

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
December 5, 2017
“*Communications Received and Filed*” Item

To: Board of Supervisors

From: Department of Finance

Subject: Treasury Oversight Committee Review Of Non-Pooled Investments For The
Quarter End September 30, 2017

Supervisory
District(s): All

Contact: Joyce Renison, Assistant Auditor-Controller, 874-6454

DISCUSSION

As per Government Code Section 27131, the Sacramento County Treasury Oversight Committee (Committee) was established to oversee County of Sacramento (County) investments. As such, the Committee requests the Department of Finance to perform agreed-upon procedures (AUP) on a quarterly basis to inspect County non-pooled investments to ensure compliance with the County Investment Policy and applicable laws and regulations.

The Auditor selected all new issues and randomly selected remaining issues for a total sample of 10 issues to inspect. The results of our procedures are included in the attached AUP report.

Respectively submitted,

Ben Lamera
Director of Finance

Attachment

ATT 1 - Treasury Oversight Committee Review of Non-Pooled Investments for the Quarter End
September 30, 2017

COUNTY OF SACRAMENTO

Treasury Oversight Committee
Non-Pooled Investments
Agreed-Upon Procedures Report

For the Quarter Ended September 30, 2017

Audit Staff:

Alan A. Matré, C.P.A.
Kyle R. Hammon

Chief of Audits
Auditor

**COUNTY OF SACRAMENTO
TREASURY OVERSIGHT COMMITTEE
NON-POOLED INVESTMENTS
AGREED-UPON PROCEDURES REPORT
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

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Sample of Non-Pooled Investments for Quarter Ended September 30, 2017 - Schedule I3



County of Sacramento

October 23, 2017

The Honorable Board of Supervisors and the
Sacramento County Treasury Oversight Committee
County of Sacramento, California

We have performed the procedures enumerated below and on the next page to a selected sample of the County of Sacramento (County), non-pooled investments, for the quarter ended September 30, 2017. The County of Sacramento, Treasury Oversight Committee (Committee) is responsible for establishing and maintaining effective internal controls, and compliance with the governing investment policy documents for the non-pooled investments. The sufficiency of the procedures is solely the responsibility of the Committee. Consequently, we make no representation regarding the sufficiency of the procedures described below and on the next page either for the purpose for which this report has been requested or for any other purpose. This report is applicable solely to procedures referred to below and on the next page and is not intended to pertain to any of the Committee's other operations, procedures, or compliance with laws and regulations.

The procedures we performed for the non-pooled investments for the quarter ended September 30, 2017 are summarized as follows below and on the next page:

1. We inspected the organization chart and written internal control procedures for investment and accounting of non-pooled investments to identify any conflicts of interest and inadequate segregation of duties.

Finding: We did not note any exceptions as a result of our procedures.

2. We verified that the SunGard Financial Services, Inc., Advanced Portfolio System II non-pooled investment balances agreed with the custodian statements.

Finding: We did not note any exceptions as a result of our procedures.

3. We inspected the portfolio monitoring report for ten selected investments and tested for accuracy.

Finding: We did not note any exceptions as a result of our procedures.

4. We verified that investments were made in accordance with the governing investment policy documents as described on the next page:

Non-Pooled Investment Policy

Non-Pooled Investments primarily consist of investments purchased with proceeds from Mello Roos Bonds (MR), Revenue Bonds (REV), General Obligation Bonds (GO), Assessment District Bonds (AD), Community Facilities District Bonds (CFD), Certificates of Participation Notes (COPs), and Tobacco Securitization Proceeds (TSP). The investment policy for the bonds is set forth in either the bond resolution, the bond indenture or by the bond insurer (governing investment policy document). The investment policy for the Tobacco Securitization Proceed is set forth in the Tobacco Securitization bond resolution and bond indenture.

The majority of the bond investments are limited to those authorized by California Government Code Section 53601 et seq. Any other authorized investments are indicated in the governing investment policy document.

Finding: We did not note any exceptions as a result of our procedures.

5. We selected ten non-pooled investments based upon outstanding issues at July 1, 2017, that included any new issues since July 1, 2017 to inspect for compliance with the governing investment policy documents described at Procedure Number 4.

Finding: We did not note any exceptions as a result of our procedures. See Schedule I, *Sample of Non-Pooled Investments* for sample tested.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not perform an audit, examination, or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Committee's non-pooled investments, or results of our procedures referred to above and on the previous page. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the County Board of Supervisors, County Treasury Oversight Committee and the Committee's management and should not be used for any other purpose. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

BEN LAMERA
DIRECTOR OF FINANCE



By: Alan A. Matré, C.P.A.
Chief of Audits

**COUNTY OF SACRAMENTO
SAMPLE OF NON-POOLED INVESTMENTS
FOR QUARTER ENDED SEPTEMBER 30, 2017**

<u>Issue</u> ⁽¹⁾	<u>Book Value</u> <u>09/30/17</u>	<u>% of Portfolio</u>
Sac City USD Series 2017E (GO)	\$ 118,466,524	18 %
Airport System 2009 C&D (REV)	21,856,724	3
Laguna Creek Refunding (MR)	3,555,233	1
Robla SD, Series 2015 A (GO)	2,699,110	<1
Center USD, Series 2016E (GO)	2,100,554	<1
Airport System 2008 D-E (REV)	1,940,411	<1
Metro Air Park (MR)	796,380	<1
REG SAN 2000 C SWAP (REV)	768,158	<1
Tobacco Settlement Ref 2005 (TSP)	513,600	<1
<i>SASD Upper Lateral Loan Prog (SEP)</i>	<u>464,675</u>	<u><1</u>
 Total internally managed Non-Pooled Investments tested ⁽²⁾	 <u>\$ 153,161,369</u>	 <u>Approx. 23%</u>

- (1) The selected sample of non-pooled investments for the quarter ended September 30, 2017 was selected based upon outstanding issues at July 1, 2017, plus any untested new issues since quarter ended July 1, 2017.
- (2) The total amount of internally managed non-pooled investments for the quarter ended September 30, 2017 was \$657,642,286.
- (3) The total amount of externally managed non-pooled investments for the quarter ended September 30, 2017 was \$21,651,919.

Fund Type

(GO) – General Obligation Bonds

(REV) – Revenue Bonds

(TSP) – Tobacco Securitization Proceeds

(MR) – Mello Roos Bonds

(SEP) – Funds Held For Unique Purposes

Indicates new issue