

**COUNTY OF COLUSA
TREASURY OVERSIGHT COMMITTEE,
CALIFORNIA**

**COMPLIANCE AUDIT
FOR THE YEAR ENDED
JUNE 30, 2013**

THIS PAGE INTENTIONALLY LEFT BLANK

COUNTY OF COLUSA
Treasury Oversight Committee
Compliance Audit
For the Year Ended June 30, 2013

Table of Contents

	Page
Independent Accountant’s Report.	1
Committee Members and County Treasurer.	2
Compliance Audit:	
1. Background and General.	3
2. Committee Formation and Operation.	3
3. Compliance with Government Code 27131.	3
4. Compliance with Government Code 27132.	3-4
5. Compliance with Government Code 27133.	4-5
6. Compliance with Government Code 27134.	5
7. Compliance with Government Code 27135.	6
8. Compliance with Government Code 27136.	6
9. Compliance with Government Code 27137.	6
10. Compliance with County Investment Policy.	6-8

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT ACCOUNTANT'S REPORT

Members of the Treasury Oversight Committee
County of Colusa
Colusa, California

We have examined the County of Colusa's compliance with the Treasury Oversight Committee provisions contained in Sections 27131-27137 of the California Government Code and the County Investment Policy for the year ended June 30, 2013. The County Treasury's management is responsible for the compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination. 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 audit was to determine compliance with the requirements specified in the Government Code Sections and the County Investment Policy.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and accordingly, included examining, on a test basis, evidence about Treasury management's compliance and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinions. Our examination does not provide a legal determination on compliance with specified requirements.

In our opinion, the County of Colusa is in compliance, in all material respects, with the articles of Section 27131-27137 of the Government Code and the County Investment Policy for the year ended June 30, 2013. We have included on the following pages our discussion and observations regarding the oversight compliance based on our examination.



Smith & Newell, CPAs
Yuba City, California
March 18, 2014

**COUNTY OF COLUSA
Treasury Oversight Committee
Compliance Audit
For the Year Ended June 30, 2013**

Committee Members

Tom Indrieri..... Representing Board of Supervisors
Denise Carter..... Representing Board of Supervisors
Debbie Hinely..... Representative of Superintendent of Schools
Margaret Van Warmerdam..... Auditor’s Office Representative
Darla Marazzo..... Secretary
Peggy Scroggins..... Auditor-Controller

Elected Official

Daniel Charter..... Treasurer

COUNTY OF COLUSA
Treasury Oversight Committee
Compliance Audit
For the Year Ended June 30, 2013

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 1996 the Committee was established by Resolution No. 96-10. For the year ended June 30, 2013, the Committee operated with six members. Two committee meetings were held. Minutes of the meetings were properly maintained.

3. Compliance with Government Code 27131

We examined the requirements specified in Government Code 27131 which describe the formation of the Oversight Committee. We noted the following:

Requirement	Compliant
a. The Board of Supervisors in each County of City and County may, if the County or City and County is investing surplus funds, establish a county treasury oversight committee. The Board of Supervisors, in consultation with the County Treasurer, shall determine the exact size of the committee, which shall consist of from 3 to 11 members.	Yes
b. In recognition of the state and local interests served by the action made option in subdivision (a), the Legislature encourages local agencies to continue taking the action formerly mandated by this section.	Yes

4. Compliance with Government Code 27132

We examined the requirements specified in Government Code 27132 through 27132.4 which describe the required organization and operation of the Oversight Committee. We noted the following:

Requirement	Compliant
The county treasury oversight committee, pursuant to Section 27131, shall consist of members appointed from the following:	
a. The county treasurer	Yes
b. The county auditor, auditor-controller, or finance director, as the case may be.	Yes
c. A representative appointed by the county board of supervisors.	Yes

COUNTY OF COLUSA
Treasury Oversight Committee
Compliance Audit
For the Year Ended June 30, 2013

4. Compliance with Government Code 27132 (Continued)

Requirement	Compliant
d. The county superintendent of schools or his or her designee.	Yes
e. A representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the county.	Yes
f. A representative selected by a majority of the presiding officers of the legislative bodies of the special districts in the county that are required or authorized to deposit in the county treasury.	Yes
g. Up to five other members of the public.	
1. A majority of the other public members shall have expertise in, or an academic background in, public finance.	Yes
2. The other public members shall be economically diverse and bipartisan in political registration.	Yes
Oversight Committee Member Employment	
A member may not be employed by an entity that has (a) contributed to the campaign of a candidate for the office of local treasurer, or (b) contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury, in the previous three years or during the period that the employee is a member of the committee.	Yes
Fund Raising by Oversight Committee Member for County Officials	
A member may not directly or indirectly raise money for a candidate for local treasurer or a member of the governing board of any local agency that has deposited funds in the county treasury while a member of the committee.	Yes
Oversight Committee Member Employment in a Financial Service Industry	
A member may not secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the treasurer is doing business during the period that the person is a member of the committee or for one year after leaving the committee.	Yes
Open Oversight Committee Meetings	
Committee meetings shall be open to the public and subject to the Ralph M. Brown Act. (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5)	Yes

5. 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, 2013 and was approved by the Board of Supervisors at their December 11, 2012 meeting.

COUNTY OF COLUSA
Treasury Oversight Committee
Compliance Audit
For the Year Ended June 30, 2013

5. Compliance with Government Code 27133 (Continued)

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
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
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

6. 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

COUNTY OF COLUSA
Treasury Oversight Committee
Compliance Audit
For the Year Ended June 30, 2013

7. 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

8. 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

9. Compliance with Government Code 27137

We examined the requirements specified in Government Code 27137. We noted the following:

Requirement	Compliant
Nothing in this article shall be construed to allow the county treasury oversight committee to direct individual investment decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the county treasury.	Yes

10. Compliance with County Investment Policy

The County’s investment policy requires that all investment activities be operated in conformance with federal, state, and other legal requirements, including, but not limited to, California Government Code Section 53600, et seq., and Section 27000, et seq.

We examined the County’s compliance as follows:

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 appear to be complete with all the required information.

COUNTY OF COLUSA
Treasury Oversight Committee
Compliance Audit
For the Year Ended June 30, 2013

10. Compliance with County Investment Policy (Continued)

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 to verify that the maximum percentages by category of investment did not materially exceed the allowable percentages specified in the County investment policy. We also examined the investments to verify that maximums for single issuers and maximum term limits specified were not exceeded at year end. Investments appear to be in compliance with the County investment policy.

As of June 30, 2013, the County had the following investments, all of which had a maturity of 5 years or less:

	Interest Rates	Maturities			Fair Value	Weighted Average Maturity (Years)
		0-1 year	1-5 years	Over 5 years		
Pooled Investments						
Municipal Bonds	2.75-6.65%	\$ -	\$ -	\$ 4,712,264	\$ 4,712,264	9.17
LAIF	Variable	<u>33,681,005</u>	-	-	<u>33,681,005</u>	-
Total Pooled Investments		<u>\$ 33,681,005</u>	<u>\$ -</u>	<u>\$ 4,712,264</u>	<u>38,393,269</u>	<u>1.13</u>

Presented below is the minimum rating required by (where applicable) the California Government Code or the County's investment policy, and the actual rating as of year end for each investment type.

Investment Type	Minimum Legal Rating	Standard & Poor's Rating	Moody's Rating	% of Portfolio
Municipal Bonds	N/A	AAA	Aaa	12.27%
LAIF	N/A	Unrated	Unrated	<u>87.73%</u>
Total				<u>100.00%</u>

Investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investment pools) at June 30, 2013, that represent 5 percent or more of total County investments are as follows:

Investment Type	Amount Invested	Percentage of Investments
None noted		

Interest Apportionment and Administrative Fee - 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 investment 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.

COUNTY OF COLUSA
Treasury Oversight Committee
Compliance Audit
For the Year Ended June 30, 2013

10. Compliance with County Investment Policy (Continued)

The following is a summary of the interest apportioned for the year ended June 30, 2013:

	2012/2013		2011/2012	
	Interest Apportioned	Treasurer Admin Fee	Interest Earnings	Interest Earnings
September 30	\$ 697,936	\$ 25,000	\$ 722,936	\$ 1,574,057
December 31	889,785	25,000	914,785	171,440
March 31	136,660	25,000	161,660	424,346
June 30	129,981	25,000	154,981	675,095
Total	<u>\$ 1,854,362</u>	<u>\$ 100,000</u>	<u>\$ 1,954,362</u>	<u>\$ 2,844,938</u>