

City of Salem
CITY OF SALEM AND SALEM URA
FINANCE COMMITTEE
MEETING AGENDA
August 21, 2023 4:00 PM

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PARTICIPANTS

Board Members

Councilor Jose Gonzalez, Chair
Councilor Deanna Gwyn
Councilor Vanessa Nordyke
Councilor Micki Varney
Alternate-Councilor Linda Nishioka

Staff

Keith Stahley, City Manager
Dan Atchison, City Attorney
Josh Eggleston, Chief Financial Officer
Kali Leinenbach, Budget Manager
Jenny Mattechek, Chief Accountant
Jeremy Morgan, Supervisor
Anja Hill, Treasury Supervisor
Kelli Blechschmidt, Management Analyst II
Shengnan Thomas, Administrative Analyst I

Guests

Andrew Koumelis, Moss Adams
Chelsea Ritchie, Moss Adams

AGENDA

1. Welcome and call to order
2. Approval of Minutes
 - a. June 20, 2023 (Package page 3)
3. Public Comment - Appearance of persons wishing to address the Board on any matter other than those which appear on this Agenda

4. Action Items
5. Management Update/Information Items
 - a. Quarterly Investment Report (FY 22-23 4th Quarter) (Package page 5)
 - b. Moss Adams Presentation of Internal Controls (Package page 56)
6. Continued Business
7. New Business
8. Adjourn

Next Meeting: September 18, 2023

This meeting is being conducted virtually, with remote attendance by the governing body. No in-person attendance is possible. Interested persons may view the meeting online on [YouTube](#). To sign up to testify via Zoom or to submit public comment, contact the Finance Department via email at finance@cityofsalem.net or telephone at 503-588-6040 the day of the meeting by 1PM.

Special accommodations are available, upon request, for persons with disabilities or those needing sign language interpretation, or languages other than English. To request accommodations or services, please call 503-540-2371 (TTD/TTY 503-588-6439) at least two business days in advance.

It is the City of Salem's policy to assure that no person shall be discriminated against on the grounds of race, religion, color, sex, marital status, familial status, national origin, age, mental or physical disability, sexual orientation, gender identity, and source of income, as provided by Salem Revised Code 97. The City of Salem also fully complies with Title VI of the Civil Rights Act of 1964, Americans with Disabilities Act of 1990, and related statutes and regulations, in all programs and activities.

CITY OF SALEM AND SALEM URA FINANCE COMMITTEE Minutes

DATE: June 20, 2023

PLACE: ZOOM

CHAIRPERSON: Jose Gonzalez

STAFF LIAISON: Josh Eggleston, CFO 503-588-6130 JEggleston@cityofsalem.net

Members Present:

Councilor Vanessa Nordyke
Councilor Deanna Gwyn
Councilor Micki Varney (left at 4:13pm)
Alternate-Councilor Linda Nishioka

Members Absent:

Councilor Jose Gonzalez, Chair

Staff Present:

Keith Stahley, City Manager
Brian Luse, Assistant City Attorney
Josh Eggleston, Chief Financial Officer
Kali Leinenbach, Budget Manager
Jenny Mattechek, CPA, Chief Accountant
Anja Hill, Treasury Supervisor
Kelli Blechschmidt, Management Analyst I
Shengnan Thomas, Administrative Analyst I

Guest Present:

Annie Rose Favreau, Moss Adams
Kayvon Zadeh, Moss Adams

1. CALL TO ORDER: 4:00 PM / Quorum
 - a. Chair Gonzalez was unable to attend. Member Nordyke led meeting with Councilor Nishioka joining as alternate member.

2. APPROVAL OF COMMITTEE MINUTES
 - a. April 17, 2023

Motion was moved by Member Gwyn, seconded by Member Varney, and carried by the following vote:

Aye: Unanimous
Nay: None
Abstentions: None

3. PUBLIC COMMENT
a. None

4. ACTION ITEMS
a. None

5. MANAGEMENT UPDATE / INFORMATION ITEMS
a. Quarterly Investment Report oral presentation by Josh Eggleston, Chief Financial Officer

b. Moss Adams Presentation of Purchasing Internal Assessment

Questions or comments: Members Nordyke, Nishioka

Answers or comments: Josh Eggleston, CFO, Keith Stahley, City Manager

6. CONTINUED BUSINESS
a. Josh Eggleston, Chief Financial Officer asked the committee if the scheduled July meeting can be canceled. Committee members agreed.

7. ADJOURNMENT: 4:30 PM

Motion was moved by Member Nishioka, seconded by Member Gwyn, to conclude the meeting early and was carried by the following vote:

Aye: Unanimous
Nay: None
Abstentions: None

The next meeting is scheduled for Monday, August 21, 2023 at 4:00 PM.



CITY OF SALEM, OR

Investment Performance Review For the Quarter Ended June 30, 2023

Client Management Team

Lauren Brant, Managing Director
Allison Kaune, Senior Analyst
Robert Cheddar, CFA, Managing Director

PFM Asset Management LLC

13010 SW 68th Pkwy	213 Market Street
Tigard, OR 97223	Harrisburg, PA 17101-2141
503-837-8445	717-232-2723

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Agenda

- Market Update
- Account Summary
- Portfolio Review
- ESG Overview
- Portfolio Holdings and Transactions

Market Update

Summary

- ▶ In Q2, U.S. economic conditions were characterized by a myriad of financial headlines: (1) investors contended with ongoing recession risks; (2) regional bank concerns; (3) the Federal Reserve's (Fed) historic pace of interest rate hikes; (4) stubbornly high inflation; and (5) a debt ceiling impasse in Washington.
- ▶ President Biden signed the bi-partisan debt ceiling bill, avoiding a much-publicized potential default and allowing the U.S. Treasury to fund its obligations. The bill suspends the debt ceiling until January 1, 2025 and included some spending cuts.
- ▶ U.S. inflation, as measured by the consumer price index (CPI), has fallen from 6.5% year-over-year (YoY) at the beginning of the year to just 3.0% as of June as monthly gains have moderated. Prices for energy, used cars and airlines fares have shown sharp declines over the past year. But, Core CPI, excluding food and energy prices, remained elevated at 4.8% YoY due to elevated prices for shelter, food, and medical services.
- ▶ The Fed followed up the two 25 basis point (bps) hikes in Q1 with one more 25 bp hike at the May meeting, bringing the overnight rate to a target range of 5% to 5.25%. At the June FOMC meeting, the Fed paused hiking, breaking the string of consecutive meetings with an increase at 10. The "hawkish pause" was accompanied by new Fed projections (the so called "dot plot") which indicated the expectation for two more 25 bp rate hikes in the remaining part of calendar year 2023, underscoring the Fed's vigilance in fighting inflationary pressures.

Economic Snapshot

- ▶ Real gross domestic product (GDP) increased at an annual rate of 2.0% in the first quarter of 2023. The growth rate reflected increases in consumer spending, exports, government spending, and business fixed investment that were partly offset by decreases in private inventories and residential housing. Future growth expectations have been continually increased, with the median forecast reported by a Bloomberg survey of economists standing at 2.0% for Q2 as well.
- ▶ The U.S. labor market remained strong and tight in Q2. Over the second quarter, the U.S. economy added 732,000 new jobs. Although the pace of job gains has trended lower over the past two years, job creation remains elevated compared to pre-pandemic levels. The unemployment rate closed the quarter at 3.6%, very near its 50-year low of 3.4% reached in April. But, the strength of the labor market has moderated slightly, as weekly unemployment claims have risen, the number of job openings has fallen from record highs, and the labor force participation rate reached a post-pandemic high of 62.6%. Wage growth, measured by average hourly earnings, remains elevated at 4.4% YoY.
- ▶ On the consumer front, personal consumption continued to grow, durable goods were strong, consumer credit reached record levels and consumer confidence hit an 18-month high. Spending on merchandise dropped while outlays for services increased, underscoring the importance that the services sector has carried for economic growth over the past several quarters.
- ▶ In the housing sector, mortgage rates have been above 6% for the entire year, maintaining pressure on homebuyers. Homeowners appear reluctant to give up

below-market mortgage rates, resulting in low sales inventory. As a result, existing home sales remain historically low, while new home sales to their highest level in more than a year.

Interest Rates

- ▶ U.S. Treasury yields jumped across the yield curve in the second quarter, as economic data came in stronger than expected, and markets capitulated to the Fed's "higher-for-longer" trajectory for short term rates. Increases in the yield curve were led by the 2-year U.S. Treasury note, which finished the quarter at 4.90%, up 87 bps from 4.03% on March 31.
- ▶ While yields of all tenors increased, the U.S. Treasury yield curve remains steeply inverted. The difference between the yield on the U.S. Treasury 2-year (4.90%) and 10-year note (3.84%) ended the quarter at over 100 bps (1.00%), marking one of the deepest levels of curve inversion in over 40 years.
- ▶ As a result of higher yields across the board, fixed income indices posted negative total returns in Q2. The ICE BofA 2-, 5-, and 10-year U.S. Treasury indices returned -0.92%, -1.68%, and -1.93%, respectively.

Sector Performance

- ▶ Diversification away from U.S. Treasury securities was strongly additive to fixed-income performance during the second quarter as yield spreads across most sectors tightened. Although investors began the quarter with heightened concern about market volatility, recent bank failures, credit conditions and the looming debt ceiling impasse, sentiment eased during the quarter. That move to a more "risk on" mentality resulted in strong relative performance from spread sectors, like corporate, asset-backed and mortgage-backed securities.
- ▶ Federal agency spreads tightened as net issuance slowed. Agency discount notes found increased utility during Q2 as a replacement for U.S. Treasury bills during the height of the debt ceiling uncertainty. In longer maturities, both callable and non-callable agencies generated similar positive excess returns.
- ▶ Investment-grade (IG) corporate spreads continued to retrace from their banking crisis wides but remain above longer-term averages. As spreads narrowed, the IG curve flattened resulting in longer durations performing better on a relative basis, as did lower quality issues. Although the spread between financials and industrials remains well above longer-term averages, financials outperformed in Q2 as their retracement from banking crisis wides was more significant.
- ▶ Asset-backed security (ABS) yield spreads also continued to retrace from mid-March wides, but not to the extent in corporates. Like IG credit, ABS was a positive contributor to performance during the quarter and excess returns were similar across both auto and credit card collateral.
- ▶ Mortgage-back security (MBS) whipsawed in Q2 as a steep tightening of spreads through the second half of the quarter more than offset the widening through April. As a result, the sector broadly generated quite attractive excess returns for the quarter, with 30-year collateral outperforming 15-year terms. Strong returns were driven in part by lighter supply due to a decline in existing home sales and refinancings.

Economic Snapshot

Labor Market		Latest	Mar '23	Jun '22
Unemployment Rate	Jun '23	3.6%	3.5%	3.6%
Change In Non-Farm Payrolls	Jun '23	209,000	217,000	370,000
Average Hourly Earnings (YoY)	Jun '23	4.4%	4.3%	5.4%
Personal Income (YoY)	May '23	5.5%	5.5%	4.3%
Initial Jobless Claims (week)	7/1/23	248,000	228,000	213,000

Unemployment Rate (left) vs. Change in Nonfarm Payrolls (right)

Growth		Latest	Mar '23	Jun '22
Real GDP (QoQ SAAR)	2023Q1	2.0%	2.6% ¹	-1.6% ²
GDP Personal Consumption (QoQ SAAR)	2023Q1	4.2%	1.0% ¹	1.3% ²
Retail Sales (YoY)	May '23	1.6%	2.2%	9.3%
ISM Manufacturing Survey (month)	Jun '23	46.0	46.3	53.1
Existing Home Sales SAAR (month)	May '23	4.30 mil.	4.43 mil.	5.13 mil.

Real GDP (QoQ)

Inflation / Prices		Latest	Mar '23	Jun '22
Personal Consumption Expenditures (YoY)	May '23	3.8%	4.2%	7.0%
Consumer Price Index (YoY)	May '23	4.0%	5.0%	9.1%
Consumer Price Index Core (YoY)	May '23	5.3%	5.6%	5.9%
Crude Oil Futures (WTI, per barrel)	Jun 30	\$70.64	\$75.67	\$105.76
Gold Futures (oz.)	Jun 30	\$1,929	\$1,969	\$1,807

Consumer Price Index

1. Data as of Fourth Quarter 2022.

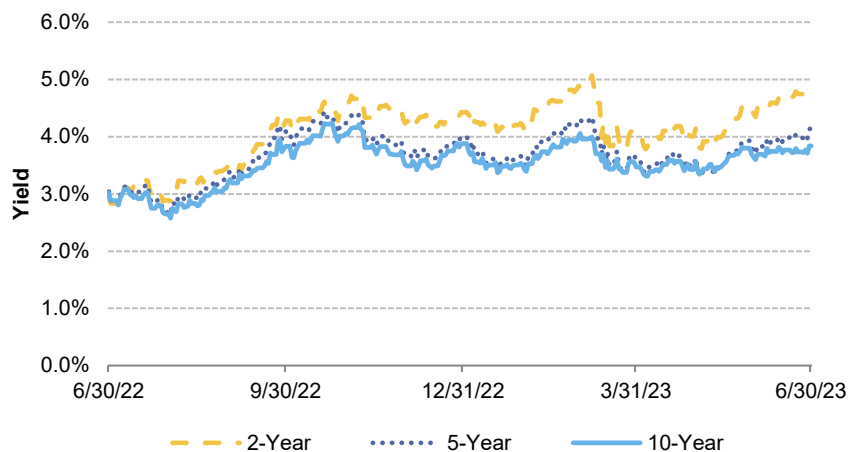
2. Data as of First Quarter 2022.

Note: YoY = year-over-year, QoQ = quarter-over-quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil.

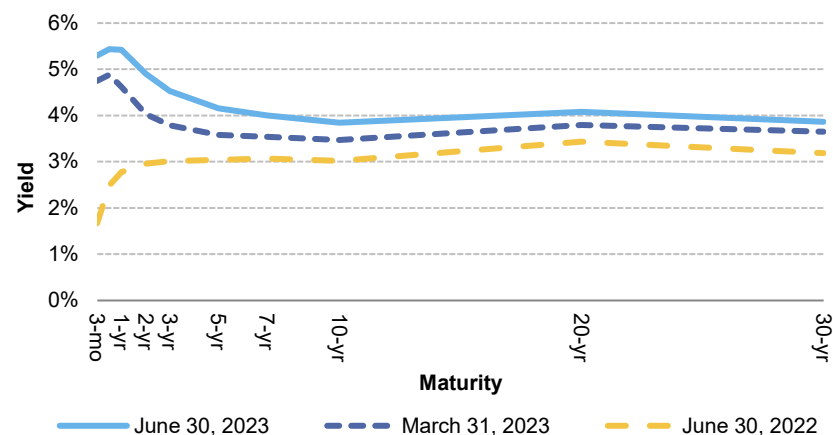
Source: Bloomberg.

Interest Rate Overview

U.S. Treasury Note Yields



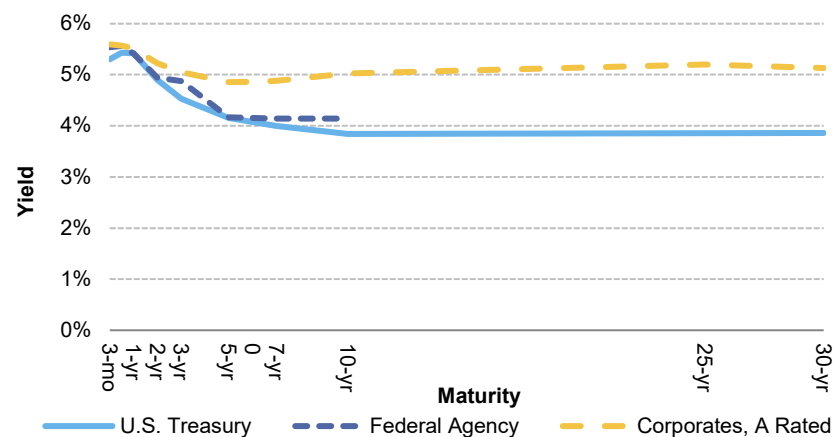
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	Jun '23	Mar '23	Change over Quarter	Jun '22	Change over Year
3-Month	5.30%	4.75%	0.55%	1.67%	3.63%
1-Year	5.42%	4.62%	0.80%	2.78%	2.64%
2-Year	4.90%	4.03%	0.87%	2.96%	1.94%
5-Year	4.16%	3.58%	0.58%	3.04%	1.12%
10-Year	3.84%	3.47%	0.37%	3.02%	0.82%
30-Year	3.86%	3.65%	0.21%	3.19%	0.67%

Yield Curves as of 06/30/2023



Source: Bloomberg.

ICE BofAML Index Returns

As of 06/30/2023

Returns for Periods ended 06/30/2023

June 30, 2023	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.82	4.98%	(0.57%)	0.13%	(1.05%)
Federal Agency	1.70	5.11%	(0.28%)	0.35%	(0.87%)
U.S. Corporates, A-AAA rated	1.87	5.62%	0.12%	1.27%	(0.48%)
Agency MBS (0 to 3 years)	1.99	5.32%	(0.18%)	(0.07%)	(1.95%)
Taxable Municipals	1.77	5.30%	(0.39%)	0.11%	0.53%
1-5 Year Indices					
U.S. Treasury	2.57	4.71%	(0.86%)	(0.43%)	(1.79%)
Federal Agency	2.04	4.99%	(0.39%)	(0.05%)	(1.49%)
U.S. Corporates, A-AAA rated	2.62	5.47%	(0.05%)	1.20%	(1.14%)
Agency MBS (0 to 5 years)	3.10	5.09%	(0.44%)	(0.62%)	(2.39%)
Taxable Municipals	2.60	5.12%	(0.54%)	0.08%	(0.45%)
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	6.46	4.36%	(1.41%)	(2.47%)	(4.97%)
Federal Agency	3.36	4.81%	(0.43%)	(0.61%)	(2.53%)
U.S. Corporates, A-AAA rated	7.02	5.30%	(0.42%)	0.44%	(3.89%)
Agency MBS (0 to 30 years)	5.62	4.78%	(0.53%)	(1.56%)	(3.77%)
Taxable Municipals	9.28	5.02%	(0.40%)	(0.61%)	(4.24%)

Returns for periods greater than one year are annualized.

Source: ICE BofAML Indices.

Disclosures

PFM Asset Management LLC ("PFMAM") is an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bancorp Asset Management, Inc. ("USBAM"). USBAM is a subsidiary of U.S. Bank National Association ("U.S. Bank"). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM.

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Account Summary

The portfolio is in compliance with applicable state statutes and the City's Investment Policy C-7.

Quarter Ended June 30, 2023 – 2Q23¹

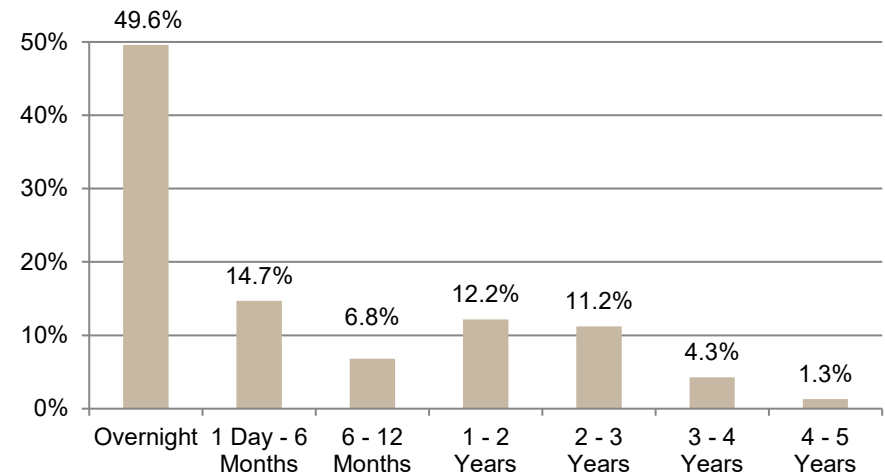
Quarterly Summary

Market Value (MV)	\$466,669,592
Amortized Cost	\$475,725,054
Portfolio Yield on Cost	2.33%
Weighted Average Maturity	0.75 years
Cash Basis Earnings for Quarter ²	\$1,873,198
Accrual Basis Earnings for Quarter ²	\$1,787,500
Quarterly Change	
Amortized Cost – 2Q23	\$475,725,054
Beginning MV – 1Q22	\$530,747,707
Net Contributions	(\$49,445,357.20)
Change in Cash	(\$11,337,669)
Change in MV	(\$3,295,088)
Ending MV – 2Q23	\$466,669,592

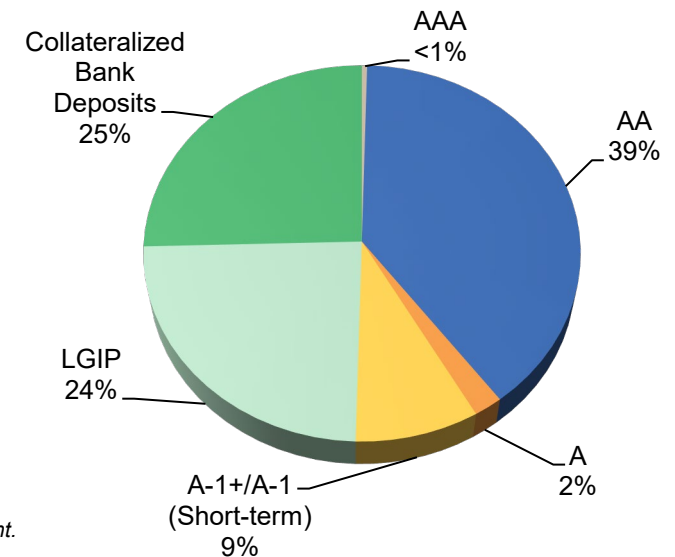
Sector Distribution¹

Sector	Amortized Cost	Market Value	% of Portfolio	Allowed by Policy
U.S. Treasuries	\$174,279,483	\$168,440,177	36%	100%
Federal Agencies	\$32,300,965	\$31,610,734	7%	100%
Corporate Notes	\$37,793,473	\$35,267,548	8%	35%
LGIP	\$112,757,834	\$112,757,834	24%	ORS limit
Collateralized Deposit Accounts	\$118,593,299	\$118,593,299	25%	100%
Total	\$475,725,054	\$466,669,592	100%	

Combined Portfolio Maturity Distribution⁴



Credit Quality Distribution³



1. Combined portfolio includes funds in the PFAM-managed portfolios, funds in the Oregon LGIP, and the City's U.S. Bank account. Portfolio values are as of June 30, 2023 and exclude accrued interest on the PFAM-managed funds.

2. Excludes earnings on LGIP and deposit accounts.

3. Ratings by Standard & Poor's (S&P).

4. Callable securities are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Account Summary

CITY OF SALEM LONG-TERM PORTFOLIO			
Portfolio Values	June 30, 2023	Analytics ¹	June 30, 2023
PFMAM Managed Account	\$186,103,644	Yield at Market	4.94%
Amortized Cost	\$195,042,479	Yield on Cost	1.81%
Market Value	\$186,103,644	Portfolio Duration	1.71
Accrued Interest	\$564,440		
Cash	\$0		

CITY OF SALEM SHORT TERM PORTFOLIO			
Portfolio Values	June 30, 2023	Analytics ¹	June 30, 2023
PFMAM Managed Account	\$49,214,815	Yield at Market	5.29%
Amortized Cost	\$49,331,442	Yield on Cost	4.72%
Market Value	\$49,214,815	Portfolio Duration	0.31
Accrued Interest	\$3,811		
Cash	\$0		

1. Yield at market, yield on cost, and portfolio duration only include investments held within the separately managed account(s), excludes balances invested in overnight funds.

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	71.6%	
UNITED STATES TREASURY	71.6%	AA / Aaa / AAA
Federal Agency	13.4%	
FEDERAL HOME LOAN BANKS	10.8%	AA / Aa / NR
FREDDIE MAC	2.6%	AA / Aaa / AAA
Corporate	15.0%	
AMAZON.COM INC	1.9%	AA / A / AA
APPLE INC	2.9%	AA / Aaa / NR
BANK OF AMERICA CO	1.0%	A / A / AA
BLACKROCK INC	0.8%	AA / Aa / NR
CHEVRON CORPORATION	1.6%	AA / Aa / NR
JP MORGAN CHASE & CO	2.0%	A / A / AA
MICROSOFT CORP	0.8%	AAA / Aaa / NR
NIKE INC	1.0%	AA / A / NR
TORONTO-DOMINION BANK	0.9%	A / A / AA
VISA INC	1.0%	AA / Aa / NR
WAL-MART STORES INC	0.9%	AA / Aa / AA
Total	100.0%	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

Certificate of Compliance

During the reporting period for the quarter ended June 30, 2023, the account(s) managed by PFM Asset Management ("PFMAM") were in compliance with the applicable investment policy and guidelines as furnished to PFMAM.

Acknowledged : *PFM Asset Management LLC*

Note: Pre- and post-trade compliance for the account(s) managed by PFM Asset Management is provided via Bloomberg Asset and Investment Management ("AIM").

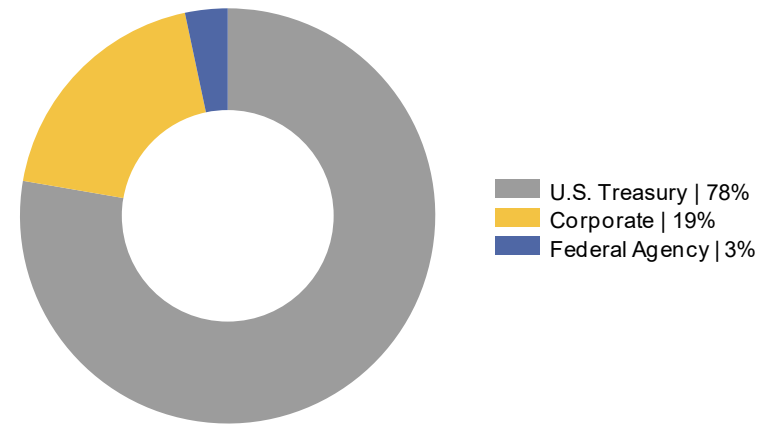
Portfolio Review: CITY OF SALEM LONG-TERM PORTFOLIO

Portfolio Snapshot - CITY OF SALEM LONG-TERM PORTFOLIO¹

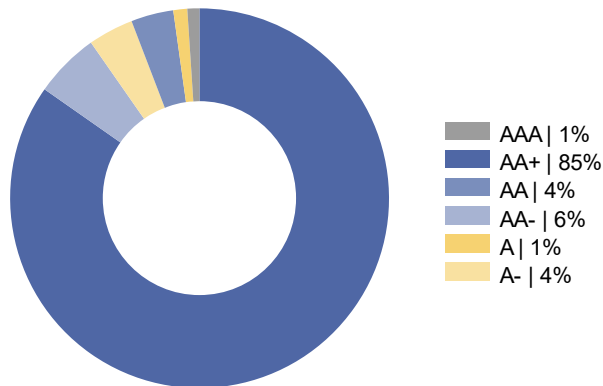
Portfolio Statistics

Total Market Value	\$186,668,084.59
Securities Sub-Total	\$186,103,644.28
Accrued Interest	\$564,440.31
Cash	\$0.00
Portfolio Effective Duration	1.71 years
Benchmark Effective Duration	2.50 years
Yield At Cost	1.81%
Yield At Market	4.94%
Portfolio Credit Quality	AA

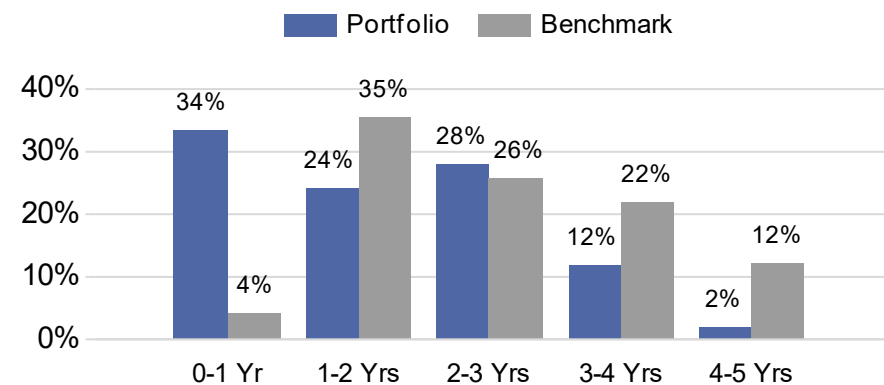
Sector Allocation



Credit Quality - S&P



Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is currently the ICE BofA 1-5 Year U.S. Treasury Index. Prior to 12/31/19 it was the 1-3 Year U.S. Treasury Index. Prior to 6/30/16 it was the ICE BofA 0-3 Year U.S. Treasury Index. Source: Bloomberg. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

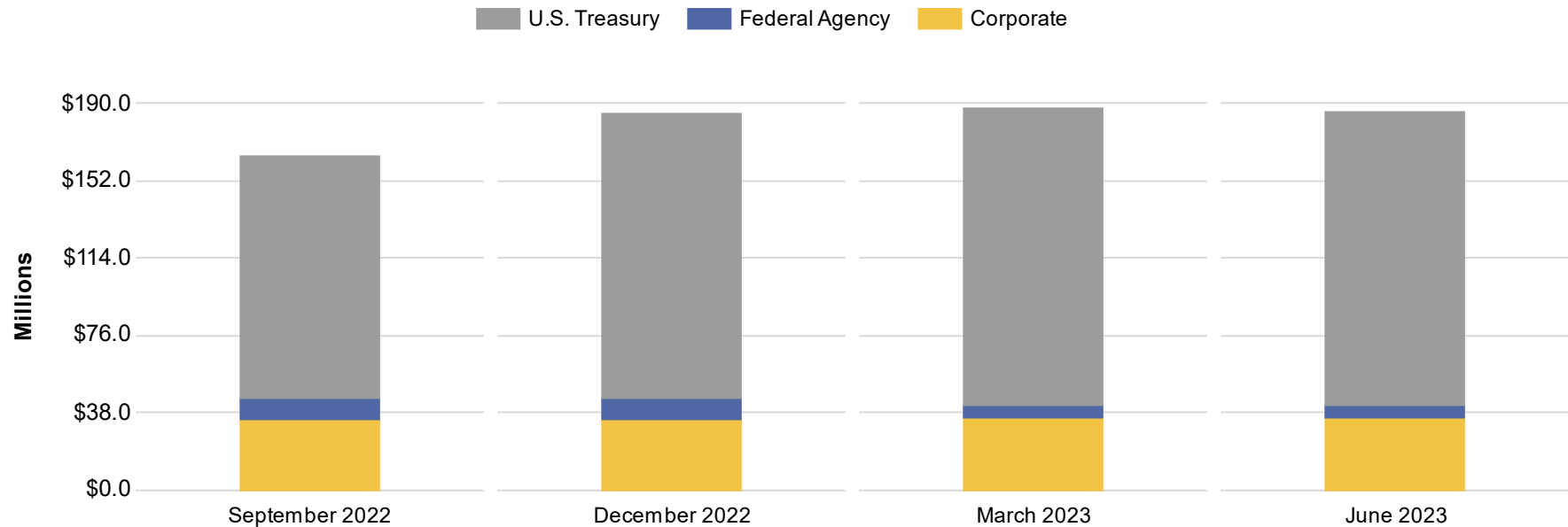
Issuer Diversification - CITY OF SALEM LONG-TERM PORTFOLIO

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	77.7%	
UNITED STATES TREASURY	77.7%	AA / Aaa / AAA
Federal Agency	3.3%	
FREDDIE MAC	3.3%	AA / Aaa / AAA
Corporate	19.0%	
AMAZON.COM INC	2.4%	AA / A / AA
APPLE INC	3.7%	AA / Aaa / NR
BANK OF AMERICA CO	1.3%	A / A / AA
BLACKROCK INC	1.1%	AA / Aa / NR
CHEVRON CORPORATION	2.0%	AA / Aa / NR
JP MORGAN CHASE & CO	2.5%	A / A / AA
MICROSOFT CORP	1.0%	AAA / Aaa / NR
NIKE INC	1.3%	AA / A / NR
TORONTO-DOMINION BANK	1.2%	A / A / AA
VISA INC	1.2%	AA / Aa / NR
WAL-MART STORES INC	1.2%	AA / Aa / AA
Total	100.0%	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

Sector Allocation Review - CITY OF SALEM LONG-TERM PORTFOLIO

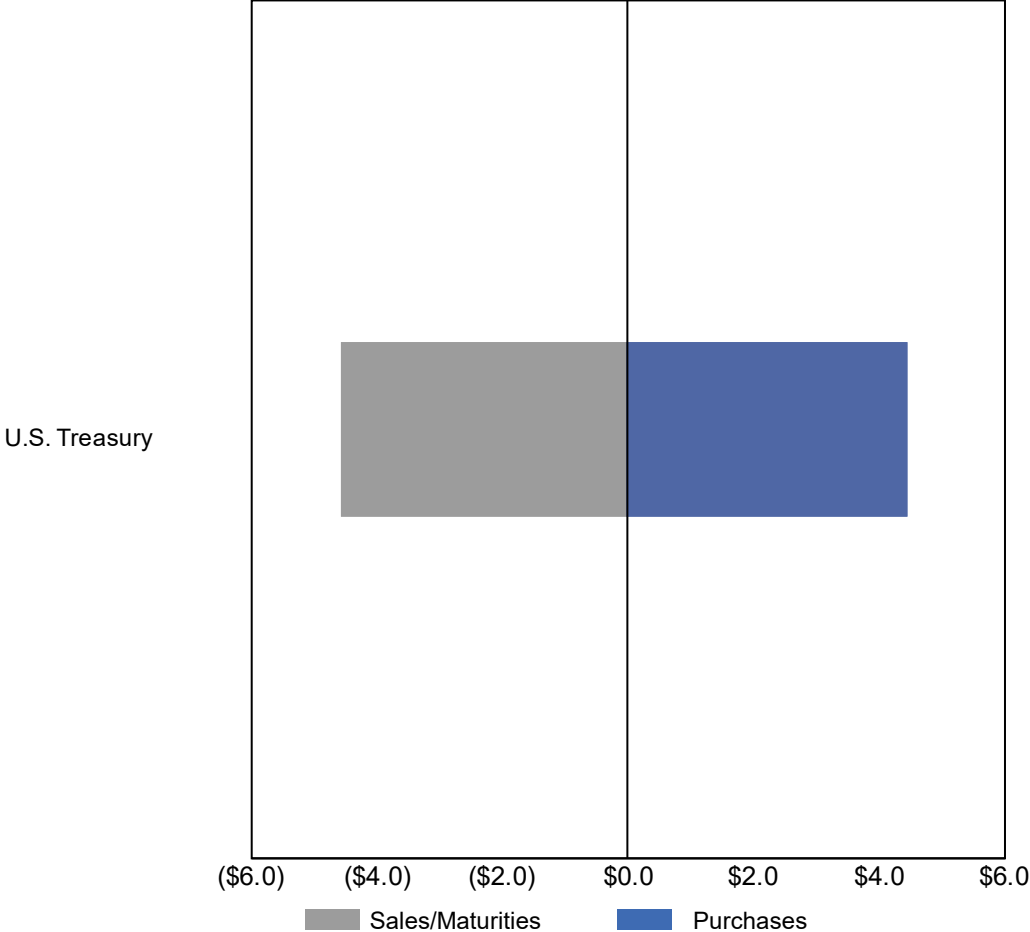
Security Type	Sep-22	% of Total	Dec-22	% of Total	Mar-23	% of Total	Jun-23	% of Total
U.S. Treasury	\$118.8	72.5%	\$139.3	75.4%	\$145.6	77.8%	\$144.7	77.7%
Federal Agency	\$10.5	6.4%	\$10.6	5.7%	\$6.2	3.3%	\$6.1	3.3%
Corporate	\$34.6	21.1%	\$34.9	18.9%	\$35.4	18.9%	\$35.3	19.0%
Total	\$163.9	100.0%	\$184.8	100.0%	\$187.2	100.0%	\$186.1	100.0%



Market values, excluding accrued interest. Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM. Detail may not add to total due to rounding.

Portfolio Activity - CITY OF SALEM LONG-TERM PORTFOLIO

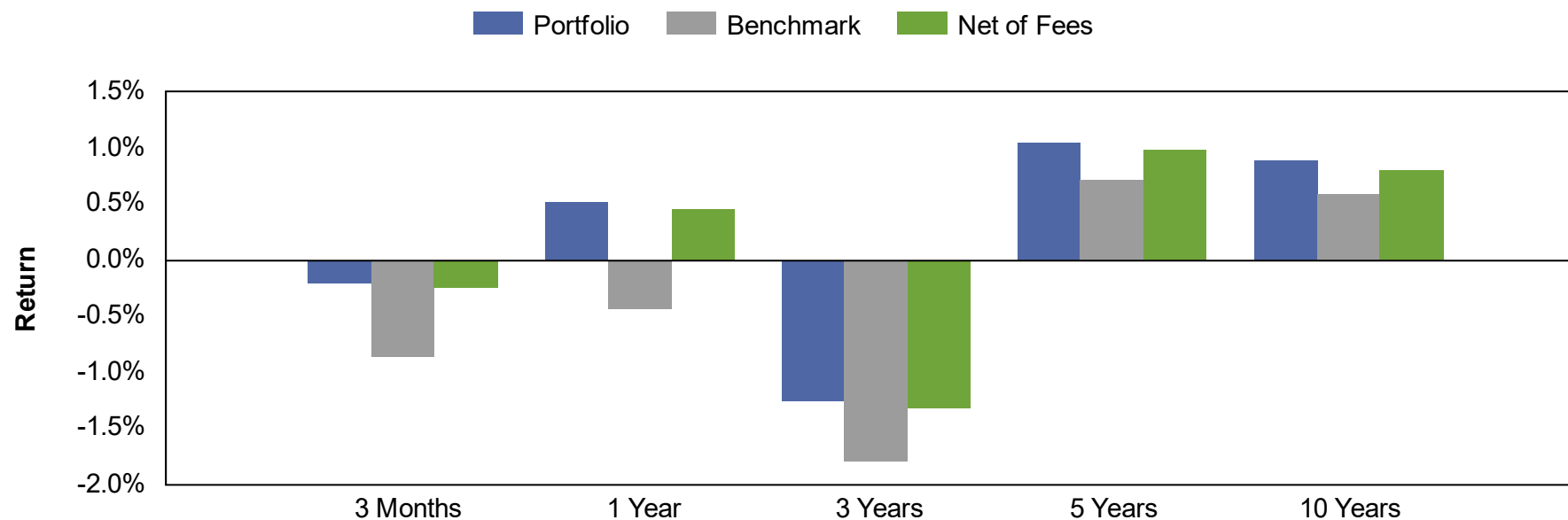
Net Activity by Sector
(\$ millions)



Sector	Net Activity
U.S. Treasury	(\$92,638)
Total Net Activity	(\$92,638)

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

Portfolio Performance - CITY OF SALEM LONG-TERM PORTFOLIO



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	10 Years
Interest Earned ²	\$633,933	\$2,427,272	\$8,215,014	\$13,552,076	\$20,100,842
Change in Market Value	(\$1,035,402)	(\$1,240,979)	(\$14,748,704)	(\$6,398,426)	(\$9,199,968)
Total Dollar Return	(\$401,469)	\$1,186,293	(\$6,533,690)	\$7,153,650	\$10,900,874
Total Return³					
Portfolio	-0.21%	0.53%	-1.25%	1.05%	0.88%
Benchmark ⁴	-0.86%	-0.43%	-1.79%	0.72%	0.58%
Basis Point Fee	0.02%	0.08%	0.07%	0.07%	0.07%
Net of Fee Return	-0.23%	0.45%	-1.32%	0.98%	0.81%

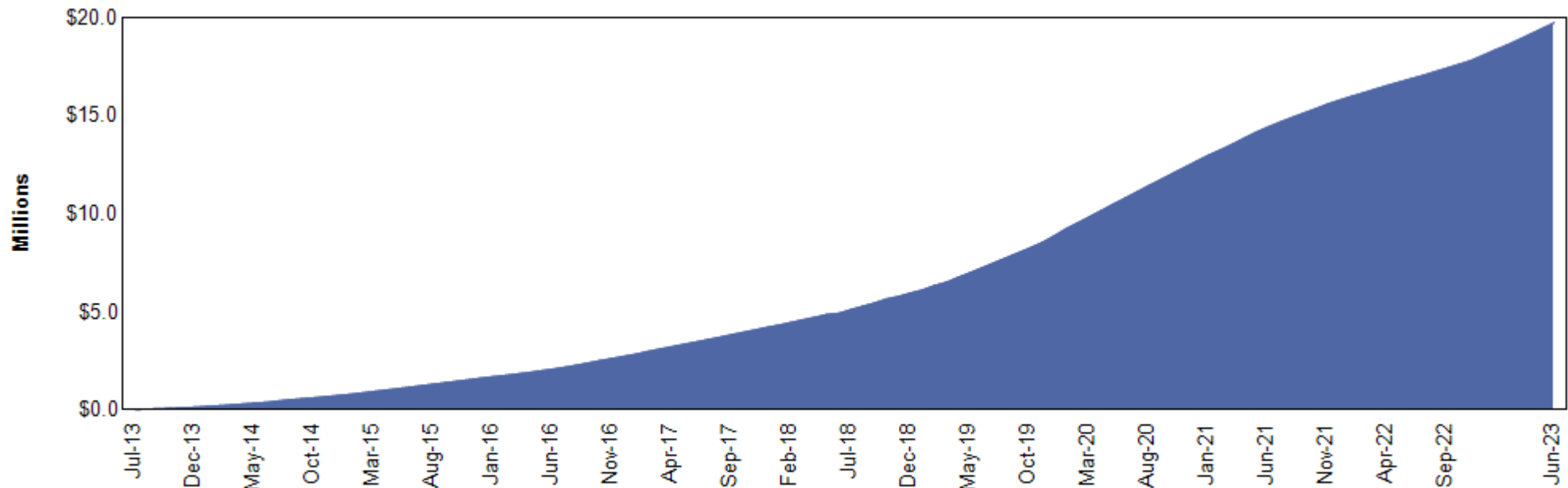
1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is December 31, 2012.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.

4. The portfolio's benchmark is currently the ICE BofA 1-5 Year U.S Treasury Index. Prior to 12/31/19 it was the 1-3 Year U.S Treasury Index. Prior to 6/30/16 it was the ICE BofA 0-3 Year U.S Treasury Index. Source: Bloomberg.

Accrual Basis Earnings - CITY OF SALEM LONG-TERM PORTFOLIO



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	10 Year ¹
Interest Earned ²	\$633,933	\$2,427,272	\$8,215,014	\$13,552,076	\$20,100,842
Realized Gains / (Losses) ³	-	(\$12,857)	\$164,118	(\$114,699)	(\$76,233)
Change in Amortized Cost	\$235,590	\$446,547	\$570,175	\$1,387,741	(\$267,961)
Total Earnings	\$869,523	\$2,860,962	\$8,949,307	\$14,825,118	\$19,756,648

1. The lesser of 10 years or since inception is shown. Performance inception date is December 31, 2012.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Realized gains / (losses) are shown on an amortized cost basis.

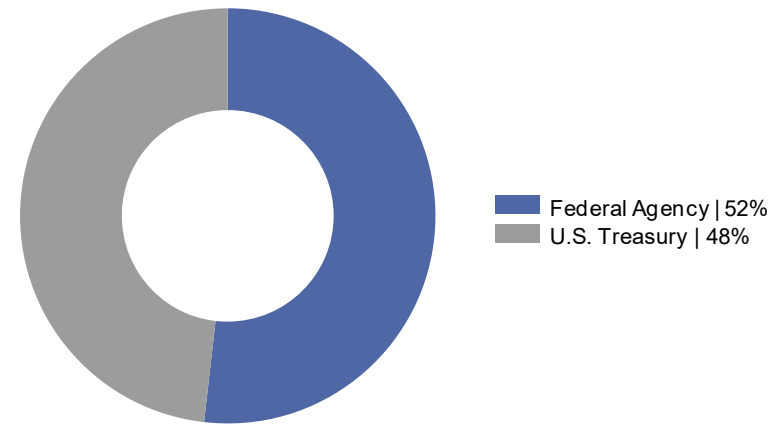
Portfolio Review: CITY OF SALEM SHORT TERM PORTFOLIO

Portfolio Snapshot - CITY OF SALEM SHORT TERM PORTFOLIO¹

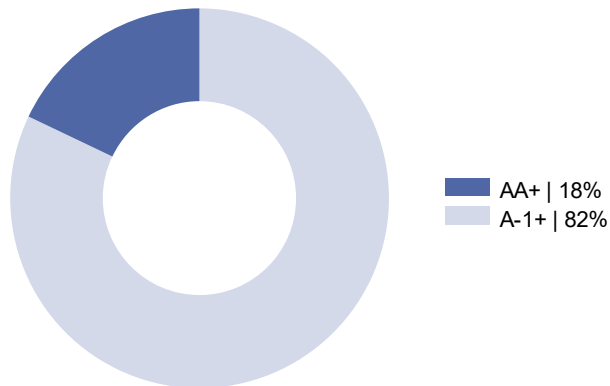
Portfolio Statistics

Total Market Value	\$49,218,626.45
Securities Sub-Total	\$49,214,814.97
Accrued Interest	\$3,811.48
Cash	\$0.00
Portfolio Effective Duration	0.31 years
Yield At Cost	4.72%
Yield At Market	5.29%
Portfolio Credit Quality	AA

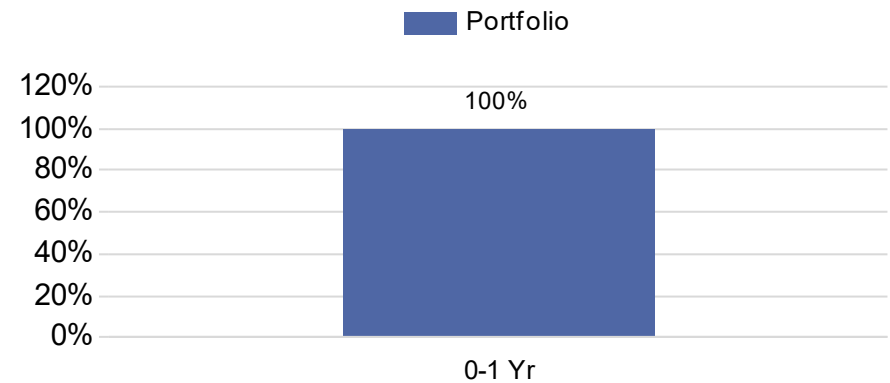
Sector Allocation



Credit Quality - S&P



Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

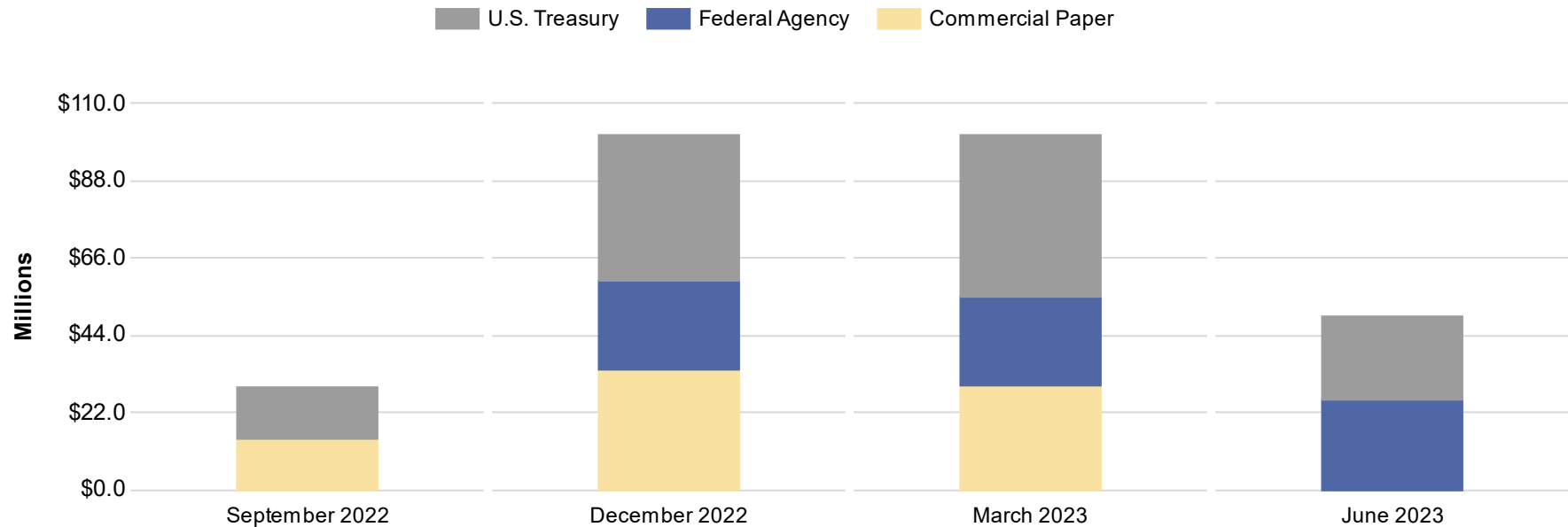
Issuer Diversification - CITY OF SALEM SHORT TERM PORTFOLIO

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	48.2%	
UNITED STATES TREASURY	48.2%	AA / Aa / AA
Federal Agency	51.8%	
FEDERAL HOME LOAN BANKS	51.8%	AA / Aa / NR
Total	100.0%	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

Sector Allocation Review - CITY OF SALEM SHORT TERM PORTFOLIO

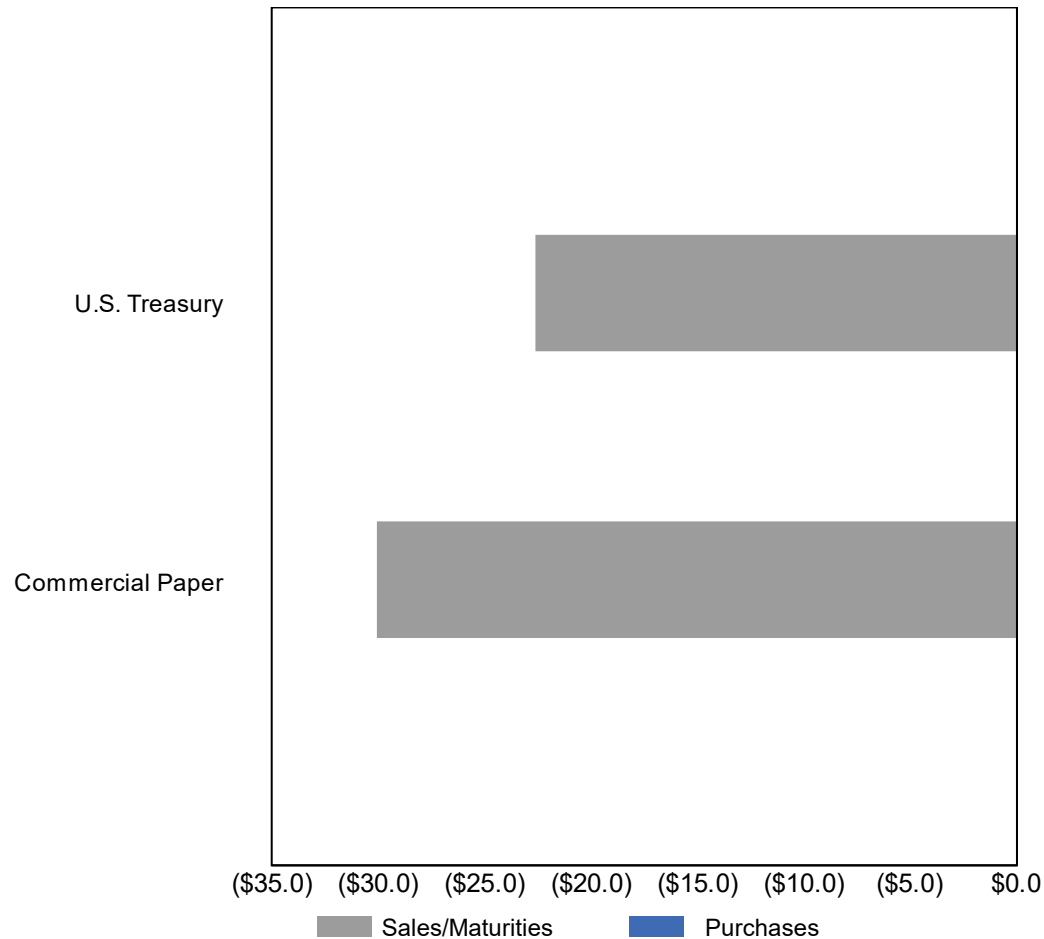
Security Type	Sep-22	% of Total	Dec-22	% of Total	Mar-23	% of Total	Jun-23	% of Total
U.S. Treasury	\$14.4	49.7%	\$41.4	41.2%	\$45.9	45.5%	\$23.7	48.2%
Federal Agency	\$0.0	0.0%	\$24.9	24.7%	\$25.2	25.0%	\$25.5	51.8%
Commercial Paper	\$14.6	50.3%	\$34.4	34.1%	\$29.8	29.5%	\$0.0	0.0%
Total	\$29.0	100.0%	\$100.7	100.0%	\$100.9	100.0%	\$49.2	100.0%



Market values, excluding accrued interest. Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM. Detail may not add to total due to rounding.

Portfolio Activity - CITY OF SALEM SHORT TERM PORTFOLIO

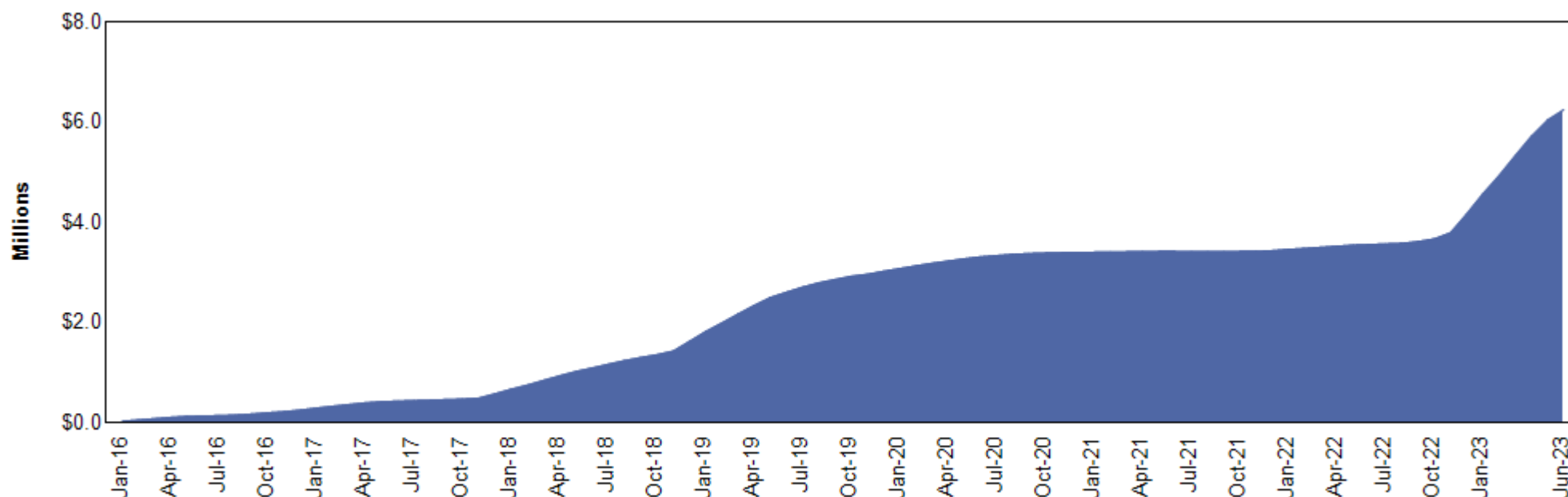
Net Activity by Sector
(\$ millions)



Sector	Net Activity
U.S. Treasury	(\$22,500,000)
Commercial Paper	(\$30,000,000)
Total Net Activity	(\$52,500,000)

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

Accrual Basis Earnings - CITY OF SALEM SHORT TERM PORTFOLIO



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception ¹
Interest Earned ²	\$11,229	\$26,311	\$106,908	\$420,309	\$734,993
Realized Gains / (Losses) ³	-	-	-	-	\$4,369
Change in Amortized Cost	\$906,748	\$2,667,210	\$2,833,252	\$4,737,421	\$5,508,453
Total Earnings	\$917,977	\$2,693,521	\$2,940,160	\$5,157,730	\$6,247,815

1. The lesser of 10 years or since inception is shown. Performance inception date is January 1, 1900.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Realized gains / (losses) are shown on an amortized cost basis.

ESG Overview



ESG Risk Composition Overview

Interpreting the ESG Risk Rating

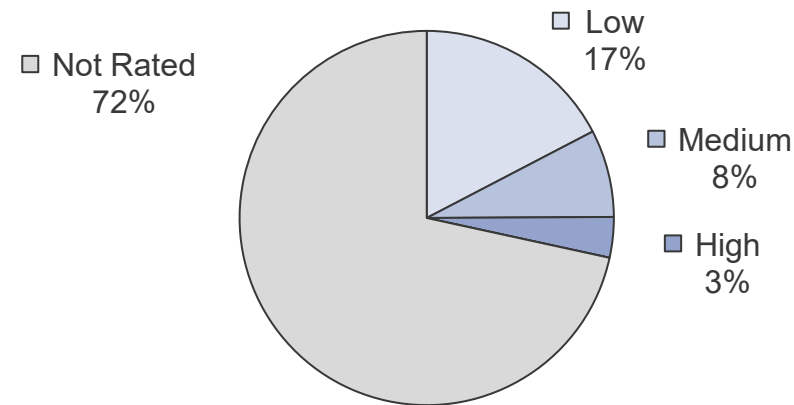
The **ESG Risk Rating** measures **economic value at risk based on ESG factors**.

A company's ESG Risk Rating is comprised of a quantitative score and a risk category. The score indicates unmanaged ESG risk. **Risk categories are absolute** and comparable across industries.

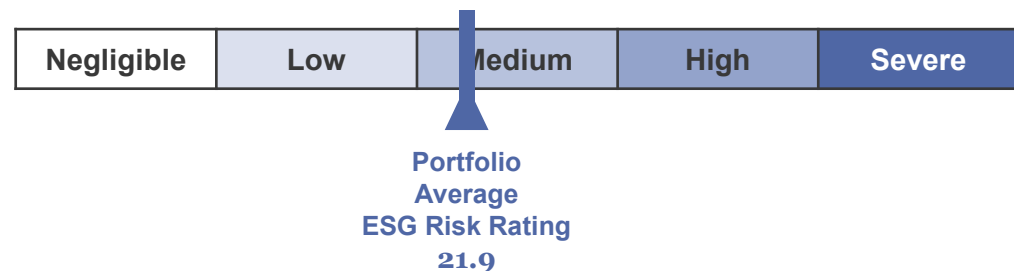
Lower scores represent less unmanaged risk. Ratings are scored on a scale of 1-100 and are assigned to one of the following ESG risk categories:

- Negligible Risk (overall score of 0-9.99 points)
- Low Risk (10-19.99 points)
- Medium Risk (20-29.99 points)
- High Risk (30-39.99 points)
- Severe Risk (40 and higher points)

Allocation by ESG Risk Rating



13/14 of portfolio issuers are rated with a total rated market value of \$67.0 million (28%)



Market Value includes accrued interest as of June 30, 2023. Average ESG Risk Rating is weighted by market value. Please see important disclosures at the end of this presentation.

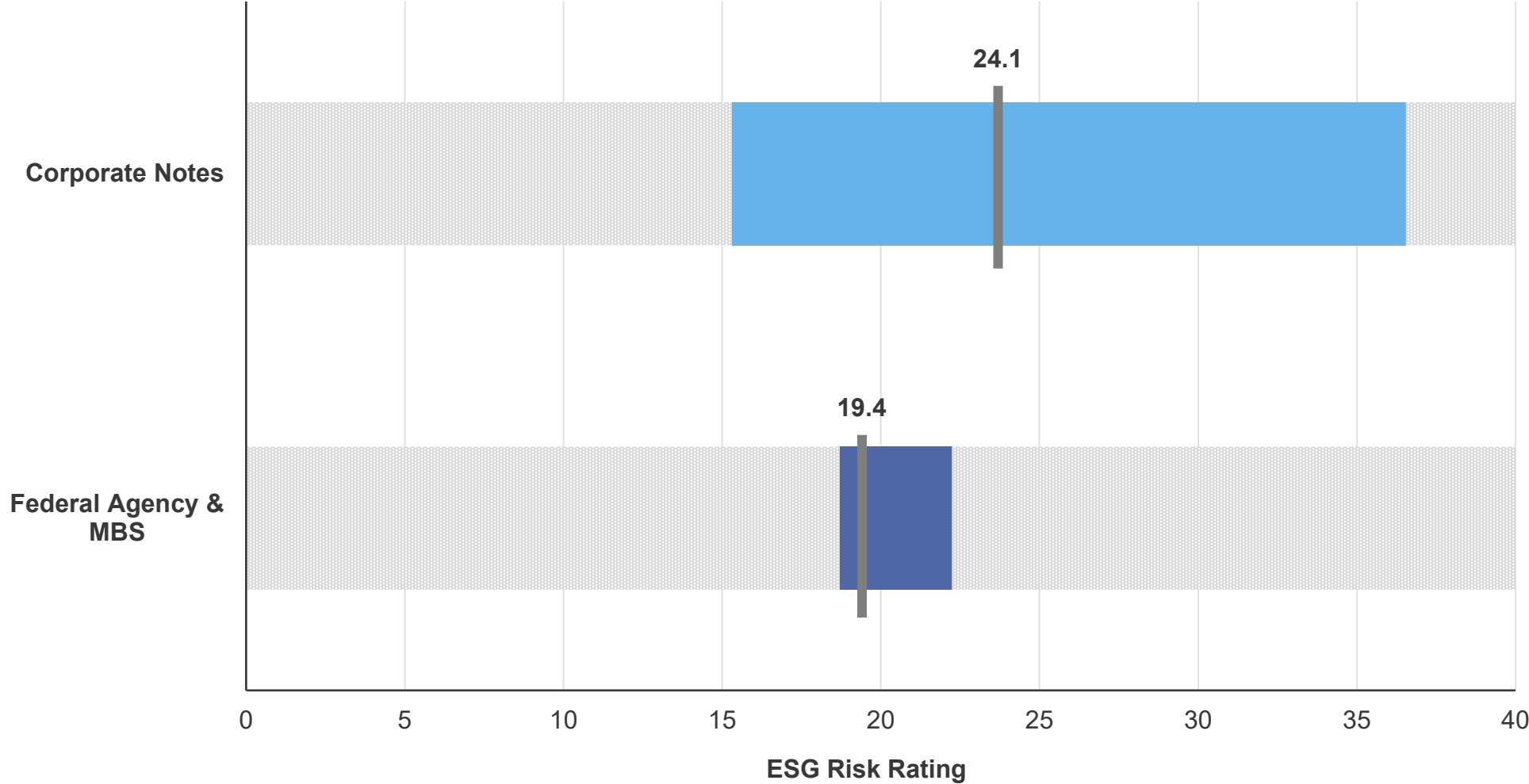
* U.S. Treasury obligations are not included in the analysis.

Additional ESG Information



Sector Analysis

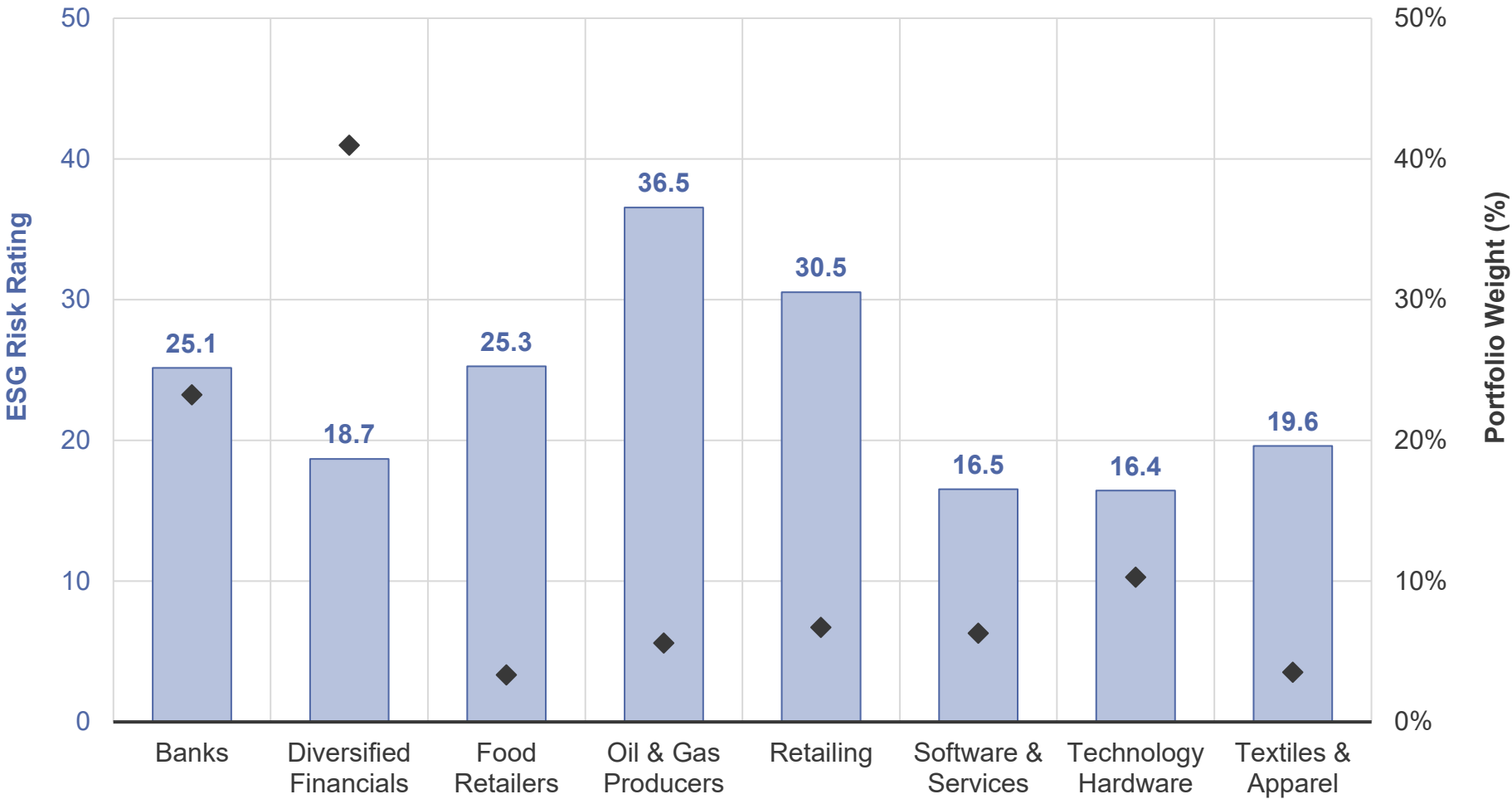
ESG Risk Rating Range and Average by Sector



Source: Sustainalytics. Data as of June 30, 2023. Bars represent the range of held issuers' ESG risk rating that fall under each sector, and lines indicate the sectors market value-weighted average ESG risk rating. Please see important disclosures at the end of this presentation.

Industry Diversification

Industry Exposure and Weighted Average Risk Score



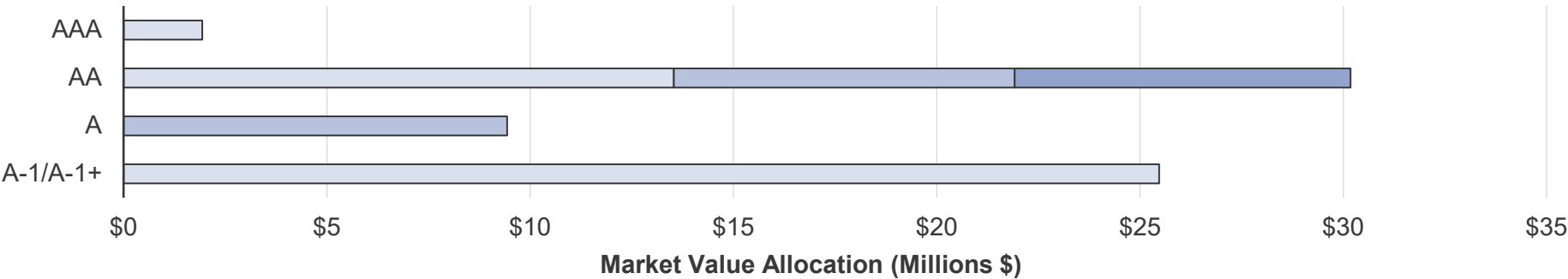
Portfolio holdings and Sustainalytics data as of June 30, 2023. Average ESG Risk Rating represents the market value-weighted average ESG risk rating for each industry.

S&P Credit Rating Distribution

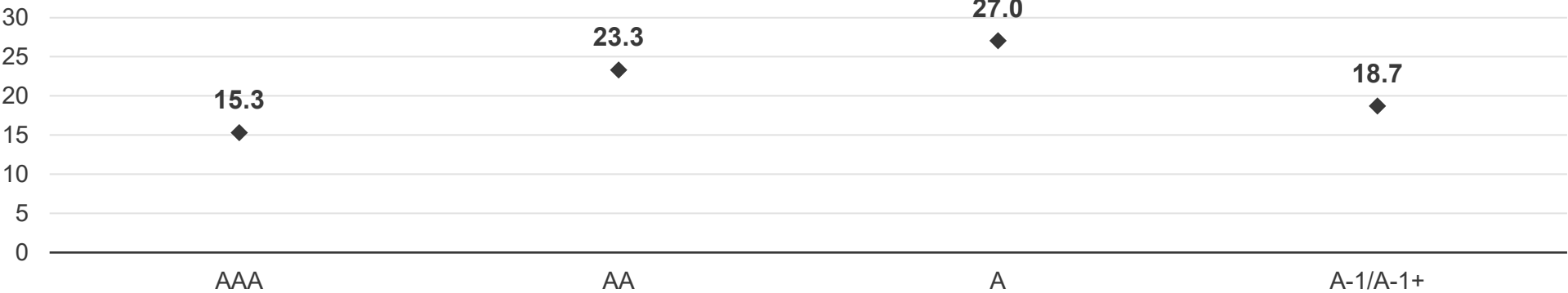
ESG Risk Rating Key

Negligible	Low	Medium	High	Severe
0-9.99	10-19.99	20-29.99	30-39.99	40-100

Credit Rating Grouped by ESG Risk Rating Category



Average ESG Risk Rating by S&P Credit Rating



Portfolio holdings and Sustainalytics data as of June 30, 2023. If a security is not rated by S&P, the equivalent Moody's rating is used. NR stands for 'no rating' and implies that the issuer is not rated by S&P or Moody's but is rated by Fitch.

Holdings as of June 30, 2023

Issuer	% Weight	Subindustry	Subindustry Percentile	ESG Risk Rating June 30, 2023
Microsoft Corp	0.8%	Enterprise and Infrastructure Software	6	15.3
Apple Inc	2.9%	Technology Hardware	22	16.4
Visa, Inc.	1.0%	Data Processing	22	17.5
BlackRock, Inc.	0.8%	Asset Management and Custody Services	6	18.3
Federal Home Loan Bank System	10.8%	Consumer Finance	15	18.7
Nike Inc.	1.0%	Footwear	71	19.6
The Toronto-Dominion Bank	0.9%	Diversified Banks	20	20.9
Federal Home Loan Mortgage Corp	2.6%	Thriffs and Mortgages	25	22.2
Walmart Inc.	0.9%	Food Retail	48	25.3
Bank of America Corporation	1.0%	Diversified Banks	56	28.3
JPMorgan Chase & Co.	2.0%	Diversified Banks	60	29.3
Amazon.com Inc	1.9%	Online and Direct Marketing Retail	95	30.5
Chevron Corporation	1.6%	Integrated Oil & Gas	31	36.5

Source: Sustainalytics. Holdings as of June 30, 2023.

Appendix

ESG Themes Information



	ESG Theme	Theme Description	Key Indicators
Environment	Carbon Output & Energy Use	Refers to a company's management of risks related to its energy efficiency and greenhouse gas emissions in its operation as well as its products and services in the production phase and during the product use phase	<ul style="list-style-type: none"> • Carbon intensity • Renewable energy use • Env. Mgt. System certification • GHG reporting / risk management • Hazardous products • Sustainable products & services
	Waste & Pollution	Evaluates the management of emissions and releases from a company's own operations to air, water, and land, excluding greenhouse gas emissions	<ul style="list-style-type: none"> • Emergency response program • Solid waste management • Effluent management • Radioactive waste management • Hazardous waste management • Non-GHG air emissions programs • Oil spill disclosure & performance • Recycled material use
	Resource Use & Biodiversity	Analyzes how efficiently and effectively a company uses its raw material inputs and water in production. It also encompasses how a company manages the impact of its operations on land, ecosystems, and wildlife	<ul style="list-style-type: none"> • Biodiversity programs • Deforestation programs / policies • Site closure & rehabilitation • Water intensity & risk management • Forest certifications • Supplier environmental programs / certifications • Sustainable agriculture programs
	Community Impact (Environmental)	Evaluates the community impact from an environmental risk perspective based on an assessment of Community Relations, Products & Services, Occupational Health and Safety, and Product Governance	<ul style="list-style-type: none"> • Env Impact – Community Relations • Env Impact – Products & Services • Env Impact – Occupational Health and Safety • Env Impact – Product Governance

ESG Themes listed were created by PFMAM for educational purposes based on the material ESG issues ("MEIs") and ESG indicators developed and defined by Sustainalytics.

	ESG Theme	Theme Description	Key Indicators
Social	Human Capital Management	Evaluates the management of risks related to human rights, labor rights, equality, talent development, employee retention, and labor health and safety	<ul style="list-style-type: none"> • Discrimination policy • Diversity programs • Gender pay equality / disclosures • Employee development • Supply chain management / standards • Human rights policies & programs • Employee health & safety
	Product Governance	Focuses on the management of risks related to product quality, safety, wellness, and nutrition, as well as customer data privacy & cybersecurity	<ul style="list-style-type: none"> • Product & service safety programs / certifications • Data privacy management • Media & advertising ethics policy • Organic products / GMO policy • Product health statement
	Community Impact (Social)	Assesses how companies engage with local communities and their management of access to essential products or services to disadvantaged communities or groups	<ul style="list-style-type: none"> • Equitable pricing and availability • Access to health care • Price transparency • Human rights / indigenous policy • Community involvement programs • Noise management
	ESG Financial Integration & Resilience*	Analyzes financial stability and issues that pose systemic risks and potential external costs to society in the financial services industry. Also measures ESG activities by financial institutions	<ul style="list-style-type: none"> • Systemic risk management / reporting • Tier 1 capital • Leverage ratio • Responsible investment / asset management • Underwriting standards • Financial inclusion • Credit & loan standards • Green buildings investments

* Only applies to financial service industries

ESG Themes listed were created by PFMAM for educational purposes based on the material ESG issues ("MEIs") and ESG indicators developed and defined by Sustainalytics.

ESG Themes Glossary

ESG Theme	Theme Description	Key Indicators
Governance	Corporate Governance Evaluates a company’s rules, policies, and practices with a focus on how a company's board of directors manages and oversees the operations of a company. Also assesses the management of general professional ethics and lobbying activities	<ul style="list-style-type: none">• Board/management quality & integrity• Board structure• Ownership & shareholder rights• Remuneration• Audit & financial reporting• Stakeholder governance• Bribery & corruption policies / programs• Money laundering policy• Whistleblower programs• Business ethics programs• Political involvement policy• Lobbying and political expenses

Portfolio Holdings and Transactions

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury											
US TREASURY NOTES DTD 08/01/2016 1.250% 07/31/2023	912828S92	3,750,000.00	AA+	Aaa	11/19/2019	11/21/2019	3,702,685.55	1.60	19,552.83	3,748,947.01	3,737,695.50
US TREASURY NOTES DTD 08/31/2016 1.375% 08/31/2023	912828D1	4,500,000.00	AA+	Aaa	1/17/2020	1/22/2020	4,466,425.78	1.59	20,681.05	4,498,444.93	4,470,468.75
US TREASURY NOTES DTD 09/30/2016 1.375% 09/30/2023	912828T26	3,750,000.00	AA+	Aaa	11/19/2019	11/21/2019	3,717,480.47	1.61	12,961.07	3,747,899.73	3,714,258.00
US TREASURY NOTES DTD 09/30/2021 0.250% 09/30/2023	91282CDA6	7,475,000.00	AA+	Aaa	10/14/2021	10/15/2021	7,459,816.41	0.35	4,697.40	7,473,067.54	7,385,066.78
US TREASURY N/B NOTES DTD 12/31/2021 0.750% 12/31/2023	91282CDR9	2,750,000.00	AA+	Aaa	1/10/2022	1/11/2022	2,742,910.16	0.88	56.05	2,748,195.49	2,688,554.55
US TREASURY NOTES DTD 01/03/2017 2.250% 12/31/2023	912828V23	3,530,000.00	AA+	Aaa	11/19/2019	11/21/2019	3,619,491.02	1.61	215.83	3,540,910.63	3,476,498.61
US TREASURY NOTES DTD 01/31/2017 2.250% 01/31/2024	912828V80	4,600,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,718,953.13	1.61	43,172.65	4,616,681.50	4,515,187.50
US TREASURY NOTES DTD 03/15/2021 0.250% 03/15/2024	91282CBR1	5,000,000.00	AA+	Aaa	4/15/2021	4/16/2021	4,992,773.44	0.30	3,668.48	4,998,247.70	4,822,656.00
US TREASURY NOTES DTD 03/31/2017 2.125% 03/31/2024	912828W71	4,600,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,698,289.06	1.61	24,571.04	4,616,980.58	4,489,312.50
US TREASURY N/B NOTES DTD 04/15/2021 0.375% 04/15/2024	91282CBV2	2,500,000.00	AA+	Aaa	4/27/2021	4/28/2021	2,501,464.84	0.36	1,972.34	2,500,390.89	2,402,734.50
US TREASURY NOTES DTD 05/31/2017 2.000% 05/31/2024	912828XT2	5,250,000.00	AA+	Aaa	1/17/2020	1/22/2020	5,333,876.95	1.62	8,893.44	5,267,661.08	5,088,398.70
US TREASURY NOTES DTD 06/30/2017 2.000% 06/30/2024	912828XX3	4,600,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,678,343.75	1.61	250.00	4,617,051.56	4,448,343.52
US TREASURY NOTES DTD 08/31/2019 1.250% 08/31/2024	912828YE4	5,250,000.00	AA+	Aaa	1/17/2020	1/22/2020	5,163,457.03	1.62	21,934.44	5,228,042.87	5,006,367.45
US TREASURY NOTES DTD 09/30/2019 1.500% 09/30/2024	912828YH7	4,600,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,575,742.19	1.61	17,344.26	4,593,733.28	4,388,687.50
US TREASURY N/B NOTES DTD 10/15/2021 0.625% 10/15/2024	91282CDB4	5,000,000.00	AA+	Aaa	11/9/2021	11/12/2021	4,992,382.81	0.68	6,574.45	4,996,633.60	4,710,156.00

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury											
US TREASURY NOTES DTD 10/31/2019 1.500% 10/31/2024	912828YM6	5,250,000.00	AA+	Aaa	1/17/2020	1/22/2020	5,219,238.28	1.63	13,267.66	5,241,392.36	4,994,882.55
US TREASURY NOTES DTD 11/17/2014 2.250% 11/15/2024	912828G38	4,070,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,192,735.94	1.62	11,695.72	4,104,014.42	3,907,200.00
US TREASURY NOTES DTD 12/31/2019 1.750% 12/31/2024	912828YY0	4,750,000.00	AA+	Aaa	1/17/2020	1/22/2020	4,777,275.39	1.63	225.88	4,758,295.95	4,515,468.75
US TREASURY N/B NOTES DTD 01/15/2022 1.125% 01/15/2025	91282CDS7	10,670,000.00	AA+	Aaa	11/28/2022	11/30/2022	9,958,527.73	4.45	55,376.42	10,153,564.53	10,033,134.38
US TREASURY NOTES DTD 03/31/2020 0.500% 03/31/2025	912828ZF0	4,100,000.00	AA+	Aaa	11/9/2021	11/12/2021	4,059,320.31	0.80	5,153.01	4,078,951.97	3,792,500.00
US TREASURY NOTES DTD 07/31/2020 0.250% 07/31/2025	91282CAB7	6,000,000.00	AA+	Aaa	4/15/2021	4/16/2021	5,898,984.38	0.65	6,256.91	5,950,942.64	5,458,125.00
US TREASURY NOTES DTD 08/31/2020 0.250% 08/31/2025	91282CAJ0	11,100,000.00	AA+	Aaa	11/28/2022	11/30/2022	9,958,347.66	4.25	9,275.14	10,200,309.80	10,069,781.25
US TREASURY NOTES DTD 12/31/2020 0.375% 12/31/2025	91282CBC4	2,000,000.00	AA+	Aaa	1/15/2021	1/19/2021	1,992,500.00	0.45	20.38	1,996,206.42	1,802,812.40
US TREASURY NOTES DTD 01/31/2021 0.375% 01/31/2026	91282CBH3	5,900,000.00	AA+	Aaa	4/15/2021	4/16/2021	5,790,066.41	0.77	9,228.94	5,840,669.76	5,296,171.58
US TREASURY N/B NOTES DTD 02/15/2023 4.000% 02/15/2026	91282CGL9	4,500,000.00	AA+	Aaa	2/21/2023	2/23/2023	4,449,023.44	4.41	67,624.31	4,455,020.68	4,431,093.75
US TREASURY NOTES DTD 02/28/2021 0.500% 02/28/2026	91282CBQ3	2,665,000.00	AA+	Aaa	3/16/2021	3/18/2021	2,623,255.27	0.82	4,453.74	2,642,534.50	2,393,919.40
US TREASURY N/B NOTES DTD 05/31/2021 0.750% 05/31/2026	91282CCF6	4,000,000.00	AA+	Aaa	11/9/2021	11/12/2021	3,951,718.75	1.02	2,540.98	3,969,043.03	3,592,500.00
US TREASURY N/B NOTES DTD 07/31/2021 0.625% 07/31/2026	91282CCP4	2,750,000.00	AA+	Aaa	3/3/2022	3/4/2022	2,617,119.14	1.77	7,169.37	2,657,065.93	2,450,078.13
US TREASURY N/B NOTES DTD 10/31/2021 1.125% 10/31/2026	91282CDG3	4,825,000.00	AA+	Aaa	5/3/2023	5/4/2023	4,443,334.96	3.56	9,145.21	4,460,683.37	4,339,484.38
US TREASURY N/B NOTES DTD 05/31/2022 2.625% 05/31/2027	91282CET4	1,000,000.00	AA+	Aaa	5/31/2022	6/2/2022	991,484.38	2.81	2,223.36	993,323.83	939,687.50
US TREASURY N/B NOTES DTD 06/30/2022 3.250% 06/30/2027	91282CEW7	5,500,000.00	AA+	Aaa	7/12/2022	7/14/2022	5,566,816.41	2.98	485.73	5,553,836.62	5,289,453.40
US TREASURY N/B NOTES DTD 07/31/2022 2.750% 07/31/2027	91282CFB2	2,500,000.00	AA+	Aaa	8/11/2022	8/12/2022	2,478,808.59	2.93	28,677.49	2,482,581.92	2,357,031.25

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury											
US TREASURY NOTES DTD 10/31/2020 0.500% 10/31/2027	91282CAU5	4,325,000.00	AA+	Aaa	3/31/2023	4/3/2023	3,745,010.74	3.71	3,643.34	3,775,883.37	3,691,117.19
Security Type Sub-Total		153,060,000.00					150,077,660.37	1.97	423,008.92	150,507,209.49	144,698,826.77
Federal Agency											
FREDDIE MAC NOTES DTD 07/23/2020 0.375% 07/21/2025	3137EAEU9	2,850,000.00	AA+	Aaa	11/30/2020	12/1/2020	2,844,129.00	0.42	4,750.00	2,847,395.68	2,600,508.15
FREDDIE MAC NOTES DTD 09/25/2020 0.375% 09/23/2025	3137EAEX3	1,400,000.00	AA+	Aaa	9/29/2020	9/30/2020	1,397,830.00	0.41	1,429.17	1,399,027.74	1,269,606.80
FREDDIE MAC NOTES DTD 09/25/2020 0.375% 09/23/2025	3137EAEX3	2,500,000.00	AA+	Aaa	11/30/2020	12/1/2020	2,490,025.00	0.46	2,552.08	2,495,373.01	2,267,155.00
Security Type Sub-Total		6,750,000.00					6,731,984.00	0.43	8,731.25	6,741,796.43	6,137,269.95
Corporate											
APPLE INC (CALLABLE) BONDS DTD 02/09/2017 3.000% 02/09/2024	037833CG3	2,380,000.00	AA+	Aaa	1/17/2020	1/22/2020	2,477,699.00	1.94	28,163.33	2,391,100.59	2,344,626.06
BLACKROCK INC CORP NOTES DTD 03/18/2014 3.500% 03/18/2024	09247XAL5	2,000,000.00	AA-	Aa3	11/19/2019	11/21/2019	2,130,520.00	1.92	20,027.78	2,021,574.24	1,965,096.00
BANK OF AMERICA CORP (CALLABLE) CORPORAT DTD 10/21/2020 0.810% 10/24/2024	06051GJH3	2,500,000.00	A-	A1	7/20/2021	7/22/2021	2,505,125.00	0.75	3,768.75	2,500,715.26	2,457,537.50
CHEVRON CORP (CALLABLE) NOTES DTD 05/11/2020 1.554% 05/11/2025	166764BW9	2,000,000.00	AA-	Aa2	3/12/2021	3/16/2021	2,041,100.00	1.05	4,316.67	2,017,965.70	1,873,232.00
CHEVRON CORP (CALLABLE) NOTES DTD 05/11/2020 1.554% 05/11/2025	166764BW9	2,000,000.00	AA-	Aa2	3/11/2021	3/15/2021	2,048,380.00	0.96	4,316.67	2,021,133.74	1,873,232.00
JPMORGAN CHASE & CO (CALLABLE) CORP NOTE DTD 06/01/2021 0.824% 06/01/2025	46647PCH7	5,000,000.00	A-	A1	5/25/2021	6/1/2021	5,010,350.00	0.77	3,433.33	5,003,172.99	4,751,260.00
MICROSOFT CORP NOTES (CALLABLE) DTD 11/03/2015 3.125% 11/03/2025	594918BJ2	2,000,000.00	AAA	Aaa	3/16/2021	3/18/2021	2,186,160.00	1.06	10,069.44	2,088,946.99	1,922,604.00

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Corporate											
APPLE INC (CALLABLE) CORPORATE NOTES DTD 02/08/2021 0.700% 02/08/2026	037833EB2	5,000,000.00	AA+	Aaa	2/8/2021	2/10/2021	4,996,800.00	0.71	13,902.78	4,998,328.07	4,507,375.00
AMAZON INC CORP NOTES (CALLABLE) DTD 05/12/2021 1.000% 05/12/2026	023135BX3	5,000,000.00	AA	A1	6/8/2021	6/10/2021	5,010,400.00	0.96	6,805.56	5,005,979.85	4,496,435.00
TORONTO-DOMINION BANK CORPORATE NOTES DTD 06/03/2021 1.200% 06/03/2026	89114TZD7	2,500,000.00	A	A1	6/16/2021	6/18/2021	2,509,725.00	1.12	2,333.33	2,505,735.12	2,218,667.50
WAL MART INC CORP NOTES (CALLABLE) DTD 09/17/2021 1.050% 09/17/2026	931142ER0	2,500,000.00	AA	Aa2	2/28/2022	3/2/2022	2,401,175.00	1.96	7,583.33	2,430,108.10	2,232,797.50
NIKE INC CORPORATE NOTES (CALLABLE) DTD 03/27/2020 2.750% 03/27/2027	654106AJ2	2,500,000.00	AA-	A1	7/12/2022	7/14/2022	2,424,975.00	3.45	17,951.39	2,440,355.78	2,346,995.00
VISA INC CORP NOTES (CALLABLE) DTD 04/02/2020 1.900% 04/15/2027	92826CAL6	2,500,000.00	AA-	Aa3	7/12/2022	7/14/2022	2,334,875.00	3.42	10,027.78	2,368,356.57	2,277,690.00
Security Type Sub-Total		37,880,000.00					38,077,284.00	1.41	132,700.14	37,793,473.00	35,267,547.56
Managed Account Sub Total		197,690,000.00					194,886,928.37	1.81	564,440.31	195,042,478.92	186,103,644.28
Securities Sub Total		\$197,690,000.00					\$194,886,928.37	1.81%	\$564,440.31	\$195,042,478.92	\$186,103,644.28
Accrued Interest											\$564,440.31
Total Investments											\$186,668,084.59

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
BUY									
3/31/2023	4/3/2023	4,325,000.00	91282CAU5	US TREASURY NOTES	0.50%	10/31/2027	3,754,210.33	3.71%	
5/3/2023	5/4/2023	4,825,000.00	91282CDG3	US TREASURY N/B NOTES	1.12%	10/31/2026	4,443,924.97	3.56%	
Total BUY		9,150,000.00					8,198,135.30		0.00
INTEREST									
4/15/2023	4/15/2023	2,500,000.00	91282CBV2	US TREASURY N/B NOTES	0.37%	4/15/2024	4,687.50		
4/15/2023	4/15/2023	2,500,000.00	92826CAL6	VISA INC CORP NOTES (CALLABLE)	1.90%	4/15/2027	23,750.00		
4/15/2023	4/15/2023	5,000,000.00	91282CDB4	US TREASURY N/B NOTES	0.62%	10/15/2024	15,625.00		
4/24/2023	4/24/2023	2,500,000.00	06051GJH3	BANK OF AMERICA CORP (CALLABLE) CORPORAT	0.81%	10/24/2024	10,125.00		
4/30/2023	4/30/2023	5,250,000.00	912828YM6	US TREASURY NOTES	1.50%	10/31/2024	39,375.00		
4/30/2023	4/30/2023	4,325,000.00	91282CAU5	US TREASURY NOTES	0.50%	10/31/2027	10,812.50		
5/3/2023	5/3/2023	2,000,000.00	594918BJ2	MICROSOFT CORP NOTES (CALLABLE)	3.12%	11/3/2025	31,250.00		
5/11/2023	5/11/2023	4,000,000.00	166764BW9	CHEVRON CORP (CALLABLE) NOTES	1.55%	5/11/2025	31,080.00		
5/12/2023	5/12/2023	5,000,000.00	023135BX3	AMAZON INC CORP NOTES (CALLABLE)	1.00%	5/12/2026	25,000.00		
5/15/2023	5/15/2023	4,070,000.00	912828G38	US TREASURY NOTES	2.25%	11/15/2024	45,787.50		
5/31/2023	5/31/2023	4,000,000.00	91282CCF6	US TREASURY N/B NOTES	0.75%	5/31/2026	15,000.00		
5/31/2023	5/31/2023	1,000,000.00	91282CET4	US TREASURY N/B NOTES	2.62%	5/31/2027	13,125.00		
5/31/2023	5/31/2023	5,250,000.00	912828XT2	US TREASURY NOTES	2.00%	5/31/2024	52,500.00		

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST									
6/1/2023	6/1/2023	5,000,000.00	46647PCH7	JPMORGAN CHASE & CO (CALLABLE) CORP NOTE	0.82%	6/1/2025	20,600.00		
6/3/2023	6/3/2023	2,500,000.00	89114TZD7	TORONTO-DOMINION BANK CORPORATE NOTES	1.20%	6/3/2026	15,000.00		
6/30/2023	6/30/2023	2,000,000.00	91282CBC4	US TREASURY NOTES	0.37%	12/31/2025	3,750.00		
6/30/2023	6/30/2023	4,600,000.00	912828XX3	US TREASURY NOTES	2.00%	6/30/2024	46,000.00		
6/30/2023	6/30/2023	5,500,000.00	91282CEW7	US TREASURY N/B NOTES	3.25%	6/30/2027	89,375.00		
6/30/2023	6/30/2023	3,530,000.00	912828V23	US TREASURY NOTES	2.25%	12/31/2023	39,712.50		
6/30/2023	6/30/2023	4,750,000.00	912828YY0	US TREASURY NOTES	1.75%	12/31/2024	41,562.50		
6/30/2023	6/30/2023	2,750,000.00	91282CDR9	US TREASURY N/B NOTES	0.75%	12/31/2023	10,312.50		
Total INTEREST		78,025,000.00					584,430.00		0.00
MATURITY									
4/30/2023	4/30/2023	4,500,000.00	912828R28	US TREASURY NOTES	1.62%	4/30/2023	4,536,562.50		
Total MATURITY		4,500,000.00					4,536,562.50		0.00

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury											
CASH MGMT BILL DTD 08/11/2022 0.000% 08/10/2023	912796XY0	15,000,000.00	A-1+	P-1	11/28/2022	11/30/2022	14,536,567.25	4.54	0.00	14,926,730.00	14,918,538.00
US TREASURY N/B NOTES DTD 11/30/2021 0.500% 11/30/2023	91282CDM0	9,000,000.00	AA+	Aaa	11/28/2022	11/30/2022	8,629,101.56	4.77	3,811.48	8,845,543.66	8,822,812.50
Security Type Sub-Total		24,000,000.00					23,165,668.81	4.62	3,811.48	23,772,273.66	23,741,350.50
Federal Agency											
FED HOME LN DISCOUNT NT DISC NOTES DTD 09/15/2022 0.000% 09/15/2023	313384LT4	5,000,000.00	A-1+	P-1	12/15/2022	12/16/2022	4,825,962.50	4.76	0.00	4,951,550.00	4,942,491.37
FED HOME LN DISCOUNT NT DISC NOTES DTD 11/17/2022 0.000% 11/17/2023	313384PJ2	14,500,000.00	A-1+	P-1	12/2/2022	12/5/2022	13,852,893.19	4.85	0.00	14,240,784.30	14,190,952.58
FHLB DISC NOTE DTD 11/21/2022 0.000% 11/20/2023	313384PM5	1,500,000.00	A-1+	P-1	11/21/2022	11/22/2022	1,429,366.25	4.90	0.00	1,472,369.17	1,467,359.40
FED HOME LN DISCOUNT NT DISC NOTES DTD 12/15/2022 0.000% 12/15/2023	313384QN2	5,000,000.00	A-1+	P-1	12/15/2022	12/16/2022	4,769,972.22	4.77	0.00	4,894,465.28	4,872,661.12
Security Type Sub-Total		26,000,000.00					24,878,194.16	4.82	0.00	25,559,168.75	25,473,464.47
Managed Account Sub Total		50,000,000.00					48,043,862.97	4.72	3,811.48	49,331,442.41	49,214,814.97
Securities Sub Total		\$50,000,000.00					\$48,043,862.97	4.72%	\$3,811.48	\$49,331,442.41	\$49,214,814.97
Accrued Interest											\$3,811.48
Total Investments											\$49,218,626.45

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST									
5/31/2023	5/31/2023	9,000,000.00	91282CDM0	US TREASURY N/B NOTES	0.50%	11/30/2023	22,500.00		
Total INTEREST		9,000,000.00					22,500.00		0.00
MATURITY									
5/11/2023	5/11/2023	10,000,000.00	912796ZE2	US TREASURY BILL	0.00%	5/11/2023	10,000,000.00		
5/15/2023	5/15/2023	10,000,000.00	09659CSF6	BNP PARIBAS NY BRANCH COMM PAPER	0.00%	5/15/2023	10,000,000.00		
5/18/2023	5/18/2023	8,500,000.00	912796W47	US TREASURY BILL	0.00%	5/18/2023	8,500,000.00		
5/22/2023	5/22/2023	10,000,000.00	22533USN4	CREDIT AGRICOLE CIB NY COMM PAPER	0.00%	5/22/2023	10,000,000.00		
6/9/2023	6/9/2023	10,000,000.00	62479MT94	MUFG BANK LTD/NY COMM PAPER	0.00%	6/9/2023	10,000,000.00		
6/15/2023	6/15/2023	4,000,000.00	912796X53	US TREASURY BILL	0.00%	6/15/2023	4,000,000.00		
Total MATURITY		52,500,000.00					52,500,000.00		0.00

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- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
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- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

Glossary

- **Accrued Interest:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **Agencies:** Federal agency securities and/or Government-sponsored enterprises.
- **Amortized Cost:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **Asset-Backed Security:** A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- **Bankers' Acceptance:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **Commercial Paper:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **Contribution to Total Return:** The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- **Effective Duration:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **Effective Yield:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **Interest Rate:** Interest per year divided by principal amount and expressed as a percentage.
- **Market Value:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.
- **Negotiable Certificates of Deposit:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **Par Value:** The nominal dollar face amount of a security.
- **Pass-through Security:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

Glossary

- Repurchase Agreements: A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- Settle Date: The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- Supranational: A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- Trade Date: The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- Unsettled Trade: A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- U.S. Treasury: The department of the U.S. government that issues Treasury securities.
- Yield: The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- YTM at Cost: The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- YTM at Market: The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.



City of Salem Internal Controls Review Presentation

Finance Committee Meeting

August 21, 2023



Scope and Purpose

This internal controls review was designed to identify key controls across various City functions and to compare to best practices and increase the efficiency and effectiveness of the City’s operations in the following areas:

Accounts Receivable	IT General Controls
Cash Management	Overall Control Environment
Financial Reporting, Close, & Reconciliations	Payroll & Timekeeping
Fixed Assets & Asset Management	Purchasing & Accounts Payable
Inventory	Revenue & Billing



Methodology

- Identified control objectives in specific areas and controls that would satisfy each control objective
- Reviewed policies and procedures (P&Ps)
- Examined relevant documentation in support of select key controls
- Performed control walkthroughs to observe the design of key controls and understand workflow processes
- Obtained an understanding of the characteristics of each relevant control activity (who performs it, how often it is designed to operate, whether it is designed to mitigate fraud, whether it is a manual or automated control, and whether it is a preventive, detective, or corrective control)
- Provided recommendations on key controls that need to be implemented or changed



Themes

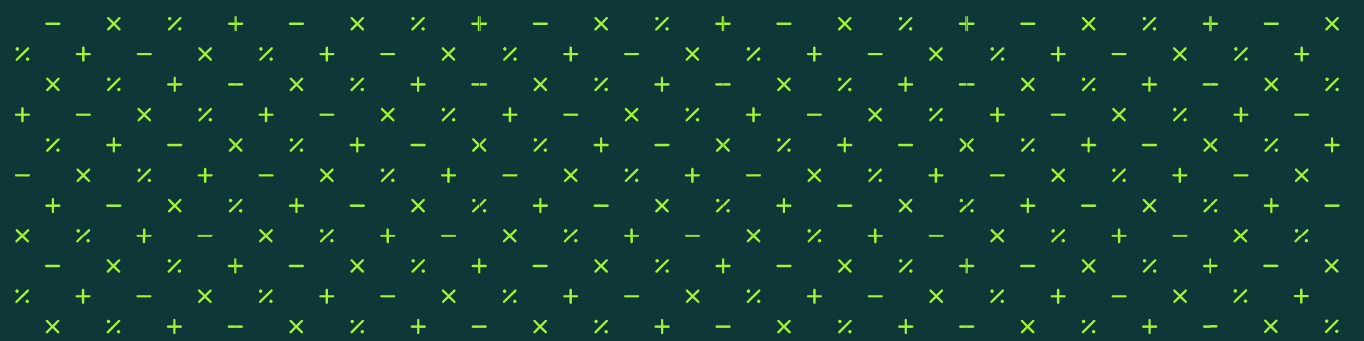
- Controls across most sections were generally designed well and properly implemented
- There were opportunities to better document the processes and controls in place via policy and procedure documents.
- There were opportunities to increase the collaboration and efficiencies of the City's various financial systems.
- Employees across departments were willing to make changes to better protect City assets and better document current processes.



Management Responses

- Overall, Management concurred with the identified control issues and have either set attainable goals or have already made changes to address control issues
- Management will work on developing comprehensive Administrative Policies and Procedures (APP) for the identified areas.
- Management noted that the City is already engaged in numerous technology projects to replace, enhance, and/or consolidate the various financial systems used across the City.





Questions/Discussion

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FINAL REPORT

City of Salem

INTERNAL CONTROLS REVIEW

July 25, 2023

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I. EXECUTIVE SUMMARY

Moss Adams LLP (Moss Adams) was contracted by the City of Salem (the City) to perform an evaluation of the City's internal controls framework. The review took place between September 2022 and April 2023 and was delayed due to limited City staffing and other priorities. The internal controls review focused on assessing select key controls in areas deemed important to protecting the City's assets and resources as well as processing and reporting timely financial information.

The review of internal controls was completed under the consultancy standards of the American Institute of Certified Public Accountants (AICPA). As such, this work was not an audit of internal controls that resulted in a formal opinion or other form of assurance. Moss Adams reviewed the City's internal controls for design but did not test those controls for operating effectiveness. Specific areas where controls were reviewed included:

- Accounts Receivable
- Cash Management
- Financial Reporting, Close, & Reconciliations
- Fixed Assets & Asset Management
- Inventory
- IT General Controls
- Overall Control Environment
- Payroll and Timekeeping
- Purchasing and Accounts Payable
- Revenue and Billing

The City appeared to have internal controls developed for many functions, and the City is in the process of implementing internal controls for other functions. Some examples of commendable activities include:

- Monitoring and reconciliation controls related to:
 - Accounts Receivable
 - Cash Management
 - Financial Reporting, Close, & Reconciliations
 - Fixed Assets & Asset Management
 - Inventory
 - IT General Controls
 - Payroll & Timekeeping
 - Purchasing & Accounts Payable
 - Revenue & Billing
- Reviewing budgets monthly and quarterly by department supervisors
- Performing occasional surprise cash audits and time card audits at close of each pay period



Similar to most cities, there is an opportunity to strengthen policies, procedures, systems, and training. Gaps in internal controls of varying degrees were discovered in many of the functions reviewed, especially in the case of decentralized operations.

The primary conclusion from this review is that the City has an opportunity to improve internal controls and strengthen processes and procedures. Suggested priorities to address over the next 6 to 12 months include, but are not limited to:

- Fixed Assets & Asset Management
- IT General Controls
- Overall Control Environment



II. SCOPE AND METHODOLOGY

The scope of our review included a high-level evaluation of the City's key internal controls to determine the general adequacy of enterprise internal controls and identify areas warranting more in-depth review in the future.

The scope of the internal controls review included the following aspects:

- Identifying control objectives in specific areas and controls that would satisfy each control objective
- Reviewing policies and procedures (P&Ps)
- Examining relevant documentation in support of select key controls
- Performing control walkthroughs to observe the design of key controls and understand workflow processes
- Obtaining an understanding of the characteristics of each relevant control activity (who performs it, how often it is designed to operate, whether it is designed to mitigate fraud, whether it is a manual or programmed [automated] control, and whether it is a preventive, detective, or corrective control)
- Assessing whether the controls in place would prevent or detect errors
- Providing recommendations on key controls that need to be implemented or changed

The work performed included interviews with personnel involved in managing functions, processing key accounting transactions, and handling physical assets in the following departments:

- Finance
- Human Resources
- Technology Services
- Public Works

In support of the internal controls review, the matrix provided in Section III provides results by:

- Control objective
- Control issue
- Corresponding recommendation
- Likelihood of occurrence
- Impact of occurrence

Likelihood of occurrence is defined as the probability of a negative event occurring. Impact of occurrence is defined as the level of significance if a negative event occurs. Risk levels of low, moderate, or high were used to rate the likelihood of occurrence and impact of occurrence for each finding.



Beyond those controls that have been noted within this report as an issue, additional controls were reviewed without exception. It should be noted that many controls were reviewed multiple times in relevant, separate department reviews, but not all controls or departments were reviewed. Departments were selected to provide a broad understanding of the City's control environment. Key controls with exception conditions are reported in this document.



III. INTERNAL CONTROLS REVIEW

Control Objective		Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
A. Accounts Receivable					
1	The City-wide and department-wide P&Ps for billing and collection of accounts receivable (A/R) are well-documented and current.	<p>There are no City Manager-approved P&Ps related to A/R; the current P&Ps in place are neither comprehensive nor complete as they do not contain best practices.</p> <p>There is not a City-wide or department-specific P&P for how to handle accounts receivable (A/R) being sent to collections.</p> <p>As there is no comprehensive P&P, it seems the Treasury Supervisor keeps knowledge internally. This knowledge could be lost if the Treasury Supervisor were to leave the City.</p> <p>The City did not have a documented P&P for performing access rights reviews.</p>	<p>A City-wide A/R management P&P document should be developed to include items such as:</p> <ul style="list-style-type: none">• A/R management including A/R tracking and reporting, aging analysis, and reporting on delinquent accounts• Systems access related to A/R management systems to ensure proper segregation of duties• Allowance for doubtful accounts establishment, recording of bad debt expense, and criteria for estimate development• Handling refunds and account credits including required documentation and approvals• Guidance to departments for developing their specific billing P&Ps to ensure consistency and enhance revenue capture• What criteria is used to determine when a past due/delinquent account will be sent to a collection agency and how revenue collecting service providers will be engaged and monitored• When account write-offs can occur, what approvals are required, and how write-offs/account adjustments must be documented and controlled	High	Moderate



Control Objective		Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
			Departments that are responsible for collecting funds on the City's behalf should have department-specific procedures documented to ensure that billing and collection activities are performed consistently.		
2	Accounts receivable accounting systems are compatible, and reporting is consistent across systems.	There are numerous A/R subsystems across the City with no obvious way that they can communicate with each other, which may cause confusion and inconsistencies in reporting.	Where possible, the City should consolidate the use of outside A/R systems and encourage departments to explore whether the Foundation Information Management System (FIMS) system could be used. For those departments that have to use a separate A/R system, an assessment should occur to evaluate how A/R activity and balances can be exported/imported, what reporting is available, and the related procedures should be documented.	Moderate	Low
B. Cash Management					
1	The City-wide and department-wide P&Ps for cash management are well-documented and current.	<p>Processes are decentralized, and there are no minimum established standards all departments must follow; however, an Administrative Policy and Procedure (APP) is set to be approved soon for departments to follow minimum standards.</p> <p>Aside from the upcoming minimum standards soon to be established, departments that handle cash do not have their own P&P over cash management.</p>	<p>A City-wide cash management P&P document should be developed. Departments that are responsible for managing cash on the City's behalf should have department-specific procedures documented to ensure that cash management activities are performed consistently. These P&Ps should include:</p> <ul style="list-style-type: none">• Cash receipts management at all cash receipt locations, including physical controls, daily reconciliations, receipt requirements, finance involvement, and deposits	High	Moderate



Control Objective		Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
		There is no documented process for creating receipts for customers for cash received.	<ul style="list-style-type: none">• Deposit procedures and reporting to finance for accounting• Bank reconciliation preparation and reviews• Oversight and monitoring Bank account setup, closing, and access management• Cash flow reporting and monitoring• Petty cash, including issuance, detailed procedures for the management of petty cash funds, replenishments, and reconciliations		
2	A well-documented and current Petty Cash Policy is followed and maintained.	The Petty Cash Policy was last updated in 2010 and might need to be updated to reflect current processes	The City should update the Petty Cash Policy and train departments on the updated P&P. Those departments that use petty cash regularly should have department-specific guidance documented and receive regular training.	Moderate	Low
3	Departments that have a large volume of petty cash transactions with complete a monthly reconciliation of petty cash, which is reviewed and approved by Department Supervisors.	Not all departments complete a monthly petty cash reconciliation.	Although the City noted that petty cash is so small with such limited activity, we recommend City departments that use petty cash implement a monthly reconciliation to safeguard City assets.	Moderate	Low
4	User access to bank accounts is reviewed on a set schedule and the review is documented.	Access to bank accounts is monitored, but the timing (i.e., quarterly, bi-annually, annually) should be set and documented to ensure that the reviews are completed. Reviews that occur should be documented.	The City should add a section in its cash management P&Ps to address how frequently user access reviews of bank accounts are performed and who is responsible for performing those reviews. When these reviews occur, they should be documented and the documentation should be retained.	Moderate	Low



Control Objective		Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
C. Financial Reporting, Close, & Reconciliations					
1	The City-wide P&Ps for financial reporting, close, and reconciliation are well-documented and current.	<p>There are no City Manager-approved P&Ps related to financial reporting, close, and reconciliations; the current P&Ps in place are neither comprehensive nor complete.</p> <p>When P&Ps need to be changed, there is no formal process or review to facilitate the changes.</p> <p>There is no documented P&P for making changes to the chart of accounts.</p> <p>There is no documented P&P for monitoring access to prepare, approve, and post journal entries.</p> <p>There are long-tenured employees involved in the financial reporting, close and reconciliation process that hold institutional knowledge that is not documented.</p>	<p>A City-wide Financial Reporting, Close, and Reconciliation P&P document should be developed to factor in the items mentioned in the Control Issue section, and should include items such as:</p> <ul style="list-style-type: none">• Chart of accounts setup and General Ledger maintenance• Fund accounting and reporting• Cost allocation, classification, and tracking• Month-end and year-end detailed closing procedures, including timelines, responsibilities, and details• Financial monitoring and reviews• Reconciliations, including details on specific accounts, variance analysis, segregation of duties, responsibilities, and reviews• Financial reporting, including frequency, trend analysis, council reporting, and management oversight• Audit coordination, oversight, and the monitoring of findings	High	Moderate
2	Month-end and year-end checklists are reviewed and approved by the Chief Accountant and/or Accounting Supervisor.	Month-end and year-end checklists do exist and appear effective; however, the reviews are not formally documented as reviewed and approved by the Chief Accountant and/or Accounting Supervisor.	We recommend the Chief Accountant and/or Accounting Supervisor document their review and approve these monthly and yearly checklists to ensure that all tasks are completed appropriately.	Low	Low



Control Objective		Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
D. Fixed Assets & Asset Management					
1	The City-wide P&Ps for fixed assets and asset management are well-documented and current.	<p>There are no City Manager-approved P&Ps related to fixed assets; the current P&Ps in place are neither comprehensive nor complete.</p> <p>Departments do not have processes in place to monitor idle or surplus assets.</p>	<p>A City-wide fixed assets and asset management P&P document should be developed to factor in the items mentioned in the Control Issue section, and should include items such as:</p> <ul style="list-style-type: none">• Accounting and reporting fixed assets (including vehicles, equipment, property, and other fixed assets)• Cost criterion• Capitalization thresholds• Depreciation• Methods of disposition• Transfers• Idle and surplus assets• Accountability for assets• Repairs and maintenance• Physical inventory procedures• Fixed asset listing	High	Moderate
2	Fixed assets accounting systems are compatible and reporting is consistent across systems.	There are numerous subsystems that some departments utilize aside from the main FIMS ERP system with no obvious way that they can communicate with each other.	<p>The City should consider using a singular fixed asset system across departments to promote consistent reporting and reduce confusion.</p> <p>For those departments that have to use an outside system for asset management, given the unique nature of the type of assets being managed, controls should be developed and documented to ensure that regular reconciliations between the subsystem and the City-wide system are performed.</p>	Moderate	Low



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
3	Accounting Supervisor reviews and approves fixed asset reconciliation.	FIMS is manually reconciled to the General ledger rather than an automated reconciliation process being in place.	To reduce the chance of any manual errors, the City should consider whether this reconciliation can be automated.	Low	Low
4	Asset useful lives are current and reviewed periodically.	Asset useful lives have not been reviewed in a while and need to be re-evaluated.	The City should consider reviewing its asset useful lives and incorporate any changes into a fixed assets and asset management P&P document. Reviewing these asset lives will help the City to better project the typical asset duration.	Low	Moderate
5	Appropriate individuals have access to fixed asset systems to make changes.	Access to remove fixed assets from systems needs to be reviewed to ensure it is limited only to appropriate personnel.	The City should perform a review (at least annually) to determine whether appropriate individuals have access to modify fixed asset data. Inappropriate access could lead to accidental or purposeful effects on asset accounts.	Moderate	Low
6	Assets are secured and protected as needed to prevent loss.	Laptops and testing equipment are left in locked vehicles, but this still poses a risk of theft.	The City should evaluate whether the practice of employees leaving small movable assets (i.e., laptops and testing equipment) is acceptable and if not, communicate that this practice should be ceased and be carried with the responsible employee.	Moderate	Low
7	Accounting Department periodically reviews departmental fixed asset inventory lists to ensure reasonableness.	No control issue noted, but see recommendation.	The Accounting Department could perform periodic monitoring (quarterly, semi-annually, annually) of departmental inventory to ensure listings appear reasonable and align with expectations.	Low	Low



Control Objective		Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
E. Inventory					
1	Inventory accounting systems are compatible, and reporting is consistent across systems.	Not all departments use the same inventory system, which could create more confusion and risk compared to one system.	<p>The City should consider using a singular inventory system across departments to promote consistent reporting and reduce confusion.</p> <p>For those departments that have to use an outside system for inventory management, given the unique nature of the type of inventory being managed, controls should be developed and documented to ensure that regular reconciliations between the subsystem and the City-wide system are performed.</p>	Moderate	Low
2	Physical security procedures over inventory are adequate.	<p>Risk of theft is high as inventory is considered “open inventory.”</p> <p>Aside from needing a key when the warehouse is closed, there did not appear to be controls in place to make sure inventory is not stolen.</p>	The City should consider if restrictive security controls should be in place relating to the open inventory to alleviate risk of loss. Although inventory values might be relatively low, it is best practice to safeguard the City’s assets. Some restrictive security controls might include locks, badge access entry, security cameras, or inventory access logs.	High	Moderate
3	Inventory Clerk performs regular cycle counting and Warehouse Supervisor reviews counts.	No control issue noted but see recommendation.	Period inventory cycle counts are currently handwritten, and although inventory count documents are clear and detailed, we recommend the City consider using an entirely digital inventory-keeping system to reduce the possibilities of manual errors.	High	Moderate



Control Objective		Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
F. IT General Controls					
1	Employee records are easily accessible and located.	Regarding creating, modifying, or deleting user accounts, IT does not accommodate legal versus preferred name, which could cause employee record confusion with departments.	The City should consider using either employees' legal or preferred names to easily access files and to create, modify, or delete user accounts and permissions.	Moderate	Low
2	There are well-defined processes for removing employee accounts from City systems.	There is no process for terminating contract employee accounts. Systems that are hosted outside of the main HR system may not have specific requirements for terminating accounts.	The City should develop and document a process to timely remove all employee accounts (including contract employees) in City systems to prevent any unauthorized access. Inappropriate access could lead to accidental or purposeful effects on City systems.	Moderate	Moderate
3	The City-wide P&Ps for IT General Controls are well-documented and current.	There are no documented P&Ps for computer passwords, maintaining software applications inventory on City computers, and improper technology use.	A City-wide IT general controls P&P document should be developed to factor in the items mentioned in the Control Issue section.	High	Moderate
4	Passwords should be required to be changed periodically for all City systems (every 30–90 days), and should not allow the last six passwords to be reused.	There are no consistent requirements to change computer passwords during employment across applicable systems.	The City should consider requiring employees to change passwords on applicable systems to better protect City assets and align with best practices.	High	Moderate
5	City mobile applications used by employees on mobile devices are used appropriately and are secured.	There is no monitoring of mobile applications used on mobile devices.	The City should consider implementing a monitoring system over mobile City applications on employees' phones to ensure that those applications are being used for their intended use and that the applications are properly secured to prevent unauthorized access.	Low	Low



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
6	Install automatic and manual fire-suppression systems in the server rooms and wiring closets and periodically test them. In addition, IT administration should be trained in how to use the fire-suppression system.	Fire protection for wiring closets is only included for certain buildings.	The City should consider an IT assessment to determine the benefits of installing fire protection in all necessary server rooms and wiring closets in City buildings to best safeguard City assets.	Low	Moderate
7	Install an intrusion detection system (IDS) to protect City assets.	An IDS is not fully implemented although it is in progress.	The City should ensure that the IDS is completed and implemented.	Low	Low
8	A formal Disaster Recovery Plan (DRP) is documented, implemented, and tested. Backups are restored on at least a yearly basis to ensure their integrity.	There is a written policy for a DRP, but it has not been updated in a while, and the DRP is not formally tested.	<p>There is a DRP, but it should be formally tested and updated, if needed. Testing should be documented, and the results should be addressed. The plan should be evaluated, updated, and tested regularly to ensure that it addresses the current environment and systems of the City, and that the City is prepared in the event of a major disaster.</p> <p>A restoration schedule should be documented to ensure coverage of all City backups performed. The backups should be restored and evaluated on at least a yearly basis to ensure the data is intact and the integrity has not been compromised.</p>	Moderate	High
9	Monitoring of databases and user access logs is completed.	The City does not perform database and user access controls monitoring as it does not have the necessary database tools to perform such tasks.	We recommend the City consider purchasing the database tools to perform database and user access controls monitoring as it is imperative to protect the City's data and access to systems.	Moderate	Moderate



Control Objective		Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
G. Overall Control Environment					
1	Employees are aware of P&Ps for different processes and know where to find the P&Ps.	No control issue noted but see recommendation.	There is a potential need for the City to regularly remind employees of P&Ps that are in place and where they can be found.	Moderate	Low
2	Cross training efforts have occurred for key accounting positions/activities.	Several accounting functions lack detailed P&Ps, and it does not appear that cross-training for key accounting functions is occurring or formalized.	Departments should ensure that cross-training for key accounting functions is occurring or formalized.	Low	Low
3	P&Ps are well-defined and current across business areas to capture institutional knowledge.	There are long-tenured employees involved in various financial processes that hold institutional knowledge that is not documented.	See recommendations for P&Ps throughout to address this control issue.	High	Moderate
4	Budget reports are formally reviewed by management for monitoring income and expenses.	The City seems to lack formal documentation of budget monitoring meetings that occur monthly or quarterly. Based on conversations, budget reviews are performed monthly and quarterly, but they are more “semi-formal” reviews.	We suggest the City document its budget reviews to track revenues and expenses at the department-level. These formal reviews should include documentation of significant fluctuations and other outliers and should include documentation of who reviewed and approved the budget review.	Moderate	Low
5	Duties are segregated to reduce risks and to protect City assets.	No control issue noted, but see recommendation.	Segregation of duties is mostly implemented at the department level instead of having minimum standards City-wide. Departments should ensure their P&Ps address any segregation of duties issues.	Moderate	Moderate
6	New employees must sign code of conduct.	There is no evidence that employees sign a code of conduct upon hire based on the sample selected.	As part of future implementation of P&Ps, the City should require all employees to sign a code of conduct and/or a code of	Moderate	Low



Control Objective		Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
			ethics to strengthen the overall control environment.		
H. Payroll & Timekeeping					
1	Non-exempt employees are required to submit on a timely basis, time cards, time sheets or other authorized recording media before payroll processing is performed.	Some employees still use paper timesheets; in general, there are more risks with paper timesheets compared to electronic timesheets.	If reasonable and applicable, all time cards should be recorded electronically to prevent any manual processing errors and to best track when timesheets are submitted and reviewed.	Moderate	Low
2	Payroll and human resources monitor for changes in federal and state payroll and employment regulations.	There is no documented process to demonstrate how the City monitors for changes in federal and state payroll and employment regulations.	The City should document processes to ensure compliance with federal and state payroll and employment regulations as well as how it monitors for changes that are made.	Moderate	High
I. Purchasing & Accounts Payable					
1	There are well-documented P&Ps related to the purchasing and accounts payable process.	<p>The City has a few P&P documents pertaining to accounts payable functions; however, there are no documented P&Ps relating to vendor management, departmental receiving, and purchasing approval limits.</p> <p>As there is no comprehensive P&P, it is unclear if there are spending limits that would trigger the need for a vendor contract based on the Contract and Procurement Manager's annual review.</p>	<p>A City-wide purchasing and accounts payable P&P document should be developed to factor in the items mentioned in the Control Issue section, and include items such as:</p> <ul style="list-style-type: none"> • Invoice receipt • Invoice reviews and approvals • Invoice entry into the system for processing • Pre-processing and post-processing reviews and supporting documentation • Three-way match between invoice, purchase order, and receiving documentation • Check printing and EFT processing 	High	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
			<ul style="list-style-type: none">• Mailing of checks• Vendor contracting• Vendor management and oversight• Monitoring and reporting		
2	Duties are segregated to reduce risks and to protect City assets.	One employee (the AP Processor) performs the check runs, adds the signatures on checks, and mails the checks.	<p>The ability to perform check runs, add signatures on checks, and mail checks should be distributed among at least two employees to ensure that duties are properly segregated. Typically, signed checks should never be returned/mailed to the same individual that prepared them. Someone independent of the check preparation process (AP) should be responsible for reviewing the signed checks, in comparison to the final Check Register, to ensure all checks are accounted for, payees are appropriate, and actually mail the checks.</p> <p>If segregation of duties is not possible, a formal documented review process should be established.</p>	Moderate	Moderate
3	Access to the Vendor Master List is properly restricted to personnel who are assigned the authority for processing vendor additions and changes.	Access to the Vendor Master List is monitored, but there is no documented internal controls for how frequent this monitoring takes place.	Access to the Vendor Master List should be adequately restricted to ensure that only personnel assigned the responsibility and authority for processing additions and changes have that level of access. User access to the Vendor Master Listing should be reviewed regularly and this review should be documented.	Moderate	Moderate
4	Ensure that duplicate payments, where a specific payment is made via credit card	Reviews for duplicate payments (i.e., payment made with a credit card and through Accounts Payable) are done	The City should consider implementing a control to detect if a duplicate payment has been made via credit card and Accounts Payable. This control would	Low	Low



Control Objective		Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	and again through AP, are not made	manually, and might not catch all instances of duplicate payments.	help limit or eliminate duplicate payments and help to protect City assets.		
J. Revenue & Billing					
1	There are well-documented P&Ps related to the revenue and billing process.	There are no centralized P&Ps to set minimum requirements for departments related to revenue and billing.	<p>A City-wide revenue and billing P&P document should be developed to factor in the items mentioned in the Control Issue section, and should include items such as:</p> <ul style="list-style-type: none">• Defining the specific types of revenue throughout the City and referencing department-specific P&Ps, where appropriate• Revenue recognition and accounting for revenue• Customer account setup and requirements• Overall monitoring of revenue activity• Defining the City's requirements around billing and collection activities including defining roles, responsibilities, documentation requirements, and frequency	High	Moderate
2	Access to create and edit customer accounts is properly restricted to personnel who are assigned those tasks, and review of this access is performed regularly.	<p>Currently, departments do not appear to document who should be able to have access to create and edit customer accounts.</p> <p>Access reviews are not conducted regularly especially for employees who transfer to other City departments.</p>	Access to create and edit customer accounts should be adequately restricted to ensure that only personnel assigned the responsibility and authority for processing additions and changes have that level of access. User access to create and edit customer accounts should be reviewed regularly and this review should be documented.	Moderate	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
3	Revenue and billing accounting systems are compatible and reporting is consistent across systems.	There are numerous subsystems with no obvious way that they can communicate with each other.	<p>The City should consider using a singular revenue and billing system across departments to promote consistent reporting and reduce confusion.</p> <p>Where possible, the City should consolidate the use of outside revenue and billing systems and encourage departments to explore whether the FIMS system (ERP) could be used. For those departments that have to use a separate revenue and billing system, an assessment should occur to evaluate how revenue and billing activity and balances can be exported/imported, what reporting is available, and the related procedures should be documented.</p>	Moderate	Low



IV. MANAGEMENT RESPONSES

A. Accounts Receivable	
1	<p>During FY 2024, the City's Finance department, in coordination with City Leadership, will develop and implement an Accounts Receivable (AR) Administrative Policy and Procedures (APP), which will include the following:</p> <ul style="list-style-type: none">- AR management, including AR tracking and reporting, aging analysis, and reporting on delinquent accounts- Systems access related to AR management systems to ensure proper segregation of duties- Allowance for doubtful accounts establishment, recording of bad debt expense, and criteria for estimate development- Handling refunds and account credits including required documentation and approvals- Guidance to departments for developing their specific billing P&Ps to ensure consistency and enhance revenue capture- What criteria is used to determine when a past due/delinquent account will be sent to a collection agency and how revenue collecting service providers will be engaged and monitored- When account write-offs can occur, what approvals are required, and how write-offs/account adjustments must be documented and controlled <p>Additionally, the City's Finance department will coordinate with all departments that are responsible for collecting funds on the City's behalf to ensure department-specific procedures are documented and are consistent across all departments. Finance will perform a review of the department-specific procedures on an annual basis.</p>
2	<p>The City is currently engaged in numerous technology projects to replace, enhance, and/or consolidate the various financial systems used across the City. In these projects, management engages in critical thinking and collaborative conversations with stakeholders to determine whether proposed technology can serve the needs of multiple processes.</p> <p>The City will continue these efforts as it begins the multi-year Enterprise Resource Planning (ERP) replacement project. One of the primary objectives of this project will be to reduce the number of outside systems, including those for AR. Additionally, when the Request for Proposal (RFP) is prepared for the ERP replacement, interfacing abilities with outside systems, such as AR billing systems, and reporting capabilities will be highly import and key considerations when selecting an ERP vendor. As the ERP system is implemented, the City will develop detailed system and process documentation.</p>



B. Cash Management

1	<p>During FY 2024, the City's Finance department, in coordination with City Leadership, will develop and implement a Cash Management APP, which will include the following:</p> <ul style="list-style-type: none">- Cash receipts management at all cash receipt locations, including physical controls, daily reconciliations, receipt requirements, finance involvement, and deposits- Deposit procedures and reporting to Finance for accounting- Bank reconciliation preparation and reviews- Oversight and monitoring Bank account setup, closing, and access management- Cash flow reporting and monitoring- User access reviews of bank accounts, including frequency, who is responsible for reviews, and documentation retention. <p>Additionally, the City's Finance department will coordinate with all departments that are responsible for managing cash on the City's behalf to ensure department-specific procedures are documented and are consistent across all departments. Finance will perform a review of the department-specific procedures on an annual basis.</p> <p>Please see the [B2] management response below for specifics on Petty Cash.</p>
2	<p>During FY 2024, the City's Finance department, in coordination with City Leadership, will revise the Petty Cash Policy, which will include the following:</p> <ul style="list-style-type: none">- Petty Cash management including, issuance, replenishment, and close out- Petty Cash reconciliation preparation and reviews <p>When the Petty Cash Policy is finalized, the City's Finance department will provide training to departments on the updated policy as part of implementation. Finance will perform a review of the department-specific procedures on an annual basis and provide training at that time, if needed. Finance will also be available to provide training throughout the year for new staff or as requested.</p>
3	<p>The Petty Cash Policy described in the [B2] management response will ensure all departments prepare monthly reconciliations, regardless of the total balance or frequency of use.</p>
4	<p>User access to bank accounts has been addressed in the [B1] management response.</p>



C. Financial Reporting, Close, & Reconciliations

1	<p>The City's Finance department, in coordination with City Leadership, will develop a Financial Reporting, Close, and Reconciliation APP, which will include the following:</p> <ul style="list-style-type: none">- Chart of accounts setup and General Ledger maintenance- Fund accounting and reporting- Cost allocation, classification, and tracking- Month-end and year-end detailed closing procedures, including timelines, responsibilities, and process details- Financial monitoring and reviews- Reconciliations, including details on specific accounts, subsystems, variance analysis, segregation of duties, responsibilities, and reviews- Financial reporting, including frequency, trend analysis, council reporting, and management oversight- Audit coordination, oversight, and the monitoring of findings <p>The Financial Reporting, Close, and Reconciliation APP will be developed in conjunction with the ERP replacement project and implementation will coincide with the go-live of the new ERP system.</p>
2	<p>Beginning immediately, the Accounting division, within the City's Finance Department, will prepare and review monthly and yearly checklists. The Accounting Supervisor will prepare consolidated monthly and yearly checklist that capture all checklists prepared by the Accounting division. The Chief Accountant will review the monthly and yearly consolidated checklists to ensure that all tasks are completed appropriately. Documentation supporting the preparation and review will be retained by the Accounting division.</p>

D. Fixed Assets & Asset Management

1	<p>The City's Finance department, in coordination with City Leadership, will develop a Fixed Assets and Asset Management APP, which will include the following:</p> <ul style="list-style-type: none">- Accounting and reporting fixed assets, including vehicles, equipment, property, and other fixed assets- Cost criterion- Capitalization thresholds- Depreciation- Methods of disposition
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	<ul style="list-style-type: none">- Transfers- Idle and surplus assets- Accountability for assets- Repairs and maintenance- Physical inventory procedures- Fixed asset listing- Reconciliations of asset manage subsystems to the general ledger- User access reviews of fixed asset subsystems, including frequency, who is responsible for reviews, and documentation retention. <p>The Fixed Assets and Asset Management APP will be developed in conjunction with the ERP replacement project and implementation will coincide with the go-live of the new ERP system.</p>
2	<p>The City is currently engaged in numerous technology projects to replace, enhance, and/or consolidate the various financial systems used across the City. In these projects, management engages in critical thinking and collaborative conversations with stakeholders to determine whether proposed technology can serve the needs of multiple processes. The City will continue these efforts as it begins the multi-year ERP replacement project. One of the primary objectives of this project will be to reduce the number of outside systems, including those used for asset management.</p> <p>Subsystem to general ledger reconciliations have been addressed in the [D1] management response.</p>
3	<p>Currently, the City's Finance department has limited options for automating reconciliations due to system constraints. The City's Finance will explore options for automating the fixed asset reconciliation during the ERP replacement project. A key consideration in the RFP for the ERP will be process automation.</p>
4	<p>The City's asset useful lives will be reviewed for appropriateness in conjunction with the development of the Fixed Assets and Asset Management APP as described in the [D1] management response.</p>
5	<p>User access to bank accounts has been addressed in the [D1] management response.</p>
6	<p>The City's Finance department, in coordination with City Leadership, will evaluate the need for a policy regarding how and where small moveable City owned assets, such as laptops and testing equipment, are stored. Should a policy be developed, City Leadership will communicate and distribute the policy to all City employees.</p>
7	<p>The City's Finance Department will evaluate the need to perform periodic monitoring of departmental inventory. Should it be determined that a periodic monitoring process be implemented, the process will be incorporated in the monthly and/or yearly checklists, depending on the frequency of the review. Additionally, process documentation will be developed to ensure the review is performed appropriately.</p>



E. Inventory

1	The City is currently engaged in numerous technology projects to replace, enhance, and/or consolidate the various financial systems used across the City. In these projects, management engages in critical thinking and collaborative conversations with stakeholders to determine whether proposed technology can serve the needs of multiple processes. The City will continue these efforts as it begins the multi-year ERP replacement project. One of the primary objectives of this project will be to reduce the number of outside systems, including those used for inventory. Subsystem to general ledger reconciliations have been addressed in the [C1] management response.
2	The City's Finance department, in coordination with City Leadership, will evaluate the need for restrictive security controls over inventory. Potential controls to consider include locks, badge access entry, security cameras, or inventory access logs. If it is determined that controls need to be implemented, City Leadership will communicate changes to all City staff and aid in implementation.
3	In conjunction with the [D7] management response, the City's Finance department will evaluate the need for converting to a digital inventory-keeping system. Additionally, in the City's ERP replacement project, a key consideration in the RFP process will be whether potential vendors offer digital solutions for processes currently performed manually, such as inventory tracking.

F. IT General Controls

1	The City's Finance Department will coordinate with City's Information Technology Division to include IT general controls into existing or new APPs within the next 12 months to address the recommendations.
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G. Overall Control Environment

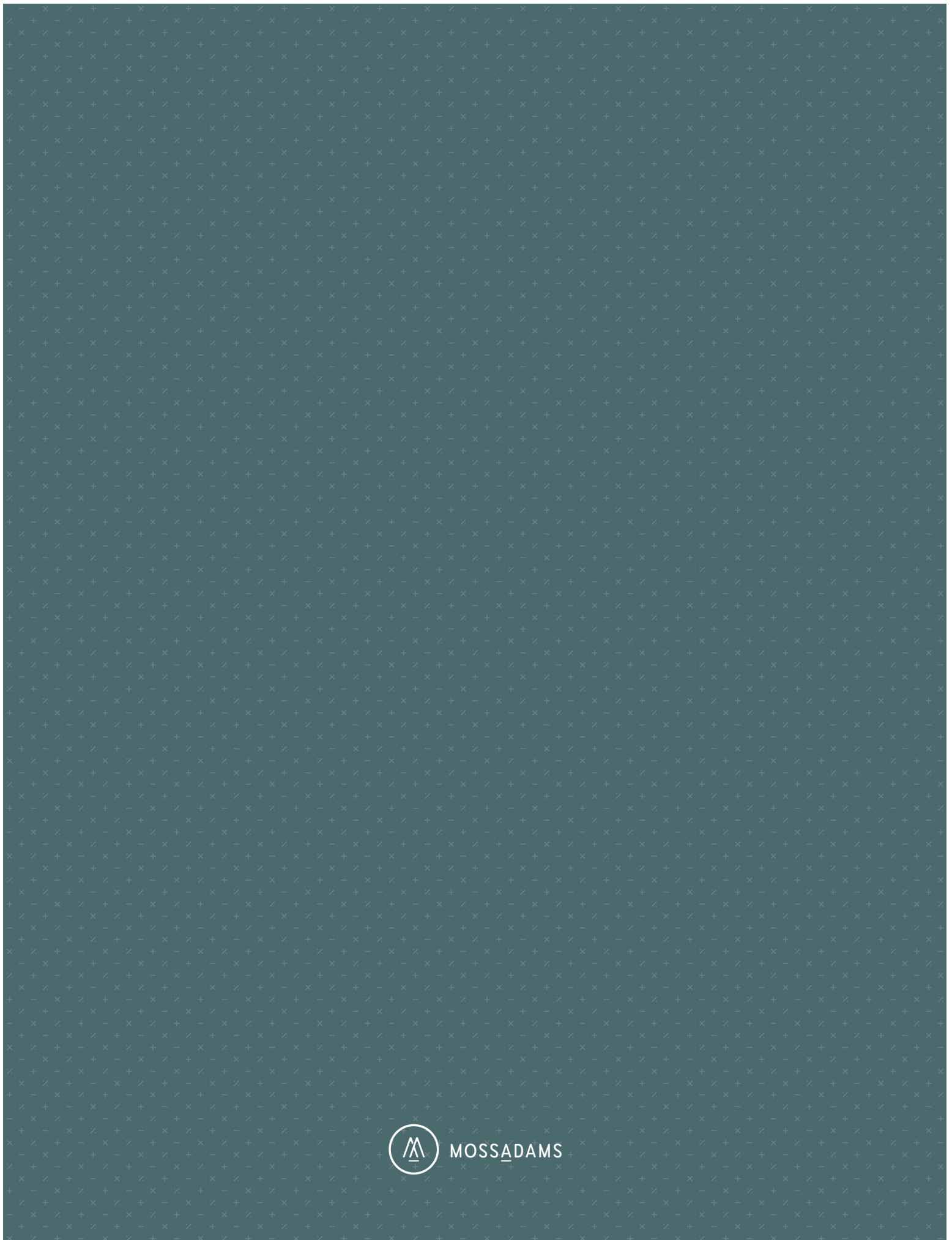
1	The City's Finance department, in coordination with City Leadership, will evaluate whether a formal process needs to be developed and implemented for informing employees of current APP's and where the documentation can be found. Should a formal process need to be in place, detailed process instructions will be prepared, which will include frequency of process, roles and responsibilities within the process, and document retention needs.
2	The City's Finance department will develop a formal cross-training plan and position rotation schedule within the accounting function. In any documentation where roles and responsibilities are described, a primary and back-up will be assigned for both preparing and reviewing duties. This will also be incorporated with the work described in the [C1] management response.
3	Please see responses to APP development recommendation throughout the City's management responses herein.
4	The Finance Department will coordinate with all other City departments to continue monthly budget monitoring of expenses and revenues with the addition of a formal review and approval at least quarterly by department.
5	Please see responses to APP development recommendation throughout the City's management responses herein. All APP's developed or reviewed by the City's Finance department will take into consideration any segregation of duties requirements. In the event full segregation of duties cannot be accommodated due to lean staffing, Finance will ensure mitigating controls are in place.
6	The City's Finance department, in coordination with City Leadership, will develop a City-wide policy which requires employees to sign a code of conduct and/or a code of ethics. New hires will be required to sign during their new hire orientation and annually thereafter.



	Current employees will be required to sign at the time the policy is implemented and annually thereafter as well. A technology solution will need to be identified for processing, scheduling, and retaining signed code of conducts.
H. Payroll & Timekeeping	
1	Currently the City is unable to accommodate fully electronical timecard processing due to system and equipment restrictions. In the ERP replacement project, the City will investigate what options exist to transition to a fully electronic time cards for all employees and what equipment would be needed to facilitate a fully electronic process.
2	In FY 2024, The City's Finance department will coordinate with the City's HR and Payroll departments to develop process documentation that details how the City monitors compliance with new and/or changing employment regulations and federal and state payroll regulations. This documentation will be reviewed annually and updated as needed.
I. Purchasing & Accounts Payable	
1	<p>The City's Finance department, in coordination with City Leadership, will develop and implement a Purchasing and Accounts Payable (AP) APP, which will include the following:</p> <ul style="list-style-type: none">- Invoice receipt- Invoice reviews and approvals- Invoice entry into the system for processing- Pre-processing and post-processing reviews and supporting documentation- Three-way match between invoice, purchase order, and receiving documentation- Check printing and EFT processing- Mailing of checks- Vendor contracting- Vendor management and oversight- Monitoring and reporting <p>The Purchasing and Accounts Payable APP will be developed in conjunction with the ERP replacement project and implementation will coincide with the go-live of the new ERP system.</p>
2	<p>The City's Finance department recently filled an AP vacancy and now have two full time FTE in AP. With this full staffing, AP will implement a peer review process during the check cutting process. One AP employee will complete the check preparation process and the other AP employee will review the signed checks, in comparison to the final Check Register, to ensure all checks are accounted for and payees are appropriate. The reviewing employee will also be responsible for mailing the checks. The Accounting Supervisor and Chief Accountant will serve as backups in the review and mailing process, should AP need coverage.</p> <p>Additionally, the City's Finance department is planning to engage in a project transition away from manual check payments to EFT payments. During that project, we will ensure segregation of duties are included in the electronic payment processing and will continue to perform the review described above for any payments that remain as manual checks, if any continue to exist.</p>



3	Vendor master list management, including access restrictions and user access monitoring, will be address in the Purchasing and Accounts Payable APP, as described in the [I1] management response.
4	In the development of the Purchasing and Accounts Payable APP, as described in the [I1] management response, the City's Finance department will evaluate the need for implementing a control detect if a duplicate payment has been made via credit card and Accounts Payable.
J. Revenue & Billing	
1	<p>During FY 2024, the City's Finance department, in coordination with City Leadership, will develop and implement a Revenue and Billing APP, which will include the following:</p> <ul style="list-style-type: none">- Definitions of specific types of revenue throughout the City- Revenue recognition and accounting for revenue- Customer account setup and requirements, including the review of users with this ability- Overall monitoring of revenue activity- Requirements around billing and collection activities including defining roles, responsibilities, documentation requirements, and frequency <p>As the billing, revenue, and AR processes are highly interconnected, there may be overlap between the Revenue and Billing APP and the AR APP described in the [A1] management response. The City will consider combining the two APP's into one. Additionally, the City's Finance department will coordinate with all departments that are responsible for billing and processing revenue on the City's behalf ensure department-specific procedures are documented and are consistent across all departments. Finance will perform a review of the department-specific procedures on an annual basis.</p>
2	User access to create and edit customer accounts has been addressed in the [J1] management response.
3	<p>The City is currently engaged in numerous technology projects to replace, enhance, and/or consolidate the various financial systems used across the City. In these projects, management engages in critical thinking and collaborative conversations with stakeholders to determine whether proposed technology can serve the needs of multiple processes.</p> <p>The City will continue these efforts as it begins the multi-year ERP replacement project. One of the primary objectives of this project will be to reduce the number of outside systems, including those supporting billing and revenue processes. Additionally, when the RFP is prepared for the ERP replacement, interfacing abilities with outside systems, such as billing systems, and reporting capabilities will be highly import and key considerations when selecting an ERP vendor. As the ERP system is implemented, the City will develop detailed system and process documentation.</p>



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