

**COUNTY OF COLUSA  
TREASURY OVERSIGHT COMMITTEE  
CALIFORNIA**



**COMPLIANCE AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2009**

**COUNTY OF COLUSA, CALIFORNIA  
TREASURY OVERSIGHT COMMITTEE  
COMPLIANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2009**

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**INDEPENDENT ACCOUNTANT'S REPORT**

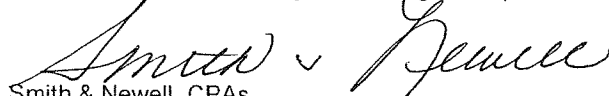
Members of the Treasury Oversight Committee  
County of Colusa  
Colusa, California

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, 2009. 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.

The supplemental information presented on page 9 is for information purposes only. We did not audit the information and express no opinion on it.

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, 2009. 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 19, 2010

**COUNTY OF COLUSA, CALIFORNIA  
TREASURY OVERSIGHT COMMITTEE  
COMPLIANCE AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**COMMITTEE MEMBERS**

Daniel Charter ..... Treasurer-Colusa County  
Tom Indrieri ..... Representing Board of Supervisors  
Peggy Scroggins ..... Auditor-Controller  
John Scheimer ..... Representative of Special Districts  
Bonjie Immos ..... Representative of Superintendent of Schools

**COUNTY OF COLUSA, CALIFORNIA  
TREASURY OVERSIGHT COMMITTEE  
COMPLIANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2009**

**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 of Supervisors.

**COMPLIANCE AUDIT REQUIREMENT**

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**

In 1996 the Committee was established by Resolution No. 96-10. For the year ended June 30, 2009, the Committee operated with five members. Four committee meetings were held. Minutes of the meetings were properly maintained.

**COUNTY OF COLUSA, CALIFORNIA  
TREASURY OVERSIGHT COMMITTEE  
COMPLIANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2009**

<u>COMPLIANCE REQUIREMENT STATUS REPORT</u>	<u>STATUS</u>
<b>I ESTABLISHMENT AND DETERMINATION OF SIZE AND MEMBERSHIP OF COLUSA COUNTY TREASURY OVERSIGHT COMMITTEE</b>	
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)	Yes
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)	Yes
<b>II OVERSIGHT COMMITTEE MEMBERSHIP REQUIREMENTS</b>	
The county treasury oversight committee, pursuant to Section 27131, shall consist of members appointed from the following (GC 27132):	Yes
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
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 funds in the county treasury.	Yes
g. Up to five other members of the public.	
a. A majority of the other public members shall have expertise in, or an academic background in, public finance.	Yes
b. The other public members shall be economically diverse and bipartisan in political registration.	Yes

**COUNTY OF COLUSA, CALIFORNIA  
TREASURY OVERSIGHT COMMITTEE  
COMPLIANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2009**

<u>COMPLIANCE REQUIREMENT STATUS REPORT</u>	<u>STATUS</u>
<p>III OVERSIGHT COMMITTEE MEMBER EMPLOYMENT</p> <p>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)</p>	Yes
<p>IV FUND RAISING BY OVERSIGHT COMMITTEE MEMBERS FOR COUNTY OFFICIALS</p> <p>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)</p>	Yes
<p>V OVERSIGHT COMMITTEE MEMBER EMPLOYMENT IN A FINANCIAL SERVICE INDUSTRY</p> <p>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)</p>	Yes
<p>VI OPEN OVERSIGHT COMMITTEE MEETINGS</p> <p>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)</p>	Yes
<p>VII INVESTMENT POLICY</p> <p>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)</p> <p>The investment policy shall include all of the following:</p> <p>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.</p> <p>b. The maximum term of any security purchased by the county treasury.</p>	<p>Yes</p> <p>Yes - except maximum deposit in LAIF exceeded.</p> <p>Yes</p>

**COUNTY OF COLUSA, CALIFORNIA  
TREASURY OVERSIGHT COMMITTEE  
COMPLIANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2009**

<u>COMPLIANCE REQUIREMENT STATUS REPORT</u>	<u>STATUS</u>
<b>VII INVESTMENT POLICY (CONTINUED)</b>	
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 - except one quarter was filed late.
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
<b>VIII PERIODIC AUDITS BY COMMITTEE</b>	
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)	Yes
<b>IX COST OF COMPLIANCE</b>	
The costs of complying with this article shall be county charges and may be included with those charges enumerated under Section 27013. (GC 27135)	Yes - except actual cost limited by Board of Supervisors



**COUNTY OF COLUSA, CALIFORNIA  
TREASURY OVERSIGHT COMMITTEE  
COMPLIANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2009**

COMPLIANCE REQUIREMENT STATUS REPORT

STATUS

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
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**COUNTY OF COLUSA, CALIFORNIA  
TREASURY OVERSIGHT COMMITTEE  
COMPLIANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2009**

**COMPLIANCE TO INVESTMENT POLICY**

We reviewed the County's actual practices during 2008-2009 to determine compliance to the investment policy.

**Reporting**

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

**Safekeeping**

We reviewed the Safekeeping arrangements of the Treasurer and verified compliance with information specified in the law. The safekeeping arrangements appear to be in compliance with Government Code 53601 and the County Investment Policy.

**Interest Apportionment and Administrative Charge**

The interest earned on the pooled investments is apportioned by the Auditor-Controller's office each quarter. These apportionments are made based on the average daily balances of each fund for the quarter. We reviewed the methodology used to apportion the Treasurer's costs that were charged against the interest before the balance was apportioned. We believe the apportionment process is properly functioning to equitably distribute the investment earnings to the fund participants. The interest apportionment and the administrative charge appear to be in compliance with Government Code 53684b and the County Investment Policy.

**CONCLUSION**

As of June 30, 2009, the carrying value of the pooled treasury investments totaled \$40,341,868 as compared with a fair value of \$40,140,016 (carrying value greater than fair value). The Treasurer is in compliance, in all material respects, with the articles of Section 27130-27137 of the Government Code for the year ended June 30, 2009.

**COUNTY OF COLUSA, CALIFORNIA  
TREASURY OVERSIGHT COMMITTEE  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2009**

**COST AND FAIR VALUE**

The following illustrates the carrying value (cost) and fair value of the treasury investments as of June 30, 2009:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>% of Total</u>
State of California Local Agency Investment Fund	\$30,445,139	\$30,484,862	75.92%
Municipal Obligations	10,067,375	9,825,800	24.47%
Deposits in Treasurer's Pool	( 596,708)	( 596,708)	( 1.46%)
Cash on Hand	<u>426,062</u>	<u>426,062</u>	<u>1.07%</u>
	<u>\$40,341,868</u>	<u>\$40,140,016</u>	<u>100.00%</u>

As shown, the fair values were 99.50% of carrying value (cost).

**COUNTY OF COLUSA, CALIFORNIA  
TREASURY OVERSIGHT COMMITTEE  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2009**

**09-01 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**

We will consider.

**09-02 Finding**

We noted that the investment report required to be submitted to the Treasury Oversight Committee within 30 days following the end of each quarter was not submitted in a timely manner for the quarter ending June 30, 2009. In addition, we noted that the investment reports required to be submitted to the Board of Supervisors on a monthly basis were not submitted within 30 days following the end of the month for the months of October and December 2008, and April and June 2009.

**Recommendation**

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.

**Corrective Action Plan**

Will implement for 2009-10.

**09-03 Finding**

We noted that pooled cash of the County is being held in a separate LAIF account under a local agency's name rather than in the name of the County in order to exceed the LAIF imposed 40 million dollar limit on total deposits by a single entity.

**Recommendation**

We recommend that County funds be maintained in the name of the County.

**Corrective Action Plan**

This has been implemented for 2009-10.

**COUNTY OF COLUSA, CALIFORNIA  
TREASURY OVERSIGHT COMMITTEE  
STATUS OF PRIOR YEAR RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendation</u>
08-01	<p><b>Recommendation</b></p> <p>We recommend that the costs of complying with this section be included in the Treasurer's Administrative cost.</p> <p><b>Status</b></p> <p>Not Implemented</p>
08-02	<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>
08-03	<p><b>Recommendation</b></p> <p>We recommend the quarterly investment reports be submitted within 30 days following the end of the quarter in compliance with Government Code 54646(b)(1).</p> <p><b>Status</b></p> <p>Not Implemented</p>