

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

STATE OF CALIFORNIA
STATEMENT OF SECURITY ACCOUNTABILITY
OF THE STATE TREASURER
JUNE 30, 1985

REPORT BY THE
OFFICE OF THE AUDITOR GENERAL

F-532

STATE OF CALIFORNIA
STATEMENT OF SECURITY ACCOUNTABILITY
OF THE STATE TREASURER
JUNE 30, 1985

\ MAY 1986



Telephone:
(916) 445-0255

STATE OF CALIFORNIA
Office of the Auditor General

660 J STREET, SUITE 300
SACRAMENTO, CA 95814

Thomas W. Hayes
Auditor General

May 8, 1986

F-532

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, 1985. We found that the statement presents fairly the security accountability of the State Treasurer as of June 30, 1985.

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

Respectfully submitted,

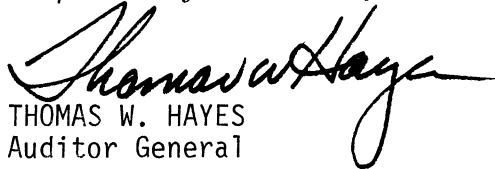

THOMAS W. HAYES
Auditor General

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

STATE OF CALIFORNIA
Office of the Auditor General

Thomas W. Hayes
Auditor General

660 J STREET, SUITE 300
SACRAMENTO, CA 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, 1985. We made our examination in accordance with generally accepted auditing standards and California 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, 1985, 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 California Government Code Section 13299.1 and is not intended for any other purpose.

OFFICE OF THE AUDITOR GENERAL

A handwritten signature in black ink, appearing to read "Curt Davis".

CURT DAVIS, CPA
Deputy Auditor General

Date: March 18, 1985

Staff: Phil Jelich, CPA, Audit Manager
Jeff Winston, CPA
Denise Vose
Linda McClendon

STATE OF CALIFORNIA
STATEMENT OF SECURITY ACCOUNTABILITY OF THE STATE TREASURER
JUNE 30, 1985

<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>				
<u>(Note 1)</u>				
Securities (Note 2)	\$ 555,670,078	\$13,361,865,933	\$ 993,000	\$13,918,529,011
Reverse Repurchase Agreements (Note 3)			<u>1,886,075,422</u>	<u>1,886,075,422</u>
Total	<u>555,670,078</u>	<u>13,361,865,933</u>	<u>1,887,068,422</u>	<u>15,804,604,433</u>
<u>Investments of Individual State Accounts</u>				
Antioch and Carquinez		3,475,000		3,475,000
California Housing Finance Agency	553,991,615	121,872,743		675,864,358
California National Guard		12,336,000		12,336,000
California Pollution Control Financing Authority		2,248,900		2,248,900
California Transportation Commission		3,750,000		3,750,000
California Transportation Resolution - Passenger Equipment Acquisition Fund	1,595,366	5,000,000		6,595,366
Central Valley Water District		227,752,200		227,752,200
First Time Home Buyers	13,928,309			13,928,309
Legislators' Retirement System	10,851,085	5,787,798		16,638,883
Public Employees' Contingency Reserve Fund	13,684,000	12,171,000		25,855,000
Public Employees' Retirement System	4,267,399,620	12,122,627,196	1,040,980	16,391,067,796
Special Deposit - Alice Burch	2,040	18,000		20,040
State Compensation Insurance Fund	1,189,612,165	439,955,000	15,248,000	1,644,815,165
State Controller		335,000	2,000	337,000
State Teachers' Retirement System	713,981,197	9,190,186,588	15,042,039	9,919,209,824
State Teachers' Tax Sheltered Annuities	770,000	5,725,000		6,495,000
Veterans' Debenture Revenue Fund		<u>35,000,000</u>		<u>35,000,000</u>
Total	<u>6,765,815,397</u>	<u>22,188,240,425</u>	<u>31,333,019</u>	<u>28,985,388,841</u>
<u>Pledges to Secure Investments of the Pooled Money Investment Account</u>				
		<u>289,142,585</u>		<u>289,142,585</u>
<u>Pledges to Secure Bank and Savings and Loan Deposits of the State</u>				
Agency Bank Deposits	18,495,000	47,845,000		66,340,000
State Treasurer				
Demand Deposits	227,448,700	89,908,500		317,357,200
Time Deposits	<u>112,914,816</u>	<u>2,552,094,809</u>		<u>2,665,009,625</u>
Total	<u>358,858,516</u>	<u>2,689,848,309</u>		<u>3,048,706,825</u>

(Statement continued on next page)

<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>Miscellaneous Pledges</u>				
Banking Department, State	13,044,500	55,083,220		68,127,720
California Health Facilities Agency		92,000		92,000
Consumer Affairs, Department of	12,143,500	4,000		12,147,500
Corporations, Department of	2,215,000			2,215,000
Corrections, Department of	900,000	560,000		1,460,000
Employment Development Department	34,734,572	119,200		34,853,772
Equalization, Board of	244,000			244,000
Franchise Tax Board	16			16
Industrial Relations, Department of	62,631,000			62,631,000
Insurance, Department of	2,403,699,030			2,403,699,030
Real Estate, Department of	3,960,000			3,960,000
State Lands Commission	8,423,037	57,000		8,480,037
Transportation, Department of	32,480,632	3,780,000		36,260,632
Trustees of California State University	35,000			35,000
Water Resources Control Board	688,741			688,741
Water Resources, Department of	2,557,000			2,557,000
Total	<u>2,577,756,028</u>	<u>59,695,420</u>		<u>2,637,451,448</u>
<u>General Safekeeping</u>				
Alan Gene Whitaker Reimbursement Fund	1			1
California Coastal Commission	5,300			5,300
Developmental Services, Department of	12,864	2,025,000		2,037,864
Education, Department of	111,379	103,000		214,379
Quimby Island Reclamation District	156			156
Rehabilitation, Department of	13,140			13,140
Secretary of State	10,000			10,000
State Controller	9,185,706			9,185,706
State Treasurer Bearer bonds exchanged for registered bonds	588,945,000			588,945,000
Trust accounts	98,452,166			98,452,166
Trustees of California State University	3,500	2,428,000		2,431,500
Total	<u>696,739,212</u>	<u>4,556,000</u>		<u>701,295,212</u>
Grand Total	<u>\$10,954,839,231</u>	<u>\$38,593,348,672</u>	<u>\$1,918,401,441</u>	<u>\$51,466,589,344</u>

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 those owned by or pledged to 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:

- 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;
- Individual state accounts;
- Pledges to secure investments of the Pooled Money Investment Account;
- Pledges to secure bank and savings and loan deposits of the State of California;
- Miscellaneous pledges to protect consumers, guarantee contractor performance, and insure payment of state taxes; and
- 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 \$15,804,604,433 according to the method described in Note 1B; they were reported at book value of \$13,187,769,477 in an affidavit filed by the Auditor General on April 9, 1986. 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, totaling \$1,016,136,820, 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 April 9, 1986 pursuant to Sections 13297 and 13298 of the California Government Code.

3. Pooled Money Investment Account Reverse Repurchase Agreements

Pooled Money Investment Account securities with a total par value of \$1,886,075,422 were transferred by the State Treasurer under agreements to reacquire 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, 1985.

<u>Entity</u>	<u>Number of Items</u>
California Pollution Control Financing Authority	3
Department of Developmental Services	9
Emergency Stock - Agency Trust Checks	49,900
Department of Housing and Community Development	57
Department of Motor Vehicles	653
State Controller	148
State Treasurer	<u>26</u>
Total	<u>50,796</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