

# **Attachment A**



# Office of the Auditor-Controller

County of Santa Barbara

*One Office. One County. One Future.*

Betsy M. Schaffer, CPA  
Auditor-Controller

C. Edwin Price, Jr., CPA  
Assistant Auditor-Controller

## AUDITOR-CONTROLLER'S REPORT

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

Pursuant to California Government Code §26920(a) and Santa Barbara County Code of Ordinances §2-23-2(a), we have reviewed the accompanying County of Santa Barbara Treasurer's Investment Pool Statement of Assets (Statement) as of September 30, 2024, and for the quarter then ended. A review includes primarily applying analytical procedures to the Treasurer's financial data and making inquiries of Treasurer management and staff. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the Statement. Accordingly, we do not express such an opinion. The purpose of the review was to determine whether cash and investments as represented on the Statement are reasonably stated.

As required under California Government Code §26920, our review included the following procedures:

- (1) The quarterly review of the Statement of Assets in the County Treasury.
- (2) A physical count of selected cash in the County Treasury.
- (3) Verifying the records of the County Treasury and Auditor-Controller are reconciled for cash and investment accounts required under California Government Code §26905.

The Treasurer is responsible for the preparation and fair presentation of the Statement and for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the Statement. Our responsibility is to conduct the compliance review in accordance with generally accepted auditing standards (Standards), and in accordance with certain sections of the California Government Code as well as certain sections of the Santa Barbara County Code of Ordinances. These Standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the Statement. We believe that the results of our procedures provide a reasonable basis for the results, observations, and recommendations contained in our report. However, there was a temporary circumstance in which five Government Sponsored Enterprise bonds were out of compliance with the County Investment Policy, which has been disclosed in *Note 2 – Investment Policy Compliance*.

Based on our review, we are not aware of any material modifications that should be made to the accompanying Statement.

Joel Boyer, CPA  
Internal Audit Chief  
Office of the Auditor-Controller  
County of Santa Barbara, California

**Santa Barbara County Treasurer's Investment Pool  
Statement of Assets  
As of September 30, 2024**

Asset Description	Cost	Net Unrealized Holding Gains/(Losses)	Fair Value ** 9/30/2024	Percent of Portfolio	Yield to Maturity	Weighted Average Days to Maturity	Fair Value ** 6/30/2024	Net Change
Cash - BofA (Non-Interest Bearing)	\$ 17,420,225	\$ -	\$ 17,420,225	0.73	0.000%	1	\$ 5,000,000	\$ 12,420,225
Cash - BofA (Interest Bearing)	45,982,176		45,982,176	1.92	2.740	1	11,601,565	34,380,611
Cash - BofA (Interest Bearing)	25,000,000		25,000,000	1.05	5.330	1	-	25,000,000
Federally Insured Cash Account (FICA)	5,000,000	-	5,000,000	0.21	4.980	1	5,000,000	-
California Asset Management Program (CAMP)	105,000,000	-	105,000,000	4.39	5.070	1	85,000,000	20,000,000
Local Agency Investment Fund (LAIF)	50,000,000	-	50,000,000	2.09	4.580	1	75,000,000	(25,000,000)
U.S. Treasury Bills	57,682,167	1,274,533	58,956,700	2.46	5.065	146	157,420,600	(98,463,900)
U.S. Treasury Notes	862,328,125	18,225,075	880,553,200	36.81	3.427	912	1,024,292,450	(143,739,250)
Government Agency Bonds	600,909,043	3,721,027	604,630,070	25.28	3.629	768	626,139,940	(21,509,870)
Government Agency Discount Notes	58,027,033	391,967	58,419,000	2.44	4.425	243	59,934,400	(1,515,400)
Government Agency Bonds - Callable	556,525,013	(15,418,980)	541,106,033	22.62	1.115	442	572,992,115	(31,886,082)
<b>Total</b>	<b>\$ 2,383,873,782</b>	<b>\$ 8,193,622</b>	<b>\$ 2,392,067,404</b>	<b>100.00</b>	<b>3.087%</b>	<b>638</b>	<b>\$ 2,622,381,069</b>	<b>\$ (230,313,666)</b>

\*\* Provided by US Bank

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

Treasurer's Pool Earnings Summary:

Total Net Earnings on the Treasurer's Pool ***	\$ 18,306,328
Average Daily Balance on the Treasurer's Pool	\$ 2,452,025,923
Net Interest Rate on the Treasurer's Pool	2.97%

Asset Description	Cost	Net Unrealized Holding Gains/(Losses)	Fair Value 09/30/2024	Percent of Portfolio	Yield to Maturity	Weighted Average Days to Maturity	Fair Value 6/30/2024	Net Change
Cannabis Cash #	\$ 2,000,000	\$ -	\$ 2,000,000	46.92	0.000%	1	\$ 2,000,000	\$ -
Cannabis Cash (Interest Bearing) #	\$ 2,262,789		\$ 2,262,789	53.08	2.74%	1	\$ 7,563,888	\$ (5,301,099)
<b>Total</b>	<b>\$4,262,789</b>	<b>\$ -</b>	<b>\$ 4,262,789</b>	<b>100.00</b>			<b>\$ 9,563,888</b>	<b>\$ (5,301,099)</b>

# Proceeds from Cannabis operations are segregated from the Investment Pool and do not receive Investment Pool interest apportionment.

**Santa Barbara County Treasurer’s Investment Pool**  
**Notes to the Statement of Assets**  
**September 30, 2024**

**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, presents it to the Board of Supervisors and Treasury Oversight Committee, which the Board of Supervisors will review and approve.

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

**Santa Barbara County Treasurer's Investment Pool**  
**Notes to the Statement of Assets**  
**September 30, 2024**

note disclosures required by Governmental Accounting Standards Board statements since such disclosures are not required by the California Government Code Section 26920.

**Note 2 – Investment Policy Statement Compliance:**

The Treasurer's Investment Pool (Pool) is managed by the County Treasurer's office for the County, local community colleges, local school districts, and other districts and agencies, with the current Investment Policy Statement (Policy) last approved by the Board of Supervisors on May 14, 2024. The current policy contains an error relating to the issuer limitation on Government Sponsored Enterprise (GSE) bonds which was erroneously reduced from 100% to 25%. The Treasurer has amended the Policy to correct the error by increasing the issuer allowance on GSE bonds back to 100%. This correction provides needed flexibility and realigns the Policy with California Government Code section 53601(f). Additionally, Item (b), Section 15.1 of the Policy was deleted to improve readability as Figure 1 of Section 13.1 contains all compliance figures. These amendments were reviewed and approved by the Treasury Oversight Committee on October 28, 2024. The Policy continues to meet or exceed the legal and regulatory requirements governing the Pool.

Due to the inadvertent reduction of the issuer allowance described above, five bonds from Federal Home Loan Bank were identified as being purchased after the adoption of the current policy and are out of compliance. However, given the Policy is expected to be amended, and the bonds comply with California Government Code 53601(f), and the bonds mature within one year, it is deemed prudent and appropriate to hold them to maturity. The Treasurer's Office has communicated this issue to both the County's external auditors, Brown Armstrong Accountancy Corporation, and the Auditor-Controller's Internal Audit Division. The County has received concurrence from its external auditors regarding the treatment of these bonds, affirming the County's compliance with California Government Code, and thereby upholding the accuracy and transparency in reporting.