



CITY OF LONG BEACH

C-21

DEPARTMENT OF FINANCIAL MANAGEMENT

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August 1, 2006

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Refer the Comprehensive Annual Financial Report (CAFR) and Separately Issued Financial Statements for the Fiscal Year Ended September 30, 2005 to the Budget Oversight Committee.

DISCUSSION

Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report (CAFR), prepared by the Financial Management Department, contains audited financial information on all City funds for the fiscal year ended September 30, 2005 (FY 05) in accordance with generally accepted accounting principles. In accordance with Section 302(e) of the City Charter, the CAFR is submitted annually to the City Council. The FY 05 CAFR uses reporting methods reflected in the Governmental Accounting Standards Board Statement No. 34 (GASB 34), the reporting model for all state and local governments. It is important to note that the CAFR is designed to report historical financial information only and is not designed to report financial projections or budgetary priorities.

We are pleased to report that the Independent Auditor's Report, found on page 1, concluded that the City's financial statements present fairly, in all material respects, the financial position of the City, and its related cash flow and budgetary information. The audit was conducted by KPMG LLP, a certified public accounting firm, under the direction of the City Auditor.

The CAFR provides Basic Financial Statements that combine all of the City's assets and liabilities in one consolidated statement. Total City net assets, as shown on page 23, were \$3.1 billion as of September 30, 2005, which included \$2.7 billion for enterprise operations such as the Harbor Fund, Water Fund and Tidelands Fund. Net assets increased by \$162.7 million from FY 04 and are in the form of buildings, real property, bond proceeds, funds reserved for capital projects, debt service and grants-funded programs. Most of these funds are restricted by federal or state law and are not available for discretionary use.

As of September 30, 2005, the unreserved fund balance for the General Fund was \$38.4 million or 10.3 percent of total General Fund expenditures. This balance included designated General Fund reserves of \$34.2 million, coupled with a \$2.5 million general purpose reserve as required by the City Charter, together totaling \$36.7 million. The combined amount broken-down encompasses a \$36.1 million Emergency Fund Balance Reserve, \$400,000 Operating Reserve and \$200,000 Infrastructure Reserve.

Separately Issued Financial Reports and Statements

In addition to the CAFR, certain City departments and funds also were required to prepare audited financial statements for FY 05 including the: 1) Harbor Department; 2) Long Beach Housing Development Company; 3) Southeast Resource Recovery Facility (SERRF) Joint Powers Authority; 4) Redevelopment Agency; 5) Aquarium of the Pacific; and, 6) Gas Enterprise Fund. These separate reports are issued annually to meet distinct legal and financial requirements.

A copy of the annual Federal Single Audit is also enclosed. Please note that KPMG LLP and the City Auditor identified certain areas for improvement; namely, the strengthening of internal controls and processes relating to reporting, eligibility documentation, and procurement. Corrective Action Plans have been submitted by the City, approved by the City Auditor and KPMG LLP, and will be implemented accordingly.

TIMING CONSIDERATIONS

Action on this item is not time critical.

FISCAL IMPACT

There is no fiscal impact associated with this action.

SUGGESTED ACTION:

Approve recommendation.

Respectfully Submitted,



MICHAEL A. KILLEBREW
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



GERALD R. MILLER
CITY MANAGER