

**COUNTY OF LASSEN
CALIFORNIA
TREASURY OVERSIGHT COMMITTEE
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED
JUNE 30, 2015**

**COUNTY OF LASSEN
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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, 2015. The County Treasury's management is responsible for compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination. We did not audit, verify or confirm the existence of the investments as this was not within the scope of this engagement and is normally included as part of the County's annual financial audit. Rather, the sole purpose of this examination was to determine compliance with the requirements specified in the Government Code Sections.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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, 2015. We have included on the following pages our discussion and observations regarding the oversight provided.

Price Paige & Company

Clovis, California
February 17, 2016

**COUNTY OF LASSEN
TREASURY OVERSIGHT COMMITTEE COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2015**

COMMITTEE MEMBERS

| <u>Member</u> | <u>Term Expires</u> | <u>Organization Appointed From</u> |
|-----------------|---------------------|------------------------------------|
| Bob Pyle | 12/31/2015 | Board of Supervisor |
| Irene Doyle | 12/31/2015 | Public Member |
| Patty Gunderson | 12/31/2015 | School Districts |
| Martin Balding | 12/31/2015 | Public Member |
| Michelle Brown | 12/31/2015 | School Districts |

ADVISORY

| | |
|----------------------|--|
| Richard Egan | County Administrative Officer |
| Laura Dennis | Secretary |
| Diana Wemple | Auditor-Controller |
| Judy Davis | Assistant Auditor |
| Nancy Cardenas | Treasurer |
| Bob Burns | Lassen County Counsel |
| Christine Pettengill | Lassen County Legal Office Coordinator |

**COUNTY OF LASSEN
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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 March 26, 2015, during the 2014-15 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 2014-15 was reviewed by the Oversight Committee and approved by the Board of Supervisors on May 13, 2014.

**COUNTY OF LASSEN
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FOR THE YEAR ENDED JUNE 30, 2015**

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 2014–2015 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 2014–2015 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, 2015:

| | <u>Cost</u> | <u>Fair Value</u> |
|--|--------------------------|--------------------------|
| Certificates of Deposit | \$ 2,920,000 | \$ 2,910,070 |
| Corporate | 6,063,755 | 5,998,485 |
| Federal Agency Issues | 23,690,534 | 23,771,414 |
| Municipal | 1,990,680 | 1,977,900 |
| US Treasury | 4,195,312 | 4,203,172 |
| US Bank Active Cash (Money Market) | 19,180,738 | 19,180,738 |
| California Local Agency Investment Fund (LAIF) | 22,060,521 | 22,060,521 |
| Cash on Hand | <u>3,248</u> | <u>3,248</u> |
| Total Pooled Cash and Investments | <u>\$ 80,104,788</u> | <u>\$ 80,105,548</u> |

The bank balance in the County's checking account (US Bank Active Cash) was \$21,386,728 before outstanding warrants of \$2,205,990 to arrive at the carrying value of \$19,180,738.

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, 2015

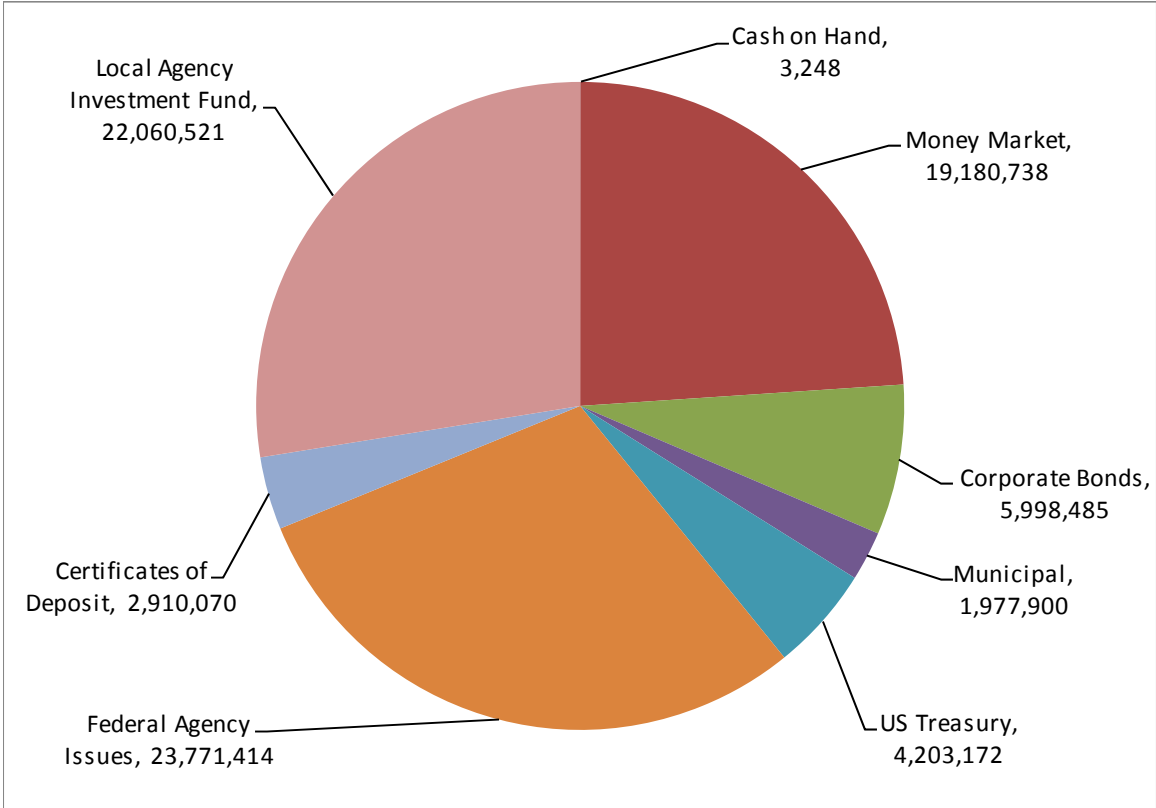
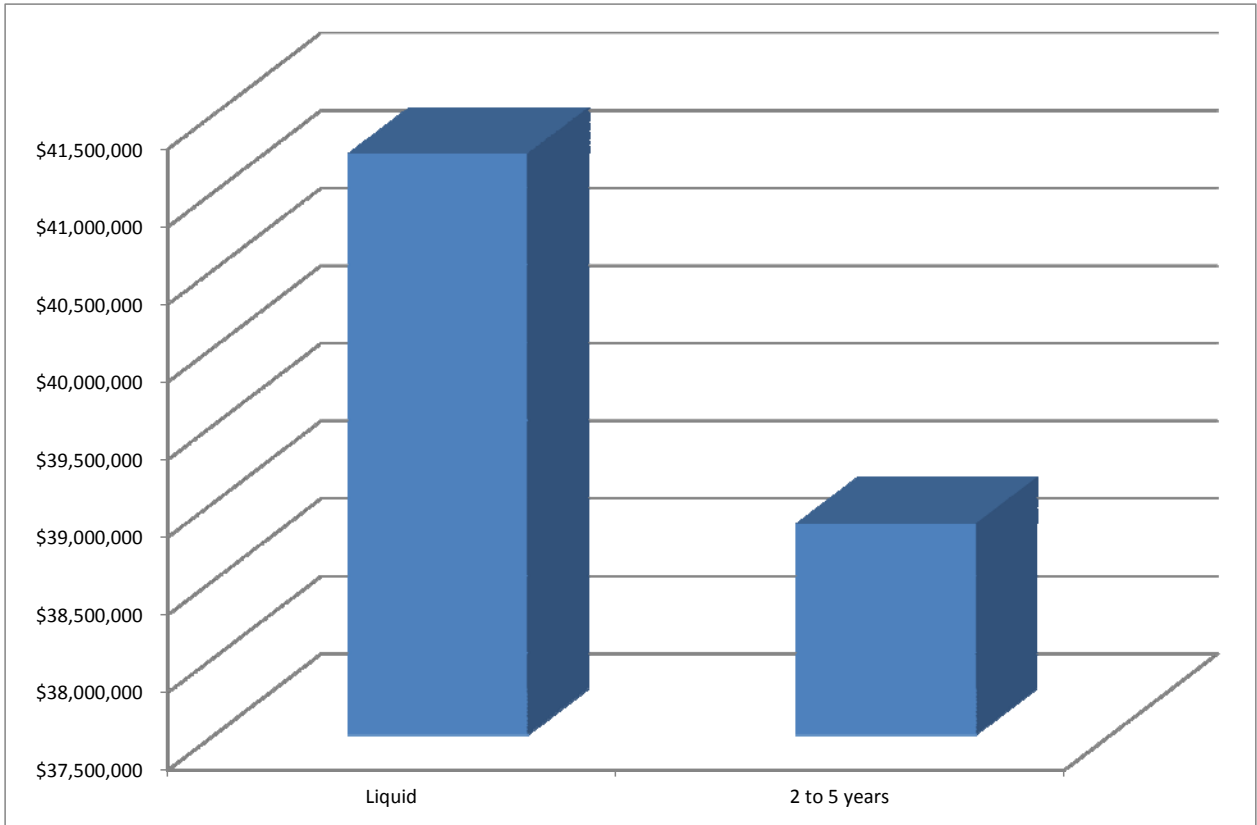


EXHIBIT B

County of Lassen
Treasury Pooled Cash and Investments
Weighted Average Maturities
As of June 30, 2015



Note:

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 2013 – June 2015

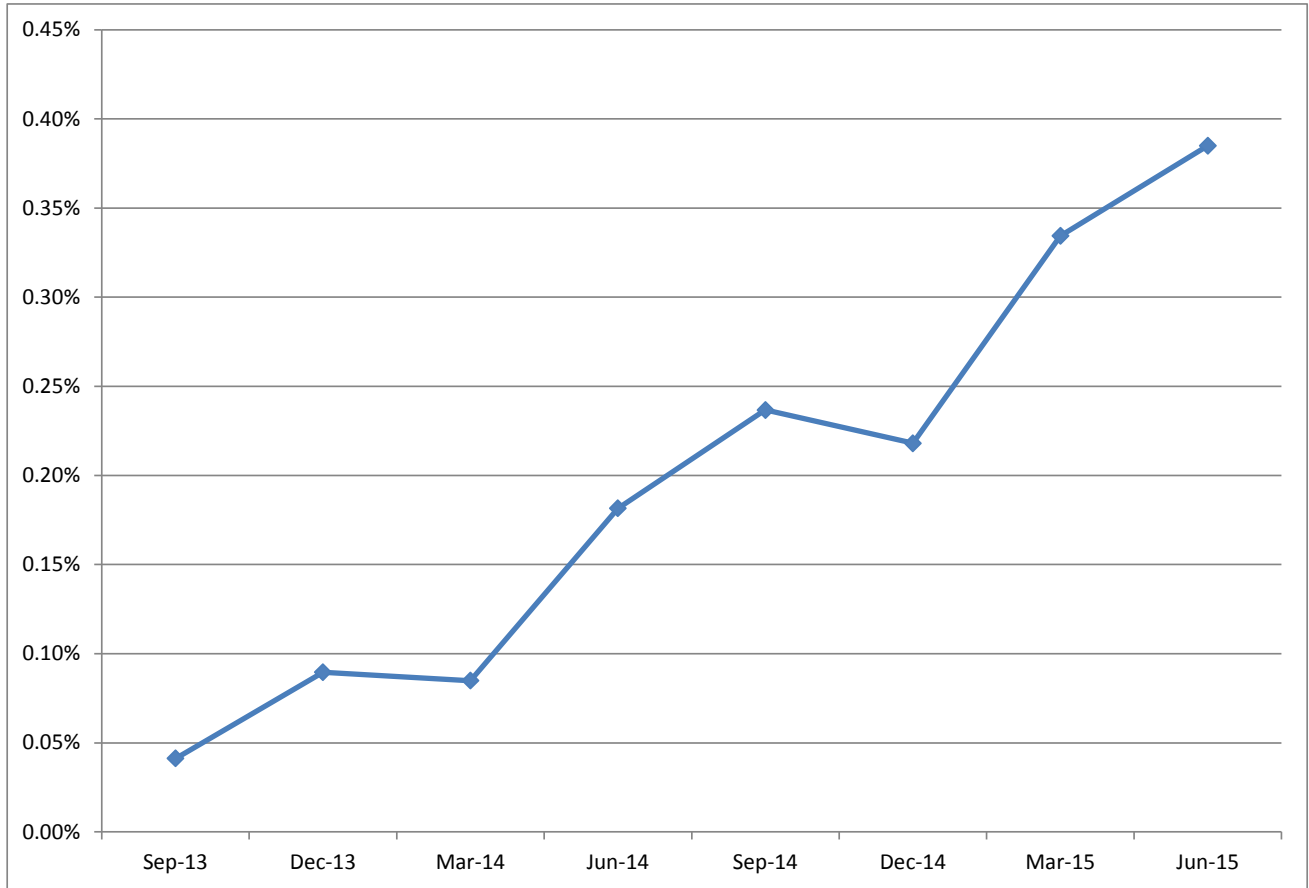


EXHIBIT D

County of Lassen
Treasury Pooled Cash and Investments
Interest Apportioned by Quarter
September 2013 – June 2015

