



LAURA DOUD

May 1, 2018

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive and file the Quarterly Report of Cash and Investments for the quarter ending September 30, 2017.

DISCUSSION:

Pursuant to Section 803 of the City Charter, the Office of the City Auditor is charged with verifying cash in the City Treasury on a quarterly basis and providing a written report to the City Council. Attached is the Quarterly Report of Cash and Investments for the quarter ending September 30, 2017.

TIMING CONSIDERATIONS:

This item is not time sensitive.

FISCAL IMPACT:

There is no fiscal impact.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

A handwritten signature in cursive script that reads "Laura L. Doud".

Laura L. Doud, CPA
CITY AUDITOR

Attachment

**THE CITY OF LONG BEACH
OFFICE OF THE CITY AUDITOR**

QUARTERLY AUDIT OF CASH AND INVESTMENTS

September 30, 2017

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EXECUTIVE SUMMARY

We have conducted a performance audit of the cash and investment balances of the City of Long Beach (the City) as of September 30, 2017. The City of Long Beach's management is responsible for the cash and investments balances. As of September 30, 2017, the City's pooled and non-pooled cash and investments portfolio totaled approximately \$1.9 billion.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

BACKGROUND

City Charter Mandate

Pursuant to Section 803 of the Charter of the City of Long Beach, California, the Office of the City Auditor is charged with verifying cash and investment balances in the City Treasury on a quarterly basis and providing a written report to the City Council. The Office of the City Auditor has contracted Windes, Inc. to perform the September 30, 2017 audit.

The audit of cash and investment balances of the City of Long Beach includes verifying cash and investments with outside depositories, and evaluating the City Treasurer's compliance with the relevant provisions of the California Government Code and the City's Investment Policy, which is adopted annually by the City Council.

Pooled Cash and Investments

The City's pooled cash is a grouping of the City's available cash for investments. The larger amount of money involved in a pool allows the City to earn a higher rate of return than each fund could receive by itself. Pooled funds that are not needed for operations are invested by the Treasury Bureau. The interest income earned in pooled cash and investments is apportioned to funds based on the ratio of daily cash balances to the total of pooled cash and investments.

BACKGROUND (CONTINUED)

Non-pooled Cash and Investments

Generally, non-pooled cash and investments are used for specific project operations or pledged for reserves or interest payments of outstanding debt.

Chandler Asset Management

The City has an agreement with Chandler Asset Management (“Chandler”) to provide investment advisory and management services related to the City’s pooled investment portfolio. The term of the agreement is three (3) years beginning January 1, 2015 through December 31, 2017. The City has executed an amendment to the agreement which extends the term of the agreement through December 31, 2018. Chandler manages the City’s pooled investment portfolio on a non-discretionary basis and provides ongoing oversight of investment activity including “best practice” recommendations, updates on both financial and regulatory developments, investment strategy review, and performance and credit analysis related to investments in the City’s investment pool.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our performance audit were to reconcile cash and investments as to the amount and description recorded on the City’s books with outside depositories and to evaluate the City’s compliance with the relevant provisions of the California Government Code Section 53601 and the City’s Investment Policy.

The scope of this audit was limited to the quarter ended September 30, 2017.

We performed the following procedures:

- Obtained an understanding of the internal controls surrounding the City’s cash and investments process.
- Obtained confirmations of cash held by banks and investments held by the City Treasurer’s safekeeping agent and other custodians as of September 30, 2017 and reconciled them to the City’s general ledger.
- Reconciled the balance of total investments on the City Treasurer’s Investment Activity Portfolio Statistics Report (Sympro) at September 30, 2017 to the City’s general ledger.
- Obtained bank and investment reconciliations at September 30, 2017 and traced balances to the City’s general ledger. This also included testing, on a sample basis, the adjustments made on the reconciliation to ensure they are valid adjustments.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY (CONTINUED)

- Compared investments listed on the City Treasurer's Investment Activity Portfolio Statistics Report (Sympro) at September 30, 2017 to the types of investments authorized for the City in accordance with the City's Investment Policy and the relevant provisions of the California Government Code.
- Compared the portfolio mix of investment types listed in the City Treasurer's Investment Activity Portfolio Statistics Report (Sympro) at September 30, 2017 to the portfolio mix limitations imposed by the City's Investment Policy and the relevant provisions of the California Government Code.
- Reviewed supporting documentation on a sample basis, the purchase, sale and maturity of individual investments to determine compliance with the following provisions of the California Government Code and the City's Investment Policy:
 - Purchases of investments meet minimum rating requirements and maximum allowable maturity periods.
 - All sections of the investment transaction record are properly completed and authorized by the City Treasurer.
 - Transactions are supported by documentation from third-party sources (individual broker confirmations, safekeeping statements, custodian statements, etc.)
- Recalculated accrued interest (in aggregate) to determine if accrued interest for investments held at September 30, 2017 was accurately stated on the City's general ledger.

The allocation of accrued interest and pooled cash and investments between funds was outside the scope of this audit. As such, the Schedule of Pooled and Non-Pooled Cash and Investment Balances by Fund and the Schedule of Pooled and Non-Pooled Cash and Investment Balances by Security Type are attached for informational purposes only.

RESULTS AND CONCLUSIONS

The City's cash and investment balances as of September 30, 2017 are summarized as follows:


Pooled Cash and Investments	\$ 1,555,301,699
Non-Pooled Cash and Investments	<u>309,803,012</u>
Total Cash and Investments	<u>\$ 1,865,104,711</u>

Based on the results of audit procedures performed, cash and investment balances as recorded on the City's books at September 30, 2017, materially agree as to the amount and description with outside depositories. Also, we found the City to be in compliance with all other relevant provisions of the California Government Code and the City's Investment Policy.

MANAGEMENT COMMENTS

Management thanks the City Auditor for the review.

Management concurs that the investment activity for the subject period was in full compliance with the applicable sections of the California Government Code and City's Investment Policy.



Long Beach, California
March 26, 2018

ATTACHMENT I

**POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES
BY FUND AT SEPTEMBER 30, 2017
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016**

Fund Number	Name of Fund	Pooled September 30, 2017	Non-Pooled September 30, 2017	Total at September 30, 2017	Total at September 30, 2016
100	General Fund, General	\$ 58,371,332	\$ 6,095,013	\$ 64,466,345	\$ 85,505,873
103	General Fund, Library	573,960	3,245	577,205	755,410
105	General Fund, Parks and Recreation	6,308,641	5,369	6,314,010	6,679,131
110	Budget Stabilization	9,000,000	-	9,000,000	9,000,000
120	Special Revenue, General Grants	-	-	-	3,648,910
121	Special Revenue, Police & Fire	620,675	120	620,795	1,421,122
130	Special Revenue, Health	8,535,879	800	8,536,679	3,971,084
131	Special Revenue, CUPA	1,780,204	28	1,780,232	1,604,231
132	Special Revenue, Parking & Business	531,196	54	531,250	431,502
133	Special Advertising & Promotion	10,310,264	211	10,310,475	9,951,058
134	Special Revenue, Upland Oil	8,859,701	-	8,859,701	9,533,038
135	Housing Development	37,870,305	35,379	37,905,684	41,075,187
136	Belmont Shore Parking Meters	303,104	75	303,179	1,136,699
149	Special Revenue, Business Assistance	1,049,333	-	1,049,333	1,221,157
150	Community Development Grants	214,776	11,912	226,688	13,301
151	Housing Authority	10,005,387	1,544,600	11,549,987	10,599,665
181	Gas Tax Street Improvement	12,104,780	641	12,105,421	14,166,664
182	Special Revenue, Transportation	39,576,056	3,512	39,579,568	31,640,448
201	Capital Projects	34,219,623	678,804	34,898,427	37,176,237
202	Assessment District - Capital Projects	1,648,810	688,353	2,337,163	2,446,799
209	Capital Projects - Legislative SA-RD	6,489,315	-	6,489,315	8,094,880
270	Obligation Retirement FD Operation				
	Retirement FD Operations	17,009,600	796,462	17,806,062	9,475,390
277	SA-RD Obligation Retirement FD Debt SVC	4,846	20,889,053	20,893,899	20,596,928
301	Gas Revenue	38,210,852	5,374	38,216,226	29,729,757
303	Gas Prepaid	123,872	21,709,487	21,833,359	21,233,105
310	Water	33,303,363	2,702,625	36,005,988	36,375,323
311	Sewer	11,480,694	8,723	11,489,417	10,420,979
320	Airport	73,593,789	14,576,145	88,169,934	78,617,536
330	Refuse/Recycling	13,296,514	5,722	13,302,236	13,926,001
331	SERRF	25,984,381	-	25,984,381	25,228,890
337	Development Services	33,779,439	406	33,779,845	22,271,910
339	SERRF JPA	818	11,894,829	11,895,647	11,877,588
340	Towing Operations	597,800	1,720	599,520	811,931
380	Civic Center	2,773,577	787	2,774,364	4,566,022

ATTACHMENT I

**POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES
BY FUND AT SEPTEMBER 30, 2017
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016
(Continued)**

Fund Number	Name of Fund	Pooled September 30, 2017	Non-Pooled September 30, 2017	Total at September 30, 2017	Total at September 30, 2016
385	General Services	38,466,373	240,558	38,706,931	39,237,529
386	Fleet Services Fund	43,052,810	944	43,053,754	53,784,277
390	Insurance	58,211,376	1,714	58,213,090	58,675,585
391	Employee Benefits	76,802,435	6,790	76,809,225	113,986,486
401	Tidelands Operations	125,894,682	21,260,513	147,155,195	162,335,944
403	Tidelands - Marina	16,937,620	28,015,196	44,952,816	52,858,333
410	Queen Mary	132,855	-	132,855	2,530,021
411	Tidelands Operating - Rainbow Harbor Area	6,085,780	20,181	6,105,961	5,311,001
420	Tidelands Oil Revenue	30,575,345	-	30,575,345	29,768,936
421	Tidelands Reserve - Subsidence	178,088,072	16,568	178,104,640	177,140,964
430	Harbor - Operations	3,051,020,263	99,937	3,051,120,200	2,781,465,273
431	Harbor - Capital	(2,642,732,780)	-	(2,642,732,780)	(2,446,011,459)
432	Harbor Debt Service	53,638,867	161,575,209	215,214,076	157,674,950
440	Expandable Trusts	847,032	106	847,138	833,791
451	ICTF JPA	9,464,683	455	9,465,138	9,127,008
452	Earthquake Assessment Agency Funds	765,007	165	765,172	760,390
453	Other Special Assessment	139,341	221	139,562	138,282
455	Other Agency	3,995,492	1,683	3,997,175	3,981,394
460	Los Cerritos Wetlands Authority Agency Special Assessment CFD #5 LB	-	243,611	243,611	314,064
470	Agency Special Assessment CFD #5 Long Beach Towne Center	84,773	2,071,049	2,155,822	2,121,641
472	Agency Special Assessment CFD#6 Pike Public Improvements	55,867	5,464,413	5,520,280	5,478,353
473	Agency Special Assessment - Douglas Park	876,161	1,098,685	1,974,846	1,830,493
474	CFD 2007 Belmont 2004 Spl Tx Bd	29,413	427,253	456,666	462,998
475	AD 2008 -1 Toledo Underground Utility 20B	62,668	114,552	177,220	172,002
476	Douglas Park North	212,024	-	212,024	167,945
600	Debt Service	4,062,654	7,483,760	11,546,414	4,426,613
TOTAL CASH AND INVESTMENTS		\$ 1,555,301,699	\$ 309,803,012	\$ 1,865,104,711	\$ 1,783,776,570

* The City's pooled cash and investments was audited in aggregate and the allocation among funds was outside the scope of the performance audit. The allocation is presented for informational purposes only.

ATTACHMENT II

**POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES
BY SECURITY TYPE AT SEPTEMBER 30, 2017
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016**

	<u>Pooled</u> <u>September 30,</u> <u>2017</u>	<u>Non-Pooled</u> <u>September 30,</u> <u>2017</u>	<u>Total at</u> <u>September 30,</u> <u>2017</u>	<u>Total at</u> <u>September 30,</u> <u>2016</u>
CASH				
Cash in Banks	\$ 180,446,262	\$ 1,839,777	\$ 182,286,039	\$ 219,252,317
Cash with Fiscal Agents	-	286,481,730	286,481,730	226,005,073
 Total Cash	 <u>\$ 180,446,262</u>	 <u>\$ 288,321,507</u>	 <u>\$ 468,767,769</u>	 <u>\$ 445,257,390</u>
 INVESTMENTS				
U.S. Treasury Notes	\$ 423,492,078	\$ -	\$ 423,492,078	\$ 246,619,572
Federal Farm Credit Bank	35,614,210	-	35,614,210	59,763,636
Federal Home Loan Bank	245,344,913	-	245,344,913	359,991,242
Federal National Mortgage Association (FNMA)	345,148,343	-	345,148,343	332,459,965
FNMA Discounts Notes	-	-	-	4,997,850
Federal Home Loan Mortgage Corporation (FHLMC)	176,009,979	-	176,009,979	260,430,857
FHLMC Discount Notes	-	-	-	8,597,128
Federal Home Loan Discount	-	-	-	17,236,453
Local Agency Investment Fund	149,046,150	-	149,046,150	27,049,236
Guaranteed Investment Contracts	-	21,481,505	21,481,505	20,909,977
Money Market	199,764	-	199,764	463,264
 Total Investments	 <u>\$ 1,374,855,437</u>	 <u>\$ 21,481,505</u>	 <u>\$ 1,396,336,942</u>	 <u>\$ 1,338,519,180</u>
 TOTAL CASH AND INVESTMENTS	 <u>\$ 1,555,301,699</u>	 <u>\$ 309,803,012</u>	 <u>\$ 1,865,104,711</u>	 <u>\$ 1,783,776,570</u>