
**COUNTY OF COLUSA
TREASURY OVERSIGHT COMMITTEE
COMPLIANCE AUDIT
FOR THE YEAR ENDED JUNE 30, 2006**

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**COUNTY OF COLUSA
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COMMITTEE MEMBERS

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

I. INDEPENDENT ACCOUNTANT'S REPORT

INDEPENDENT ACCOUNTANT'S REPORT

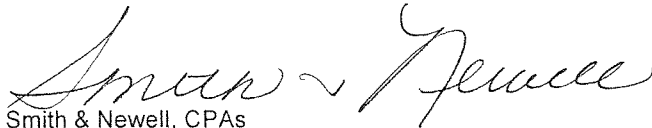
Members of the Treasury Oversight Committee
County of Colusa
Colusa, California

We have examined management's assertion that County of Colusa complied with the provisions of California Government Code Sections 27130-27137 and the provisions of the County of Colusa's Statement of Investment Policy for the year ended June 30, 2006. The Colusa County Treasury's management is responsible for the assertion. Our responsibility is to express an opinion on the assertion based on our examination.

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 County of Colusa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the management's assertion referred to above, is fairly stated, in all material respects based on the compliance requirement criteria set forth in the Compliance Requirement Status Report.

This report is intended solely for the information of the Treasury Oversight Committee, Management, and the County of Colusa, and is not intended and should not be used by anyone other than these specified parties.



Smith & Newell, CPAs
Yuba City, California
March 28, 2007

II. BACKGROUND AND GENERAL

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Background and General

In 1995, the California legislature passed provisions requiring each county to establish an oversight Committee of from 3 to 11 members representing various organizations. The pool of 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.

The oversight legislation contained in California Government Code Section 27131-27137 included many specific requirements such as the required contents of the Treasurer's Investment Policy, the requirement that the County Treasurer annually prepare an investment policy that will be reviewed and monitored by the County Treasury Oversight Committee, and the requirement for an annual audit to determine compliance with the provisions.

III. COMPLIANCE REQUIREMENT STATUS REPORT

III. COMPLIANCE REQUIREMENT STATUS REPORT

<u>Compliance Requirement</u>	<u>Status of Compliance</u>
I ESTABLISHMENT AND DETERMINATION OF SIZE AND MEMBERSHIP OF COLUSA COUNTY TREASURY OVERSIGHT COMMITTEE	
(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 27131)	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.	Yes
II OVERSIGHT COMMITTEE MEMBERSHIP REQUIREMENTS	
The county treasury oversight committee, pursuant to Section 27131, shall consist of members appointed from the following (GC 27132):	Yes
a. The county treasurer.	
b. The county auditor, auditor-controller, or finance director, as the case may be.	
c. A representative appointed by the county board of supervisors.	
d. The county superintendent of schools or his or her designee.	
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.	
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.	
g. Up to five other members of the public.	
a. Majority of the other public members shall have expertise in, or an academic background in, public finance.	
b. The other public members shall be economically diverse and bipartisan in political registration.	
III 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. (GC 27032.1)	Yes

COMPLIANCE REQUIREMENT STATUS REPORT

Compliance Requirement	Status of Compliance
<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 27032.2)</p>	Yes
<p>V OVERSIGHT COMMITTEE MEMBER EMPLOYMENT IN A FINANCIAL SERVICES 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 term of any security purchased by the type of security.</p> <p>b. The maximum term of any security purchased by the county treasury.</p> <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> <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 members' own agency, by state law, or by the Fair Political Practices Commission.</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>

COMPLIANCE REQUIREMENT STATUS REPORT

Compliance Requirement	Status of Compliance
VII INVESTMENT POLICY (CONTINUED)	
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 request 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
VIII PERIODIC AUDITS BY COMMITTEE	
The county treasury oversight committee shall cause an annual audit to be conducted to determine compliance with this article. The audit may include issues relating to the structure of the investment portfolio and risk. (GC 27134)	Yes
IX COST OF COMPLIANCE	
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
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 constructed 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

COMPLIANCE REQUIREMENT STATUS REPORT

Compliance Requirement	Status of Compliance
XII TREASURER'S QUARTERLY REPORT (GC 53646 (b)(1) through (4)(d))	
a. The treasurer or chief fiscal officer shall render a quarterly report to the chief executive officer, the internal auditor, and the legislative body of the local agency. The quarterly report shall be so submitted within 30 days following the end of the quarter covered by the report. Except as provided in subdivisions (e) and (f), this report shall include the type of investment, issuer, date of maturity par and dollar amount invested on all securities, investments, and monies held by the local agency, and shall additionally include a description of any of the local agency's funds, investments, or programs, that are under the management of contracted parties, including lending programs. With respect to all securities held by the local agency, and under management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund, the report shall also include a current market value as of the date of the report, and shall include the source of this same valuation.	Yes
b. The quarterly report shall state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance.	Yes
c. The quarterly report shall include a statement denoting the ability of the local agency to meet its pool's expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.	Yes
d. In the quarterly report, a subsidiary ledger of investments may be used in accordance with accepted accounting practices.	Yes
e. Pursuant to subdivision (b), the treasurer or chief fiscal officer shall report whatever additional information or data may be required by the legislative body of the local agency.	Yes
f. The legislative body of a local agency may elect to require the report specified in subdivision (b) to be made on a monthly basis instead of quarterly.	N/A
XIII SAFEKEEPING	
A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or nonregistered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. (GC 53601)	Yes

COMPLIANCE REQUIREMENT STATUS REPORT

<u>Compliance Requirement</u>	<u>Status of Compliance</u>
XV TREASURER ADMINISTRATIVE CHARGE	
(b) The County Treasurer shall, at least quarterly, apportion any interest or other increment derived from the investment of funds pursuant to this section in an amount proportionate to the average daily balance of the amounts deposited by the local agency and to the total average daily balance of deposits in the investment pool. In apportioning and distributing that interest or increment, the county treasurer may use the cash method, the accrual method, or any other method in accordance with generally accepted accounting principles.	Yes
Prior to distributing that interest or increment, the county treasurer may deduct the actual costs incurred by the county in administering this section in proportion to the average daily balance of the amounts deposited by the local agency and to the total average daily balance of deposits in the investment pool. (GC 53684b)	No

IV. SUMMARY OF FINDINGS AND RECOMMENDATIONS

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06-01 **Finding**

We noted that the costs of complying with Government Code 27135 were not included in the Treasurer Administrative cost.

Recommendation

We recommend that the costs of complying with this section be included in the Treasurer's Administrative cost.

06-02 **Finding**

We noted that the treasurer's quarterly report for the quarter ended September 30, 2005, was not submitted to the committee until November 29, 2006.

Recommendation

We recommend that the treasurer's quarterly report be submitted within thirty days following the end of the quarter.

06-03 **Finding**

We noted that the administrative charge deducted from the interest income was based on cost incurred during the 2003-04 fiscal year instead of actual costs incurred during 2005-06.

Recommendation

We recommend that the cost of investing, depositing, of handling of funds and of distribution of such interest income be based on current costs, as required by the county investment policy.

V. STATUS OF PRIOR YEAR RECOMMENDATIONS

V. STATUS OF PRIOR YEAR RECOMMENDATIONS

<u>Compliance Requirement</u>	<u>Status of Compliance</u>
We recommend that the costs of complying with Government Code 27135 be included in the Treasurer's Administrative cost.	Not Implemented
We recommend that the monthly reports include a statement that the portfolio is or is not in compliance with the county investment policy.	Implemented
We recommend that investments be held in safekeeping. Generally, a qualified safekeeping agent includes banking institutions or trust companies regulated and inspected by the Federal Reserve Board. Paine Webber, Inc. is not a banking institution regulated by the Federal Reserve Board.	Implemented
We recommend that the cost of investing, depositing or handling of funds and of distribution of such interest income be based on current costs, as required by County investment policy.	Not Implemented