

COUNTY OF BUTTE
TREASURY OVERSIGHT COMMITTEE
COMPLIANCE AUDIT
FOR THE YEAR ENDED JUNE 30, 2011

COUNTY OF BUTTE

Treasury Oversight Committee
For the Year Ended June 30, 2011

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INDEPENDENT ACCOUNTANT'S REPORT

Members of the Treasury
Oversight Committee
County of Butte
Oroville, California

We have examined the County of Butte's compliance with the Treasury Oversight Committee provisions contained in Sections 27130-27137 of the California Government Code for the year ended June 30, 2011. 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 made in accordance with 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 information presented on pages 6 and 7 of this report is for information purposes only. We did not audit the information and express no opinion on it.

In our opinion the County of Butte is in compliance, in all material respects, with the articles of Sections 27130-27137 of the Government Code for the fiscal year ending June 30, 2011. We have included on the following pages our discussion and observations regarding the oversight provided.

Gallina LLP

Roseville, California
November 28, 2011

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COMMITTEE MEMBERS

<u>Member</u>	<u>Organization Appointed From</u>
Maureen Kirk, Chairperson	Board of Supervisors
Lisa Anderson, Vice-Chairperson	School Districts Representative
David A. Houser	Auditor-Controller
Mark Sweany	Special Districts Representative
Susan Watts	Superintendent of Schools Representative

Advisory

Linda Barnes	Treasurer/Tax Collector
Peggy Moak	Assistant Treasurer/Tax Collector

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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 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.

Certain statutory changes were enacted by the California legislature effective January 1, 2005. Government Code Section (GC) 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 would still require 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 with the Treasury Oversight Committee. 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's Administrative Office, Auditor-Controller or Board of Supervisors.

Compliance Audit

The oversight legislation included many specific requirements such as the required contents of the Treasurer's Investment Policy. GC 27134 requires an annual audit to determine compliance with the provisions. This audit serves to comply with this provision.

Committee Formation and Operation

In 1996, Butte County issued a Resolution, which established the Butte County Treasury Oversight Committee (Committee), membership, term of members, organization, powers and duties.

Meetings were held during the 2010-2011 year on October 12, 2010 and April 12, 2011. We reviewed the minutes and believe the meetings were properly conducted in order to provide oversight.

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Investment Policy Statement

GC 27133 requires the County Treasurer to annually prepare an investment policy statement even if there were no policy changes. The Statement is reviewed by the Oversight Committee and submitted to the Board of Supervisors for approval. We noted that this was properly done and a policy updated as of May 11, 2010 was on hand and was used for purposes of this audit. It was submitted and approved by the County’s Board of Supervisors.

Investment Policy Review

We reviewed the requirements specified in GC 27133, items a-h, which describe the required contents of the investment policy. We noted the following:

<u>Requirement</u>	<u>Policy Section</u>	<u>Deemed Compliant</u>
a) Authorized securities	VIII	Yes
Maximum percentage by type	VIII	Yes
b) Maximum terms	VIII	Yes
c) Criteria for selection of brokers	IX	Yes
Prohibition of political contribution	X	Yes
d) Limits on gifts	X	Yes
e) Reporting to Oversight Committee	XI	Yes
f) Calculation of treasurer’s costs (GC § 27013)	III	Yes
g) Voluntary depositors	V	Yes
h) Requests for withdrawal	VI	Yes

As shown above, we believe the policy adopted contained all the provisions specified in the oversight legislation.

Compliance to Policy

We reviewed the County’s actual practices during 2010-2011 to determine compliance to the investment policy. We verified the maximum percentages by category of investment. All categories of investments did not exceed the maximum allowed percentage at year end. We also verified that maximums for single issuers and maximum term limits specified in the policy were not exceeded at year end. There were no exceptions noted.

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Reporting

We reviewed the quarterly reports which were submitted to the Board of Supervisors and to the Committee to verify that they contained the information specified in the law. They appeared to be complete with all the required information.

Interest Apportionment

The interest earned on the pooled investments is apportioned by the Treasurer'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.

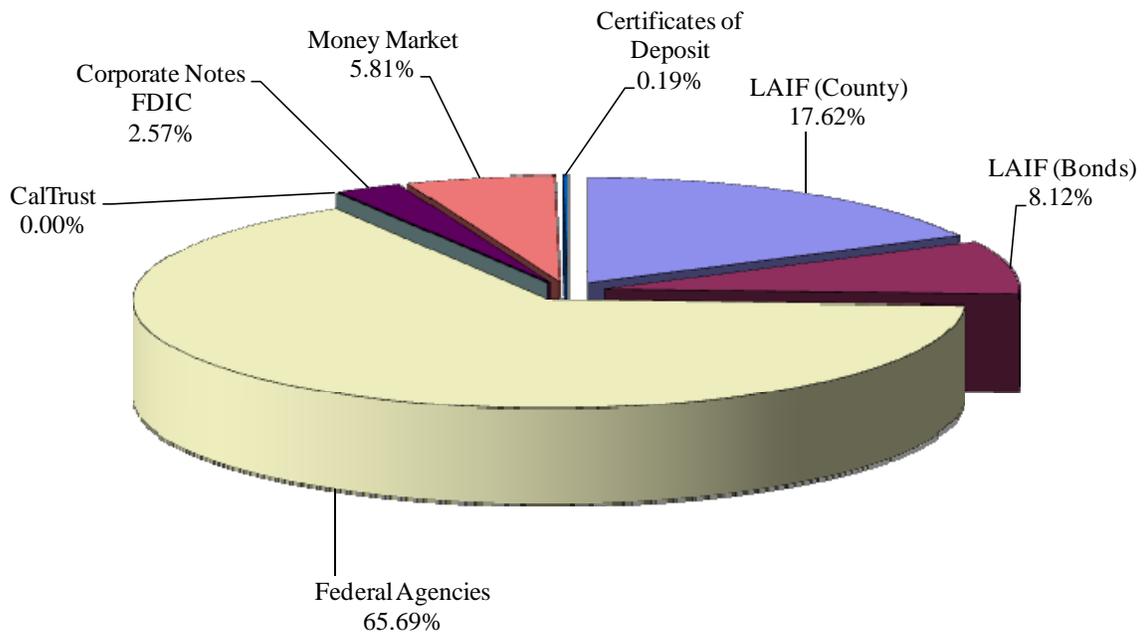
Conclusion

The investments at June 30, 2011 appear to be in compliance with the County's investment policy. As of June 30, 2011, the carrying value of the pooled treasury investments totaled \$389,015,469 as compared with a market value of \$394,615,791 for a difference of \$5,600,322 (market value greater than carrying value). We believe the Treasury Oversight Committee functioned during 2010-2011 as was intended by the legislation. It is our opinion that oversight was properly provided.

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Treasury Oversight Committee

Exhibit A - Investments by Type As of June 30, 2011 (unaudited)



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Treasury Oversight Committee

Exhibit B - Interest Apportioned By Quarter
September 2009 – June 2011
(unaudited)

