

ITEM 9

Auditor Recommendation/Investment & Management Policy Discussion

2/23/15

Hi Donal,

In response to your inquiry, let me start by saying that the preparation of an investment policy is specific to the District and we as the district auditors do not have sufficient information to give specific guidance on preparing the District's investment policy. The specifics of the policy should be determined by management and, if needed, additional assistance should be sought from a professional investment advisor. That being said, I have attached the 2014 Local Investment Guidelines published by the California Debt and Investment Advisory Commission. We frequently refer to this publication when auditing as it summarizes and explains the details of the Government Code Sections you referenced in your email. You can also download this publication at <http://www.treasurer.ca.gov/cdiac/LAIG/guideline.pdf>. From an audit perspective, the investment policy does not need to be extremely restrictive. It is important that the District adopt an investment policy, but there is no requirement that it be more restrictive than the Government Code Sections. If you refer to page 12 (Figure 1) of the attached publication it provides a precise listing of the allowed investments per the State of California. You and your board can use this as a guidance and further restrict the types of investments that fit the needs of the District or you can simply adopt a policy that requires investments consistent with the specific applicable Government Code Sections (the simplest approach requiring the least ongoing update effort). You should be able to obtain additional information by searching for publicly available investment policies. Just keep in mind when searching, that some entities have complex investment policies which may not be necessary for the District. Remember that changing the investment policy takes a vote of the board, so you don't want to overly complicate the policy by making it difficult to adapt to the changing needs of the district.

If there are any additional specific items I can try to address please let me know. I hope this helps.

Thanks!

Nathan Statham, CPA, MBA
Senior Accountant



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr., Suite 100
San Bernardino, CA 92408
Phone: 909.889.0871
Facsimile: 909.889.5361
www.ramscpa.net