



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

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September 20, 2011

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive and file Separately Issued Financial Statements, the Federal Single Audit, and the Auditor's Communication with Those Charged with Governance for the Fiscal Year Ended September 30, 2010. (Citywide)

DISCUSSION

Separately Issued Financial Reports and Statements

Certain City funds, joint powers authorities, and other subsidiary entities are also required to submit audited annual financial statements under separate cover, including the Los Cerritos Wetlands, Water Department, Airport Enterprise Fund, Airport Schedules for Passenger Facility Charges, and the Aquarium of the Pacific. These separate reports are enclosed and are issued annually to meet distinct legal and financial requirements.

Federal Single Audit

Also attached is the Federal Single Audit required by the Federal Office of Management and Budget for municipalities receiving over \$500,000 annually in federal funds. The Federal Single Audit, covering 13 major programs as well as all American Recovery and Reinvestment Act (ARRA) grant funds, resulted in the identification of two significant deficiencies, seven findings and \$620,000 in questioned costs. No material weaknesses were identified. This compares to eight major programs, two significant deficiencies, three findings, and \$42,000 in questioned costs for the previous fiscal year.

The Auditor's Communications with Those Charged with Governance

The City's external auditor (KPMG) is required to prepare and submit the Auditor's Communication with Those Charged with Governance in accordance with Statement of Auditing Standards 114 (SAS 114). "Those charged with governance" refers to the person or persons responsible for the strategic direction of the entity and the obligations relative to the accountability of such entity, including oversight of the financial reporting process. KPMG is required to communicate with those charged

with governance those matters related to the financial statement audit that are, in KPMG's professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process.

KPMG has also provided a separately issued Management Letter that provides comments, findings and recommendations related to internal controls as well as other operational matters. No material weaknesses were identified. City management has reviewed KPMG's recommendations on how the City can improve its financial reporting and internal controls and has responded, via a separately issued Management Letter, to each issue.

TIMING CONSIDERATIONS

Action on this item is not time critical.

FISCAL IMPACT

There is no fiscal or local job impact associated with this action.

SUGGESTED ACTION:

Approve recommendation.

Respectfully Submitted,



STEPHEN W. HANNAH
CITY CONTROLLER



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



PATRICK H. WEST
CITY MANAGER

ATTACHMENTS:

- LOS CERRITOS WETLANDS AUTHORITY ANNUAL FINANCIAL REPORT
- COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE LONG BEACH WATER DEPARTMENT
- THE CITY OF LONG BEACH AIRPORT ENTERPRISE FUND FINANCIAL STATEMENTS
- THE CITY OF LONG BEACH AIRPORT SCHEDULES OF PASSENGER FACILITY CHARGES
- AQUARIUM OF THE PACIFIC FINANCIAL STATEMENTS
- FEDERAL SINGLE AUDIT REPORT
- THE AUDITOR'S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
- COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) MANAGEMENT LETTER