

**COUNTY OF SACRAMENTO  
CALIFORNIA**

For the Agenda of:  
March 20, 2018  
“*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 December 31, 2017

Supervisory District(s): All

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

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**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 11 issues to inspect. The results of our procedures are included in the attached AUP report.

Respectfully submitted,

**Ben Lamera**  
Director of Finance

Attachment

ATT 1 - Treasury Oversight Committee Review of Non-Pooled Investments for the Quarter End December 31, 2017

**COUNTY OF SACRAMENTO**

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

For the Quarter Ended December 31, 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 DECEMBER 31, 2017**

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## County of Sacramento

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January 24, 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 December 31, 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 December 31, 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 eleven 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, plus any untested new issues since quarter ended September 30, 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, Sacramento County Audit Committee, 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 DECEMBER 31, 2017**

<u>Issue</u> <sup>(1)</sup>	Book Value <u>12/31/17</u>	<u>% of Portfolio</u>
Folsom Cordova USD SFI District 3, 4, 5 (GO)	\$ 27,265,770	4 %
Water Financing Authority 2007 (REV)	25,719,093	4
San Juan USD Election 2002 Series 2017 (GO)	24,282,306	4
Airport System 2010 (REV)	13,053,514	2
Galt JUHSD GO Series 2017 (GO)	12,579,335	2
Sacramento City USD Series 2016 D (GO)	11,880,134	2
SRCSA Revenue Bonds 2006 (REV)	10,828,911	2
Metro Air Park CFD 2007 B (MR)	3,031,206	<1
San Juan USD Series 2011 (GO)	2,913,065	<1
<b><i>McClellan Park CFD Series 2017 A (MR)</i></b>	<b><i>2,441,272</i></b>	<b><i>&lt;1</i></b>
Tobacco Settlement 2001 A/B (TSP)	<u>889,837</u>	<u>&lt;1</u>
 Total internally managed		
Non-Pooled Investments tested <sup>(2)</sup>	<u>\$ 134,884,443</u>	<u>Approx. 22%</u>

- (1) The selected sample of non-pooled investments for the quarter ended December 31, 2017 was selected based upon outstanding issues at October 1, 2017, plus any untested new issues since quarter ended December 31, 2017.
- (2) The total amount of internally managed non-pooled investments for the quarter ended December 31, 2017 was \$627,078,414.
- (3) The total amount of externally managed non-pooled investments for the quarter ended December 31, 2017 was \$15,960,905.

Fund Type

(GO) – General Obligation Bonds  
(REV) – Revenue Bonds

(MR) – Mello Roos Bonds  
(TSP) – Tobacco Securitization Proceeds

***Indicates new issue***