



**KPMG LLP**  
Suite 2000  
355 South Grand Avenue  
Los Angeles, CA 90071-1568

August 3, 2010

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, the 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, 2009, and have issued our report thereon under date of June 30, 2010. 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 or will issue shortly separate reports for each entity as part 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.



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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 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. As described in note 2, in order to comply with the requirements of U.S. generally accepted accounting principles, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

##### ***Unusual Transactions***

Effective October 1, 2008, the City elected to early adopt GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*. In accordance with this standard, derivative instruments are required to be reported at fair value on the face of the financial statements; respective changes in fair value are reported on the statement of revenues, expenditures, and changes in net assets. Previously, reporting of these instruments was a footnote disclosure only.

##### ***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.



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### **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 reporting 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 estimates 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 derivatives 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, 2009. 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 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, 2009.

### **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.



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***Material Written Communications***

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

1. Management representation letter
2. 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**



# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

June 30, 2010

KPMG, LLP  
20 Pacific, 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, 2009, 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 unit, 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, the Housing Development Fund, and the Community Development Grants 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. Further, we understand that the purpose of your testing of transactions and records from the City's federal programs (A-133 audit) was to obtain reasonable assurance that the City had complied, in all material respects, with the requirements of law, regulations, contracts, and grants that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2009.

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:

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.
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 FASB Accounting Standards Codification (ASC) 450, *Contingencies*.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.
  - 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.
  - e. Events that have occurred subsequent to the date of the statement of net assets and through the date of this letter that would require adjustment to or disclosure in 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. Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in basic financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an

entity's assets where the effect of the theft causes the basic financial statements no to be presented in conformity with U.S. generally accepted accounting principles.

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, regulators, 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. The term "related party" refers to affiliates of the enterprise; entities for which investments in their equity securities would be required to be accounted for by the equity method by the enterprise; trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; principal owners of the enterprise; its management; members of the immediate families of principal owners of the enterprise and its management; and other parties with which the enterprise may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

- 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. 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.
13. The City has complied, in all material respects, with applicable laws, regulations, contracts, and grants that could have a material effect on the 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. The City has identified and properly accounted for all non-exchange transactions.
16. 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*.
17. 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.
18. 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.
19. 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.
20. We believe that all material expenditures that have been deferred to future periods will be recoverable.
21. Deposits and investment securities are properly classified and reported.
22. 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.
23. 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.
24. 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.
25. 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.

26. 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.
27. 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.
28. The City has identified and properly reported all of its derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, including the requirements related to the determination of hedging derivative instruments and the application of hedge accounting.
29. 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.
30. 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.
31. 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.
32. 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.
33. 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.

34. The basic financial statements properly classify all funds and activities.
35. 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.
36. The City has complied with all tax and debt limits and with all debt related covenants.
37. The City has presented all required supplementary information. This information has been measured and prepared within prescribed guidelines.
38. The City has complied with all applicable laws and regulations in adopting, approving and amending budgets.
39. 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.
40. All funds that meet the quantitative criteria in GASB Statement No. 34 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.
41. Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.
42. Special and extraordinary items are appropriately classified and reported.
43. Management has reviewed, approved, and taken responsibility for accrual adjustments.
44. Management has a process to track the status of audit findings and recommendations. Corrective actions have been taken to address prior audit findings and corrective actions will be taken to address audit findings related to the September 30, 2009 audit.
45. Management has provided views on reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
46. The City is responsible for complying, and has complied, with the requirements of OMB Circular A-133.
47. The City has prepared the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 and has included all expenditures made during the year ended September 30, 2009 for all awards provided by federal agencies in the form of grants, awards under the American

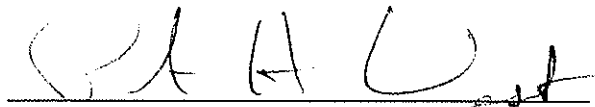
Recovery and Reinvestment Act (ARRA), federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance. The City has appropriately identified and separated all ARRA awards within the SEFA.

48. The City is responsible for complying, and has complied, in all material respects, with the requirements of laws and regulations, and the provisions of contracts and grant agreements related to each of its federal programs. The City has disclosed to you any interpretations of any compliance requirements that have varying interpretations.
49. The City is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that federal awards are administered in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on a federal program.
50. We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over compliance that we have identified which could adversely affect the City's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, and the provisions of contracts and grant agreements. Under standards established by the American Institute of Certified Public Accountants, a "control deficiency" in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A "significant deficiency" is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A "material weakness" is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.
51. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud in the administration of federal programs. We have no knowledge of any fraud or suspected fraud affecting the entity's federal programs involving:
  - a. Management, including management involved in the administration of federal programs
  - b. Employees who have significant roles in internal control over the administration of federal programs

- c. Others where the fraud could have a material effect on compliance with laws and regulations, and provisions of contract and grant agreements related to its federal programs.
52. The City has identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
53. The City has made available all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities related to major federal programs.
54. The City has identified and disclosed to you all questioned costs and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
55. The City has made available all documentation related to the compliance requirements, including information related to federal financial reports and claims for advances and reimbursements for major federal programs.
56. The City is in compliance with documentation requirements contained in OMB Circular A-87, "Cost Principles for State, Local and Tribal Governments" for all costs charged to federal awards, including both direct costs and indirect costs charged through cost allocation plans or indirect cost proposals. Costs charged to federal awards are considered allowable under the applicable cost principles contained in OMB Circular A-87.
57. Federal financial reports and claims for advances and reimbursements are supported by the accounting records from which the basic financial statements have been prepared.
58. The copies of federal financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
59. If applicable, the City has monitored sub-recipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133. If applicable, the City has issued management decisions on a timely basis after receipt of sub-recipient audit reports that identified non-compliance with laws, regulations, or the provisions of contracts or grant agreements and has ensured that sub-recipients have taken appropriate and timely corrective action on such findings.
60. If applicable, the City has considered the results of sub-recipient audits and has made any necessary adjustments to its own accounting records.

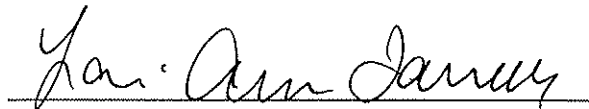
61. The City is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133.
62. If applicable, the City has provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
63. The City has accurately completed Part I of the data collection form.
64. The City has advised you of all contracts or other agreements with service organizations.
65. If applicable, the City has disclosed to you all communications from its service organizations relating to noncompliance at the service organizations.
66. The City has disclosed any known noncompliance occurring subsequent to the period for which compliance is audited.
67. The City has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies (including material weaknesses), have occurred subsequent to the date as to which compliance is audited.

Very truly yours,



Patrick H. West

*City Manager*



Lori Ann Farrell

*Director of Financial Management*



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Suite 700  
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 discretely presented component unit, 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, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2010. Our report was modified to include a reference to another auditor and the City's adoption of Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. 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. Other auditors 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 auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditor.

**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 opinions 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 City'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-09-01 and FS-09-02. 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*.

We noted certain matters that we reported to management of the City in a separate letter dated June 30, 2010.

The City's responses 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 them.

This report is intended solely for the information and use of the City of Long Beach's City Council, management, 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**

June 30, 2010



**CITY OF LONG BEACH, CALIFORNIA**

Schedule of Findings and Questioned Costs

Year ended September 30, 2009

**(1) Summary of Auditors' Results**

*Basic Financial Statements*

(a) The type of report on the basic financial statements:

- Governmental activities: **Unqualified.**
- Business-type activities: **Unqualified.**
- Each major fund: **Unqualified.**
- Aggregate remaining fund information: **Unqualified.**
- Long Beach Transportation Company\*: **Unqualified.**

\* Another auditor audited the financial statements of the Long Beach Transportation Company (discretely presented component unit of the City of Long Beach) as described in our report on the City of Long Beach's financial statements.

(b) Internal control over financial reporting:

- Material weakness(es) identified: **No.**
- Significant deficiencies identified that are not considered to be material weaknesses: **Yes.**  
**See items FS-09-01 and FS-09-02.**

(c) Noncompliance which is material to the basic financial statements: **No.**

*Federal Awards*

(d) Internal control over major programs:

- Material weakness(es) identified: **No.**
- Significant deficiencies identified that are not considered to be material weaknesses: **Yes.**  
**See items F-09-01 through F-09-03.**

(e) The type of report issued on compliance for major programs: We have issued an **unqualified opinion** on compliance related to each major program.

(f) Any audit findings that are required to be reported in accordance with Section .510(a) of OMB Circular A-133: **Yes. See items F-09-01 through F-09-03.**

(g) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000.**

(h) Major programs:

- Community Development Block Grant Cluster (CFDA numbers 14.218 and 14.253)
- Highway Planning and Construction Program (CFDA number 20.205)

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- Homeless Supportive Housing Program (CFDA number 14.235)
  - Housing Assistance Program – Housing Choice Vouchers (CFDA number 14.871)
  - Port Security Program (CFDA number 97.056)
  - Urban Areas Security Initiative Program (CFDA number 97.008)
  - Women, Infants, and Children Program (CFDA number 10.557)
  - Workforce Investment Act Cluster (CFDA numbers 17.258, 17.259 and 17.260)
- (i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **Yes.**

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**(2) Findings Relating to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards***

**FS-09-01 – Expenses/Accounts Payable**

***Condition and Context***

We reviewed the City's internal control process in place to ensure that all expenses/expenditures related to the fiscal year are recorded. During our review, we noted certain expenses/expenditures related to services provided in one fiscal year, which were incorrectly recorded in a different fiscal year. Reporting expenses/expenditures in a period other than the period of service may result in a misstatement of expenses/expenditures and net assets.

***Criteria***

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A 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.

***Cause***

Certain departments do not submit invoices to the accounts payable department in a timely manner. Additionally, a second review of expenses/expenditures is not performed to ensure that the period of service date noted by the submitting department is reasonable.

***Effect or Potential Effect***

Failure to record expenses/expenditures in the proper period may result in the misstatement of expenses/expenditures and net assets.

***Recommendation***

We recommend that the City enhance its internal controls related to the documentation and communication of expenses/expenditures service dates to gain consistency among departments and to ensure that expenses/expenditures are appropriately recorded in the period in which they are incurred.

***Views of Responsible Officials***

Financial Management performs cut-off procedures that entail reviewing all invoices over \$10,000 with service periods and/or received dates in the Comprehensive Annual Financial Report (CAFR) fiscal year that have been posted in the subsequent fiscal year. If appropriate, Financial Management accrues the expense. In addition, Financial Management searched for unrecorded liabilities every month during the audit period by reviewing the population of expenses with invoice dates within the current fiscal year that were posted after year-end closing. For the next fiscal year, Financial Management will strengthen this search by including service period date in the invoice record to ensure accruals are made and any potential errors are correctly identified.

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In an effort to improve consistent recording of liabilities and expenses citywide, Financial Management is updating both the internal operating procedures governing accounts payable as well as an administrative regulation regarding accounts payable for departments citywide. In addition, Financial Management will continue to strengthen year-end communications with departments, through year-end workshops, training, memos and e-mails.

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**FS-09-02 – Year-end Process and Financial Reporting**

*Condition and Context*

The City should strengthen its processes or controls used to compile their financial statements and related disclosures in a timely manner in accordance with U.S. generally accepted accounting principles (GAAP). During our audit, we identified that the financial reporting process begins October 2009 and continues through June 2010. Management recorded over 100 post-closing entries totaling more than \$281 million. Additionally, during our audit and review of the financial statements, we noted 61 audit adjustments, across all opinion units, in the presentation and disclosure of the financial statements. Of the 61 adjustments identified, 16 were recorded by management as the financial statements would have been materially misstated if these amounts hadn't been recorded.

*Criteria*

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A 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.

*Cause*

The audit was not completed until June 2010, nine months after year-end. This extended period is further complicated by changes in auditing and accounting standards that have significantly increased the scope and complexity of year-end and financial report compilation processes along with the necessity to issue thirteen separate annual financial reports. As a result, the three-month post audit period does not provide sufficient time to prepare for the year-end closing process, implement new Governmental Accounting Standards Board (GASB) statements, and identify and enhance ineffective processes. This has a detrimental effect on both the annual audit and financial report compilation.

*Effect or Potential Effect*

The lack of control over year-end processes and financial reporting reduces the reliability and timeliness of financial reporting.

*Recommendation*

We recommend that the City continue modifying its year-end and financial reporting processes and formally document the relevant procedures in a policy that can be distributed to the City's departments. The City's policy, geared towards meeting its bond covenant deadlines, should include the requirement to document the nature of the adjustments expected to be recorded and also include the requirement to have all adjustments recorded within 90 days after year-end.

*Views of Responsible Officials*

The City continues to develop procedures to improve the related controls and overall efficiency of our current year-end/CAFR related processes. The City is moving towards a year round approach for CAFR preparation that will further delegate responsibilities and provide additional cooperative oversight for work

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performed by the Department of Financial Management as well as contributing departments and component units. This approach will include training, the setting of milestones with project deadlines, additional oversight, and the inclusion of more Financial Management staff in the execution of these two important functions. A reduction of the time it takes to complete the annual audit of 1 to 3 months would significantly improve the timeliness of the City's financial reporting. The City has identified the key improvements that we will focus our efforts on between now and year-end that will provide the greatest impact on the above finding. In addition, the City implemented several improved procedures in fiscal year 2009 and plans to implement additional procedures that should further automate the CAFR. Our goal is to automate initial compilation of the financial statements allowing us to focus on the proper recording of new operation/transactions and variance analysis, strengthening internal control. In response to this finding, as well as declining staffing levels, we are looking to implement new processes and procedures that should also assist us in further minimizing process inefficiencies and workload. Our hope is to shorten the audit period, mitigating the current time constraints and allowing for a more robust and complete year-end process. We welcome KPMG input in the endeavor.

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**(3) Findings and Questioned Costs Relating to Federal Awards**

**F-09-01 – Davis-Bacon Act**

*Program Information*

*Federal Program*

Port Security Program (PS Program), CFDA No. 97.056

*Federal Grant Award Number and Grant Period*

<u>Federal grant number</u>	<u>Grant period</u>	<u>Location</u>
2005-GB-T5-0130	9/01/2005 to 8/31/2010	Port
2007-GB-T7-K095	6/01/2007 to 9/30/2010	Port

*Federal Agency*

Transportation Security Administration (TSA)

U.S. Department of Homeland Security

*Specific Requirement*

Title 49 – Transportation, Subtitle A – Office of the Secretary of Transportation, Part 18-Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Sec. 18.36 Procurement:

- (i) Contract provisions. A grantee’s and subgrantee’s contracts must contain provisions in paragraph (i) of this section. Federal agencies are permitted to require changes, remedies, changed conditions, access and records retention, suspension of work, and other clauses approved by the Office of Federal Procurement Policy.
  
- (5) Compliance with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations (29 CFR part 5). (Construction contracts in excess of \$2,000 awarded by grantees and subgrantees when required by federal grant program legislation).

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Title 29 – Labor, Part 5-Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction, Sec. 5.5 Contract provisions and related matters:

- (a) The agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000, which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from federal funds or in accordance with guarantees of a federal agency or financed from funds obtained by pledge of any contract of a federal agency to make a loan, grant, or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in Sec. 5.1, the following clauses (or any modifications thereof to meet the particular needs of the agency, provided, that such modifications are first approved by the Department of Labor):
- (1) Minimum wages. (i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project) will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor, which is attached hereto and made a part hereof, regardless of any contractual relationship, which may be alleged to exist between the contractor and such laborers and mechanics.
- (3) Payrolls and basic records.
- (i) Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work (or under the United States Housing Act of 1937, or under the Housing Act of 1949, in the construction or development of the project).
- (ii) (A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under Sec. 5.5(a)(3)(i) of Regulations, 29 CFR part 5. This information may be submitted in any form desired. Optional Form WH-347 is available for this purpose and may be purchased from the Superintendent of Documents (Federal Stock Number 029-005-00014-1), U.S. Government Printing Office, Washington DC 20402. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors.



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- (B) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:
- (1) That the payroll for the payroll period contains the information required to be maintained under Sec. 5.5(a)(3)(i) of Regulations, 29 CFR part 5 and that such information is correct and complete;
  - (2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in Regulations, 29 CFR part 3;
  - (3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.
- (C) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by paragraph (a)(3)(ii)(B) of this section.

***Condition and Context***

Under the Davis-Bacon Act, the Long Beach Harbor Department (Port) is required to obtain on a weekly basis certified payrolls and statements of compliance from each contractor for each week in which contract work is performed. Of the 25 certified payrolls sampled, one certified payroll was not obtained at all; one payroll obtained was not properly certified; and nine certified payrolls were not obtained weekly as required, but rather, were obtained bi-weekly.

***Questioned Costs***

\$39,117. This amount represents the total amount of the payroll reimbursed with federal funds where the payrolls noted above were either not obtained or properly certified.

***Cause and Effect***

Adequate monitoring controls do not appear to be in place to ensure that certified payrolls are obtained on a weekly basis, which resulted in the noncompliance noted above.

***Recommendation***

We recommend that the Port implement policies and procedures to collect certified payrolls and a statement of compliance from each contractor and subcontractor on a weekly basis.

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*Views of Responsible Officials and Planned Corrective Actions*

The Port includes the federal policy on all construction contracts federally funded with payroll expenditures over \$2,000, including the collection of weekly certified payrolls. The Port will continue to strengthen its policy and communicate to staff the Davis-Bacon Act requirements. The Port is now collecting certified payroll documentation weekly and staff is tracking submittals. Staff will prepare certified payroll status sheets for management review monthly prior to monthly invoice processing. The certified payroll documents are kept permanently with the contract files. Invoices will not be paid unless the proper certifications are received and documented by staff and management.

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**F-09-02 – Eligibility**

***Program Information***

*Federal Program*

Women, Infants, and Children Program (WIC Program), CFDA No. 10.557

*Federal Grant Award Number and Grant Period*

<u>Federal grant number</u>	<u>Grant period</u>	<u>Location</u>
08-85418 ADO	10/01/2008 – 09/30/2011	Dept of Public Health

*Federal Agency*

Department of Agriculture

*Pass-Through Agency*

State Department of Public Health

***Specific Requirements***

California Department of Public Health – WIC Program Manual – Section 200 – Nutrition Assessment and Certification – Section 200-210: Eligibility Requirements

210-11 Determining Biochemical Nutrition Need for All Categories

Required Procedures:

- I. If a biochemical result is not provided at certification or enrollment, the LA [local agency] is required to obtain the biochemical results within 90 days.

210-06 Proof of Address

Required Procedures:

III. Applicants/Participants Lacking Proof of Address

A. Possesses Documentation, but Fail to Bring it to the Appointment

1. If an applicant/participant meets all other eligibility criteria at certification, but fails to bring acceptable proof of address to the appointment, a local agency may permit an applicant/participant to self-declare address for a maximum of 30 days. The agency shall:

- b. Place an “N” (Documentation Unavailable at Certification) code in the *Certify/Recertify Family* screen in the Integrated Statewide Information System (ISIS),

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- f. Schedule a new appointment within 30 days.
- 2. If the applicant/participant returns with the documentation within 30 days and is found eligible, the certification period shall begin with the month food instruments were initially provided.
- 3. If the applicant/participant fails to return within 30 days with the address documentation, the applicant/participant/family shall be determined ineligible. The determination of ineligibility is effective immediately.

210-03 Determination of Income Eligibility

Required Procedures:

III. Applicants/Participants Lacking Income Documentation

- 1. If an applicant/participant meets all other eligibility criteria at certification, but fails to bring acceptable documentation of income to the appointment, a local agency shall permit the applicant/participant to self-declare income for a maximum of 30 days. The agency shall:
  - b. Place an "N" (Documentation Unavailable at Certification) code in the *Certify/Recertify Family* screen in ISIS,
  - f. Schedule a new appointment within 30 days.
- 2. If the applicant/participant returns with the documentation within 30 days and is found eligible, the certification period shall begin with the month food instruments were initially provided.
- 3. If the applicant/participant fails to return within 30 days with the income documentation, the applicant/participant/family shall be determined ineligible. The determination of ineligibility is effective immediately.

***Condition and Context***

In accordance with WIC Program Manual 210-11, a blood test must be taken at enrollment as well as on a yearly basis for recertification purposes. We sampled a total of 25 participants and 10 of those participants tested indicated no biochemical test taken. Additionally, 2 other participants tested indicated that the last blood test was taken more than a year before recertification date, and there was no evidence that a blood test was taken at recertification.

In accordance with WIC Program Manual 210-06, applicant/participant must provide proof of address within 30 days of certification. We sampled a total of 25 participants and noted 2 samples that continue to have the "N" (Documentation Unavailable at Certification) code for address documentation after the 30-day grace period. As such, it appears that the participant did not present the required proof of address.

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In accordance with WIC Program Manual 210-03, applicant/participant must provide documentation of income within 30 days of certification. We sampled a total of 25 participants and noted 1 sample that continued to have the "N" (Documentation Unavailable at Certification) code for income documentation in ISIS after the 30-day grace period. As such, it appears that the participant did not present the required income documentation.

#### ***Questioned Costs***

\$2,690. Fourteen participants were found to have received monthly vouchers during periods of ineligibility. The aggregate period of ineligibility was equivalent to 45 months. The average voucher cost according to the California Department of Health was \$59.78 (45 x \$59.78 = \$2,690).

#### ***Cause and Effect***

During the audit, management indicated third-party eligibility documents are reviewed during the eligibility determination process but are not maintained as per WIC Program policies. The WIC Program Manual – Section 110: Compliance Monitoring – Part 110-20 Maintenance of Specific Program Records indicates the local agency is to maintain income/address/identification self-declaration records, not third-party documents. Third-party documents are reviewed by WIC staff and corresponding data is input in ISIS accordingly.

With respect to hemoglobin tests, management indicated awareness of past issues with obtaining required hemoglobin test results, noting it as a long-term issue with many WIC agencies due to the WIC participants' lack of health insurance and inability to provide the required medical information. In order to rectify the issue, the City recently hired two nurses to provide hemoglobin testing in the various City WIC offices for participants who are unable to meet the hemoglobin requirement.

With respect to proof of address and income verification coding in the ISIS database, management indicated the error as an oversight by program staff to adequately update the reviewed income and/or address documentation in ISIS at the subsequent appointment after the 30-day grace period lapsed.

#### ***Recommendation***

We recommend that the City implement policies and procedures to strengthen existing internal controls to ensure eligibility is properly documented when verified to ensure eligibility requirements are properly followed.

#### ***Views of Responsible Officials and Planned Corrective Actions***

The City's intent has been to follow the WIC Program Manual (WPM) 210-11 on determining biochemical nutrition needs, WPM 210-06 on proof of address, and WPM 210-03 on determination of income eligibility. In regards to the biochemical nutrition needs, this had been an issue due to the participants' lack of health insurance and inability to provide the required medical information.

The City has taken measures by hiring two Public Health Nurses who will provide free hemoglobin testing to WIC participants without health insurance. All staff members have been retrained to identify WIC families who are out of compliance with this requirement and have been instructed to refer them to our nurses. In regards to proof of address and determination of income eligibility, the City has taken measures

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by retraining staff members to abide by the WPM 210-06 and WPM 210-03 and after 30 days withhold food instrument checks if acceptable verification is not provided.

The ISIS hold feature will be used to remind staff members to follow up on comments. Internal file audits will be conducted on a semiannual basis to ensure that staff members are in compliance with policy.

The City will continue to strengthen policies and procedures to ensure compliance in this area.

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**F-09-03 – Reporting**

***Program Information***

*Federal Program*

Community Development Block Grant (CDBG Cluster), CFDA No. 14.218/14.253

Highway Planning & Construction (HPC Program), CFDA No. 20.205

*Federal Grant Award Number and Grant Period*

**CDBG Cluster**

<u>Federal grant number</u>	<u>Grant period</u>	<u>Location</u>
B-08-MN-06-0511	3/06/2009 to 3/05/2013	Neighborhood Services Bureau

**HPC Program**

<u>Federal grant number</u>	<u>Grant period</u>	<u>Location</u>
BRLSN-5108 (073)	11/4/2002 until expended	Port
CML-5108 (088)	6/16/2009 to 6/30/2014	Port
STPL-5108 (075)	8/23/2005 to 6/30/2012	Public Works
STPL-5108 (077)	3/15/2005 to 6/30/2011	Public Works
HPLUL-5108 (090)	7/10/2007 to 6/30/2012	Public Works
RPSTPLE-5108 (080)	7/10/2007 to 6/30/2014	Public Works

*Federal Agency*

Department of Housing and Urban Development – CDBG Cluster

Department of Transportation – HPC Program

*Pass Through Agency*

State Department of Transportation – HPC Program

***Specific Requirement***

**CDBG Cluster**

Federal Register / Vol. 73, No. 194 / Monday, October 6, 2008 / Notices – Part III Department of Housing and Urban Development – Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes Grantees under the Housing and Economic Recovery Act, 2008

## CITY OF LONG BEACH, CALIFORNIA

### Schedule of Findings and Questioned Costs

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#### O. Reporting

- b.i. Each grantee must submit a quarterly performance report, as HUD prescribes, no later than 30 days following the end of each quarter, beginning 30 days after the completion of the first full calendar quarter after grant award and continuing until the end of the 15th month after initial receipt of grant funds. Each report will include information about the uses of funds, including, but not limited to, the project name, activity, location, national objective, funds budgeted and expended, the funding source and total amount of any non-NSP funds, numbers of properties and housing units, beginning and ending dates of activities, and numbers of low- and moderate- income persons or households benefiting. Reports must be submitted using HUD's web-based DRGR system and, at the time of submission, be posted prominently on the grantee's official Web site.

#### **HPC Program**

California Department of Transportation – Local Assistance Procedures Manual – Chapter 17 – Project Completion

#### 17.5 Report of Expenditures

The local agency is responsible for preparing and submitting to the District Local Assistance Engineer the final report documents, which collectively constitute a "Report of Expenditures." This report provides key information required to initiate timely project closure and payment. The Report of Expenditures is due at the completion of the project. Deadline for submittal of the Report(s) is six (6) months after project completion. If timely submittals are not received, Caltrans shall initiate actions discussed under Section 17.6, "Consequences for Non-Compliance." The "Report of Expenditures" shall be signed by the public employee in responsible charge of the project.

#### *Condition and Context*

#### **CDBG Program**

In addition to the October 6, 2008 Federal Register Notice, the Neighborhood Stabilization Program (NSP) grant agreement states that the City is required to post quarterly performance reports on their official Web site. We accessed [www.longbeach.gov/cd/neighborhood\\_services/reports/default.asp](http://www.longbeach.gov/cd/neighborhood_services/reports/default.asp), the grantee's official Web site, noting the City did not have a copy of the NSP quarterly performance reports posted to the Web site. Per review of HUD's Disaster Recovery Grant Reporting system, we note the NSP quarterly reports relating to the fiscal year under audit were submitted on October 30, 2009 and as such should have been concurrently posted to the City's official Web site on October 30, 2009. The reports were not posted to the Web site until May 2010.

#### **HPC Program**

During our audit, we tested four certified complete projects applicable to the fiscal year under audit and noted that the related final expenditure reports for all four certified complete projects were not submitted within six months of the project's completion, as is required.



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*Questioned Costs*

**CDBG Cluster**

None noted.

**HPC Program**

None noted.

*Cause and Effect*

**CDBG Cluster**

Management indicated that the failure to post the quarterly performance reports on their official Web site was an oversight.

**HPC Program**

Management indicated that the failure to submit final expenditure reports within six months of project completion is an oversight.

*Recommendation*

**CDBG Cluster**

We recommend that the City strengthen its internal control process to ensure that NSP quarterly performance reports are posted to the City's official Web site concurrent with the submission to HUD.

**HPC Program**

We recommend that the City strengthen its internal control process to ensure that final expenditure reports are submitted timely.

*Views of Responsible Officials and Planned Corrective Actions*

**CDBG Cluster**

The City's intention has always been to be transparent on the NSP. As noted by KPMG, the City has in fact created a Web site for the public to view and obtain information to keep current on NSP. While the regulation stated the City was to have public outreach and reporting notification, the City interpreted this to include a direct approach in meeting with the public as part of the public outreach and notification process. Since not all citizens have Internet knowledge and access, the City believed a direct public hearing approach would be the best and most effective method to communicate with the public.

A 15-member Community Development Advisory Commission (CDAC), representing the broad spectrum of Long Beach citizens – by race, ethnicity, income level, occupation, and education, was created to ensure public representation. City staff have regularly scheduled monthly CDAC meetings in a public hearing forum, inviting the public to participate in the meetings. During these meetings, City staff presented the NSP QPR progress reports to the CDAC commissioners and the public at large, allowing for all questions and concerns of the public to be addressed. During the August 19, 2009 and December 16, 2009 meetings,

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City staff discussed and reported on all NSP activities, including the 2nd and 3rd quarterly progress reports noting accomplishments and processes of NSP within the City. The City has since met with the public on various occasions. In addition, on February 17, 2010, CDAC Commissioners participated in a bus tour and a walk through of NSP properties, in order to see first hand all the accomplishments and the NSP projects in process. This was an essential opportunity in which NSP projects came alive for all the Commissioners, which the City believed would be much more transparent than reading a report on the City's Web site.

In the past, the City understood that the use of the Web site was one option of many to utilize in keeping the public informed. However upon notification from KPMG that their interpretation of public reporting is the posting of the quarterly reports on the Web site not public hearings to communicate the reports, the City has posted all quarterly reports to date. Going forward, the City will continue to post all quarterly reports online as completed. The City will also continue to meet with the public to enhance the public outreach and reporting notification for NSP, understanding that first hand contact with the public is the strongest and the City's most preferred communication mechanism.

#### **HPC Program**

The City has not and will not intentionally implement controls that are inconsistent with OMB Circular A-133. As noted, all reports were submitted. For two of the reports the City was working with Caltrans on follow up items pertaining to the City's indirect cost plan, unfortunately all communication was either in person or on the telephone thus no written documentation to or from Caltrans. For two reports, there was a miscommunication within City departments. The City will train staff on written documentation on all communication between grantor and grantee for audit purposes. In addition, the CIP Accounting Division will strengthen communication with various City departments on project reporting. The division will develop a checklist for project status and completion. Quarterly meetings will be facilitated by the CIP Accounting Division to assure timely project coordination and reporting.

# CITY OF LONG BEACH AIRPORT

## Schedule of Findings and Responses

September 30, 2009

### (1) Findings Related to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*

#### **FS 09-01: Construction in Process**

##### *Condition and Context*

We reviewed the Airport's internal control process in place to ensure that expenditures recorded to construction in progress are properly reclassified from construction in process to an appropriate depreciable asset category at the time the asset is placed into service or expensed when appropriate. We noted that during the fiscal year, the Airport accounting department performed a review of expenditures recorded to construction in process. As part of their review, the Airport incorrectly expensed approximately \$8.6 million in expenditures related to construction in process projects to operations and maintenance. We obtained the detail of the \$8.6 million in expenditures, noting approximately \$6.2 million related to prior years. The Airport chose to record these expenditures to operations and maintenance in the current year. We noted the decision to record these expenditures to operations and maintenance in the current year was inappropriate.

As a result, the Department of Financial Management of the City of Long Beach (Financial Management) performed a review of the expenditures recorded to operations and maintenance in the current year. Financial Management discovered that of the \$8.6 million identified, approximately \$5.2 million should not have been expensed to operations and maintenance and should have remained in construction in process. Financial Management also identified approximately \$2.1 million in expenses that were recorded to operations and maintenance in the current year that should have been recorded as depreciable capital assets. We have reviewed Financial Management's analysis and are in agreement with its findings.

##### *Criteria*

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A 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.

##### *Cause*

The Airport's internal controls in place to monitor and properly classify expenditures that are recorded as construction in process are not operating effectively. Information regarding the nature and status of expenditures that are recorded as construction in process is not communicated to the accounting department by the various departments in a timely manner, resulting in inaccurate financial reporting of capital assets, related depreciation expense, and operations and maintenance expense.

##### *Effect or Potential Effect*

Failure to monitor and properly classify expenditures that are recorded as construction in process may result in the misstatement of capital assets, net of accumulated depreciation, related depreciation expense, and operations and maintenance expense.

## CITY OF LONG BEACH AIRPORT

### Schedule of Findings and Responses

September 30, 2009

#### ***Recommendation***

We recommend that the Airport enhance its internal controls related to tracking expenditures that are recorded as construction in process to ensure those expenditures are appropriately recorded as construction in process, depreciable capital assets, or operations and maintenance.

#### ***Views of Responsible Officials***

To ensure compliance with the above recommendation, Financial Management will implement the following procedures to ensure consistent capitalization or expensing of expenditures recorded to construction in process:

- Within the Airport's financial system, there is an underutilized field in the project table called "project type." Currently this field for all projects defaults to C for "Capital Projects," regardless of whether the project is a large repair and maintenance project or project that qualifies for capitalization. To help properly categorize projects, additional project types for Recurring Repair and Maintenance, Nonrecurring Repair and Maintenance, and Preliminary Design will be added to the project table. Airport Accounting will work with Airport departments to review all active projects so that the appropriate project type can be assigned to each project. This will allow departments as well as Airport Accounting to better focus their attention on projects that should be capitalized.
- Airport Accounting will train project managers in the use of the project type field and will review all new projects to ensure accurate identification.
- In July or August, Airport Accounting will review capitalizable projects with the responsible project managers and note stage of completion and tentative date the asset will be placed into service. Airport Accounting will capitalize completed projects using the date the assets are placed into service as the acquisition date. As long as the assets are entered into the system prior to the last fiscal year posting of depreciation expense, the system will correctly calculate depreciation back to the asset's acquisition date. This will ensure that the amount of depreciation expense is accurate.

Prior to the posting of September's depreciation expense, Airport Accounting will review the data for completeness and accuracy. In fiscal year 2010, Airport Accounting hopes to do this review quarterly.

#### **(2) Findings and Questioned Costs Related to the Passenger Facility Charge Program**

None noted.





City of Long Beach-Water Fund  
 Summary of Corrected Audit Differences  
 For year ended September 30, 2009

#	Accounts and Description	Income Statement			Balance Sheet		Statement of Cash Flows			Type of Error Known Audit Difference (KD) or Most Likely Audit Difference (MLD)
		Debit	(Credit)	Income effect Debit / (Credit)	Debit	(Credit)	Operating Activities	Investing Activities	Financing Activities	
7	Dr. Invsted in Capital Assets net of related debt Cr. Unrestricted  (To reclassify net assets to proper classification)				1,400,000	(1,400,000)				KD



City of Long Beach-Water Fund  
Summary of Omissions and Other Errors in Presentation and Disclosure  
For year ended September 30, 2009

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.
		<i>None noted in the current year.</i>			







City of Long Beach- RDA  
 Summary of Corrected Audit Differences  
 For year ended 9/30/09

#	Accounts and Description	Income Statement			Balance Sheet		Statement of Cash Flows		
		Debit	(Credit)	Income effect Debit / (Credit)	Debit	(Credit)	Operating Activities	Investing Activities	Financing Activities
1	Dr. Settlement Expense Cr. Accrued Claims and Judgments (To properly accrue for contingent liability due to case settlement subsequent to year end. Approved by RDA Board on 3-1-10, agenda 09-144R)	690,000	(690,000)	(690,000)	690,000				
2	Dr. Expenses Cr. Liabilities (To properly accrue expenses incurred during FY09 but was not reviewed by the Agency until FY 10. JV's APLB09000225 and APLB09000227. KPMG reviewed the supporting documentation, i.e. invoices, noting no exceptions)	147,654	(147,654)	147,654		(147,654)			
Totals		837,654	(837,654)	(542,346)	690,000	(147,654)	-	-	-







City of Long Beach - CAFR (Tidelands Oil Revenue Fund)  
Summary of Corrected Audit Differences  
For year ended 9/30/09

#	Accounts and Description	Income Statement			Balance Sheet		Statement of Cash Flows		
		Debit	(Credit)	Income effect Debit / (Credit)	Debit	(Credit)	Operating Activities	Investing Activities	Financing Activities
1	Dr. Accrued Oil Field Abandonment Liability Cr. Other Assets- Long Term <i>(to remove gross-up for State portion of liability)</i>				344,700,000	(344,700,000)			

















City of Long Beach - Solid Waste Management Fund  
Summary of Omissions and Other Errors in Presentation and Disclosure  
For year ended 9/30/09

W/P Ref	#	Description of Omission or Other Error	Resolution (Corrected/ Uncorrected)	Rationale for Uncorrected Items
		None		

Communication of Omissions and Other Errors

Discussed with: \_\_\_\_\_

Date: \_\_\_\_\_

Discussed by: \_\_\_\_\_









City of Long Beach - CAFR (Governmental Activities)  
Summary of Uncorrected Audit Differences  
For year ended September 30, 2009

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)			
#	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 periods' column C)	Income effect of correcting the current period balance sheet	Income effect according to the Rollover (Income Statement) method	Equity/Net Assets at period end	Assets	Liabilities	Operating Activities	Investing Activities	Financing Activities
1	Dr. Unsecured Property Tax Receivable Cr. Deferred Revenue To accrue for delinquent property taxes - unsecured due to the City as of 9/30/09	1,370,820	(1,370,820)	KD				1,370,820		(1,370,820)			
2	Dr. Property Tax Receivable Cr. Deferred Revenue To Record Miscellaneous Property Taxes	1,971,000	(1,971,000)	KD				1,971,000		(1,971,000)			
3	Dr. Net Assets Cr. Expenses To adjust expenditures in the current period for expenses incurred in fiscal year 2008	2,075,673	<1> (2,075,673)	KD		(2,075,673)	(2,075,673)	2,075,673		(2,075,673)			
4	Dr. Revenue Cr. Net Assets to record revenue in FY08 rather than FY09 per GASB 33	6,805,406	(6,805,406)	<1>		6,805,406	6,805,406	6,805,406		(6,805,406)			
5	Dr. Net Assets Cr. Expense to record expense incurred in FY08, the year in which the imposed exchange transaction took place	2,854,054	<1> (2,854,054)	KD		(2,854,054)	(2,854,054)		2,854,054	(2,854,054)			
6	Dr. Revenue FY 2009 Cr. GASB 33 Accrual Cr. Net Assets To correct the GASB 33 Accrual related to Other Tax Revenue	2,886,966	(2,455,966) (431,000)	KD		2,886,966	2,886,966	2,886,966		(2,455,966)			
8	Dr. Net Assets Cr. Expenses To adjust expenditures in the current period for expenses incurred in prior years	1,742,694	<1> (1,742,694)	KD		(1,742,694)	(1,742,694)	1,742,694		(1,742,694)			
9	Dr. Depreciable Capital Assets Cr. Non-depreciable Capital Assets to report completed CIP as depreciable assets	326,649	(326,649)						326,649	(326,649)			
10	Dr. Net Assets Cr. Expenses To adjust expenditures in the current period for expenses incurred in prior years	550,187	<1> (550,187)	KD		(550,187)	(550,187)	550,187		(550,187)			
11	Dr. Net Assets Cr. Expenses To adjust expenditures in the current period for expenses incurred in fiscal year 2008	3,676,546	<1> (3,676,546)	KD		(3,676,546)	(3,676,546)	3,676,546		(3,676,546)			
12	Dr. Cash - Restricted non-current Cr. Other Non-current Receivables to adjust for Cash currently recorded as Other non-current receivables due to City's non-GAAP policy	1,779,000	(1,779,000)	KD					1,779,000	(1,779,000)			
13	Dr. Invested in Capital Assets, net of related debt Cr. Unrestricted net Assets (to adjust capital projects restriction to tie to the stand alone)	6,132,000	(6,132,000)	KD				6,132,000		(6,132,000)			
14	Dr. Expense Cr. Accounts Payable To adjust for non-GAAP policy not to accrue items under \$10K	1,467,922	(1,467,922)	KD		1,467,922	1,467,922	1,467,922		(1,467,922)			
15	Dr. Restricted Net Assets Cr. Unrestricted net Assets (to adjust capital projects restriction to tie to the stand alone)	7,815,541	(7,815,541)	KD				7,815,541		(7,815,541)			
Aggregate of uncorrected audit differences (before tax)						261,140	261,140	3,923,888	885,854	(4,809,742)			
Tax effect of uncorrected audit differences													
Aggregate of uncorrected audit differences (after tax)													
Financial statement amounts (per final financial statements)								1,338,000	(162,468,000)	274,665,000	(112,197,000)		
Uncorrected audit differences after tax effect as a percentage of financial statement amounts						Note A		-2.4%	0.3%	4.3%	#DIV/0!	#DIV/0!	#DIV/0!
Aggregate of uncorrected audit differences-total impact on revenues -							9,692,372						
Financial statement amounts (as per final FS) - Revenues							(740,492,000)						
Uncorrected audit differences as a % of FS amounts							-1%						
Aggregate uncorrected audit differences-total impact on expenditures-							(9,431,232)						
Financial statement amounts (as per final FS) - Expenditures							747,659,000						
Uncorrected audit differences as a % of FS amounts							-1.26%						







City of Long Beach - CAFR (Governmental Activities)  
Summary of Omissions and Other Errors in Presentation and Disclosure  
For year ended 9/30/09

W/P Ref	#	Dr. Revenue from Other Agencies	Resolution (Corrected/ Uncorrected)	Rationale for Uncorrected Items	Resolution (Corrected/ Uncorrected)
		None			





City of Long Beach - CAFR (General Fund)  
Summary of Uncorrected Audit Differences [KAM 6244]  
For year ended September 30, 2009

#	Accounts and Description	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										
		Debit	(Credit)	Type of Error Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income Statement Effect Debit/(Credit)			Balance Sheet Effect Debit/(Credit)			Cash Flow Effect Increase/(Decrease)			
					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/Net Assets at period end	Assets	Liabilities	Operating Activities	Investing Activities	Financing Activities	
				B	C = A (Only Inc Stmt accounts)	C - B								
		----- A -----												
1	Dr. Unsecured Property Tax Receivable Cr. Deferred Revenue <i>To accrue for delinquent property taxes - unsecured due to the City as of 9/30/09.</i>	1,370,820	(1,370,820)	KD					1,370,820		(1,370,820)			
2	Dr. Property Tax Receivable Cr. Deferred Revenue <i>To Record Miscellaneous Property Taxes</i>	1,971,000	(1,971,000)	KD					1,971,000		(1,971,000)			
3	Dr. Fund Balance Cr. Expenses <i>To adjust expenditures in the current period for expenses incurred in fiscal year 2008</i>	1,782,444	<1> (1,782,444)	KD		(1,782,444)	(1,782,444)	1,782,444 (1,782,444)						
4	Dr. Fund Balance Cr. Expenses <i>To adjust expenditures in the current period for expenses incurred in fiscal year 2008</i>	293,299	<1> (293,299)	MLD		(293,299)	(293,299)	293,299 (293,299)						
5	Dr. Revenue FY09 Cr. GASB 33 Accrual Cr. Fund Balance <i>To correct the GASB 33 Accrual related to Sales Tax Revenue</i>	848,200	(677,200) (171,000)	<1> KD		848,200	848,200	848,200 (171,000)	(677,200)					
6	Dr. Revenue FY09 Cr. GASB 33 Accrual Cr. Fund Balance <i>To correct the GASB 33 Accrual related to Other Tax Revenue</i>	2,038,766	(1,778,766) (260,000)	<1> KD		2,038,766	2,038,766	2,038,766 (260,000)	(1,778,766)					
7	Dr. Expense Cr. Accounts Payable <i>To adjust for non-GAAP policy not to accrue items under \$10K</i>	415,572	(415,572)	KD		415,572	415,572	415,572		(415,572)				
8	Dr. Revenue Cr. Fund Balance <i>to record revenue in FY08 rather than FY09 per GASB 33</i>	6,805,406	(6,805,406)	<1> KD		6,805,406	6,805,406	6,805,406 (6,805,406)						
9	Dr. Fund Balance Cr. Expense <i>to record expense incurred in FY08, the year in which the imposed exchange transaction took place</i>	2,854,054	<1> (2,854,054)	KD		(2,854,054)	(2,854,054)	2,854,054 (2,854,054)						
<b>Aggregate of uncorrected audit differences (before tax)</b>					-	5,178,147	5,178,147	2,871,538		(3,757,392)				
<b>Tax effect of uncorrected audit differences</b>														
<b>Aggregate of uncorrected audit differences (after tax)</b>														
<b>Financial statement amounts (per final financial statements)</b>														
<b>Uncorrected audit differences after tax effect as a percentage of financial statement amounts</b>														
						5,178,147	5,178,147	2,871,538		(3,757,392)				
						1,338,000		(162,468,000)		(112,197,000)				
						Note A		-1.8%		3.3%	#DIV/0!	#DIV/0!	#DIV/0!	
Aggregate of uncorrected audit differences-total impact on revenues								9,692,372						
Financial statement amounts (as per final FS) - Revenues								(349,358,000)						
Uncorrected audit differences as a % of FS amounts								-3%						
Aggregate uncorrected audit differences-total impact on expenditures-								(4,514,225)						
Financial statement amounts (as per final FS) - Expenditures								383,960,000						
Uncorrected audit differences as a % of FS amounts								-1.18%						













City of Long Beach-Gas Enterprise Fund  
Summary of Uncorrected Audit Differences  
For year ended September 30, 2009

#	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)				
				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
----- A -----			B	C = A (Only Inc Stmt accounts)	C - B											
5	Dr. Unbilled Accounts Receivable Dr. Sales of Gas Revenue Cr. Beginning Net Assets (See note 3)  (To recognize revenue in period earned)	1,885,550 1,202,204	(3,087,754)	MLD	-	1,202,204	1,202,204	1,202,204 (3,087,754)	1,885,550					1,885,550 1,202,204 (3,087,754)		
6	Dr. Non-Depreciable Capital Assets-CIP Cr. Interest Expense Cr. Beginning Net Assets (See note 3)  (To capitalize interest in accordance with GAAP)	1,193,000	(104,000) (1,089,000)	MLD	-	(104,000)	(104,000)	(104,000) (1,089,000)		1,193,000						1,193,000 (104,000) (1,089,000)
<b>Aggregate of uncorrected audit differences (before tax)</b>				-	1,098,204	1,098,204	(3,078,550)	1,885,550	1,193,000	-	-	-	-	-	-	-
<b>Tax effect of uncorrected audit differences</b>																
<b>Aggregate of uncorrected audit differences (after tax)</b>						1,098,204	(3,078,550)	1,885,550	1,193,000	-	-	-	-	-	-	-
<b>Financial statement amounts (per final financial statements)</b>						14,414,000	(54,646,000)	50,302,000	813,615,000	37,051,000	772,210,000					
<b>Uncorrected audit differences after tax effect as a percentage of financial statement amounts</b>							5.6%	3.7%	0.1%	0.0%	0.0%	#DIV/0!	#DIV/0!	#DIV/0!		
Aggregate of uncorrected audit differences-total impact on revenue						1,202,204										
FS amount-revenue						(87,736,000)										
As a % of FS amount						-1.37%										
Aggregate of uncorrected audit differences-total impact on expenditures (exc trans)						(104,000)										
FS amount-expenditures						44,896,000										
As a % of FS amount						-0.23%										

As of % of total assets → 0.22%





**City of Long Beach-Gas Enterprise Fund**  
**Summary of Corrected Audit Differences**  
**For year ended September 30, 2009**

#	Accounts and Description	Income Statement			Balance Sheet		Statement of Cash Flows		
		Debit	(Credit)	Income effect Debit / (Credit)	Debit	(Credit)	Operating Activities	Investing Activities	Financing Activities
PCE #1	Dr. Other Income Cr. Due to the City of Long Beach  (To record Gas Department share of the State of California-Water Resources Control Board storage tank settlement)	42,500				(42,500)	42,500 (42,500)		
7	Dr. Long-Term Debt Cr. Short-Term Debt  (Client prepared entry-To reclassify commerical paper from LT to ST)	-	-	-	11,755,000	(11,755,000)	-	-	11,755,000 (11,755,000)
8	Dr. Cash and cash equivalents Cr. Restricted Cash and cash equivalents Dr. Restricted Net Assets-Projects fund Cr. Unrestricted Net Assets  (To properly present Net Asset classifications in accordance with GASB 34)	-	-	-	745,959	(745,959)	-	-	-



City of Long Beach-Gas Enterprise Fund  
Summary of Omissions and Other Errors in Presentation and Disclosure  
For year ended September 30, 2009

W/P Ref	#	Description of Omission or Other Error	Resolution (Corrected/ Uncorrected)	Rationale for Uncorrected Items
	1	Certain amounts on the stand alone report statement of cash flows did not tie to the CAFR cash flows	Uncorrected	immaterial, amounts tie in total.



City of Long Beach - CAFR (Community Development  
Summary of Uncorrected Audit Differences  
For year ended September 30, 2009

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)			
#	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/Fund Balance at period end	Assets	Liabilities	Operating Activities	Investing Activities	Financing Activities
		----- A -----			B	C = A (Only Inc Stmt accounts)	C - B						
1	Dr. Net Assets Cr. Expenses <i>To adjust expenditures in the current period for expenses incurred in fiscal year 2008</i>	363,240	<1> (363,240)	KD		(363,240)	(363,240)	363,240 (363,240)					
2	Dr. Net Assets Cr. Expenses <i>To adjust expenditures in the current period for expenses incurred in prior years</i>	1,217,372	<1> (1,217,372)	KD		(1,217,372)	(1,217,372)	1,217,372 (1,217,372)					
3	Dr. Net Assets Cr. Expenses <i>To adjust expenditures in the current period for expenses incurred in prior years</i>	162,082	<1> (162,082)	MLD		(162,082)	(162,082)	162,082 (162,082)					
4	Dr. Expense Cr. Accounts Payable <i>To adjust for non-GAAP policy not to accrue under \$10K</i>	273,130	(273,130)	KD		273,130	273,130	273,130		(273,130)			
<b>Aggregate of uncorrected audit differences (before tax)</b>					-	(1,469,564)	(1,469,564)	273,130	-	(273,130)	-	-	-
<b>Tax effect of uncorrected audit differences</b>							(1,469,564)	273,130	-	(273,130)	-	-	-
<b>Aggregate of uncorrected audit differences (after tax)</b>							(106,000)	(8,794,000)	51,978,000	(43,184,000)			
<b>Financial statement amounts (per final financial statements)</b>							Note A	-3.1%	0.0%	0.6%	#DIV/0!	#DIV/0!	#DIV/0!
<b>Uncorrected audit differences after tax effect as a percentage of financial statement amounts</b>													
Aggregate of uncorrected audit differences-total impact on revenues -							-						
Financial statement amounts (as per final FS) - Revenues							36,858,000						
Uncorrected audit differences as a % of FS amounts							0%						
Aggregate uncorrected audit differences-total impact on expenditures-							(1,469,564)						
Financial statement amounts (as per final FS) - Expenditures							26,141,000						
Uncorrected audit differences as a % of FS amounts							-5.62%						







City of Long Beach - CAFR (Business-Type Activities)  
Summary of Uncorrected Audit Differences [KAM]  
For year ended September 30, 2009

#	Accounts and Description	Impact of audit differences on financial statement captions											
		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.)		Income Statement Effect Debit/(Credit)			Balance Sheet Effect Debit/(Credit)			Cash Flow Effect Increase/(Decrease)			
		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  C = A (Only Inc Stmt accounts)	Income effect according to the Rollover (Income Statement) method  C - B	Equity/Net Assets at period end	Assets	Liabilities	Operating Activities	Investing Activities	Financing Activities
		----- A -----			B	C = A (Only Inc Stmt accounts)	C - B						
<b>Gas Fund</b>													
1	Dr. Unbilled Accounts Receivable Dr. Sales of Gas Revenue Cr. Beginning Net Assets  (To recognize revenue in period earned)	1,885,550 1,202,204	(3,087,754)	MLD <1>	-	1,202,204	1,202,204	1,202,204 (3,087,754)	1,885,550				
2	Dr. Non-Depreciable Capital Assets-CIP Cr. Interest Expense Cr. Beginning Net Assets  (To capitalize interest in accordance with GAAP)	1,193,000	(104,000) (1,089,000)	MLD <1>	-	(104,000)	(104,000)	(104,000) (1,089,000)	1,193,000				
<b>Water Fund</b>													
3	<b>Dr. Beginning Net Assets</b> Dr. Expenses Cr. Accounts payable & Accruals  (To recognize expenses under \$10K in the period incurred-Non-GAAP policy)	233,000 13,000	<1> (246,000)	KD	-	13,000	13,000	233,000 13,000		(246,000)			
4	<b>Dr. Beginning Net Assets</b> Cr. Bonds Payable Cr. Interest expense  (To recognize interest expense using the effective interest rate method-Non-GAAP policy)	269,346	<1> (238,454) (30,892)	KD	-	(30,892)	(30,892)	269,346 (30,892)		(238,454)			
5	Dr. Unbilled Accounts receivable Cr. Revenue <b>Cr. Beginning Net Assets</b>  (To adjust for sales-cutoff-Non-GAAP policy)	3,642,230	(125,061) (3,517,169)	KD <1>	-	(125,061)	(125,061)	(125,061) (3,517,169)	3,642,230				
6	Dr. CIP Cr. Interest Expense <b>Cr. Beginning Net Assets</b>  (To record capitalized interest-Non-GAAP Policy)	8,440,000	(1,557,000) (6,883,000)	KD <1>	-	(1,557,000)	(1,557,000)	(1,557,000) (6,883,000)	8,440,000				
7	Dr. Depreciation Expense <b>Dr. Beginning Net Assets</b> Cr. Accumulated Depreciation  (To adjust accumulated depreciation for timing of CIP transfers)	497,080 525,157	<1> (1,022,237)	KD	-	497,080	497,080	497,080 525,157		(1,022,237)			
8	Dr. Accumulated Depreciation Cr. Depreciation expense <b>Cr. Beginning Net Assets</b>	481,434	(152,315) (329,119)	KD <1>	-	(152,315)	(152,315)	(152,315) (329,119)	481,434				



	(To adjust accumulated depreciation for impact of positive adjustments)													
	<b>Tidelands Fund</b>													
9	Dr. CIP Cr. Interest Expense Cr. Net Assets	6,569,000	(463,000) (6,106,000)	<1> KD		(463,000)	(463,000)	(463,000)	(6,106,000)	6,569,000				
10	Dr. Net Assets Cr. Expenses <i>To adjust expenditures in the current period for expenses incurred in fiscal year 2008</i>	866,104	<1> (866,104)	KD		(866,104)	(866,104)	(866,104)	866,104 (866,104)					
11	Dr. Net Assets Cr. Expenses <i>To adjust expenditures in the current period for expenses incurred in fiscal year 2008</i>	1,057,741	<1> (1,057,741)	KD		(1,057,741)	(1,057,741)	(1,057,741)	1,057,741 (1,057,741)					
12	Dr. Revenue Cr. Net Assets <i>To adjust revenue in the current period for revenue related to FY08</i>	537,384	(537,384)	<1> KD		537,384	537,384	537,384	(537,384)					
	<b>Tidelands Oil Fund</b>													
13	Dr. Net Assets (PY expenditures) Cr. Payments to State of California (expenditures) <i>To reclassify August 2008 and September 2008 Production expense to prior year expense (recorded as part of current year expenditures)</i>	82,583,519	<1> (82,583,519)	KD		(82,583,519)	(82,583,519)	(82,583,519)	82,583,519 (82,583,519)					
14	Dr. Payments to State of California (expenditure) Cr. Net Assets (PY Expenditure) <i>To correct error resulting from PY KPMG AJE improperly reversed in CY</i>	32,855,640	(32,855,640)	<1> KD		32,855,640	32,855,640	32,855,640	(32,855,640)					
	<b>Aggregate Remaining Funds</b>													
15	Dr. Net Assets Cr. Operations and Maintenance <i>Reduce current year expenditures pertaining to FY08</i>	6,212,334	<1> (6,212,334)	KD		(6,212,334)	(6,212,334)	(6,212,334)	6,212,334 (6,212,334)					
16	Dr. Net Assets Cr. Expenditures <i>Reduce current year expenditures pertaining to FY08</i>	3,676,546	<1> (3,676,546)	KD		(3,676,546)	(3,676,546)	(3,676,546)	3,676,546 (3,676,546)					
17	Dr. CIP Cr. Interest Expense Cr. Net Assets	6,931,000	(1,016,000) (5,915,000)	<1> KD		(1,016,000)	(1,016,000)	(1,016,000)	(5,915,000)	6,931,000				
	<b>Harbor Fund</b>													
18	Dr. Unrestricted Cash Cr. Restricted Cash <i>(To properly record the cash reserve amount associated with the ACTA agreement.)</i>	46,045,000	(46,045,000)	KD						46,045,000 (46,045,000)				
19	Dr. Pooled cash and cash equivalents (noncurrent) Cr. Pooled cash and cash equivalents (current) <i>(To reclassify the 1998 bond reserve fund from current to non-current per the provision of ARB 43 par. 6)</i>	17,596,976	(17,596,976)	KD						17,596,976 (17,596,976)				
20	Dr. Pooled cash and cash equivalents (noncurrent) Cr. Pooled cash and cash equivalents (current) <i>(To reclassify the Gerald Desmond Bridge matching fund from current to non-current per the provision of ARB 43 par. 6)</i>	51,978,585	(51,978,585)	KD						51,978,585 (51,978,585)				
21	Dr. Pooled cash and cash equivalents (noncurrent) Cr. Pooled cash and cash equivalents (current) <i>(To reclassify the Railway Project matching fund from current to non-current per the provision of ARB 43 par. 6)</i>	89,740,000	(89,740,000)	KD						89,740,000 (89,740,000)				
	<b>Solid Waste Management Fund</b>													
22	Dr. Expenditures Cr. Accounts Payable <i>To adjust for the under-accrual within the solid waste management fund</i>	133,284	(133,284)	KD		133,284	133,284	133,284		(133,284)				
23	Dr. Net Assets Cr. Expenditures <i>To adjust expenditures in the current period for expenses incurred in fiscal year 2008</i>	648,209	<1> (648,209)	KD		(648,209)	(648,209)	(648,209)	648,209 (648,209)					
24	Dr. Net Assets Cr. Expenditures <i>To adjust expenditures in the current period for expenses incurred in fiscal year 2008</i>	4,370,315	<1> (4,370,315)	MLD		(4,370,315)	(4,370,315)	(4,370,315)	4,370,315 (4,370,315)					
25	Dr. Net Assets Cr. Expenditures <i>To adjust expenditures in the current period for expenses incurred in fiscal year 2008</i>	1,975,546	<1> (1,975,546)	KD		(1,975,546)	(1,975,546)	(1,975,546)	1,975,546 (1,975,546)					
26	Dr. Other Income Cr. Other Operating Revenue <i>To adjust for reimbursements classified as other income instead of appropriately as other operating revenue</i>	352,723	(352,723)	KD		352,723	352,723	352,723	(352,723)					
27	Dr. Other Income Cr. Operating Expenses <i>To adjust Interfund reimbursements classified as other income to the appropriate reduction of operating expenses.</i>	2,137,360	(2,137,360)	KD		2,137,360	2,137,360	2,137,360	(2,137,360)					
28	Dr. Interest Expense Cr. Operating Expenses	184,901	(184,901)	KD		184,901	184,901	184,901	(184,901)					



	<i>To reclassify issuance cost amortization to interest expense</i>												
29	Dr. CIP Cr. Interest Expense Cr. Net Assets <i>to record capitalized interest</i>	216,000   	   (3,000) (213,000)	KD <1>	   (3,000)	   (3,000)	   (3,000)	   (3,000)	216,000				
30	Dr. Revenue Cr. Net Assets <i>to adjust revenue for amounts pertaining to FY08</i>	7,234,116  	  (7,234,116)	KD <1>	  7,234,116	  7,234,116	  7,234,116	  7,234,116					
31	Dr. Net Assets Cr. Expense <i>to adjust the expenditure balance for transactions relating to FY08</i>	3,617,058  	<1> (3,617,058)	KD	  (3,617,058)	  (3,617,058)	  (3,617,058)	  3,617,058 (3,617,058)					
	<b>Aggregate of uncorrected audit differences (before tax)</b>				-	(67,084,136)	(65,985,932)	(24,639,689)	25,257,427	(617,738)			
	<b>Tax effect of uncorrected audit differences</b>												
	<b>Aggregate of uncorrected audit differences (after tax)</b>						(65,985,932)	(24,639,689)	25,257,427	(617,738)			
	<b>Financial statement amounts (per final financial statements)</b>							(678,663,000)	1,785,048,000	(1,106,385,000)			
	<b>Uncorrected audit differences after tax effect as a percentage of financial statement amounts</b>						<b>Note A</b>	3.6%	1.4%	0.1%			
	Aggregate of uncorrected audit differences-total impact on revenues - Financial statement amounts (as per final FS) - Revenues Uncorrected audit differences as a % of FS amounts							10,986,003 (336,904,000)					
	Aggregate uncorrected audit differences-total impact on expenditures- Financial statement amounts (as per final FS) - Expenditures Uncorrected audit differences as a % of FS amounts							(76,971,935) 852,663,000					
								-9.03%					





City of Long Beach - Business Type Activities  
Summary of Corrected Audit Differences  
For year ended September 30, 2009

#	Accounts and Description	Income Statement			Balance Sheet		Statement of Cash Flows			Type of Error Known Audit Difference (KD) or Most Likely Audit Difference (MLD)
		Debit	(Credit)	Income effect Debit / (Credit)	Debit	(Credit)	Operating Activities	Investing Activities	Financing Activities	
<b>Gas Enterprise Fund</b>										
7	Dr. Long-Term Debt Cr. Short-Term Debt  (Client prepared entry-To reclassify commercial paper from LT to ST)	-	-	-	11,755,000	(11,755,000)				KD
PCE #1	Dr. Other Income Cr. Due to the City of Long Beach  (To record Gas Department share of the State of California-Water Resources Control Board storage tank settlement)	42,500				(42,500)				KD
8	Dr. Cash and cash equivalents Cr. Restricted Cash and cash equivalents Dr. Restricted Net Assets-Projects fund Cr. Unrestricted Net Assets  (To properly present Net Asset classifications in accordance with GASB 34)	-	-	-	745,959	(745,959)				KD
<b>Water Fund</b>										
7	Dr. Unrestricted Net Assets Cr. Restricted in Net Assets, net of related debt  (To reclassify net assets to proper classification)				1,400,000	(1,400,000)				KD
<b>Tidelands Oil Fund</b>										
1	Dr. Accrued Oil Field Abandonment Liability Cr. Other Assets- Long Term (to remove gross-up for State portion of liability)				344,700,000	(344,700,000)				KD
<b>Harbor Fund</b>										
2	Dr. Restricted Net Assets Cr. Unrestricted Net Assets (To properly record the Net Asset Category related to the cash reserve amount associated with the ACTA agreement.)				46,045,000	46,045,000				KD
3	Dr. Accumulated Depletion Cr. Abandonment Liability (To record the additional reserve related to the Oil Well Abandonment Liability suggested by Long Beach Gas and Oil)				6,800,000	(6,800,000)				KD
4	Dr. ER Liability (ST) Cr. Infrastructure Expense (To reverse over-recorded ER liability recorded related to IR Site 7 West Basin)		(3,484,468)		3,484,468					KD
5	Dr. Oil Depletion Expense Cr. Accumulated Depletion (To record the adjustment recommended by Long Beach Gas and Oil's analysis of the Ports accumulated Depletion account)	486,382				(486,382)				KD
6	Dr. Bad Debt Expense Cr. LT Receivable (To adjust LT Receivables to balance as confirmed by RDA)	435,000				435,000				KD
7	Dr. Prepaid Expenses Cr. Accrued interest - commercial paper (To reclassify to prepaid expense account the advance payment of interest on commercial paper pertaining to FY 2010.)				6,022	(6,022)				KD
8	Dr. Construction in Progress Cr. Contingent Liability (To accrue for the construction settlement cost that Legal Counsel estimated in connection with Pier S.)				5,000,000	(5,000,000)				KD
9	Dr. Nonpooled investments Cr. Nonpooled cash and cash equivalents (To reclassify to investments the bond reserves that were formerly invested in GICS account but now currently invested in securities with maturities of more than a year.)				20,912,326	(20,912,326)				KD
10	Dr. Nonpooled cash and cash equivalents (non-current) Cr. Bond Reserves held by fiscal agents (current) (To reclassify the 1998 bond reserve fund from current to non-current per the provision of ARB 43 par. 6)				53,623,345	(53,623,345)				KD
14	Dr. Due to City of Long Beach Cr. Transfer out (Expense)/Operating Transfer to City (To reverse the recognition of the liability related to the funding assistance to be provided by the Port to the City in FY 2010 based on the provision of GASB 33.)		(6,008,679)		6,008,679					KD







City of Long Beach - CAFR (Aggregate Remaining Funds)  
 Summary of Corrected Audit Differences  
 For year ended 9/30/09

#	Accounts and Description	Income Statement			Balance Sheet		Statement of Cash Flows		
		Debit	(Credit)	Income effect Debit / (Credit)	Debit	(Credit)	Operating Activities	Investing Activities	Financing Activities
	None.								

\_\_\_\_\_ Date: \_\_\_\_\_  
 \_\_\_\_\_



**City of Long Beach - CAFR (Aggregate Remaining Funds)**  
**Summary of Omissions and Other Errors in Presentation and Disclosure**  
**For year ended 9/30/09**

#	Description of Omission or Other Error	Resolution (Corrected/ Uncorrected)	Rationale for Uncorrected Items
1	Certain amounts on the Airport stand alone report statement of cash flows did not tie to the CAFR cash flows	Uncorrected	immaterial, amounts tie in total.



Harbor Department - City of Long Beach  
Summary of Uncorrected Audit Differences  
For year ended 9/30/09

#	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)			
				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
----- A -----			B	C = A (Only Inc Stmt accounts)	C - B										
<b>CY Effect of Uncorrected Difference from the Prior Period</b>															
	Dr. Capital Assets Cr. Interest Expense <i>(To properly capitalize interest to CIP for current year construction) Note that for 2009, the effect is offsetting in the income statement.</i>	3,816,278	(3,816,278)	MLD	(3,816,278)		3,816,278								
	Depreciation Expense Accumulated Depreciation <i>(To properly record depreciation in the current year related to capitalize interest amounts.) Note that for 2009, the effect is offsetting in the income statement.</i>	738,900	(738,900)	MLD	738,900		(738,900)								
<b>Uncorrected Differences from the Current Period</b>															
1	Dr. Unrestricted Cash Cr. Restricted Cash <i>(To properly record the cash reserve amount associated with the ACTA agreement.)</i>	46,045,000	(46,045,000)	KD				46,045,000 (46,045,000)							
11	Dr. Pooled cash and cash equivalents (noncurrent) Cr. Pooled cash and cash equivalents (current) <i>(To reclassify the 1998 bond reserve fund from current to non-current per the provision of ARB 43 par. 6)</i>	17,596,976	(17,596,976)	KD					(17,596,976)	17,596,976					
12	Dr. Pooled cash and cash equivalents (noncurrent) Cr. Pooled cash and cash equivalents (current) <i>(To reclassify the Gerald Desmond Bridge matching fund from current to non-current per the provision of ARB 43 par. 6)</i>	51,978,585	(51,978,585)	KD					(51,978,585)	51,978,585					
13	Dr. Pooled cash and cash equivalents (noncurrent) Cr. Pooled cash and cash equivalents (current) <i>(To reclassify the Railway Project matching fund from current to non-current per the provision of ARB 43 par. 6)</i>	89,740,000	(89,740,000)	KD					(89,740,000)	89,740,000					
<b>Aggregate of uncorrected audit differences (before tax)</b>					(3,077,378)	-	3,077,378	-	(159,315,561)	159,315,561	-	-	-	-	-
<b>Tax effect of uncorrected audit differences</b>															
<b>Aggregate of uncorrected audit differences (after tax)</b>							3,077,378	-	(159,315,561)	159,315,561	-	-	-	-	-
<b>Financial statement amounts (per final financial statements)</b>							124,237,058	2,427,817,273	1,005,459,177	2,403,469,985	190,604,744	790,507,145	149,363,834	10,891,006	(233,094,714)
<b>Uncorrected audit differences after tax effect as a percentage of financial statement amounts</b>							2.5%	0.0%	-15.8%	6.6%	0.0%	0.0%	0.0%	0.0%	0.0%



Harbor Department - City of Long Beach  
Summary of Corrected Audit Differences  
For year ended 9/30/09

#	Accounts and Description	Income Statement			Balance Sheet		Statement of Cash Flows		
		Debit	(Credit)	Income effect Debit / (Credit)	Debit	(Credit)	Operating Activities	Investing Activities	Financing Activities
2	Dr. Restricted Net Assets Cr. Unrestricted Net Assets <i>(To properly record the Net Asset Category related to the cash reserve amount associated with the ACTA agreement.)</i>				46,045,000	46,045,000			
3	Dr. Accumulated Depletion Cr. Abandonment Liability <i>(To record the additional reserve related to the Oil Well Abandonment Liability suggested by Long Beach Gas and Oil)</i>				6,800,000	(6,800,000)			
4	Dr. ER Liability (ST) Cr. Infrastructure Expense <i>(To reverse over-recorded ER liability recorded related to IR Site 7 West Basin)</i>		(3,484,468)		3,484,468				
5	Dr. Oil Depletion Expense Cr. Accumulated Depletion <i>(To record the adjustment recommended by Long Beach Gas and Oil's analysis of the Ports accumulated Depletion account)</i>	486,382				(486,382)		486,382 (486,382)	
6	Dr. Bad Debt Expense Cr. LT Receivable <i>(To adjust LT Receivables to balance as confirmed by RDA)</i>	435,000				435,000	(435,000) 435,000		
7	Dr. Prepaid Expenses Cr. Accrued interest - commercial paper <i>(To reclassify to prepaid expense account the advance payment of interest on commercial paper pertaining to FY 2010.)</i>				6,022	(6,022)			
8	Dr. Construction in Progress Cr. Contingent Liability <i>(To accrue for the construction settlement cost that Legal Counsel estimated in connection with Pier S.)</i>				5,000,000	(5,000,000)			
9	Dr. Nonpooled investments Cr. Nonpooled cash and cash equivalents <i>(To reclassify to investments the bond reserves that were formerly invested in GICS account but now currently invested in securities with maturities of more than a year.)</i>				20,912,326	(20,912,326)	(20,912,326)	20,912,326	
10	Dr. Nonpooled cash and cash equivalents (non-current) Cr. Bond Reserves held by fiscal agents (current) <i>(To reclassify the 1998 bond reserve fund from current to non-current per the provision of ARB 43 par. 6)</i>				53,623,345	(53,623,345)			
14	Dr. Due to City of Long Beach Cr. Transfer out (Expense)/Operating Transfer to City <i>To reverse the recognition of the liability related to the funding assistance to be provided by the Port to the City in FY 2010 based on the provision of GASB 33.</i>		(6,008,679)		6,008,679				

