

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



**COMPLIANCE AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2010**

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**COUNTY OF COLUSA, CALIFORNIA**  
**TREASURY OVERSIGHT COMMITTEE**  
**COMPLIANCE AUDIT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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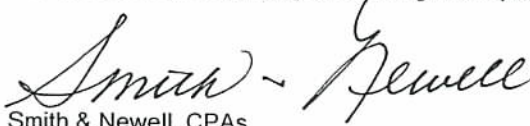
**INDEPENDENT ACCOUNTANT'S REPORT**

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 27130-27137 of the California Government Code for the year ended June 30, 2010. 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.

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 opinion. 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 27130-27137 of the Government Code for the year ended June 30, 2010. 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  
April 1, 2011

**COUNTY OF COLUSA, CALIFORNIA**  
**TREASURY OVERSIGHT COMMITTEE**  
**COMPLIANCE AUDIT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**COMMITTEE MEMBERS**

- Daniel Charter ..... Treasurer - Colusa County
- Tom Indrieri ..... Representing Board of Supervisors
- Bonjie Immos ..... Representative of Superintendent of Schools
- Janet Dawley ..... Auditor's Office Representative
- Darla Marazzo ..... Auditor's Office Representative
- Barbara Sachs ..... Representative of Special District

**COUNTY OF COLUSA, CALIFORNIA  
TREASURY OVERSIGHT COMMITTEE  
COMPLIANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2010**

**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. If the County elects to continue the Treasury Oversight Committee, Government Code Section 27134 still requires an annual audit to determine compliance.

Other statutory changes also include the removal of the mandatory filing of the County's annual investment policy and the county's quarterly investment report. Instead, the County's annual investment policy should be submitted to the County Board of Supervisors and the quarterly investment reports should be submitted to the County Administrative Office, Auditor-Controller, or Board or Supervisors.

**COMPLIANCE AUDIT**

The oversight legislation included many specific requirements such as the required content of the Treasurer's Investment Policy. Government Code Section (GC) 27134 requires an annual audit to determine compliance with the provisions. This audit serves to comply with that provision.

**COMMITTEE FORMATION AND OPERATION**

In 1996 the Committee was established by Resolution No. 96-10. For the year ended June 30, 2010, the Committee operated with six members. One committee meeting was held. Minutes of the meeting was properly maintained.

**INVESTMENT POLICY STATEMENT**

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, 2010 and was approved by the Board of Supervisors at their December 8, 2009 meeting.

**COUNTY OF COLUSA, CALIFORNIA  
TREASURY OVERSIGHT COMMITTEE  
COMPLIANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>COMPLIANCE REQUIREMENT STATUS REPORT</b>	<b>STATUS</b>
<b>I ESTABLISHMENT AND DETERMINATION OF SIZE AND MEMBERSHIP OF COLUSA COUNTY TREASURY OVERSIGHT COMMITTEE</b>	
<p>a. The board of supervisors in each county or 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, and the categories from which the members shall be represented, as specified in subdivisions (a) to (g), inclusive, of Section 27132. Members shall be nominated by the treasurer and confirmed by the board of supervisors. (GC 27131a)</p>	Yes
<p>b. In recognition of the state and local interests served by the action made optional in subdivision (a), the Legislature encourages local agencies to continue taking the action formerly mandated by this section. However, nothing in this subdivision may be construed to impose any liability on a local agency that does not continue to take the formerly mandated action. (GC 27131b)</p>	Yes
<b>II OVERSIGHT COMMITTEE MEMBERSHIP REQUIREMENTS</b>	
<p>The county treasury oversight committee, pursuant to Section 27131, shall consist of members appointed from the following (GC 27132):</p>	
<p>a. The county treasurer.</p>	Yes
<p>b. The county auditor, auditor-controller, or finance director, as the case may be.</p>	Yes
<p>c. A representative appointed by the county board of supervisors.</p>	Yes
<p>d. The county superintendent of schools or his or her designee.</p>	Yes
<p>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.</p>	Yes
<p>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 funds in the county treasury.</p>	Yes
<p>g. Up to five other members of the public.</p>	
<p>a. A majority of the other public members shall have expertise in, or an academic background in, public finance.</p>	Yes
<p>b. The other public members shall be economically diverse and bipartisan in political registration.</p>	Yes



**COUNTY OF COLUSA, CALIFORNIA  
TREASURY OVERSIGHT COMMITTEE  
COMPLIANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>COMPLIANCE REQUIREMENT STATUS REPORT</b>	<b>STATUS</b>
<b>III OVERSIGHT COMMITTEE MEMBER EMPLOYMENT</b>	
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. (GC 27132.1)	Yes
<b>IV FUND RAISING BY OVERSIGHT COMMITTEE MEMBERS FOR COUNTY OFFICIALS</b>	
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. (GC 27132.2)	Yes
<b>V OVERSIGHT COMMITTEE MEMBER EMPLOYMENT IN A FINANCIAL SERVICE INDUSTRY</b>	
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. (GC 27132.3)	Yes
<b>VI OPEN OVERSIGHT COMMITTEE MEETINGS</b>	
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) (GC 27132.4)	Yes
<b>VII INVESTMENT POLICY</b>	
In any county that establishes a county treasury oversight committee pursuant to this article, the county treasurer shall annually prepare an investment policy that will be reviewed and monitored by the county treasury oversight committee. (GC 27133)	Yes
The investment policy shall include all of the following:	
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

**COUNTY OF COLUSA, CALIFORNIA  
TREASURY OVERSIGHT COMMITTEE  
COMPLIANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2010**

<u>COMPLIANCE REQUIREMENT STATUS REPORT</u>	<u>STATUS</u>
<b>VII INVESTMENT POLICY (CONTINUED)</b>	
<p>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.</p>	Yes
<p>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.</p>	Yes
<p>e. A requirement that the county treasurer provide the county treasury oversight committee with an investment report as required by the board of supervisors.</p>	Yes - except one quarter was filed late.
<p>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.</p>	Yes
<p>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.</p>	Yes
<p>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.</p>	Yes
<b>VIII PERIODIC AUDITS BY COMMITTEE</b>	
<p>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. (GC 27134)</p>	Yes
<b>IX COST OF COMPLIANCE</b>	
<p>The costs of complying with this article shall be county charges and may be included with those charges enumerated under Section 27013. (GC 27135)</p>	Yes - except actual cost limited by Board of Supervisors

**COUNTY OF COLUSA, CALIFORNIA**  
**TREASURY OVERSIGHT COMMITTEE**  
**COMPLIANCE AUDIT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<u>COMPLIANCE REQUIREMENT STATUS REPORT</u>	<u>STATUS</u>
X WITHDRAWAL OF FUNDS FROM COUNTY POOL	
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. (GC 27136)	Yes
XI DAY-TO-DAY OPERATIONS	
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. (GC 27137)	Yes

**COUNTY OF COLUSA, CALIFORNIA  
TREASURY OVERSIGHT COMMITTEE  
COMPLIANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2010**

**GENERAL COMPLIANCE**

We reviewed the County's actual practices during 2009-2010 to determine compliance to applicable government code sections and to the County investment policy as follows:

**Reporting**

We reviewed the Treasurer's monthly reports which were submitted to the Board of Supervisors and to the Treasury Oversight Committee to verify that they contained the information specified in Government Code Section 53646. They appeared to be complete with all the required information.

**Safekeeping**

We reviewed the Safekeeping arrangements of the Treasurer to verify compliance with information specified in Government Code Section 53601. The safekeeping arrangements appear to be in compliance with the government code.

**Investments**

We reviewed the investments to verify that the maximum percentages by category of investment did not materially exceed the allowable percentages. We also reviewed the investments to verify that maximums for single issuers and maximum term limits specified in the policy were not exceeded at year end. Investments appear to be in compliance with Government Code Section 53601 and County investment policy.

The following illustrates the carrying value (cost) and fair value of the treasury investments as of June 30, 2010:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>% of Total</u>
State of California Local Agency Investment Fund (LAIF)	\$42,278,497	89.84%	
Deposits in Treasurer's Pool	4,511,082	4,511,082	9.57%
Cash on Hand	279,963	279,963	0.59%
	<u>\$ 47,069,497</u>	<u>\$ 47,138,993</u>	<u>100.00%</u>

**Interest Apportionment and Administrative Charge**

We reviewed the interest apportionment to verify compliance with Government Code 53684b and 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. The interest apportionment and the administrative charge appear to be in compliance with Government Code 53684b and the County Investment Policy.

The following is a summary of the interest apportioned for the year ended June 30, 2010:

	<u>2009/2010</u>			<u>2008/2009</u>
	<u>Interest Apportioned</u>	<u>Treasurer Admin Fee</u>	<u>Interest Earnings</u>	<u>Interest Earnings</u>
September 30	\$ 136,657	\$ 25,000	\$ 161,657	\$ 488,713
December 31	625,365	25,000	650,365	507,443
March 31	403,985	25,000	428,985	319,897
June 30	931,474	25,000	956,474	130,373
Total	<u>\$ 2,097,481</u>	<u>\$ 100,000</u>	<u>\$ 2,197,481</u>	<u>\$ 1,446,426</u>

**COUNTY OF COLUSA, CALIFORNIA**  
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**FOR THE YEAR ENDED JUNE 30, 2010**

**CONCLUSION**

The Treasury pool appears to be diversified. The term of the investments range from zero to four years and the fair value was 1.0015% of carrying value (cost). Safekeeping agents were used for custody of investments. Quarterly reports on the treasury pool were complete and provided the necessary information to properly review the portfolio.

We believe the County is in compliance, in all material respects, with the articles of Section 27130-27137 of the Government Code for the year ended June 30, 2010.

**COUNTY OF COLUSA, CALIFORNIA**  
**TREASURY OVERSIGHT COMMITTEE**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**10-01 Finding**

We noted that the administrative charge deducted from the interest income was a rate set by the Board of Supervisors in accordance with the revised investment policy rather than the actual costs as required by Government Code 53684(b).

**Recommendation**

We recommend that the investment policy as revised be reviewed to ensure that it is in compliance with Government Code 53684(b) in regards to the actual cost of investing, depositing, banking, auditing, reporting, or otherwise handling or managing funds.

**Corrective Action Plan**

The administrative cost is determined by the Board of Supervisors during the budget process.

**10-02 Finding**

We noted that the investment report required to be submitted to the Board of Supervisors and Treasury Oversight Committee within 30 days following the end of each quarter was not submitted in a timely manner for the quarter ending September 30, 2009.

**Recommendation**

We recommend that the quarterly investment reports be submitted to the Board of Supervisors and Treasury Oversight Committee within 30 days following the end of the quarter in compliance with Government Code 54646(b)(1).

**Corrective Action Plan**

The investment reports are prepared in a timely manner, but due to the timing of the Board of Supervisors' meetings, they are ajenized as soon as possible. The Board of Supervisors meet on the first and third Tuesdays of each month and they require a two week advance notice to ajenize. This sometimes creates a conflict. We will work with the Board clerks in the future, if the need arises, to see if we can get the investment report placed on the agenda, even if it is after the agenda deadline.

The County is no longer under any requirement under Government Code to have a Treasury Oversight Committee, but the County has elected to continue with the committee. However, the meeting schedule has been modified so the committee will meet at least bi-annually, sometimes with a third meeting within the year if the need arises. Due to this scheduling change, the County will never be able to meet the recommendation of having the investment report submitted to the committee within 30 days following the end of the quarter since we are not meeting quarterly. The Investment Policy will be revised to reflect the new meeting schedule.

**COUNTY OF COLUSA, CALIFORNIA**  
**TREASURY OVERSIGHT COMMITTEE**  
**STATUS OF PRIOR YEAR RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendation</u>
<b>09-01</b>	<p><b>Recommendation</b></p> <p>We recommend that the investment policy as revised be reviewed to ensure that it is in compliance with Government Code 53684(b) in regards to the actual cost of investing, depositing, banking, auditing, reporting, or otherwise handling or managing funds.</p> <p><b>Status</b></p> <p>Not Implemented</p>
<b>09-02</b>	<p><b>Recommendation</b></p> <p>We recommend that the quarterly investment reports be submitted to the Treasury Oversight Committee within 30 days following the end of the quarter in compliance with Government Code 54646(b)(1), and submitted to the Board of Supervisors within 30 days following the end of the month in compliance with the County investment policy.</p> <p><b>Status</b></p> <p>Not Implemented</p>
<b>09-03</b>	<p><b>Recommendation</b></p> <p>We recommend that County funds be maintained in the name of the County.</p> <p><b>Status</b></p> <p>Implemented</p>

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