,416					
F6-1 (Sewer W/P Binder)	2	Dr. CIP Cr. Interest Expense Cr Net Assets (To record capitalized interest - Non-GAAP Policy)	2,867,000	(62,000) (2,805,000)	KD		(62,000)	(62,000)	(62,000) (2,805,000)	2,867,000					
		Aggregate of uncorrected audit differences (before tax)				-	(3,113,248)	(3,113,248)	(13,590,493)	12,608,416	982,077				
		Tax effect of uncorrected audit differences													
		Aggregate of uncorrected audit differences (after tax)						(3,113,248)	(13,590,493)	12,608,416	982,077				
		Financial statement amounts (per final financial statements)						(13,123,000)	(373,536,000)	1,023,976,000	(650,440,000)				
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts					Note 1		3.6%	1.2%	-0.2%				

Aggregate of uncorrected audit differences - total impact on revenues	#REF!
Financial statement amounts (as per final financial statements) - revenues	(1,729,135,000)
Uncorrected audit differences as a percentage of financial statement amounts	#REF!
Aggregate of uncorrected audit differences - total impact on expenditures	#REF!
Financial statement amounts (as per final financial statements) - expenses	1,716,012,000
Uncorrected audit differences as a percentage of financial statement amounts	#REF!

Communication of Audit Differences

Discussed with: Steve Hannah Date: ____________

Discussed by: Brianne Pierce Date: ____________

Note 1 - As the City of Long Beach is a governmental agency, the comparison of the passed audit adjustments as a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the schedule above was revised to measure the audit adjustments to total revenues and expenses/expenditures (see HPSPPL 03-15)

Aggregate	Equity	Assets	Liabilities	Change	Revenues	Expenses
Other governmental funds	-113244000	213680000	-100436000	-10043000	-258316000	248273000
Other proprietary funds	-364265000	472665000	-108400000	-10091000	-1134294000	1124203000
ISF	104947000	300684000	-405631000	6947000	-336493000	343440000
Fiduciary	-974000	36947000	-35973000	64000	-32000	96000
	-373536000	1023976000	-650440000	-13123000	-1729135000	1716012000

City of Long Beach-CAFR
Summary of Corrected Audit Differences [KAM 6244]
For year ended September 30, 2010

When audit test results identify misstatements in the financial statements, we consider whether such misstatements may be indicative of fraud. That determination affects our evaluation of materiality and the related responses necessary as a result of that evaluation. [KAM 7198US1]

			Income Statement			Balance Sheet		Statement of Cash Flows				
W/P Ref	#	Accounts and Description	Debit	(Credit)	Income effect Debit / (Credit)	Debit	(Credit)	Operating Activities	Investing Activities	Financing Activities	Type of Error Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Identify the deficiency in internal control or provide rationale if no deficiency is noted, or cross-reference to the work paper where this is documented.
		None										

Communication of Corrected Audit Differences

Discussed with: ______________________ Date: ______________

Discussed by: ______________________

KPMG

FSA-NP/SE/VSE
SUMMARY OF AUDIT DIFFERENCES - US (05/09)
SCHEDULE 3

City of Long Beach-CAFR
Summary of Omissions and Other Errors in Presentation and Disclosure[KAM 6270]
For year ended September 30, 2010

When audit test results identify misstatements in the financial statements, we consider whether such misstatements may be indicative of fraud. That determination affects our evaluation of materiality and the related responses necessary as a result of that evaluation. [KAM 7198US1]

W/P Ref	#	Description of Omission or Other Error	Resolution (Corrected/ Uncorrected)	Rationale for Uncorrected Items	Identify the deficiency in internal control or provide rationale if no deficiency is noted, or cross-reference to the work paper where this is documented.
		None			

Communication of Omissions and Other Errors

Discussed with: ______________________ Date: ______________________

Discussed by: ______________________

KPMG LLP
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20 Pacifica
Irvine, CA 92618-3391

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
City of Long Beach, California:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Long Beach, California (the City) as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 25, 2011. Our report was modified to include a reference to another auditor who audited the City's discretely presented component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Another auditor audited the financial statements of the Long Beach Transportation Company (a discretely presented component unit of the City) as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and that are described in the accompanying schedule of findings and questioned costs as items FS–2010-01 and FS–2010-02. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the City of Long Beach's City Council, management, others within the City, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

April 25, 2011