

**COUNTY OF LASSEN
CALIFORNIA**

TREASURY OVERSIGHT COMMITTEE

COMPLIANCE EXAMINATION

**FOR THE YEAR ENDED
JUNE 30, 2016**

**COUNTY OF LASSEN
TREASURY OVERSIGHT COMMITTEE COMPLIANCE EXAMINATION
FOR THE YEAR ENDED June 30, 2016**

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INDEPENDENT ACCOUNTANT'S REPORT

To the Members of the Treasury
Oversight Committee
County of Lassen
Susanville, California

We have examined the County of Lassen's (the County) compliance with the Treasury Oversight Committee (the Oversight Committee) provisions contained in Sections 27130-27137 of the California Government Code for the fiscal year ended June 30, 2016. The County Treasury's management is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance with those requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the County complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the County complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the County's compliance with specified requirements.

In our opinion, the County complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2016. We have included on the following pages our discussion and observations regarding the oversight provided.

This report is intended only for the information of the Treasury's management, Treasury Oversight Committee, the Board of Supervisors, and other within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Price Paige & Company

Clovis, California
March 20, 2017

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COMMITTEE MEMBERS

<u>Member</u>	<u>Term Expires</u>	<u>Organization Appointed From</u>
Irene Doyle	12/31/2016	Public Member
Jim Chapman	12/31/2016	Board of Supervisors
Patricia Gunderson	12/31/2016	School Districts
Martin Balding	12/31/2016	Public Member
Michelle Brown	12/31/2016	School Districts

ADVISORY

Richard Egan	County Administrative Officer
Laura Dennis	Asst. Treasure/Tax Collector
Diana Wemple	Auditor-Controller
Nancy Cardenas	Treasurer/Tax Collector

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Background and General

In 1995 the California Legislature passed provisions requiring each county to establish an oversight committee of 3 to 11 members, each representing various organizations (the pool of organizations was also specified in the legislation). The purpose of this committee was to oversee the policies that guide the investment of public funds. The committee was not to impinge on the day-to-day operations of the County Treasurer, but rather to review and monitor the Treasurer's investment policy and reporting.

Certain statutory changes were enacted by the California Legislature effective January 1, 2005. Government Code Section 27131 now makes the Treasury Oversight Committee optional, although Legislature encourages the continuation of the Oversight Committee. Other statutory changes also included the removal of the mandatory filing of the annual investment policy and the quarterly investment report to the State. Instead, as to counties, the annual investment policy should be submitted to the County's administrative officer, auditor-controller or Board of Supervisors.

Compliance Audit Requirement

The oversight legislation included many specific requirements such as the required contents of the Treasurer's Investment Policy. Government Code Section (GC) 27134 requires an annual audit to determine compliance with the provisions. This examination serves to comply with that requirement.

Committee Formation and Operation

The Oversight Committee appeared to be properly composed of members of the groups described in the Government Code, including "public members" as described in Government Code Section 27132(g) (see page 2 for a complete list of members). Furthermore, one committee meeting was held on February 2, 2016, during the 2015-16 fiscal year in which these members attended.

Investment Policy Statement

Government Code Section 27133 requires the County Treasurer to annually prepare an investment policy statement that is reviewed and monitored by the Oversight Committee. We noted that the investment policy in effect for fiscal year 2015-16 was reviewed by the Oversight Committee and approved by the Board of Supervisors on April 14, 2015.

**COUNTY OF LASSEN
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FOR THE YEAR ENDED June 30, 2016**

Investment Policy Review

We reviewed the requirements specified in Government Code Section 27133, items a–h, as noted below. We found nothing in our examination that would lead us to believe that the fiscal year 2015-2016 policy did not address all the required provisions as follows:

<u>Requirement</u>	<u>Policy Page</u>	<u>Deemed Compliant</u>
a. Authorized securities maximum percentage by type	13-16	yes
b. Maximum investment terms	11,13-16	yes
c. Criteria for selection of brokers	5-6	yes
d. Limits on gifts	3-4	yes
e. Reporting to oversight committee	12	yes
f. Calculation of Treasurer's costs (GC 27130)	17	yes
g. Voluntary depositors	18	yes
h. Requests for withdrawal	17-18	yes

Compliance to Policy

We reviewed the County's actual practices during fiscal year 2015–2016 to determine compliance to the investment policy, as follows: (1) we noted that all investments held at year-end were those authorized by Government Code and by County policy; and (2) the diversification percentages and maximum maturities were also reviewed as of year-end and found to all be within the guidelines of the policy.

Quarterly Reporting

Government Code Section 53646 specifies the content of the quarterly investment reports. We noted that the minutes indicated that reports were presented at each meeting of the Oversight Committee. Additionally, we obtained these reports and determined that they contained the required components to make them compliant with Government Code.

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Cost and Fair Value

Based on information provided by the County, the following illustrates the carrying value and fair value of the investments as of June 30, 2016:

	<u>Cost</u>	<u>Fair Value</u>
Certificates of Deposit	\$ 4,665,000	\$ 4,746,763
Corporate Bonds	9,175,210	9,273,467
Municipal (State) Agency Issues	2,501,758	2,556,003
Federal Agency Issues	32,694,316	32,975,093
US Treasury	4,195,313	4,237,516
California Local Agency Investment Fund (LAIF)	22,161,150	22,161,150
U.S. Bank Active Cash (Money Market)	11,939,879	11,939,879
Cash on Hand	<u>2,965</u>	<u>2,965</u>
 Total Pooled Cash and Investments	 <u>\$ 87,335,591</u>	 <u>\$ 87,892,836</u>

The bank balance in the County's checking account (US Bank Active Cash) was \$14,206,609 before outstanding warrants of \$2,266,730 to arrive at the carrying value of \$11,939,879.

Interest Apportionment

The interest earned on the pooled investments is apportioned by the Treasurer/Tax Collector's Office each quarter. These apportionments are made based on the average daily balances of each fund for the quarter. We found nothing that would make us believe that the apportionment process was not properly functioning to equitably distribute the investment earnings to the fund participants.

EXHIBIT A

County of Lassen
Treasury Pooled Cash and Investments
Investments by Type – Fair Value
As of June 30, 2016

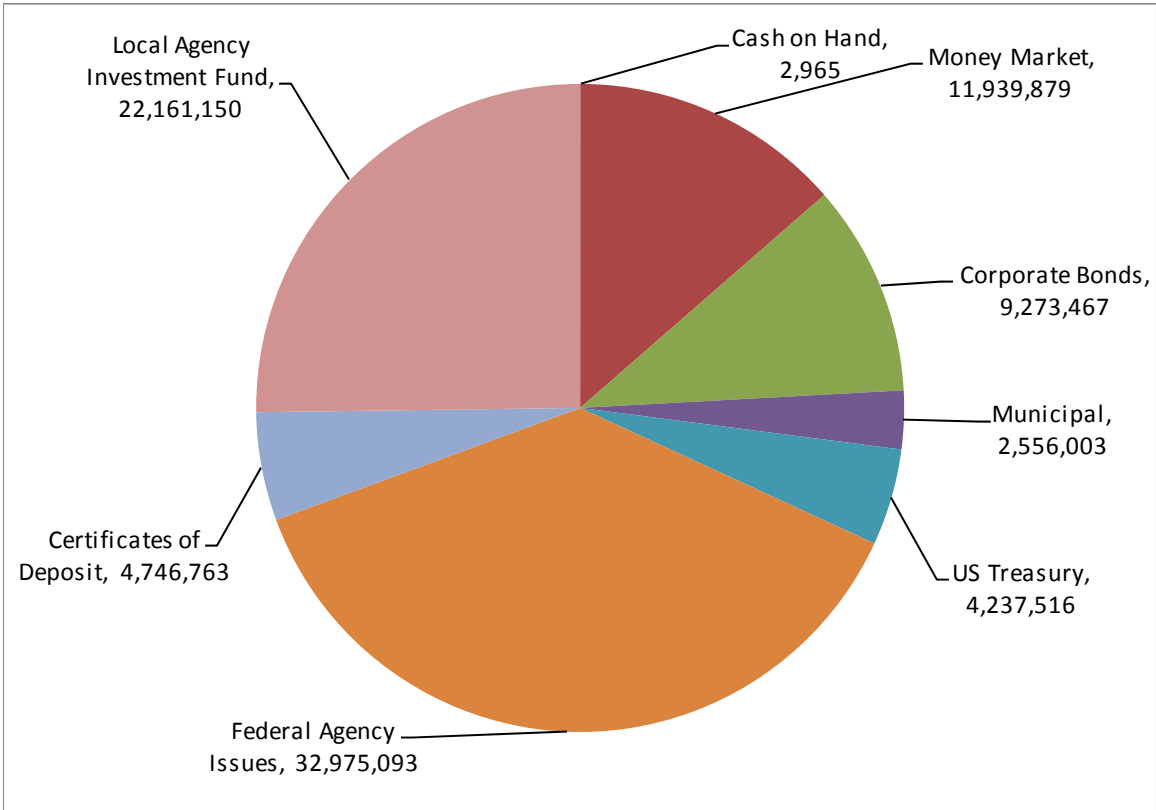
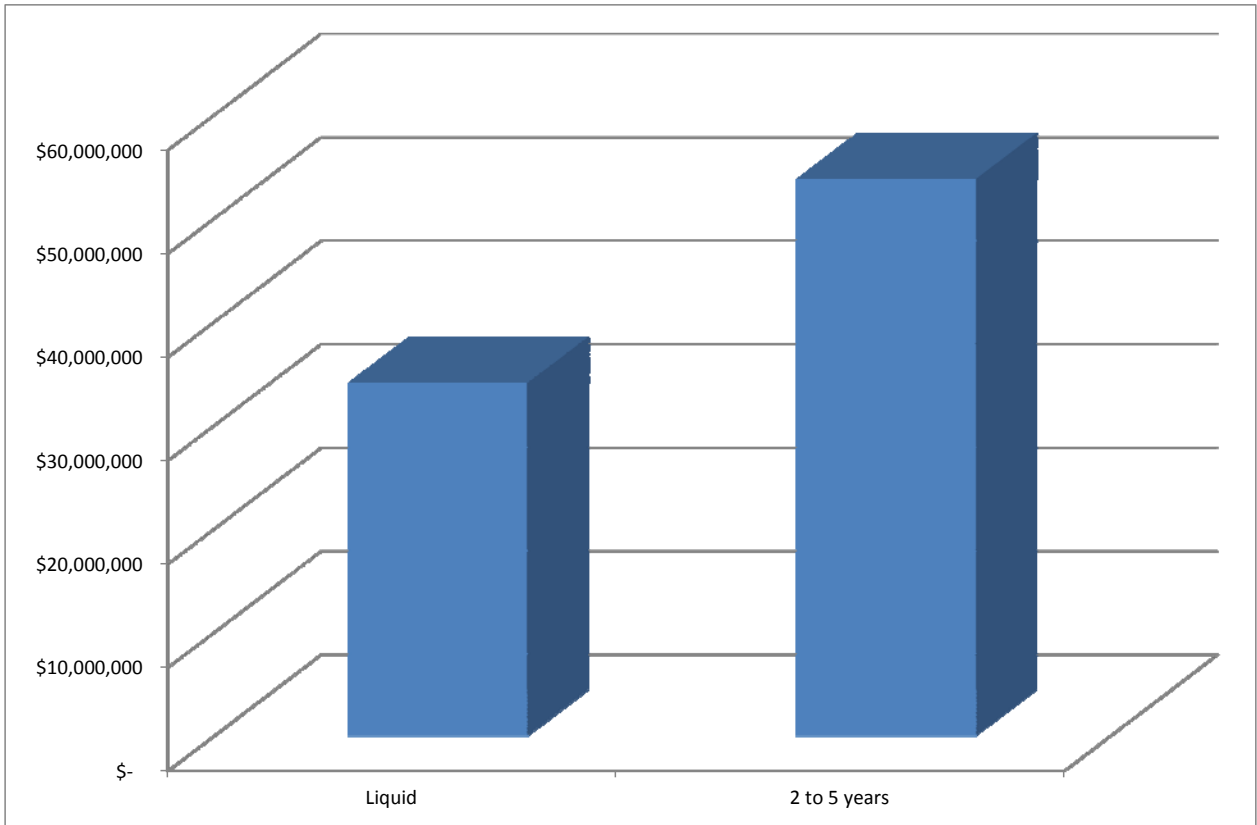


EXHIBIT B

County of Lassen
Treasury Pooled Cash and Investments
Weighted Average Maturities
As of June 30, 2016



Note:

Investments in the LAIF are considered highly liquid because deposits can be converted to cash within 24 hours without loss of interest.

EXHIBIT C

County of Lassen
Treasury Pooled Cash and Investments
Participant Level Returns
September 2014 – June 2016

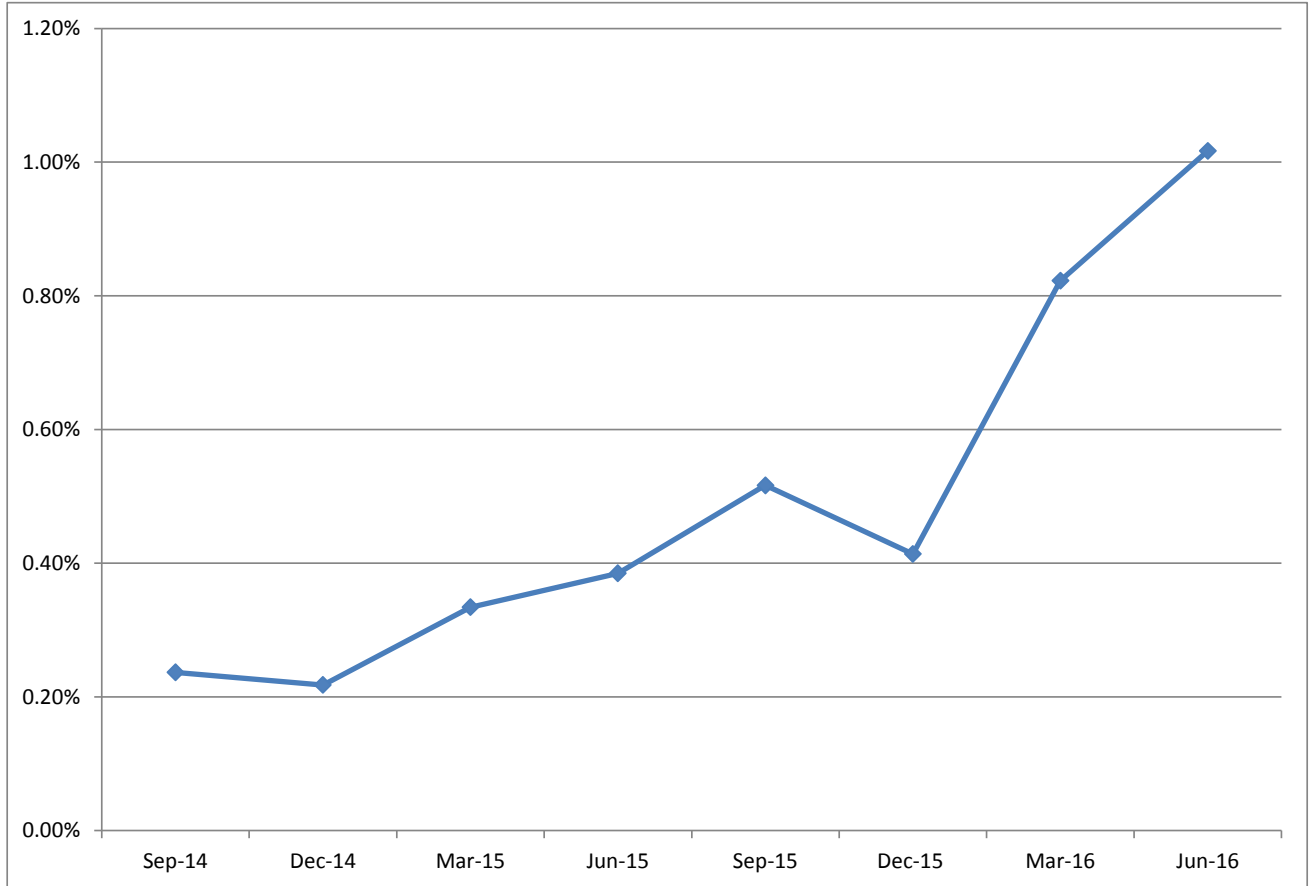


EXHIBIT D

County of Lassen
Treasury Pooled Cash and Investments
Interest Apportioned by Quarter
September 2014 – June 2016

