

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

320



**FROM:** Executive Office

**SUBMITTAL DATE:**  
December 1, 2003

**SUBJECT:** Annual Investment Audit

**RECOMMENDED MOTION:** (1) That the Board receive and file the FY 2002-03 Annual Investment Audit Report, and (2) the Board approve the revision to Board Policy B-21 (County Investment Statement Policy).

**BACKGROUND:** State law requires each County to establish a County Treasury Oversight Committee and perform an annual investment audit on the County Treasury. The Board of Supervisors expanded this requirement to include County agency investment funds held outside the County Treasury. The investment audit is to include the verification of the identification, classification, market value and rating of each investment.

The FY 2002-03 Investment Audit, performed by Macias, Gini & Company LLP, contains a finding and recommendation relating to the County Treasury, and a finding relating to one Community Facilities District (CFD) bond issue.  
(CONTINUED)

Departmental Concurrence

*[Signature]*

Dean Deines  
Principal Management Analyst

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ N/A	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ N/A	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ N/A	For Fiscal Year:	N/A

<b>SOURCE OF FUNDS:</b>	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:** APPROVE.

**County Executive Office Signature** *[Signature]*

Policy  
 Consent  
 Dep't Recomm.:  
 Policy  
 Consent  
 Per Exec. Ofc.:

Prev. Agn. Ref.: | District: | Agenda Number:

**ATTACHMENTS FILED  
WITH THE CLERK OF THE BOARD**

**3 . 1**

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Policy:

This investment policy statement applies to all funds held in the County Treasury, and those held in trust outside the County Treasury. The purpose of this policy is to safeguard the public funds by assuring prudent investments and providing proper oversight of these investments.

**I. County Treasury Investment Policy.**

- A. The County Treasurer shall review and update the investment policy annually. The Investment Policy shall be reviewed by the Investment Oversight Committee and approved by the Board of Supervisors annually.
- B. The County Treasury Investment Policy shall be the County standard. Any funds held outside the County Treasury, which are not governed by its own investment policy, shall be subject to the County Treasury Investment Policy.
- C. To the extent feasible, all investment reports and investment policies will be standardized to facilitate review.

**II. Investment Oversight Committee.**

- A. The Investment Oversight Committee shall have 5 to 7 members and chaired by the County Executive Office.
- B. The members of the Investment Oversight Committee shall be chosen from among the following:
  - 1. The County Treasurer
  - 2. The Auditor-Controller
  - 3. Executive Office (chair)
  - 4. A representative of the Board of Supervisors
  - 5. The County Superintendent of Schools or his/her designee
  - 6. A representative selected by schools and community college districts
  - 7. A representative selected by special districts with funds in the County Treasury
  - 8. Up to two members of the public.

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- C. Members of the Investment Oversight Committee shall be nominated by the County Treasurer and confirmed by the Board of Supervisors as openings occur.
- D. Investment Oversight Committee members shall be advised of the conflicts of interest prohibitions in sections 37132.1 through 27132.3 of the Government Code.
- E. The duties of the Investment Oversight Committee shall be those specified in sections 27133 (review of investment policies), ~~and~~ 27134 (compliance audits) and 27137 (prohibits members from making investment decisions) of the Government Code and shall be limited to funds in the County Treasury pooled investment funds and any other funds outside the County Treasury whose investment are under the direct control of the County Treasurer or Board of Supervisors.
- F. Each agency/fund investment officer will attend Investment Oversight Committee meetings to respond to questions posed by the committee.

**III. Annual Investment Audit.**

- A. The Investment Oversight Committee shall cause an annual audit to be performed, and review the annual audit prior to being presented to the fund's governing board.
- B. The Annual Investment Audit shall be performed in accordance to Government Code 27134 and shall include the following:
  - 1. Accurate identification and classification of all securities noted on portfolio reports.
  - 2. Accurate market value pricing of the securities, as well as to identify the source of the pricing information.
  - 3. Confirmation of the present ratings assigned by the New York Rating Agencies on all commercial paper, medium terms notes, money market funds, municipal securities, and investment agreement contracts.
  - 4. Confirmation that maturities on investments coincide with cash-flow requirements, (i.e. debt service and claim disbursement requirements).
  - 5. Determination that policies governing bond fund investments are current and internal control measures are deemed adequate.

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C. The following funds/agencies shall be required to perform an annual investment audit:

1. County Treasury Pooled Investment Fund
2. County of Riverside Asset Leasing Corporation (CORAL)
3. County of Riverside Housing Authority
4. Economic Development Agency
5. Flood Control
6. Riverside District Court Financing Authority (U.S. District Court)
7. Riverside County Court Financing Authority (Bankruptcy Court)
8. Desert Facilities Corporation
9. Community Facilities Districts (CFD)/Assessment Districts (AD)

**IV. Funds held by outside Trustees.**

A. Included Funds

These funds shall include (a) proceeds of bonds or Certificates of Participation issued by the County of Riverside and districts and boards under the control of the Board of Supervisors, (b) any other funds held in trust, and (c) any funds held by a fiscal agent for the benefit of the County of Riverside, or any of its districts or boards (i.e. TRANS proceeds).

B. Authority to Invest

The authority for the direction and/or making of investments is delegated by the particular bond indenture, Board Resolution and/or fiscal agent agreement. All bond fund investments are to be performed by the County office or agency responsible for the bond administration, unless otherwise directed by the agency's governing board, or required by State or Federal law.

C. Investment Policy

Each agency with funds held by a trustee will develop standard permitted investment language to be included in the indenture which will become the funds investment policy. The investment language will be submitted to the Investment Oversight Committee for review. All funds held under bond indentures should comply with the investment language in the indenture.

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D. Investment Reports

Each agency shall prepare an annual report on its investments for review by the Investment Oversight Committee and its governing board.

E. Funds held in trust outside the County Treasury include:

1. County of Riverside Asset Leasing Corporation (CORAL)
2. Economic Development Agency (EDA) (bond proceeds only)
3. County Flood Control
4. County of Riverside Housing Authority
5. Riverside County Court Financing Corporation (Bankruptcy Court)
6. Riverside District Court Financing Corporation (U.S. District Court)
7. Desert Facilities Corporation
8. Community Facilities Districts (CFD)/Assessment Districts (AD)

V. Investment Advisors

To the extent authorized by the County Board of Supervisors, an investment advisor may, pursuant to contract, prepare investment reports, provide financial advice and direction on investments to be made, advice on the quality and liquidity of the fund, and the extent to which investment earnings are able to close any negative arbitrage spread. The investment advisor's authority shall be limited and shall not extend to the holding of bond proceeds and portfolio assets.