



City of Long Beach

Audit Summary of 2010-2011 Budget



Independent Audit Findings of “Significant Deficiencies”

Improper Budgetary Practices

Expenses & Revenues

- “Several key revenue sources were substantially overestimated compared to actual amounts earned.”
- “Debt Service Fund was over-expended as a result of a transfer of \$1.7 million...The transfer in was budgeted in the General Fund but the transfer out was not budgeted in the Debt Service Fund.”
- “We noted that \$465,492 of scheduled lease payments were not included in the 2010/11 adopted budget.”
- “The City stopped tracking its capital asset activity throughout the year.”
- “The City’s General Fund unassigned fund balance decreased **from** approximately **\$1.4 million** at June 30th, 2010..., **to \$107,127** at June 30th, 2011, or 0.2% of the 2011-12 operating budget.”

Insufficient Accountability

- “We noted several instances in which claims did not have purchase orders attached to the supporting documentation. In addition, several purchase orders that were provided were dated after the date of the respective invoice.”
- “Four separate bank accounts pertain to the City’s Police Department had reconciling items that we not investigated...the Finance Department was not provided with the bank reconciliations and other supporting documents to perform a proper review of these balances.”

Community Development

- “We noted that many of the approved expenditures were not being properly recorded...nor were they all being applied to the proper accounting period.”
- “It was noted that one individual employee performed the majority of the accounting functions in the CDA...duties should be segregated to serve as a check and balance on employees’ integrity and to maintain strong internal control.”

Independent Audit Recommendations

- “We suggest that the 2011/12 fiscal year’s operations be closely monitored to ensure that the City does not over expend its adopted budget again.” Policies and procedures need to be strengthened to avoid this occurrence. The City does not have resources available to absorb these cost overruns.”
- “Development of a long-term financial plan is critical to the City’s financial improvement.”
- “It is essential that revenue budgetary estimates be prepared in such a manner that they are (in) line with the current economic realities and recent trends.”
- “Maintaining capital asset records is one of the most basic of internal control procedures that an organization with significant capital assets should have in place.”
- “This Project length schedule should include the budget, expenditures to date, revenues received by type to date and fund balance. The City does not currently maintain or present in its financial statement a Capital Projects Fund project length schedule.”
- “Priority (should) be given to improving the accounting practices in the CDA.”



City of Long Beach

2011 Audit Findings



Audited Revenues - Over Budgeted (highlights)

2010-2011	Budget	Actual	Deficit	Percent Diff.
Investment Earnings	\$165,000	\$42,247	(\$122,753)	(74.4%)
Commercial Sanitation	\$955,000	\$476,813	(\$478,187)	(50.2%)
Utility Tax	\$2,400,000	\$931,713	(\$1,468,287)	(61.2%)
State Aid Mortgage Tax	\$2,250,000	\$814,709	(\$1,435,291)	(63.8%)
TOTAL	\$5,770,000	\$2,265,428	(\$3,504,518)	(60.7%)

Audited Expenses - Under Budgeted (highlights)

2010-2011	Budget	Actual	Deficit	Percent Diff.
Recreation	\$2,876,809	\$3,073,095	(\$196,286)	(6.8%)
Fire Department	\$3,013,596	\$3,768,258	(\$754,662)	(25%)
Police Department	\$10,743,522	\$11,848,900	(\$1,105,378)	(10.3%)
Debt Service Principal	\$3,653,754	\$4,527,491	(\$873,737)	(23.9%)
TOTAL	\$20,287,681	\$23,217,744	(\$2,930,063)	(14.4%)

2010-11 Change in Audited Fund Balance

General Fund	(\$2,598,953)
Water Fund	(\$157,580)
Sewer Fund	(\$476,374)
Debt Service Fund	(\$1,667,820)
TOTAL	(\$4,900,727)

Remaining End of the Year Audited Fund Balance

	2008	2009	2010	2011
General Fund	\$8,045,311	\$6,736,892	\$5,010,490	\$2,280,377
Water Fund	(\$82,601)	\$50,318	(\$55,415)	(\$212,995)
Sewer Fund	(\$51,044)	\$70,052	(\$452,665)	(\$929,039)
Debt Service Fund	\$6,087,291	\$4,721,959	\$2,753,578	\$1,085,758
Total	\$13,998,957	\$11,579,221	\$7,255,988	\$2,224,101
Restricted	(\$6,546,246)	(\$7,255,988)	(\$5,880,810)	(\$2,116,974)
Available	\$7,452,711	\$4,506,235	\$1,375,178	\$107,127