



State of California

Statement of Securities Accountability
of the State Treasurer's Office
December 31, 2020

January 2022

REPORT 2021-008





CALIFORNIA STATE AUDITOR

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January 28, 2022
2021-008

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 California State Auditor presents this examination report of the State Treasurer's Office's statement of securities accountability as of December 31, 2020.

The statement of securities accountability presents securities owned by or pledged to the State directly. The State Treasurer's Office is responsible for the safekeeping of all securities held in the treasury or other depositories. It is not responsible 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 statement is prepared solely for purposes of accountability. The dollar amounts represent various values, including par value or face value, original principal value, and current outstanding principal balances. They do not represent cost or market value and should not be used to determine the value of investments owned by or pledged to the State. We found that the statement presents fairly the securities accountability of the State Treasurer's Office as of December 31, 2020.

We conducted this examination to comply with the Government Code section 13299.1.

Respectfully submitted,

A handwritten signature in cursive script that reads "Linus Li".

LINUS LI, CPA
Acting Deputy State Auditor



Independent Accountant's Report

THE GOVERNOR AND LEGISLATURE OF THE
STATE OF CALIFORNIA

We have examined the accompanying statement of securities accountability of the State of California's State Treasurer's Office as of December 31, 2020, and the related notes. The State Treasurer's Office is responsible for presenting the statement in accordance with the criteria set forth in Note 1. Our responsibility is to express an opinion on the statement 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 the statement is presented in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the statement. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatements of the statement, 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.

In our opinion, the statement referred to above is presented in accordance with the criteria set forth in Note 1, in all material respects.

Our report is intended solely for the purpose of providing information required by section 13299.1 of the Government Code and is not intended to be and should not be used for any other purpose.

CALIFORNIA STATE AUDITOR

A handwritten signature in cursive script that reads "Linus Li".

LINUS LI, CPA
Acting Deputy State Auditor
Sacramento, California

January 21, 2022

State of California
Statement of Securities Accountability
of the State Treasurer's Office
December 31, 2020

ACCOUNT TITLE	SECURITIES IN THE STATE TREASURER'S OFFICE VAULT	SECURITIES ON DEPOSIT WITH BANKS AND TRUST COMPANIES	TOTALS
Pooled Money Investment Account (Note 2)	-	\$102,315,322,793	\$102,315,322,793
Individual State Investment Accounts			
California State University, Dormitory Construction Fund	-	\$682,289,946	\$682,289,946
Central Valley Water Project Construction Fund	-	773,686,530	773,686,530
Central Valley Water Project Revenue Fund	-	51,185,000	51,185,000
Department of Water Resources Electric Power Fund	-	1,544,361,808	1,544,361,808
Public Buildings Construction Fund	-	857,243,000	857,243,000
State Compensation Insurance Fund*	-	17,439,449,100	17,439,449,100
State Lottery Fund	-	932,444,000	932,444,000
Total Individual State Investment Accounts	-	\$22,280,659,384	\$22,280,659,384
Collateral to Secure Deposits or Investments Held in Banks			
Agency Bank Deposits	\$3,500,000	\$1,339,272,863	\$1,342,772,863
Human Resources, Department of—Deferred Compensation	-	29,373,435	29,373,435
State Treasurer's Office—Demand Deposits	1,200,000,000	2,590,085,022	3,790,085,022
State Treasurer's Office—Fiscal Agents	-	21,753,899	21,753,899
State Treasurer's Office—Time Deposits	3,208,538,440	2,169,474,514	5,378,012,954
Total Collateral to Secure Deposits or Investments Held in Banks	\$4,412,038,440	\$6,149,959,733	\$10,561,998,173
Pledges Received by State Agencies[†]			
Financial Protection and Innovation, Department of—Division of Corporations	\$1,146,000	-	\$1,146,000
Financial Protection and Innovation, Department of—Division of Financial Institutions	969,927,000	\$40,101,442	1,010,028,442
Consumer Affairs, Department of	14,452,795	-	14,452,795
Employment Development Department	339,422,522	-	339,422,522
Industrial Relations, Department of	-	2,580,000	2,580,000
Insurance, Department of*	519,730,083	11,104,972,500	11,624,702,583
Total Pledges Received by State Agencies	\$1,844,678,400	\$11,147,653,942	\$12,992,332,342
TOTAL SECURITIES	\$6,256,716,840	\$141,893,595,852	\$148,150,312,692

Note: The accompanying notes beginning on page 3 are an integral part of this statement.

* The State Treasurer's Office accounts for investments and pledges in stock based on the number of shares rather than their value. Therefore, these investments and pledges are excluded from the statement of securities accountability. See Note 5 for additional information.

† A portion of the pledges contained in the State's vault matured prior to December 31, 2020. In certain cases, these pledges still hold value.

NOTES TO THE STATEMENT OF SECURITIES ACCOUNTABILITY

Note 1—Summary of Significant Accounting Policies

Basis of Presentation

The accompanying statement of securities accountability was prepared for the purpose of providing information required by section 13299.1 of the Government Code. The statement of securities accountability presents securities owned by or pledged to the State directly. The State Treasurer's Office must account for all securities held in the treasury or other depositories. It does not account for securities owned by or pledged to the University of California, 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 State Treasurer's Office is accountable are categorized as follows:

- Pooled Money Investment Account (PMIA), which consists of securities and other holdings that are purchased with money from various state and local funding sources. Government Code section 16480.1, authorizes the State's Pooled Money Investment Board to designate the amount of money available to make such investments. Additionally, section 16480.2 expresses the intent that such investments realize the maximum return consistent with safe and prudent treasury management. Earnings on 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, which consists of securities that are purchased for state funds other than the PMIA.
- Collateral to secure deposits or investments held in banks, which consists of securities pledged by banks to protect holdings that the State has on deposit with them.
- Pledges received by state agencies, which consists of securities pledged to the State by certain businesses to protect consumers, guarantee contractor performance, and ensure payment of obligations.

Valuation of Securities

For the purpose of the statement of securities accountability, the State Treasurer's Office values securities as follows:

Securities in the State Treasurer's Office Vault

- Bonds, letters of credit, certificates of deposit, money transmitter bonds, and surety bonds are valued at par value or face value.
- Real estate mortgage notes are valued at the original principal balances.

Securities on Deposit With Banks and Trust Companies

- Bills, notes, bonds, strips, commercial paper, and certificates of deposit, are valued at par value or face value.
- Asset-backed securities are valued at the outstanding principal balances.
- Real estate mortgage notes are valued at the original principal balances.

The accompanying statement of securities accountability is not intended to report securities at fair value in accordance with accounting principles generally accepted in the United States of America.

Note 2

Pooled Money Investment Account—Securities

The State Treasurer’s Office reported a total value of \$102,315,322,793 for the securities in the PMIA as of December 31, 2020. In its statement of cash accountability as of December 31, 2020, the State Treasurer’s Office reported a total value of \$102,286,945,594 for these securities. These values differ because the State Treasurer’s Office values the PMIA securities in the statement of securities accountability according to the methods described in Note 1, but it values the same securities at book value for the statement of cash accountability.

Note 3

Personal Property

In addition to securities, state agencies deposit personal property in the vault of the State Treasurer’s Office. The following table lists entities having personal property in the vault as of December 31, 2020.

ENTITY	NUMBER OF ITEMS
State Treasurer’s Office—Emergency Stock Agency Trust	7
Department of Motor Vehicles	2,124
State Controller’s Office—Unclaimed Property	1,796
State Treasurer’s Office—Cash Management Check Stock	4
State Treasurer’s Office—Revolving Fund Check Stock	13
Total	3,944

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.

Note 4

General Safekeeping Securities

In addition to securities the State Treasurer’s Office holds in the vault related to collateral requirements and pledges, it also separately holds certain securities in the vault for general safekeeping. The securities consist of shares of preferred and common stock that departments deposit with the State Treasurer’s Office.

Each preferred and common stock share in general safekeeping is counted individually. Because the State Treasurer’s Office has chosen to account for these items based on their number rather than their value, these items are excluded from the statement of securities accountability.

The following table lists entities having items on deposit for general safekeeping in the State Treasurer’s Office vault as of December 31, 2020.

ENTITY	NUMBER OF ITEMS
California State Library—Preferred and Common Stock	3,659
Department of Education—Preferred and Common Stock	5,211
Total	8,870

Note 5

Common Stock Held in Outside Depositories

Each share of common stock held by outside depositories is counted individually. Because the State Treasurer’s Office has chosen to account for these items based on their number rather than their value, these items are excluded from the statement of securities accountability. As of December 31, 2020, outside depositories held 7,751,137 shares of common stock within investment accounts for the State Compensation Insurance Fund and 2,329,247 shares of common stock for pledges received by the Department of Insurance.