

Audit Report

Quarterly Audit of Cash & Investments

As of March 31, 2008

December 8, 2008



Audit Staff

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EXECUTIVE SUMMARY

The Office of the City Auditor has completed the quarterly audit of the cash and investment balances of the City of Long Beach as of March 31, 2008. The City of Long Beach's management is responsible for the schedules of cash and investments. Our responsibility is to verify cash on a quarterly basis and provide a written report to the City Council. As of March 31, 2008, the City's cash and investment portfolio totaled approximately \$2.1 billion.

Based on the results of audit procedures performed as described below, cash and investment balances as recorded on the City's books as of March 31, 2008, agree as to the amount and description with outside depositories. Also, we found the City to be in compliance with the California Government Code and the City's Investment Policy.

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 in the City Treasury on a quarterly basis and providing a written report to the City Council.

This performance audit of the 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 California Government Code §53601 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.

Non-pooled Cash and Investments

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

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to agree 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 provisions of the California Government Code §53601 and the City's Investment Policy.

The scope of this audit was limited to the quarter ending March 31, 2008.

We performed the following procedures in our audit:

- Conducted interviews of management personnel to gain an understanding of the internal controls in place surrounding the safeguarding of City's cash and investments.
- Obtained written confirmations of all cash held by banks and investments held by the City Treasurer's safekeeping agent and other custodians as of March 31, 2008 and agreed them to the City's general ledger.
- Traced the balance of total investments on the City Treasurer's Investment Holdings Report as of March 31, 2008 to the City's general ledger.
- Analyzed the bank account and investment reconciliations as of March 31, 2008 and agreed them to the City's general ledger.
- Compared investments listed on the City Treasurer's Investment Activity Portfolio Statistics Report as of March 31, 2008 to the types of investments authorized for the City in accordance with the City's Investment Policy and California Government Code §53601.
- Compared the portfolio mix of investment types listed in the City Treasurer's Investment Activity Portfolio Statistics Report as of March 31, 2008 to the portfolio mix limitations imposed by the City's Investment Policy and California Government Code §53601 for specific investment types.
- Recomputed and reviewed supporting documentation, on a sample basis, relevant to the purchase, sale and maturity of individual investments to determine compliance with the following provisions of the California Government Code §53601, and the City's Investment Policy:
 - Purchase 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.).

The City finalizes its calculations of accrued interest at the end of the fiscal year; thus, testing of this interest is conducted as part of our fourth quarter cash and investments audit. As such, we did not test accrued interest, which is excluded from the Total Cash and Investments as of March 31, 2008. In addition, the allocation of cash and investments between funds was outside the scope of this audit.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, 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.

RESULTS AND CONCLUSIONS

The City's cash and investment balances as of March 31, 2008 are summarized as follows:

Pooled Cash and Investments	\$ 1,841,736,598
Non-Pooled Cash and Investments	<u>246,507,431</u>
Total Cash and Investments	<u>\$ 2,088,244,029</u>

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.

Based on the results of audit procedures performed, cash and investment balances as recorded on the City's books as of March 31, 2008, agree as to the amount and description with outside depositories. Also, we found the City to be in compliance with the California Government Code and the City's Investment Policy.

We noted certain internal control matters that we reported to management of the City of Long Beach, Office of Financial Management, in a separate letter dated December 8, 2008.

MANAGEMENT COMMENTS

Management comments had not yet been received as of the date and filing of this report.

ATTACHMENT I

CITY OF LONG BEACH
OFFICE OF THE CITY AUDITOR

POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES BY FUND
AT MARCH 31, 2008 WITH COMPARATIVE TOTALS FOR MARCH 31, 2007

Fund #	Name of Fund	Pooled 3/31/2008	Non-Pooled 3/31/2008	Total at 3/31/2008	Total at 3/31/2007
100	General Fund, General	\$ 78,370,254	\$ 4,225,844	82,596,098	\$ 67,793,368
103	General Fund, Library	(1,726,752)	20,705	(1,706,047)	(927,770)
105	General Fund, Parks and Recreation	2,963,593	2,448,529	5,412,122	3,458,500
120	Special Revenue, General Grants	8,483,568	-	8,483,568	5,349,557
121	Special Revenue, Police & Fire	2,677,666	-	2,677,666	-
130	Special Revenue, Health	1,301,153	4,305	1,305,458	1,237,912
131	Special Revenue, CUPA	648,429	-	648,429	585,171
132	Special Revenue, Parking & Business	1,124,647	-	1,124,647	1,054,889
133	Special Advertising & Promotion	2,104,599	281	2,104,880	1,409,810
134	Special Revenue, Upland Oil	5,153,892	-	5,153,892	5,115,068
135	Housing Development	44,485,331	21,381	44,506,712	36,514,590
136	Belmont Shore Parking Meters	698,003	34,980	732,983	668,812
137	Planning & Building Department	1,797,047	-	1,797,047	914,506
149	Special Revenue, Business Assitance	2,221,316	-	2,221,316	1,008,866
150	Community Development Grants	2,912,891	12,956	2,925,847	4,475,461
151	Housing Authority	19,806,480	1,010,555	20,817,035	16,024,643
180	Special Revenue, Park Development	287,550	-	287,550	132,690
181	Gas Tax Street Improvement	7,902,612	-	7,902,612	10,932,123
182	Special Revenue, Transportation	43,664,184	-	43,664,184	30,670,306
201	Capital Projects	21,580,899	21,703,720	43,284,619	43,301,075
202	Assessment District-Capital Projects	2,673,402	659	2,674,061	2,555,128
220	RDA-LB Bond Authority	-	31,694	31,694	53,031
221	RDA-Poly High	862,004	218,184	1,080,188	1,758,840
222	RDA-West Beach	1,219,130	1,631,381	2,850,511	2,713,555
223	RDA-West Long Beach	21,806,675	3,149,734	24,956,409	25,796,725
224	RDA-Downtown	18,142,511	8,196,684	26,339,195	17,484,135
225	RDA-Project Income	1,064,049	-	1,064,049	4,238,928
227	RDA-Los Altos	411,028	407,988	819,016	894,168
228	RDA-Central	6,684,294	10,581,881	17,266,175	24,683,009
230	RDA-North	21,243,750	39,042,444	60,286,194	65,919,099
232	RDA-Housing	86,543	33,936,082	34,022,625	48,387,618
301	Gas Revenue	13,820,835	655,500	14,476,335	23,244,067
310	Water	10,256,068	3,619,050	13,875,118	13,312,001
311	Sewer	4,261,384	-	4,261,384	7,043,505
320	Airport	25,504,221	237,006	25,741,227	21,985,142
330	Refuse/Recycling	24,297,308	3,000	24,300,308	23,605,357
331	SERRF	38,888,748	-	38,888,748	34,615,784
339	SERRF JPA	282,376	12,257,959	12,540,335	12,652,587
340	Towing Operations	700,269	3,700	703,969	2,362,455
380	Civic Center	8,205,775	4,022,482	12,228,257	21,898,230
385	General Services	3,352,344	3,041	3,355,385	3,519,851

ATTACHMENT I
(continued)
CITY OF LONG BEACH
OFFICE OF THE CITY AUDITOR

POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES BY FUND
AT MARCH 31, 2008 WITH COMPARATIVE TOTALS FOR MARCH 31, 2007

Fund #	Name of Fund	Pooled 3/31/2008	Non-Pooled 3/31/2008	Total at 3/31/2008	Total at 3/31/2007
386	Fleet Services Fund	9,439,982	2,752,174	12,192,156	16,494,307
390	Insurance	17,746,883	61	17,746,944	10,741,662
391	Employee Benefits	56,486,133	-	56,486,133	56,981,728
401	Tidelands Operations	41,900,101	13,596,337	55,496,438	38,984,112
403	Tidelands-Marina	7,519,972	15,600	7,535,572	1,010,785
410	Queen Mary	1,353,655	-	1,353,655	994,379
411	Tidelands Operating - Rainbow Harbor Area	2,723,018	4,616,000	7,339,018	10,421,520
413	Parking Authority - Queensway Bay	-	-	-	3,816
420	Tidelands Oil Revenue	40,784,957	3,000	40,787,957	17,623,795
421	Tidelands Reserve - Subsidence	158,310,282	2,798,655	161,108,937	153,216,806
430	Harbor - Operations	689,063,328	35,000	689,098,328	597,340,775
431	Harbor - Capital	(54,810,345)	-	(54,810,345)	(64,230,476)
432	Harbor Debt Service	417,442,278	53,886,082	471,328,360	443,744,043
440	Expandable Trusts	1,044,044	-	1,044,044	994,155
451	ICTF JPA	12,283,003	-	12,283,003	10,932,149
452	Earthquake Assessment Agency Funds	1,790,181	-	1,790,181	1,547,248
453	Other Special Assessment	2,227,727	-	2,227,727	2,137,686
455	Other Agency	2,681,271	1,500	2,682,771	2,457,866
460	Los Cerritos Wetlands Authority	-	34,000	34,000	19,246
	Agency Special Assessmt CFD #5 LB				
470	Towne Center	535,477	1,299,052	1,834,529	1,806,621
	Agency Special Assessment LBBFA Local				
471	Agency	-	868,520	868,520	836,674
	Agency Special Assessment CFD#6 Pike				
472	Pub Impv	8,787	4,455,778	4,464,565	4,516,696
473	Agency Special Assessment - Douglas Park	171,235	14,663,947	14,835,182	-
999	Accued Interest Receivable	(17,185,447)	-	(17,185,447)	-
TOTAL CASH AND INVESTMENTS		<u>\$ 1,841,736,598*</u>	<u>\$ 246,507,431</u>	<u>\$ 2,088,244,029</u>	<u>\$ 1,897,018,385**</u>

* We tested the City's Pooled Investment Fund in aggregate; the City's allocation of Pooled Investments is presented for informational purposes only.

** The total for 3/31/2007 includes accrued interest. Accrued interest was deducted from Pooled Cash and Investments as of 3/31/2008.

ATTACHMENT II

CITY OF LONG BEACH
OFFICE OF THE CITY AUDITORPOOLED AND NON-POOLED CASH AND INVESTMENT BALANCES BY SECURITY TYPE
AT MARCH 31, 2008 WITH COMPARATIVE TOTALS FOR MARCH 31, 2007

	<u>Pooled</u> <u>3/31/2008</u>	<u>Non-Pooled</u> <u>3/31/2008</u>	<u>Total</u> <u>3/31/2008</u>	<u>Total *</u> <u>3/31/2007</u>
CASH:				
Cash in Banks	\$ 8,346,403	\$ 1,650,086	\$ 9,996,489	\$ 10,611,651
Cash with Fiscal Agents	-	195,581,516	195,581,516	225,759,457
	<u>\$ 8,346,403</u>	<u>\$ 197,231,602</u>	<u>\$ 205,578,005</u>	<u>\$ 236,371,108</u>
INVESTMENTS:				
U.S. Treasury Notes	\$ 104,479,867	\$ -	\$ 104,479,867	\$ 199,949,767
Federal Farm Credit Bank	109,773,279	-	109,773,279	127,563,109
Federal Home Loan Bank	352,856,184	-	352,856,184	318,165,183
Federal National Mortgage Association	336,817,088	-	336,817,088	396,498,423
Federal Home Loan Mortgage Corporation	395,148,664	-	395,148,664	276,558,434
Negotiable Certificates of Deposit	50,000,000	-	50,000,000	-
Medium Term Notes	64,409,022	-	64,409,022	46,699,104
Commercial Paper	257,899,518	-	257,899,518	239,551,119
L.A.I.F.	159,010,137	-	159,010,137	2,982,701
Certificates of Deposit	-	10,000,000	10,000,000	10,000,000
Guaranteed Investment Contracts	-	36,477,174	36,477,174	36,477,520
Special Assessment Bonds	-	1,488,929	1,488,929	1,404,683
Municipal Bonds	-	1,309,726	1,309,726	1,599,470
Savers Loan	2,996,436	-	2,996,436	3,197,764
Total Investments	<u>\$ 1,833,390,195</u>	<u>\$ 49,275,829</u>	<u>\$ 1,882,666,024</u>	<u>\$ 1,660,647,277</u>
TOTAL CASH AND INVESTMENTS	<u>\$ 1,841,736,598</u>	<u>\$ 246,507,431</u>	<u>\$ 2,088,244,029</u>	<u>\$ 1,897,018,385</u>

* All amounts presented as of 3/31/2007 include accrued interest; the amounts presented as of 3/31/2008 exclude accrued interest.