

# **State of California:**

**Statement of Securities Accountability  
of the State Treasurer's Office  
June 30, 1996**

**January 1997  
96008**

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January 3, 1997

96008

The Governor of California  
President pro Tempore of the Senate  
Speaker of the Assembly  
State Capitol  
Sacramento, California 95814

Dear Governor and Legislative Leaders:

The Bureau of State Audits presents its audit report of the State Treasurer's Office Statement of Securities Accountability as of June 30, 1996.

The Statement of Securities Accountability presents the securities owned by or pledged to the State directly or under investment agreements and securities held for safekeeping. The State Treasurer's Office is responsible for the safekeeping of all securities held in the treasury or other depositories, except for securities owned by or pledged to the University of California, or for securities in other depositories owned by or pledged to the Public Employees' Retirement System, the State Teachers' Retirement System, the Legislators' Retirement System, or Judges' Retirement System. For the Statement of Securities Accountability, the State Treasurer's Office assigns dollar amounts to each security for ease of accountability rather than for purposes of valuing securities to cost or market. The dollar amounts assigned represent the par or face value, the original face value, the original principal value, the current outstanding principal balance, or a nominal value of \$1 per certificate or note. Therefore, the dollar amounts presented in the Statement of Securities Accountability should not be used to determine the value of investments of, or pledged to the State. We found that the statement presents fairly the securities accountability of the State Treasurer's Office as of June 30, 1996.

We conducted this audit to comply with the California Government Code, Section 13299.1.

Respectfully submitted,



KURT R. SJOBERG  
State Auditor

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# *Table of Contents*

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*Independent Auditors' Report* 1

*Statement of Securities Accountability* 3

*Notes to the Statement of  
Securities Accountability* 5

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## *Independent Auditors' Report*

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We have audited the accompanying statement of securities accountability as of June 30, 1996. This statement of securities accountability is the responsibility of the State Treasurer's Office. Our responsibility is to express an opinion on the statement of securities accountability based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the accompanying statement of securities accountability is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of securities accountability. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of securities accountability. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of securities accountability was prepared for the purpose of providing information required by Section 13299.1 of the California Government Code as discussed in Note 1 and is not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the statement of securities accountability referred to above presents fairly, in all material respects, the securities accountability of the State Treasurer's Office as of June 30, 1996, in conformity with the basis of accounting described in Note 1.

This report is intended solely for the purpose of providing information required by Section 13299.1 of the California Government Code and should not be used for any other purpose.

BUREAU OF STATE AUDITS



PHILIP J. JELICICH, CPA  
Deputy State Auditor

Date: November 27, 1996

Staff: Sylvia L. Hensley, CPA, Audit Principal  
Alison Hanks, CPA, CGFM  
Douglas Gibson

**STATE OF CALIFORNIA  
STATEMENT OF SECURITIES ACCOUNTABILITY  
OF THE STATE TREASURER'S OFFICE  
JUNE 30, 1996**

Account Title	Securities and Investment Agreements in STO's Vault	Securities on Deposit With Banks and Trust Companies	Total
<b>Pooled Money Investment Account</b>			
Securities (Note 2)		\$25,494,183,978.43	\$25,494,183,978.43
<b>Individual State Investment Accounts</b>			
California Housing Finance Agency	\$ 69,418,041.04	30,207,518.51	99,625,559.55
California State University Dormitory—Refunding		178,126,100.00	178,126,100.00
California Valley Project Water System		88,347,000.00	88,347,000.00
Central Valley Project Water System—Series J Escrow		177,131,000.00	177,131,000.00
Central Valley Project Water System—Series L Escrow		446,034,000.00	446,034,000.00
Legislators' Retirement System	7.00		7.00
Los Angeles State Office Building Authority		178,643,000.00	178,643,000.00
Special Deposit Fund—Alice Burch Trust Fund		18,000.00	18,000.00
State Compensation Insurance Fund	112,116,820.16	5,703,900,174.61	5,816,016,994.77
State Controller's Office		220,000.00	220,000.00
State Lottery Fund		4,078,059,000.00	4,078,059,000.00
State Public Works Board—High Technology Revenue Bond Fund		460,244,000.00	460,244,000.00
State Public Works Board		826,931,000.00	826,931,000.00
Toll Bridge Construction Fund		32,400,600.00	32,400,600.00
Veterans' Debenture Revenue Fund	45,000,000.00	78,968,000.00	123,968,000.00
Veterans' Farm and Home Building Fund of 1943	267,896,720.18	348,393,000.00	616,289,720.18
Veterans' General Obligation	207,816,395.20		207,816,395.20
General Obligation Refunding—Escrow		402,716,000.00	402,716,000.00
<b>Total Individual State Investment Accounts</b>	<b>\$702,247,983.58</b>	<b>\$13,030,338,393.12</b>	<b>\$13,732,586,376.70</b>
<b>Collateral to Secure Deposits in Banks</b>			
Agency Bank Deposits	1,000,000.00	201,021,830.00	202,021,830.00
State Treasurer's Office custodian	14,000,000.00		14,000,000.00
State Treasurer's Office demand deposits	28,216,962.00	1,231,882,333.49	1,260,099,295.49
State Treasurer's Office fiscal agents		13,800,862.00	13,800,862.00
State Treasurer's Office time deposits	137,720,918.84	682,038,314.44	819,759,233.28
<b>Total Collateral To Secure Deposits in Banks</b>	<b>180,937,880.84</b>	<b>2,128,743,339.93</b>	<b>2,309,681,220.77</b>

Account Title	Securities and Investment Agreements in STO's Vault	Securities on Deposit With Banks and Trust Companies	Total
<b>Pledges Received by State Agencies</b>			
Consumer Affairs, Department of	17,169,075.31	10,000.00	17,179,075.31
Corporations, Department of	2,430,000.00	25,000.00	2,455,000.00
Deposit Officer Pending		517,750.00	517,750.00
Employment Development Department	126,700,286.63	1,899,500.00	128,599,786.63
General Services, Department of	170,000.00		170,000.00
Industrial Relations, Department of	66,409,480.00	160,629,000.00	227,038,480.00
Insurance, Department of	778,331,677.46	806,974,000.00	1,585,305,677.46
Real Estate, Department of	1,087,500.00		1,087,500.00
State Banking Department	18,305,000.00	49,561,061.97	67,866,061.97
State Lands Commission	9,644,638.76	15,000.00	9,659,638.76
Transportation, Department of	18,407,242.54	11,327,200.00	29,734,442.54
Trustees of California State University	5,854,566.00	410,000.00	6,264,566.00
Water Resources Control Board	1,093,525.41		1,093,525.41
<b>Total Pledges Received by State Agencies</b>	<b>1,045,602,992.11</b>	<b>1,031,368,511.97</b>	<b>2,076,971,504.08</b>
<b>General Safekeeping</b>			
Developmental Services, Department of	3,606.00	1,000,000.00	1,003,606.00
Education, Department of	11,510.00	32,000.00	43,510.00
Quimby Island Reclamation District	156.00		156.00
Rehabilitation, Department of	563.00		563.00
Secretary of State	10,000.00		10,000.00
State Treasurer's Office— Bearer bonds exchanged for registered bonds	1,533,695,000.00		1,533,695,000.00
Trust accounts	98,451,789.34		98,451,789.34
Trustees of California State University	3,500.00		3,500.00
Water Resources, Department of		162,000.00	162,000.00
<b>Total General Safekeeping</b>	<b>1,632,176,124.34</b>	<b>1,194,000.00</b>	<b>1,633,370,124.34</b>
<b>Total Securities</b>	<b>\$3,560,964,980.87</b>	<b>\$41,685,828,223.45</b>	<b>\$45,246,793,204.32</b>

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# *Notes to the Statement of Securities Accountability*

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## *Note 1.*

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### *Summary of Significant Accounting Policies*

#### **Basis of Presentation**

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The accompanying statement of securities accountability was prepared for the purpose of providing information required by Section 13299.1 of the California Government Code. This statement presents the securities owned by or pledged to the State directly or under investment agreements and those securities held for safekeeping. The State Treasurer's Office (STO) must account for all securities held in the treasury or other depositories, except for securities owned by or pledged to the University of California or for securities in other depositories owned by or pledged to the Public Employees' Retirement System, the State Teachers' Retirement System, the Legislators' Retirement System, or the Judges' Retirement System. The securities for which the STO is accountable are categorized as follows:

- Pooled Money Investment Account (PMIA) securities consist of investments with financial institutions. The investments are purchased with available money from various funding sources. The California Government Code, Section 16480.1, authorizes the State's Pooled Money Investment Board to designate the amount of available money to make such investments. In addition, Section 16480.2 expresses the intent that such investments realize the maximum return consistent with safe and prudent treasury management. Earnings on the PMIA securities are credited to the State's General Fund, the Surplus Money Investment Fund, the Local Agency Investment Fund, the Fish and Game Preservation Fund, the Public Employees' Retirement Fund, and the State Teachers' Retirement Fund.
- Individual state investment accounts consist of investments with financial institutions that are not invested through the PMIA.
- Collateral to secure deposits in banks consists of securities pledged by these institutions to protect the money that the State has on deposit with the institutions.
- Pledges received by state agencies consist of securities pledged to the State by certain businesses to protect consumers, to guarantee contractor performance, and to ensure payment of obligations such as disability benefits and state taxes.
- General safekeeping amounts consist of securities held on behalf of state agencies or other organizations.



## **Valuation of Securities**

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The accompanying statement of securities accountability is not intended to report securities at either book value or market value in accordance with generally accepted accounting principles. Instead, for ease of accountability, the STO values securities as follows:

### ***Securities and Investment Agreements in the Vault of the State Treasurer's Office***

- Bonds, commercial paper, certificates of deposit, and surety bonds are valued at par value or face value.
- Stock certificates are valued at \$1 per share.
- Government National Mortgage Association certificates, Federal National Mortgage Association certificates, and Federal Home Loan Mortgage Corporation certificates are valued at their current outstanding principal balances.
- Real estate mortgage notes held as investments of individual state accounts are valued at \$1 per note.
- Real estate mortgage notes held as pledges to secure bank and savings and loan deposits are valued at their original principal balances.

### ***Securities on Deposit With Banks and Trust Companies***

- Bonds, commercial paper, certificates of deposit, surety bonds, Federal National Mortgage Association certificates (except participation certificates), and Federal Home Loan Mortgage Corporation certificates (except participation certificates) are valued at par value or face value.
- Federal National Mortgage Association participation certificates and Federal Home Loan Mortgage Corporation participation certificates are valued at their current outstanding principal balances.
- Government National Mortgage Association physical certificates are valued at original face value.
- Government National Mortgage Association book entry certificates are valued at their current outstanding principal balances.
- Real estate mortgage notes held as pledges to secure bank and savings and loan deposits are valued at their original principal balances.
- Real estate mortgage notes held as pledges to secure the court and private trusts are valued at their current outstanding principal balances.

**Note 2.**

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***Pooled Money Investment Account - Securities***

The STO reported a total value of \$25,494,183,978.43 for the securities in the PMIA at June 30, 1996. In its statement of cash accountability for June 30, 1996, the STO reported a total value of \$25,167,846,738.74 for these same securities. The difference between the two values results because the STO valued the PMIA securities in the statement of securities accountability according to the methods described in Note 1, but it valued the same securities at book value for the statement of cash accountability.

**Note 3.**

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***Personal Property***

In addition to depositing securities, state agencies deposit personal property in the vault of the STO. The following table lists entities having personal property in the vault as of June 30, 1996.

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Entity	Number of Items
Deposit Officer Pending	41
Developmental Services, Department of	104
Emergency Stock - Agency Trust Checks	4,020
Motor Vehicles, Department of	1,912
Personnel Administration, Department of	1
State Controller's Office	297
State Treasurer's Office	2,042
<b>Total</b>	<b>8,417</b>

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Each item or sealed package of personal property is counted individually. However, because personal property items are not securities, they are excluded from the statement of securities accountability.

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