



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

Department Name: Auditor-Controller  
Department No.: 061  
For Agenda Of: May 16, 2017  
Placement: Administrative  
Estimated Tme:  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors

**FROM:** Department Theodore A. Fallati, CPA, CPFO, Auditor-Controller, 568-2100  
Director(s) *Theo Fallati*  
Contact Info: Heather Fletcher, CPA, Audit Manager, 568-2456

**SUBJECT:** Auditor-Controller's Report on the Statement of Assets of the Santa Barbara County Treasurer's Investment Pool – As of March 31, 2017

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**County Counsel Concurrence**

As to form: N/A

**Auditor-Controller Concurrence**

As to form: N/A

**Recommended Actions:**

That the Board of Supervisors:

Receive and file the Auditor-Controller's Report on the Statement of Assets of the Santa Barbara County Treasurer's Investment Pool as of March 31, 2017.

**Summary Text:**

The Auditor-Controller's Report is being submitted pursuant to California Government Code Section 26920 and Santa Barbara County Code Section 2-23.2.

**Background:**

Funds that are controlled by the County Treasurer include currently available cash of the County as well as the cash invested into the pool by other governments (such as school districts, special districts and others). The Treasurer is responsible for investing all of these funds in accordance with California Government Code and the Treasurer's Investment Policy.

The goals of the Treasurer's Investment Policy are safety, liquidity, and yield, in that order. Types of securities in which the Treasurer may invest include U.S. Treasury and U.S. Government agency securities; state and/or local agency bonds, notes, warrants or certificates of indebtedness; bankers' acceptances; commercial paper; corporate bonds and notes; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; securities lending; bank deposits; money market mutual funds; State of California Local Agency Investment Fund (LAIF); and investment pools managed by a Joint Powers Authority.

Furthermore, pursuant to California Government Code Section 27131, the Treasurer has established a County Treasury Oversight Committee to review and monitor the Treasurer's Investment Policy and to promote public interest in the investment of public funds.

In accordance with California Government Code Section 26920, at least once in each quarter, the Auditor-Controller shall review the Treasurer's Statement of Assets of the Santa Barbara County Treasurer's Pool (the Statement).

At the end of each quarter, the Treasurer elects to prepare the Statement using the modified cash basis of accounting and omit note disclosures required by generally accepted accounting principles. At the end of each fiscal year, the Treasurer prepares a set of financial statements and note disclosures under generally accepted accounting principles.

We have completed the required review of the Statement as of March 31, 2017. The purpose of the review was to determine whether cash and investments shown on the Statement are reasonably stated.

Our review included the following procedures: 1) Counting cash in the County Treasury and cash and investments held on behalf of the Treasurer's Office; and 2) Verifying that the records of the County Treasurer and the Auditor-Controller reconcile pursuant to Government Code Section 26905.

Based on our review, the amounts shown on the Statement as of March 31, 2017 are reasonably stated.

**Attachments:**

Auditor-Controller's Report and Statement of Assets as of March 31, 2017, with accompanying note.

**Authored by:** Heather Fletcher, Audit Manager

**cc:** Harry Hagen, Treasurer-Tax Collector

# COUNTY OF SANTA BARBARA

**THEODORE A. FALLATI, C.P.A.**  
Auditor-Controller

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Assistant Auditor-Controller



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## OFFICE OF THE AUDITOR-CONTROLLER

### AUDITOR-CONTROLLER'S REPORT

To the Honorable Board of Supervisors  
County of Santa Barbara, California

Pursuant to California Government Code §26920, we have completed the required review of the accompanying Statement of Assets (the Statement) of the Santa Barbara County Treasurer as of March 31, 2017. The purpose of the review was to determine whether cash and investments as shown on the Statement are reasonably stated.

Our review included the following procedures:

- (1) Counting the cash in the County Treasury and cash and investments held on behalf of the Treasurer's Office.
- (2) Verifying that the records of the County Treasury and Auditor-Controller are reconciled for cash and investment accounts.

Based on our review, the amounts shown on the accompanying Statement of the Santa Barbara County Treasurer as of March 31, 2017 are reasonably stated.

Heather Fletcher, CPA  
Audit Manager  
Santa Barbara, California  
May 3, 2017

**Santa Barbara County Treasurer's Investment Pool  
Statement of Assets  
As of March 31, 2017**

| Asset Description                          | Cost                    | Net Unrealized<br>Holding<br>Gains/(Losses) | Fair Value*<br>3/31/2017 | Percent<br>of<br>Portfolio | Yield to<br>Maturity | Weighted<br>Average<br>Days to<br>Maturity | Fair Value*<br>12/31/2016 | Net Change             |
|--|-------------------------|---|--------------------------|----------------------------|----------------------|--|---------------------------|------------------------|
| Cash                                       | \$ 62,493,782           | \$ -  | \$ 62,493,782            | 4.62                       | 0.120                | 1  | \$ 88,912,962             | \$ (26,419,180)        |
| California Asset Management Program (CAMP) | 65,000,000              | -   | 65,000,000               | 4.81                       | 0.860                | 1  | 75,000,000                | (10,000,000)           |
| Local Agency Investment Fund (LAIF)        | 65,000,000              | -   | 65,000,000               | 4.81                       | 0.780                | 1  | 65,000,000                | -                      |
| U.S. Treasury Bills                        | 9,946,397               | 8,053                                       | 9,954,450                | 0.73                       | 0.791                | 180  | 4,988,000                 | 4,966,450              |
| U.S. Treasury Notes                        | 278,166,230             | 428,375                                     | 278,594,605              | 20.60                      | 1.034                | 412  | 296,636,799               | (18,042,194)           |
| Government Agency Bonds                    | 169,133,139             | 9,746                                       | 169,142,885              | 12.51                      | 1.096                | 450  | 188,833,043               | (19,690,158)           |
| Government Agency Discount Notes           | 360,007,972             | 981,526                                     | 360,989,498              | 26.69                      | 0.756                | 165  | 352,955,877               | 8,033,621              |
| Government Agency Bonds - Callable         | 343,398,139             | (2,210,117)                                 | 341,188,022              | 25.23                      | 1.421                | 970  | 305,082,614               | 36,105,408             |
| <b>Total</b>                               | <b>\$ 1,353,145,659</b> | <b>\$ (782,417)</b>                         | <b>\$ 1,352,363,242</b>  | <b>100.00</b>              | <b>1.001</b>         | <b>432</b>                                 | <b>\$ 1,377,409,295</b>   | <b>\$ (25,046,053)</b> |

\*Provided by Union Bank

**Treasurer's Pool Earnings Summary:**

|   |                  |
|---|------------------|
| Total Net Earnings on the Treasurer's Pool**  | \$ 2,675,592     |
| Average Daily Balance on the Treasurer's Pool | \$ 1,317,183,844 |
| Net Interest Rate on the Treasurer's Pool     | 0.824%           |

\*\*Total net earnings including earned interest, amortization and realized gains and losses on investments.

See accompanying note and Auditor-Controller's Report

# Santa Barbara County Treasurer's Investment Pool

## Notes to the Statement of Assets

March 31, 2017

### Note 1 – Summary of Significant Accounting Policies

#### ***The Financial Reporting Entity***

The Treasurer's Investment Pool Statement of Assets includes the cash balances of substantially all funds, which are invested by the County Treasurer. The Santa Barbara County Treasurer's Investment Pool (The Pool) is managed by the Treasurer on behalf of the Pool participants which includes the County, local school districts, and certain special districts who are required by State statutes to participate in the pool. Other municipal agencies may voluntarily participate in the pool.

#### ***Cash***

The cash balance on the Statement of Assets includes cash on deposit at the bank, deposits in-transit to the bank, and deposits in-transit from banks for payments related to third-party credit card and debit card transactions.

#### ***Investments***

Pursuant to Section 53646 of the Government Code, the County Treasurer prepares an *Investment Policy Statement* annually and presents it to the Treasury Oversight Committee for review and the Board of Supervisors for approval.

The Investment Policy Statement provides the basis for the management of a prudent, conservative investment program. The objectives of the Pool are primarily to safeguard investment principal, secondarily to maintain sufficient liquidity to meet cash flow needs, and lastly to attain a return on the funds. All investments are made in accordance with the Government Code and, in general, the Treasurer's Investment Policy is more restrictive than state law. Types of securities in which the Treasurer may invest include U.S. Treasury and U.S. government agency securities; state and/or local agency bonds, notes, warrants or certificates of indebtedness; bankers' acceptances; commercial paper; corporate notes; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; securities lending; bank deposits; money market mutual funds; the State of California Local Agency Investment Fund (LAIF); and investment pools managed by a Joint Powers Authority.

#### ***Financial Statement Presentation***

The accompanying special-purpose statement of assets was prepared on the modified cash basis of accounting and for the purpose of presenting the assets of the Treasury pursuant to the California Government Code Section 26920 and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, Treasury management has elected to omit certain note disclosures required by Governmental Accounting Standards Board statements since such disclosures are not required by the California Government Code Section 26920.