

THE CITY OF LONG BEACH OFFICE OF THE CITY AUDITOR

QUARTERLY AUDIT OF CASH AND INVESTMENTS

September 30, 2023

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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, 2023. The City of Long Beach's management is responsible for the cash and investment balances. As of September 30, 2023, the City's cash and investment portfolio totaled approximately \$2.3 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, 2023 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.

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.

BACKGROUND (CONTINUED)

Asset Management

The City had 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 beginning January 1, 2015 was extended through December 31, 2023.

As of May 1, 2024, the City entered into an agreement with Meeder Public Funds (“Meeder”) as their new investment advisor, to provide investment advisory services related to the City’s pooled investment portfolio. Meeder will provide ongoing oversight of investment activity, including “best practices” recommendation, as well as updates on both financial and regulatory developments, investment strategy review, and performance and credit analysis related to investments in the City’s investment pool. The agreement is for a two-year period, with the option to renew three additional one-year periods.

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, 2023.

We performed the following procedures:

- Obtained an understanding of the internal controls surrounding the City’s cash and investment 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, 2023 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, 2023 to the City’s general ledger.
- Obtained bank and investment reconciliations at September 30, 2023 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, 2023 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, 2023 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, 2023 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, 2023 are summarized as follows:

Pooled Cash and Investments	\$ 2,160,563,033
Non-Pooled Cash and Investments	<u>173,773,371</u>
Total Cash and Investments	<u>\$ 2,334,336,404</u>

Based on the results of audit procedures performed, cash and investment balances as recorded on the City's books at September 30, 2023, 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 concurs that 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
May 2, 2024

ATTACHMENT I

POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES BY FUND AT SEPTEMBER 30, 2023 WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2022

Fund Number	Name of Fund	Pooled September 30, 2023	Non-Pooled September 30, 2023	Total at September 30, 2023	Total at September 30, 2022
1000	GF - Operating	\$ 92,073,845	\$ 1,417,666	\$ 93,491,511	\$ 70,982,657
1009	GF - District Priority	1,051,948	-	1,051,948	995,817
1010	GF - Cap/Oper Grants	2,498,690	-	2,498,690	2,496,972
1011	GF - Long Beach Recovery Act	41,564,574	-	41,564,574	77,062,155
1020	GF - CLB Measure A	549,064	-	549,064	20,655,114
1021	GF - CLB Measure US	564,978	-	564,978	727,470
1030	GF - CLB Measure MA	(10,973)	-	(10,973)	(10,973)
1040	GF - Asset Seizure Federal	927,690	-	927,690	817,633
1041	GF - Asset Seizure US Treasury	900,010	-	900,010	980,133
1042	GF - Asset Seizure State	1,251,604	-	1,251,604	1,049,713
1043	GF - ASF Priority Intvntn Prgm	100,720	-	100,720	74,049
1090	GF - CLB Measure M Escrow	-	-	-	-
1100	GF - Uplands Oil Operating	18,687,360	-	18,687,360	16,442,121
2000	SR - General Grants	(6,865,928)	-	(6,865,928)	(3,951,005)
2001	SR - American Rescue Plan Act	978,738	-	978,738	8,523,655
2010	SR - City Manager Grants	5,663,504	-	5,663,504	50,086
2015	SR - Parks Grants	(2,275,030)	-	(2,275,030)	(1,796,312)
2020	SR - Police Grants	3,873,000	-	3,873,000	3,164,203
2025	SR - City Prosecutor Grants	129,562	-	129,562	255,438
2026	SR - CP Grants Annual Fund	295,621	-	295,621	331,424
2030	SR - Fire Grants	(5,367,823)	-	(5,367,823)	(436,374)
2035	SR - Development Srvc Grants	496,916	-	496,916	526,112
2040	SR - Library Grants	3,724,167	-	3,724,167	2,949,184
2041	SR - Library Grants Annual	(633,615)	-	(633,615)	(129,040)
2100	SR - PS Oil Prod Tax - Fire	625	-	625	(5,598)
2150	SR - PS Oil Prod Tax - Police	180,299	-	180,299	163,108
2200	SR - Health Operating	18,858,489	800	18,859,289	8,932,297
2210	SR - Health Grants	(18,753,813)	-	(18,753,813)	(8,113,698)
2300	SR - CUPA Operating	-	-	-	569,350
2301	SR - CUPA Annual	(1,282,814)	-	(1,282,814)	(1,213,592)
2400	SR - Spec Adver/Prom Operating	11,765,054	-	11,765,054	10,792,216
2500	SR - Housing Operations	6,922,852	-	6,922,852	5,848,304
2501	SR - Housing Annual	10,594,078	7,039	10,601,117	11,780,274
2550	SR - LB Community Invest Co	8,151,225	-	8,151,225	7,054,063
2600	SR - Belmont Shre Pkg Mtr	438,080	-	438,080	229,503
2650	SR - Business Assistance	1,001,230	-	1,001,230	510,180

ATTACHMENT I

**POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES
BY FUND AT SEPTEMBER 30, 2023
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2022
(Continued)**

Fund Number	Name of Fund	Pooled September 30, 2023	Non-Pooled September 30, 2023	Total at September 30, 2023	Total at September 30, 2022
2710	SR - Workforce Development Grants	(1,150,780)	28,767	(1,122,013)	(5,958,290)
2711	SR - Comm Dev Grants - HUD	3,198,444	-	3,198,444	2,178,629
2713	SR - Comm Dev - Other Grants	4,681,882	-	4,681,882	4,153,589
2714	SR - CD Grants Annual Fund	(35,333)	-	(35,333)	(27,804)
2760	SR - Housing Auth Grnts	(1,457,799)	-	(1,457,799)	(166,817)
2761	SR - Housing Auth Annual	22,159,012	12,560,374	34,719,386	31,532,634
2810	SR - DIF-Traffic Mitigation Fees	9,270,663	-	9,270,663	7,669,199
2811	SR - DIF-Parks Impact Fees	8,618,132	-	8,618,132	7,650,488
2812	SR - DIF-Police Impact Fees	4,089,945	-	4,089,945	3,466,566
2813	SR - DIF-Fire Impact Fees	1,575,510	-	1,575,510	1,274,250
4005	DS - General Debt Service	14,542,705	9,912,511	24,455,216	18,496,427
4505	DS - Successor Agency	-	6,879,376	6,879,376	15,022,532
5010	CP - Capital Grants	(21,575,674)	-	(21,575,674)	(3,684,714)
5015	CP - Bond Proceeds	(4,904,697)	61,111,284	56,206,587	(528,786)
5020	CP - Capital Projects	125,202,737	-	125,202,737	114,305,582
5021	CP - CIP Personnel - Annual	(9,362)	-	(9,362)	(661)
5120	CP - Special Assessment Projects	1,742,859	35,486	1,778,345	1,809,772
5200	CP - Legislative	4,912,736	-	4,912,736	4,912,736
5310	CP - Transport Capital Project	(281,168)	-	(281,168)	(281,168)
5320	CP - State Gas Tax CP Projects	12,756,384	-	12,756,384	10,244,963
5411	CP - County Prop C Metro	29,238,534	-	29,238,534	23,101,781
5412	CP - County Measure R Metro	16,021,277	-	16,021,277	10,460,461
5413	CP - State AB2766 Air Quality	2,242,308	-	2,242,308	1,515,871
5414	CP - County Measure M Metro	19,282,865	-	19,282,865	14,584,550
5416	CP - County Prop A Metro	20,659,358	-	20,659,358	14,778,873
5417	CP - State RMRA Local Return	10,144,902	-	10,144,902	10,624,347
5418	CP - County Measure W	11,925,661	-	11,925,661	13,498,512
5420	CP- State PT Tran Dev Act SB821	265,273	-	265,273	(125,809)
5500	CP - Successor Agency Operating	174	-	174	174
5501	CP - Successor Agency Annual	8,671,642	34,014	8,705,656	9,994,300
6000	IS - Civic Center Operating	1,908,979	-	1,908,979	2,951,958
6005	IS - Civic Center Debt	544,174	-	544,174	536,503
6020	IS - Civic Center Capital	(2,451,327)	-	(2,451,327)	(3,488,461)
6100	IS - Genral Services Operating	5,299,190	1,211,566	6,510,756	8,959,110
6110	IS - General Service Grants	6,061,948	-	6,061,948	4,545,872
6120	IS - General Services Capital	11,276,778	-	11,276,778	15,506,776

ATTACHMENT I

**POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES
BY FUND AT SEPTEMBER 30, 2023
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2022
(Continued)**

Fund Number	Name of Fund	Pooled September 30, 2023	Non-Pooled September 30, 2023	Total at September 30, 2023	Total at September 30, 2022
6200	IS - Fleet Operating	(5,999,381)	-	(5,999,381)	(6,381,459)
6205	IS - Fleet Debt	(1,720,258)	-	(1,720,258)	241,021
6210	IS - Fleet Grants	1,342,464	-	1,342,464	1,258,785
6220	IS - Fleet Capital	5,877,954	-	5,877,954	5,155,401
6230	IS - Fleet Replacement	49,607,076	13,387,313	62,994,389	51,166,486
6300	IS - Workers' Compensation	33,443,276	-	33,443,276	37,072,131
6350	IS - General Liability	17,491,689	-	17,491,689	7,612,255
6390	IS - Disaster Recovery	630,841	-	630,841	630,841
6400	IS - EBF - Operating	130,056,508	-	130,056,508	(98,877,414)
6401	IS - EBF - Healthcare	28,876,597	-	28,876,597	130,454,200
6402	IS - EBF - Payroll Taxes	(5,121,366)	-	(5,121,366)	47,986,679
6403	IS - EBF - Paid Time Off	21,682,467	-	21,682,467	20,310,792
6405	IS - EBF - Pension & Retirement	(78,320,196)	-	(78,320,196)	(76,560,176)
7000	EF - Gas Operating	42,200,787	750	42,201,537	35,259,966
7005	EF - Gas Debt	70,272	31,639,294	31,709,566	29,240,760
7020	EF - Gas Cap/Oper Proj	21,057,055	-	21,057,055	18,682,216
7035	EF - Gas Prepay (LBBFA)	1,559	-	1,559	564
7100	EF - Water Operating	1,067,243	20,000	1,087,243	43,016,389
7101	EF - Water Reclaimed Operating	-	-	-	1,000,000
7105	EF - Water Debt	1,665,981	2,973,017	4,638,998	4,477,112
7106	EF - Water Debt Others	-	-	-	8,760
7200	EF - Sewer Operating	9,896,250	-	9,896,250	12,378,628
7205	EF - Sewer Debt	302,917	-	302,917	303,417
7220	EF - Sewer Capital Projects	-	-	-	1
7300	EF - Sol Waste Operating	8,725,906	3,000	8,728,906	2,762,469
7310	EF - Sol Waste Cap/Oper Grants	1,181,026	-	1,181,026	521,694
7320	EF - Sol Waste Cap/Oper Proj	(424,955)	-	(424,955)	(424,955)
7350	EF - SERRF Operations	22,807,594	-	22,807,594	24,151,411
7355	EF - SERRF JPA Debt	158	-	158	153
7400	EF - Airport Operating	52,763,864	-	52,763,864	44,619,017
7410	EF - Airport Grants	(7,118,885)	-	(7,118,885)	(7,258,245)
7411	EF - Airport Passenger Fac Chrg	5,268,102	-	5,268,102	7,119,963
7412	EF - Airport Customer Fac Chrg	9,663,815	-	9,663,815	13,053,432
7420	EF - Airport Cap/Oper Proj	(4,860,392)	-	(4,860,392)	4,351,320
7425	EF - Airport Debt	-	13,248,659	13,248,659	19,401,649
7500	EF - Developmnt Svcs Operating	44,410,740	-	44,410,740	39,460,860

ATTACHMENT I

**POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES
BY FUND AT SEPTEMBER 30, 2023
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2022
(Continued)**

Fund Number	Name of Fund	Pooled September 30, 2023	Non-Pooled September 30, 2023	Total at September 30, 2023	Total at September 30, 2022
7510	EF - Developmnt Svcs Grants	(2,009,736)	-	(2,009,736)	(1,843,313)
7520	EF - Developmnt Svc Casp SB1186	663,690	-	663,690	540,980
7550	EF - Towing Operating	1,412,969	1,700	1,414,669	1,382,418
7600	EF - Tidelands Operating	106,553,358	2,000	106,555,358	87,342,697
7605	EF - Tidelands Debt	15,608	38,178	53,786	5,358
7610	EF - Tidelands Capital Grants	264,963	-	264,963	197,847
7620	EF - Tidelands Capital Projects	(3,569,720)	-	(3,569,720)	3,111,595
7631	EF - Tidelands Parking Annual	6,814,354	-	6,814,354	6,788,665
7635	EF - TF Convntn Ctr Pkg Surchg	3,766,873	-	3,766,873	3,606,669
7700	EF - TF Marina Operating	41,431,244	8,761,878	50,193,122	46,179,877
7710	EF - TF Marina Capital Grant	1,606,552	-	1,606,552	1,606,552
7720	EF - TF Marina Capital Projects	(34,469)	-	(34,469)	2,350
7750	EF - TF Queen Mary Project Oper	401,275	2,701	403,976	2,858,949
7751	EF - TF QM Entertainment District Oper	3,209,460	-	3,209,460	-
7770	EF - TF Queen Mary Capital Project	764,995	-	764,995	1,232,017
7800	EF - Tidelands Oil	68,416,810	-	68,416,810	60,811,084
7850	EF - TF Subsidence	191,208,485	-	191,208,485	185,208,718
7885	EF - TF Aqua Of The Pac Debt	879	-	879	9,660,643
7900	EF - Harbor Operating	4,076,612,189	900	4,076,613,089	3,855,017,305
7901	Ef - Harbor CTP 2022 Zero EMSS	53,936,477	-	53,936,477	18,150,257
7910	EF - Harbor Cap/Oper Grants	119,149,322	-	119,149,322	120,393,833
7920	EF - Harbor Cap/Oper Proj	(3,478,868,598)	-	(3,478,868,598)	(3,387,367,148)
7933	EF - Ha Debt 2014B Bonds	428,437	-	428,437	3,088,125
7934	EF - Ha Debt 2015A Bonds	-	-	-	2,772,000
7935	EF - Ha Debt 2015B Bonds	2,828,531	-	2,828,531	4,043,062
7936	EF - Ha Debt 2015C Bonds	1,239,094	-	1,239,094	1,239,094
7937	EF - Ha Debt 2015D Bonds	1,253,719	-	1,253,719	1,253,719
7938	EF - Ha Debt 2017A Bonds	1,905,188	-	1,905,188	1,905,188
7939	EF - Ha Debt 2017B Bonds	487,219	-	487,219	487,219
7940	EF - Ha Debt 2017C Bonds	799,875	-	799,875	799,875
7942	EF - Ha Debt 2019A Bonds	3,024,563	-	3,024,563	3,024,563
7943	EF - Ha Debt 2020A Bonds	4,520,906	-	4,520,906	980,906
7944	EF - Ha Debt 2020B Bonds	8,481,375	-	8,481,375	5,374,969
7948	EF - Ha Debt 2021 TIFIA	3,247,328	-	3,247,328	3,216,819
8000	CS - Fiduciary Operating	3,804,605	-	3,804,605	3,859,477
8010	CS - Prisoner Welfare	323,605	1,500	325,105	300,568

ATTACHMENT I

**POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES
BY FUND AT SEPTEMBER 30, 2023
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2022
(Continued)**

Fund Number	Name of Fund	Pooled September 30, 2023	Non-Pooled September 30, 2023	Total at September 30, 2023	Total at September 30, 2022
8100	CS - Asmt CFD5 Lb Towne Center	250,748	2,259,088	2,509,836	2,416,468
8105	CS - Asmt CFD6 Pike Pub Imprv	171,772	5,783,262	5,955,034	5,796,360
8110	CS - Asmt CFD7-1 Douglas Pk Cm	393,801	1,231,992	1,625,793	1,373,085
8115	CS - Asmt CFD7-2 Belmont Shore	(43,822)	572,282	528,460	506,311
8120	CS - Asmt CFD8-1 Toledo Ugd Ut	47,948	171,822	219,770	207,383
8125	CS - Asmt CFD11-1 Douglas Pk N	38,110	-	38,110	(12,795)
8190	CS - Other Special Assessment	153,177	-	153,177	144,016
8200	CS - ICTF JPA Operating	3,522,020	-	3,522,020	3,434,382
8300	CS - Earthquake Asmt Dist 90-3	275,363	-	275,363	258,920
8310	CS - Earthquake Asmt Dist 93-1	573,557	-	573,557	539,226
8400	CS - Los Cerritos Wetlands Auth	-	475,152	475,152	634,840
8500	CS - Pkg & Bus Area Improve	896,237	-	896,237	1,825,866
8550	CS - Promenade District	603,545	-	603,545	534,202
8600	PP - Expendable Trust	(714)	-	(714)	(35,310)
8610	PP - Library Miller Trust	576,080	-	576,080	591,453
8620	PP - Homeless Expendable Trust	5,219	-	5,219	4,945
	TOTAL CASH AND INVESTMENTS	<u>\$ 2,160,563,033</u>	<u>\$ 173,773,371</u>	<u>\$ 2,334,336,404</u>	<u>\$ 2,055,468,996</u>

* 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, 2023 WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2022

	Pooled September 30, 2023	Non-Pooled September 30, 2023	Total at September 30, 2023	Total at September 30, 2022
CASH				
Cash in Banks	\$ 33,593,822	\$ 12,862,358	\$ 46,456,180	\$ 68,773,473
Cash with Fiscal Agents	-	129,420,720	129,420,720	78,151,939
Total Cash	\$ 33,593,822	\$ 142,283,078	\$ 175,876,900	\$ 146,925,412
INVESTMENTS				
U.S. Treasury Notes	\$ 1,186,338,490	\$ -	\$ 1,186,338,490	\$ 1,439,762,495
Federal Farm Credit Bank	124,771,126	-	124,771,126	6,711,812
Federal Home Loan Bank	155,263,122	-	155,263,122	44,854,940
Federal National Mortgage Association	73,401,472	-	73,401,472	88,940,465
Federal Home Loan Mortgage Corp	216,651,831	-	216,651,831	54,299,243
Local Agency Investment Fund (L.A.I.F.)	347,713	-	347,713	72,475,841
Guaranteed Investment Contracts	-	31,490,293	31,490,293	29,136,530
Money Market	124,308,091	-	124,308,091	-
Federal Home Loan Discount	59,621,781	-	59,621,781	91,650,925
Corporate Notes	186,265,585	-	186,265,585	80,711,333
Total Investments	\$ 2,126,969,211	\$ 31,490,293	\$ 2,158,459,504	\$ 1,908,543,584
TOTAL CASH AND INVESTMENTS	\$ 2,160,563,033	\$ 173,773,371	\$ 2,334,336,404	\$ 2,055,468,996