

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES FOR THE
COUNTY OF EL DORADO'S
TREASURY COMPLIANCE
JUNE 30, 2017**



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COUNTY OF EL DORADO
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To the Board of Supervisors
County of El Dorado
Placerville, California

We have performed the procedures described below, which were agreed to by the County of El Dorado (County) to determine the El Dorado County Treasury's compliance with investment requirements as of June 30, 2017, in conformity with Article 1 (commencing with Section 27000.5) and Article 6 (commencing with Section 27130), of Chapter 5, Part 3, Division 2, Title 3 of the California Government Code and with the El Dorado County Statement of Investment Policy as approved by the Board of Supervisors. The County Treasury's management is responsible for the compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the County's Treasury. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Compliance with the El Dorado County Statement of Investment Policy as of June 30, 2017

1. Reporting

We reviewed the quarterly investment reports for the quarters ended 3/31/2017 and 6/30/2017, which were submitted to the Board of Supervisors and the Chief Administrative Officer during fiscal year 2017. It appears the reports contained the information specified in the Policy, and they appeared to be submitted timely.

2. Compliance with Investment Allocations and Term Limits

We reviewed the County's June 30, 2017 Quarterly Investment Report to determine compliance with the County's Investment Policy. We also reviewed the maximum percentages, by investment category, in consideration of the portfolio as a whole; and ensured no unauthorized investments were held by the County as of June 30, 2017. It appears all categories of investments were within the maximum allowed percentage at year end, and no unauthorized investments were held by the County.

Additionally, we reviewed the County's compliance with the maximum amount of investment type allowed for single issuers, and the 5-year term limits specified in the policy were not exceeded. Per review of the County's June 30, 2017 Quarterly Investment Report, it appears no investments exceeded the 5 year term limits and the maximum amount if investment type allowed per the Policy.

Compliance with the El Dorado County Statement of Investment Policy as of June 30, 2017 (Continued)

3. Safekeeping

We reviewed the Safekeeping agreement with BNY Western Trust Company and it appears to comply with the Investment Policy and California Government Code 53608.

4. Interest Apportionment

The interest earned on the pooled investments is apportioned by the Auditor-Controller's office each month. These apportionments are made to the depositors on the basis of each entity's average daily cash balance. We reviewed the methodology used to apportion the Treasurer's administrative costs that were charged against the interest before the balance was apportioned. We believe the apportionment process is properly functioning to equitably distribute the investment earnings to the fund participants, and is in compliance with California Government Code 27013.

Compliance with Article 1 of Chapter 5, Part 3, Division 2, Title 3 of the California Government Code

1. Section 27000.5

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the primary objective of the county treasurer or the board of supervisors, as the case may be, shall be to safeguard the principal of the funds under the treasurer's or the board's control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under his or her control.

(Amended by Stats. 1996, Ch. 749, Sec. 3. Effective January 1, 1997.)

Procedures performed: Maze reviewed the County's Fiscal Year 2017 Investment Policy and it appears Section 27000.5 of the CA Government Code is referenced as the County's criteria for its investment transactions.

Finding and recommendation: None noted.

2. Section 27000.6

The provisions of Sections 27000.7, 27000.8, and 27000.9 shall become effective only in those counties in which, prior to the first date of the period for filing declarations of candidacy for the office of county treasurer, county tax collector, or county treasurer-tax collector, the board of supervisors by majority vote at a regular meeting with all members present, enact an ordinance adopting the provisions of those sections. That ordinance may be repealed by the board of supervisors at any time.

(Added by Stats. 1995, Ch. 784, Sec. 6. Effective January 1, 1996.)

Procedures performed: Maze reviewed the El Dorado County Ordinance Codes to determine if the County adopted the provisions of Section 27000.7, Section 27000.8 and/or 27000.9.

Finding and recommendation: None noted. Per Section 2.12.040, titled "Treasurer and Tax Collector", of the El Dorado County Ordinance Code, the provisions of Section 27000.7, detailed below, were adopted in 1998. Sections 27000.8 and 27000.9 were not adopted.

**Compliance with Article 1 of Chapter 5, Part 3, Division 2, Title 3 of the California Government Code
(Continued)**

3. Section 27000.7

(a) No person shall be eligible for election or appointment to the office of county treasurer, county tax collector, or county treasurer-tax collector of any county unless that person meets at least one of the following criteria:

(1) The person has served in a senior financial management position in a county, city, or other public agency dealing with similar financial responsibilities for a continuous period of not less than three years, including, but not limited to, treasurer, tax collector, auditor, auditor-controller, or the chief deputy or an assistant in those offices.

(2) The person possesses a valid baccalaureate, masters, or doctoral degree from an accredited college or university in any of the following major fields of study: business administration, public administration, economics, finance, accounting, or a related field, with a minimum of 16 college semester units, or their equivalent, in accounting, auditing, or finance.

(3) The person possesses a valid certificate issued by the California Board of Accountancy pursuant to Chapter 1 (commencing with Section 5000) of Division 3 of the Business and Professions Code, showing that person to be, and a permit authorizing that person to practice as, a certified public accountant.

(4) The person possesses a valid charter issued by the Institute of Chartered Financial Analysts showing the person to be designated a Chartered Financial Analyst, with a minimum of 16 college semester units, or their equivalent, in accounting, auditing, or finance.

(5) The person possesses a valid certificate issued by the Treasury Management Association showing the person to be designated a Certified Cash Manager, with a minimum of 16 college semester units, or their equivalent, in accounting, auditing, or finance.

(b) This section shall only apply to any person duly elected or appointed as a county treasurer, county tax collector, or county treasurer-tax collector on or after January 1, 1998.

(Amended by Stats. 2000, Ch. 1055, Sec. 38. Effective September 30, 2000.)

Procedures performed: Maze reviewed personnel records to determine if the Treasurer-Tax Collector of El Dorado County meets the eligibility requirements of Section 2700.07.

Finding and recommendation: None noted.

Compliance with Article 1 of Chapter 5, Part 3, Division 2, Title 3 of the California Government Code (Continued)

4. Section 27000.8

Any duly elected county treasurer, county tax collector, or county treasurer-tax collector serving in that office on January 1, 1996, may serve for his or her remaining term of office during which period of time the requirements of this section shall not apply. After the election of a county treasurer, county tax collector, or county treasurer-tax collector to office, that person shall complete a valid continuing course of study as prescribed in this section, and shall during the person's four-year term of office on or before June 30 of the fourth year, render to the Controller a certification indicating that the person has successfully completed a continuing education program consisting of, at a minimum, 48 hours, or an equivalent amount of continuing education units within the discipline of treasury management, tax collection, public finance, public administration, governmental accounting, or directly related subjects, offered by a recognized state or national association, institute, or accredited college or university, or the California Debt and Investment Advisory Commission, that provides the requisite educational programs prescribed in this section. The willful or negligent failure of any elected county treasurer, county tax collector, or county treasurer-tax collector to comply with the requirements of this section shall be deemed a violation of this section.

(Amended by Stats. 2012, Ch. 696, Sec. 1. Effective January 1, 2013.)

Procedures performed: This provision was not adopted as an Ordinance by El Dorado County; see response to Section 27000.6 above.

Finding and recommendation: Not applicable; provision has not been adopted by the County.

5. Section 27000.9

Notwithstanding any other requirement of law, any duly appointed county officer serving in the capacity of county treasurer, county tax collector, or county treasurer-tax collector shall, beginning in 2000, complete a valid continuing course of study as prescribed in this section, and shall, on or before June 30 of each two-year period, render to the Controller, a certification indicating that the county officer has successfully completed a continuing education program consisting of, at a minimum, 24 hours or an equivalent amount of continuing education units within the discipline of treasury management, tax collection, public finance, public administration, governmental accounting, or directly related subjects, offered by a recognized state or national association, institute, or accredited college or university, or the California Debt and Investment Advisory Commission, that provides the requisite educational programs prescribed in this section. The willful or negligent failure of any county officer serving in the capacity of county treasurer, county tax collector, or county treasurer-tax collector to comply with the requirements of this section shall be deemed a violation of this section.

(Amended by Stats. 2012, Ch. 696, Sec. 2. Effective January 1, 2013.)

Procedures performed: This provision was not adopted as an Ordinance by El Dorado County; see response to Section 27000.6 above.

Finding and recommendation: Not applicable; provision has not been adopted by the County.

Compliance with Article 1 of Chapter 5, Part 3, Division 2, Title 3 of the California Government Code (Continued)

6. Section 27001

The treasurer shall file and keep the certificates of the auditor delivered to him or her when money is paid into the treasury. Notwithstanding Sections 26201, 26202, and 26205, the treasurer may destroy any certificate pursuant to this section under either of the following circumstances:

- (a) The certificate has been filed for more than five years.
 - (b) The certificate has been filed for more than one year, and all of the following conditions are complied with:
 - (1) The record, paper, or document is photographed, microphotographed, reproduced by electronically recorded video images on magnetic surfaces, or recorded on optical disk or reproduced on any other medium that does not permit additions, deletions, or changes to the original document and is produced in compliance with Section 12168.7 for recording of permanent records or nonpermanent records if the copy is kept or maintained for five years from the date of the document.
 - (2) The device used to reproduce the record, paper, or document on film or any other medium is one that accurately reproduces the original thereof in all details. A duplicate copy of any record reproduced in compliance with Section 12168.7 for recording of permanent or nonpermanent records, whichever applies, shall be deemed an original.
 - (3) The photographs, microphotographs, or other reproductions on film or any other medium are placed in conveniently accessible files and provision is made for preserving, examining, and using the same.
 - (4) The record, paper, or document is reproduced and preserved utilizing other information technology.
- (Amended by Stats. 2007, Ch. 343, Sec. 9.5. Effective January 1, 2008.)

Procedures performed: On a test basis, Maze examined a sample of certificates of the auditor delivered to the Treasurer-Tax Collector of El Dorado County when money was paid into the Treasury during fiscal year 2017.

Finding and recommendation: None noted

7. Section 27002

The treasurer shall keep an account of the receipt and expenditure of all money received or paid out by him or her in books provided for the purpose. He or she shall enter in the books the amount, the time, from whom, and on what account all money was received by him or her, and the warrant number, the amount, time, and on what account all disbursements were made by him or her.

(Amended by Stats. 1994, Ch. 705, Sec. 3. Effective January 1, 1995.)

Procedures performed: Maze analyzed the County's cash receipt and cash disbursement records to ensure adequate supporting documentation substantiated each transaction during the period July 1, 2016 to June 30, 2017.

Finding and recommendation: None noted

Compliance with Article 1 of Chapter 5, Part 3, Division 2, Title 3 of the California Government Code (Continued)

8. Section 27002.1

(a) The treasurer may, in lieu of entering in books an account of the receipt and expenditure of all money received or paid out by him or her as provided in Section 27002, photograph, microphotograph, photocopy, or enter into an electronic data-processing system that utilizes optical transmission and filing, all receipts for money received by him or her and all warrants paid out by him or her.

(b) Every reproduction described in subdivision (a) shall be deemed and considered an original, and a transcript, exemplification, or certified copy of any of those reproductions shall be deemed and considered a transcript, exemplification, or certified copy, as the case may be, of the original.

(c) All reproductions described in subdivision (a) shall be properly indexed and placed in convenient, accessible files. Each roll of microfilm shall be deemed and constitute a book, and shall be designated and numbered, and provision shall be made for preserving, examining, and using it.

A duplicate of each roll of microfilm shall be made and kept in a safe and separate place.

(Amended by Stats. 2000, Ch. 924, Sec. 4. Effective January 1, 2001.)

Procedures performed: Maze examined the County's accounting records to determine it has an adequate record keeping of its receipts and expenditures. See response to 27002 above.

Finding and recommendation: None noted

9. Section 27003

The treasurer shall keep his or her books or any other authorized form of record so that the amounts received and paid out on account of separate funds or specific appropriations are exhibited in separate and distinct accounts, and the whole receipts and expenditures shown in one general or cash account.

(Amended by Stats. 1994, Ch. 705, Sec. 5. Effective January 1, 1995.)

Procedures performed: Maze reviewed the County's check registers and customer deposit details for the period July 1, 2016 through March 31, 2017, to ensure the County is using separate funds and distinct accounts as prescribed under Section 27003.

Finding and recommendation: None noted

10. Section 27005

The treasurer shall disburse the county money and all other money placed in his or her custody by official authority only on county warrants, checks, or electronic fund transfers issued by the county auditor, except for the making of legal investments.

(Amended by Stats. 1994, Ch. 939, Sec. 8. Effective September 28, 1994. Operative January 1, 1995, by Sec. 29 of Ch. 939.)

Procedures performed: Maze tested checks issued by the County during July 1, 2016 through June 30, 2017 to ensure funds were disbursed by official authority on County warrants.

Finding and recommendation: None noted

Compliance with Article 1 of Chapter 5, Part 3, Division 2, Title 3 of the California Government Code (Continued)

11. Section 27006

The treasurer shall disburse the money in the treasury on county warrants only when they are based on orders of the board of supervisors, upon order of the superior court, or as otherwise provided by law. In the payment of the warrants he may issue his order, check, or draft drawn upon proper funds that are on deposit in any bank.

(Added by Stats. 1947, Ch. 424.)

Procedures performed: Maze tested the County's claim vouchers for disbursements made during the period July 1, 2016 through June 30, 2017 to ensure each claim voucher included proper authorization.

Finding and recommendation: None noted

12. Section 27007

The treasurer shall keep all money belonging to the State, or any county of the State in his own possession until disbursed according to law. He shall not place the money in the possession of any person to be used for any purpose, nor shall he loan or in any manner use, or permit any person to use it, except as provided by law. This section does not prohibit him from making special deposits for the safe-keeping of public money, but he is liable therefore on his official bond.

(Added by Stats. 1947, Ch. 424.)

Procedures performed: Maze reviewed the County's Investment Policy and its depository agreements to ensure compliance with Section 27007.

Finding and recommendation: None noted

13. Section 27008

(a) The treasurer shall not receive money into the treasury or for deposit with him or her as treasurer, unless it is accompanied by the certificate of the auditor.

(b) Notwithstanding subdivision (a), the auditor and treasurer may establish alternate control procedures for the treasurer to receive or deposit money without the certificate of the auditor.

(Amended by Stats. 2006, Ch. 643, Sec. 5. Effective January 1, 2007.)

Procedures performed: Maze tested cash receipts to ensure each receipt was accompanied by the certificate of the auditor in fiscal year 2017.

Finding and recommendation: None noted

Compliance with Article 1 of Chapter 5, Part 3, Division 2, Title 3 of the California Government Code (Continued)

14. Section 27009

The treasurer shall give a receipt to each person who deposits money into the county treasury.
(Amended by Stats. 2006, Ch. 643, Sec. 6. Effective January 1, 2007.)

Procedures performed: Maze performed a Cash Collection Site Internal Control Questionnaire and walk-through at the Treasurer's Office on May 11, 2017.

Finding and recommendation: None noted

15. Section 27010

The treasurer may receive any money constituting gift, bequest, or devise, and pay it out in accordance with the terms thereof, or, if none are fixed, according to law.
(Added by Stats. 1947, Ch. 424.)

Procedures performed: Maze examined the County's Board of Supervisors Minutes and gift records to ensure gifts were paid out in accordance with terms thereof.

Finding and recommendation: None noted

16. Section 27011

Any county officer who knowingly accepts or allows any deposit in the county treasury of money from any private and unofficial source is guilty of a misdemeanor, punishable by imprisonment in the county jail for not less than six months nor more than one year, or by a fine of not less than five hundred dollars (\$500) and not more than five thousand dollars (\$5,000), or by both that fine and imprisonment, and shall forfeit his or her office.
(Amended by Stats. 1994, Ch. 705, Sec. 7. Effective January 1, 1995.)

Procedures performed: Maze tested the County's compliance with Section 27011 through inquiry and performing cash receipt sampling.

Finding and recommendation: None noted

Compliance with Article 6 of Chapter 5, Part 3, Division 2, Title 3 of the California Government Code

17. Section 27012

The Controller may summon county treasurers or the authorized representative of any county treasurer to meet with the Controller or his or her duly authorized representatives, in those groups and at that place or those places within the state as may be designated by the Controller for the purpose of discussing the interpretation, procedures, uniformity of operation, and efficient administration of the Revenue and Taxation Code and the Government Code. The actual and necessary expenses of any county officer or his or her authorized representative that are incurred while traveling to and from or while attending any meeting called pursuant to this section by the Controller shall be a charge against the county, to be paid in the same manner as other county charges are paid, provided that prior approval of the board of supervisors has been obtained.

(Amended by Stats. 1994, Ch. 705, Sec. 8. Effective January 1, 1995.)

Procedures performed: Upon inquiry with County staff, no meetings or summons from the Controller occurred in fiscal year 2017. If such a summons and/or meetings were to occur, any related expenses would be approved and paid through the County's Purchasing Ordinance & Policy.

Finding and recommendation: None noted

18. Section 27013

Notwithstanding any other provision of law, any treasurer, or other authorized county officer, who invests, deposits or otherwise handles funds for public agencies for the purpose of earning interest or other income on such funds as permitted by law, may deduct from such interest or income, before distribution thereof, the actual administrative cost of such investing, depositing or handling of funds and of distribution of such interest or income. Such cost reimbursement shall be paid into the county general fund.

(Added by Stats. 1963, Ch. 535.)

Procedures performed: Maze reviewed the County's Governmental Accounting Standards Board (GASB 31) Interest Income Worksheet and noted the interest income was apportioned based on daily cash balances. Maze also reviewed the journal entry to reimburse the cost of investing and handling funds. The Treasurer's administrative costs were charged against the interest before the balance was apportioned and paid into the County's General Fund.

Finding and recommendation: None noted.

19. Section 27130

The Legislature finds and declares that local agencies, including school districts, should participate in reviewing the policies that guide the investment of those funds. The Legislature further finds and declares that by pooling deposits from local agencies and other participants, county treasuries operate in the public interest when they consolidate banking and investment activities, reduce duplication, achieve economies of scale, and carry out coherent and consolidated investment strategies. The Legislature further finds and declares that the creation of county treasury oversight committees will promote the public interest by involving depositors in the management of their funds and by enhancing the security and investment return on their funds by providing a more stable and predictable balance for investment by establishing criteria for the withdrawal of funds.

(Added by Stats. 1995, Ch. 784, Sec. 10. Effective January 1, 1996.)

Procedures performed: Maze read the Minutes for the County Board of Supervisors meetings and denoted the Board approved File number 11-0353, which discontinued the El Dorado County Treasury Oversight Committee (Committee). However, the Minutes also reported Treasury operations are monitored by the full Board of Supervisors in lieu of a separate Committee, and the County reviewed and approved the fiscal year 2017 investment policy in February 2017.

Finding and recommendation: None noted

Compliance with Article 6 of Chapter 5, Part 3, Division 2, Title 3 of the California Government Code

20. Section 27131

(a) The board of supervisors in each county or city and county may, if the county or city and county is investing surplus funds, establish a county treasury oversight committee. The board of supervisors, in consultation with the county treasurer, shall determine the exact size of the committee, which shall consist of from 3 to 11 members, and the categories from which the members shall be represented, as specified in subdivisions (a) to (g), inclusive, of Section 27132. Members shall be nominated by the treasurer and confirmed by the board of supervisors.

(b) In recognition of the state and local interests served by the action made optional in subdivision (a), the Legislature encourages local agencies to continue taking the action formerly mandated by this section. However, nothing in this subdivision may be construed to impose any liability on a local agency that does not continue to take the formerly mandated action.

(Amended by Stats. 2004, Ch. 889, Sec. 1. Effective September 29, 2004.)

Procedures performed: Maze read the Minutes for the County Board of Supervisors meetings and denoted the Board approved File number 11-0353, which discontinued the El Dorado County Treasury Oversight Committee.

Finding and recommendation: El Dorado County discontinued the Treasury Oversight Committee on August 21, 2011, therefore, Sections 27132 through 27137 of Article 6 of Chapter 5, Part 3, Division 2, Title 3 of the California Government Code, have been redacted from this report, as they are requirements of the discontinued Treasury Oversight Committee.

Conclusion

The County's Treasury, at June 30, 2017, appears to be in compliance with the El Dorado County's Investment Policy and Article 1 & 6 of Chapter 5, Part 3, Division 2, Title 3 of the California Government Code. As of June 30, 2017, the carrying value of the pooled treasury investments totaled \$498,953,785 with a market value of \$498,697,565 for an unrealized loss of \$256,220. We believe the Treasury management complied with the aforementioned codes and policies and functioned as intended.

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 conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the El Dorado County Treasury's compliance with the investment requirements as of June 30, 2017, in conformity with Article 1 (commencing with Section 27000.5) and Article 6 (commencing with Section 27130), of Chapter 5, Part 3, Division 2, Title 3 of the California Government Code and with the El Dorado County Statement of Investment Policy as approved by the Board of Supervisors. 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 management and the Board of Supervisors and El Dorado County Treasury's Management and is not intended to be and should not be used by anyone other than those specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Maze + Associates

Pleasant Hill, California
November 20, 2017

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