

**COUNTY OF SUTTER,  
CALIFORNIA  
TREASURY OVERSIGHT  
EXAMINATION**

**INDEPENDENT ACCOUNTANT'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2020**

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**COUNTY OF SUTTER**  
**Treasury Oversight Examination**  
**For the Year Ended June 30, 2020**

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**INDEPENDENT ACCOUNTANT'S REPORT**

To the Board of Supervisors  
County of Sutter  
Yuba City, California

We have examined the County of Sutter's compliance with the Treasury Oversight Committee provisions contained in Sections 27133-27136 of the California Government Code and the County Investment Policy for the year ended June 30, 2020. The County Treasury's management is responsible for the County's compliance with the specified requirements. Our responsibility is to express an opinion on the County's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Treasury management complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Treasury management complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the County Treasury's compliance with specified requirements.

We did not audit, verify or confirm the existence of the investments as this was not within the scope of this engagement and is normally included as part of the County's annual financial audit. Rather, the sole purpose of this examination was to determine compliance with the requirements specified in the Government Code Sections and the County Investment Policy.

In our opinion, the County of Sutter complied, in all material respects, with the provisions of Sections 27133-27136 of the California Government Code and the County Investment Policy for the year ended June 30, 2020.

This report is intended solely for the information and use of the Board of Supervisors and management of the County of Sutter and is not intended to be, and should not be, used by anyone other than these specified parties.



Smith & Newell CPAs  
Yuba City, California  
October 28, 2020

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**COUNTY OF SUTTER**  
**Treasury Oversight Examination**  
**List of Officials**  
**For the Year Ended June 30, 2020**

**Board of Supervisors**

Ron Sullenger ..... District I – Board of Supervisors  
Dan Flores.....District II – Board of Supervisors  
Mike Ziegenmeyer ..... District III – Board of Supervisors  
Jim Whiteaker ..... District IV – Board of Supervisors  
Mat Conant ..... District V – Board of Supervisors

**Elected Official**

Steven Harrah, CPA..... Treasurer

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**COUNTY OF SUTTER**  
**Treasury Oversight Examination**  
**For the Year Ended June 30, 2020**

**1. Background and General**

In 1995, the California legislature passed provisions requiring each county and city to establish an oversight Committee of from 3 to 11 members representing various organizations (The pool or organizations was also specified in the legislation). The purpose of this Committee was to oversee the policies that guide the investment of public funds. The Committee was not to impinge on the day-to-day operations of the County Treasurer, but rather to review and monitor the Treasurer’s investment policy and reporting.

Certain statutory changes were enacted by the California legislature effective January 1, 2005. Government Code Section 27131 now makes the Treasury Oversight Committee optional, although the legislature encourages the continuation of the Oversight Committee.

**2. Committee Formation and Operation**

In December 1995 the Committee was established by Consent Item #20 and was to be known as the Sutter County Pooled Money Investment Board and continued in operation until March 29, 2019. The California Legislature enacted certain legislation which made the Treasury Oversight Committee optional and the County elected to discontinue operation of the Committee. Therefore, compliance with Government Code Sections 27131, 27132 and 27137 which apply to formation, organization, and operation of the Oversight Committee was not applicable.

**3. Compliance with Government Code 27133**

Government Code Section (GC) 27133 requires the County Treasurer to annually prepare an investment policy statement. The policy for this examination was effective for the calendar year ended December 31, 2020 and was approved by the Board of Supervisors at their December 17, 2019 meeting.

We examined the requirements specified in Government Code 27133, items a-h, which describe the required contents of the investment policy. We noted the following:

Requirement	Compliant
<p>In any county that establishes a county treasury oversight committee pursuant to this article, the county treasurer shall annually prepare an investment policy that will be reviewed and monitored by the county treasury oversight committee. The investment policy shall include all of the following:</p>	
(a) A list of securities or other instruments in which the county treasury may invest, according to law, including the maximum allowable percentage by type of security.	Yes
(b) The maximum term of any security purchased by the county treasury.	Yes
(c) The criteria for selecting security brokers and dealers from, to, or through whom the county treasury may purchase or sell securities or other instruments. The criteria shall prohibit the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the local treasurer, any member of the governing board of the local agency, or any candidate for those offices.	Yes

**COUNTY OF SUTTER**  
**Treasury Oversight Examination**  
**For the Year Ended June 30, 2020**

**3. Compliance with Government Code 27133 (Continued)**

Requirement	Compliant
(d) Limits on the receipt of honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the county treasury conducts business by any member of the county treasury oversight committee. These limits may be in addition to the limits set by a committee member's own agency, by state law, or by the Fair Political Practices Commission.	Yes
(e) A requirement that the county treasurer provide the county treasury oversight committee with an investment report as required by the board of supervisors.	Yes
(f) The manner of calculating and apportioning the costs, authorized by Section 27013, of investing, depositing, banking, auditing, reporting, or otherwise handling or managing funds.	Yes
(g) The terms and conditions under which local agencies and other entities that are not required to deposit their funds in the county treasury may deposit funds for investment purposes.	Yes
(h) Criteria for considering requests to withdraw funds from the county treasury, pursuant to Section 27136. The criteria shall include an assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the county treasury.	Yes

**4. Compliance with Government Code 27134**

We examined the requirements specified in Government Code 27134. We noted the following:

Requirement	Compliant
The county treasury oversight committee shall cause an annual audit to be conducted to determine the county treasury's compliance with this article. The audit may include issues relating to the structure of the investment portfolio and risk.	Yes

**5. Compliance with Government Code 27135**

We examined the requirements specified in Government Code 27135. We noted the following:

Requirement	Compliant
The costs of complying with this article shall be county charges and may be included with those charges enumerated under Section 27013.	Yes

**COUNTY OF SUTTER**  
**Treasury Oversight Examination**  
**For the Year Ended June 30, 2020**

**6. Compliance with Government Code 27136**

We examined the requirements specified in Government Code 27136. We noted the following:

Requirement	Compliant
(a) Notwithstanding any other provision of law, any local agency, public agency, public entity, or public official that has funds on deposit in the county treasury pool and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the county treasury pool, shall first submit the request for withdrawal to the county treasurer before withdrawing funds from the county treasury pool.	Yes
(b) The county treasurer shall evaluate each proposed withdrawal for its consistency with the criteria adopted pursuant to subdivision (h) of Section 27133. Prior to approving a withdrawal, the county treasurer shall find that the proposed withdrawal will not adversely affect the interests of the other depositors in the county treasury pool.	Yes

**7. Compliance with County Investment Policy**

**Investments and Investing** - We examined the County’s investments and investing to verify compliance with the County investment policy which requires that all investments and investing shall comply with California Government Code 27000 et seq. and 53600 et seq., as well as any forthcoming amendments or additions to the code relating to the investment of local agency funds.

**Reporting** - We examined the Treasurer’s Monthly reports which were submitted to the Board of Supervisors to verify that they contained the information specified in the County investment policy. Monthly reports appeared to be complete with all the required information.

**Safekeeping** - We examined the Safekeeping arrangements of the Treasurer to verify compliance with information specified in the County investment policy. Safekeeping arrangements appear to be in compliance with the County investment policy.

**Investments** - We examined the investments as presented in the Treasurer’s monthly reports to verify that the maximum percentages by category of investment did not exceed the allowable percentages specified in the County investment policy. We also examined the investments as presented in the Treasurer’s Monthly reports to verify that maximums for single issuers and maximum term limits were not exceeded at year end. Investments appear to be in compliance with the County investment policy.

**Interest Apportionment and Administrative Charge** - We examined the interest apportionment to verify compliance with the County investment policy which states that all costs related to investing, maintaining and accounting for the investments purchased for the Investment Pool shall be apportioned equally on the average daily balance method quarterly to all participants with funds in the Investment Pool, including those held in specific investments. Interest earnings shall be apportioned on the same basis and also distributed quarterly. Interest apportionments appear to be in compliance with the County investment policy.

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**COUNTY OF SUTTER**  
**Treasury Oversight Examination**  
**Schedule of Finding and Recommendations**  
**For the Year Ended June 30, 2020**

**2020-001 Interest Receivable**

We noted that the interest receivable in the interest reserve fund 5221 was not reconciled to interest earned as of the end of the quarter.

**Recommendation**

We recommend that the interest receivable be reconciled on a quarterly basis to interest earned as of the end of quarter.

**COUNTY OF SUTTER**  
**Treasury Oversight Examination**  
**Management's Corrective Action Plan**  
**For the Year Ended June 30, 2020**

**Finding 2020-001 Interest Receivable**

We recommend that interest receivable be reconciled on a quarterly basis to interest earned as of the end of the quarter.

Management's Response: We agree with both the finding and recommendation.

Responsible Individual: Steven Harrah, CPA

Corrective Action Plan: Interest receivable will be reconciled to interest earned on a quarterly basis as part of the department's quarterly interest apportionment process.

Anticipated Completion Date: This action will be in place and reviewable with the next interest apportionment, which ends on December 31, 2020.