

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

**STATE OF CALIFORNIA
STATEMENT OF SECURITY ACCOUNTABILITY
OF THE STATE TREASURER
JUNE 30, 1984**

REPORT BY THE
OFFICE OF THE AUDITOR GENERAL

F-446

STATE OF CALIFORNIA
STATEMENT OF SECURITY ACCOUNTABILITY
OF THE STATE TREASURER
JUNE 30, 1984

JANUARY 1985



Telephone:
(916) 445-0255

Thomas W. Hayes
Auditor General

STATE OF CALIFORNIA
Office of the Auditor General

660 J STREET, SUITE 300
SACRAMENTO, CA 95814

January 31, 1985

F-446

Honorable Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning the State Treasurer's Statement of Security Accountability as of June 30, 1984, as required by Government Code Section 13299.1. We found that the statement presents fairly the security accountability of the State Treasurer as of June 30, 1984.

Respectfully submitted,

for
THOMAS W. HAYES
Auditor General

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| AUDITOR'S OPINION | 1 |
| STATEMENT OF SECURITY ACCOUNTABILITY OF THE STATE TREASURER | 3 |
| NOTES TO THE STATEMENT OF SECURITY ACCOUNTABILITY OF THE STATE TREASURER | 7 |



Telephone:
(916) 445-0255

Thomas W. Hayes
Auditor General

STATE OF CALIFORNIA
Office of the Auditor General

660 J STREET, SUITE 300
SACRAMENTO, CALIFORNIA 95814

Members of the Joint Legislative Audit Committee
State of California

We have examined the Statement of Security Accountability of the State Treasurer as of June 30, 1984. We made our examination in accordance with generally accepted auditing standards and Government Code Section 13299.1. Our examination included a count of all securities held for safekeeping purposes in the State Treasurer's vault and included such other tests of the accounting records and auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement presents fairly the security accountability of the State Treasurer as of June 30, 1984, in accordance with the basis of accounting described in Note 1.

This report is intended solely for the purpose of complying with the provisions of Government Code Section 13299.1 and is not intended for any other purpose.

OFFICE OF THE AUDITOR GENERAL

A handwritten signature in dark ink, appearing to read "Karl W. Dolk".

KARL W. DOLK, CPA
Assistant Auditor General

Date: December 15, 1984

Staff: Phil Jelicich, CPA, Audit Manager
Harriet Kiyon, CPA
Don Roberts, CPA

STATE OF CALIFORNIA
STATEMENT OF SECURITY ACCOUNTABILITY OF THE STATE TREASURER
JUNE 30, 1984

| <u>Account Title</u> | <u>Deposits in the State Treasurer's Vault</u> | <u>Deposits With Banks or Trust Companies</u> | <u>Securities in Transit</u> | <u>Total</u> |
|---|--|---|----------------------------------|-----------------------|
| <u>Pooled Money Investment Account</u> (Note 1) | | | | |
| Securities (Note 2) | \$ 331,261,923 | \$ 8,546,250,360 | \$ 249,000 | \$ 8,877,761,283 |
| Reverse Repurchase Agreements (Note 3) | | | <u>1,827,829,932</u> | <u>1,827,829,932</u> |
| Total | <u>331,261,923</u> | <u>8,546,250,360</u> | <u>1,828,078,932</u> | <u>10,705,591,215</u> |
| <u>Investments of Individual State Accounts</u> | | | | |
| Antioch and Carquinez | | 3,475,000 | | 3,475,000 |
| California Housing Finance Agency | 103,803,063 | 96,163,000 | | 199,966,063 |
| California National Guard | | 18,870,762 | | 18,870,762 |
| California Pollution Control Financing Authority | | 3,148,900 | | 3,148,900 |
| California Transportation Commission | | 8,750,000 | | 8,750,000 |
| First Time Home Buyers | 2 | | | 2 |
| Judges' Retirement System | 520,000 | | | 520,000 |
| Legislators' Retirement System | 12,805,261 | 1,488,988 | | 14,294,249 |
| Public Employees' Contingency Reserve Fund | 9,894,000 | 9,417,000 | | 19,311,000 |
| Public Employees' Retirement System | 6,816,039,006 | 7,630,915,427 | 18,330,084 | 14,465,284,517 |
| Special Deposit - Alice Burch | 2,040 | 18,000 | | 20,040 |
| State Compensation Insurance Fund | 1,198,042,448 | 312,955,000 | 6,604,133 | 1,517,601,581 |
| State Controller | 3,000 | 335,000 | | 338,000 |
| State Teachers' Retirement System | 3,703,566,066 | 3,541,146,971 | 6,682,962 | 7,251,395,999 |
| State Teachers' Tax Sheltered Annuities | 810,000 | 6,025,000 | | 6,835,000 |
| Veterans' Debenture Revenue Fund | | 35,000,000 | | 35,000,000 |
| Volunteer Firefighters' Fund | | 191,000 | | 191,000 |
| Total | <u>11,845,484,886</u> | <u>11,667,900,048</u> | <u>31,617,179</u> | <u>23,545,002,113</u> |
| <u>Pledges to Secure Investments of the Pooled Money Investment Account</u> | | | | |
| | | <u>130,104,622</u> | | <u>130,104,622</u> |
| <u>Pledges to Secure Bank and Savings and Loan Deposits of the State</u> | | | | |
| Agency Bank Deposits | 17,075,000 | 47,745,000 | | 64,820,000 |
| State Treasurer | | | | |
| Demand Deposits | 145,902,200 | 130,514,922 | | 276,417,122 |
| Time Deposits | 110,989,859 | 2,088,864,094 | | 2,199,853,953 |
| Total | <u>273,967,059</u> | <u>2,267,124,016</u> | | <u>2,541,091,075</u> |

(Statement continued on next page)

| Account Title | Deposits in the State Treasurer's Vault | Deposits With Banks or Trust Companies | Securities in Transit | Total |
|---|---|--|--------------------------|-------------------------|
| <u>Miscellaneous Pledges</u> | | | | |
| Banking Department, State | 12,394,539 | 64,268,249 | | 76,662,788 |
| Consumer Affairs, Department of | 12,252,000 | 4,000 | | 12,256,000 |
| Corporations, Department of | 1,336,000 | | | 1,336,000 |
| Employment Development Department | 33,493,972 | 142,100 | | 33,636,072 |
| Equalization, Board of | 256,000 | | | 256,000 |
| Franchise Tax Board | 35,000 | | | 35,000 |
| Industrial Relations, Department of | 33,593,000 | | | 33,593,000 |
| Insurance, Department of | 3,658,227,194 | | | 3,658,227,194 |
| Real Estate, Department of | 3,965,000 | | | 3,965,000 |
| Savings and Loan, Department of | 1,265,000 | | | 1,265,000 |
| State Lands Commission | 3,857,969 | 51,000 | | 3,908,969 |
| Transportation, Department of | 31,977,485 | 7,500,000 | | 39,477,485 |
| Trustees of California State University | 109,000 | | | 109,000 |
| Water Resources Control Board | 629,363 | | 4,000 | 633,363 |
| Water Resources, Department of | 2,595,000 | | | 2,595,000 |
| Total | 3,795,986,522 | 71,965,349 | 4,000 | 3,867,955,871 |
| <u>General Safekeeping</u> | | | | |
| Alan Gene Whitaker Reimbursement Fund | 1 | | | 1 |
| California Coastal Commission | 6,140 | | | 6,140 |
| Corrections, Department of | 900,000 | 420,000 | | 1,320,000 |
| Developmental Services, Department of | 12,114 | 2,194,000 | | 2,206,114 |
| Education, Department of | 111,294 | 242,000 | | 353,294 |
| Quimby Island Reclamation District | 156 | | | 156 |
| Rehabilitation, Department of | 17,103 | | | 17,103 |
| Secretary of State | 10,000 | | | 10,000 |
| State Controller | 9,225,896 | | | 9,225,896 |
| State Treasurer Bearer bonds exchanged for registered bonds | 456,631,000 | | | 456,631,000 |
| Trust accounts | 98,452,166 | | | 98,452,166 |
| Trustees of California State University | 3,500 | 2,428,000 | | 2,431,500 |
| Total | 565,369,370 | 5,284,000 | | 570,653,370 |
| Grand Total | \$16,812,069,760 | \$22,688,628,395 | \$1,859,700,111 | \$41,360,398,266 |

The accompanying notes are an integral part of this statement.

**NOTES TO THE STATEMENT
OF SECURITY ACCOUNTABILITY OF THE STATE TREASURER**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Securities Accounted For

The State Treasurer is responsible for the safekeeping of all securities owned by or pledged to the State except the University of California. The Statement of Security Accountability provides an accountability for securities held by the State Treasurer for safekeeping. These securities include the following:

- (1) Pooled Money Investment Account securities purchased with available cash from all state funds or accounts that do not have investment authority of their own, all or a portion of the available cash from state funds or accounts having investment authority of their own, state deposits that have not been credited to specific funds in the State Treasury, and balances representing outstanding state warrants;
- (2) Individual state accounts;
- (3) Pledges to secure investments of the Pooled Money Investment Account;
- (4) Pledges to secure bank and savings and loan deposits of the State of California;
- (5) Miscellaneous pledges to protect consumers, guarantee contractor performance, and insure payment of state taxes; and
- (6) General safekeeping accounts.

B. Valuation of Securities

The Statement of Security Accountability is not intended to provide a valuation at book or market value of the securities held by the State Treasurer.

The securities are valued in the Statement of Security Accountability as follows:

- Bonds, commercial paper, certificates of deposit, and surety bonds--par or face value;

- Stock certificates, Government National Mortgage Association certificates, Federal National Mortgage Association certificates, and Federal Home Loan Mortgage Corporation certificates--\$1.00 per item;
- Real estate mortgage notes held as investments of individual state accounts--\$1.00 each;
- Real estate mortgage notes held as pledges to secure bank and savings and loan deposits--outstanding principal balance;
- Securities deposited with trust companies--face value; and
- Building certificates--outstanding principal balance.

2. POOLED MONEY INVESTMENT ACCOUNT SECURITIES

The Pooled Money Investment Account securities were valued at \$10,705,591,215 according to the method described in Note 1B; they were reported at book value of \$8,565,438,108 in an affidavit filed by the Auditor General on January 10, 1985. The difference results from different methods of valuation.

Cash on hand, demand deposits in banks, cash deposited with fiscal agents, nonnegotiable certificates of deposit with banks and savings and loan associations, and amounts due from banks, totalling \$895,539,453, are not included in the Statement of Security Accountability. These amounts are reported as "money and credit" in the affidavit filed by the Office of the Auditor General on January 10, 1985, pursuant to Sections 13297 and 13298 of the Government Code.

3. POOLED MONEY INVESTMENT ACCOUNT REVERSE REPURCHASE AGREEMENTS

Pooled Money Investment Account securities with a total par value of \$1,827,829,932 were sold by the State Treasurer under agreements to repurchase the securities at predetermined dates and prices. During the terms of the agreements, the securities are held by the buyers, but all risks of ownership are retained by the State Treasurer.

4. OTHER PERSONAL PROPERTY

In addition to depositing securities, state agencies also deposit other personal property in the State Treasurer's vault. The following schedule lists entities having personal property in the vault as of June 30, 1984.

| <u>Entity</u> | <u>Number of Items</u> |
|--|----------------------------|
| California Pollution Control Financing Authority | 1 |
| Department of Developmental Services | 9 |
| Emergency Stock - Agency Trust Checks | 48,500 |
| Department of Housing and Community Development | 52 |
| Department of Motor Vehicles | 559 |
| State Controller | 92 |
| State Treasurer | <u>11</u> |
| Total | <u>49,224</u> |

Each item or sealed package of personal property is counted individually. Personal property is excluded from the Statement of Security Accountability.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps