

COUNTY OF BUTTE
TREASURY OVERSIGHT COMMITTEE
COMPLIANCE AUDIT
FOR THE YEAR ENDED JUNE 30, 2008

COUNTY OF BUTTE

Treasury Oversight Committee
For the Year Ended June 30, 2008

Table of Contents

	<u>Page</u>
Auditor’s Report	1
Committee Members.....	2
Background and General	3
Compliance Audit	3
Committee Composition and Operation	3
Investment Policy Statement	3
Investment Policy Review	4
Compliance to Policy	5
Reporting	5
Interest Apportionment	5
Conclusion	5
Status of Prior Year Recommendations.....	7
Exhibit A – Investment by Type.....	7
Exhibit B – Fund Level Returns September 2001 to June 2008.....	8



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 fiscal year ending June 30, 2008. 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.

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, 2008. We have included on the following pages our discussion and observations regarding the oversight provided.

Gallina LLP

Roseville, California
January 5, 2009

COUNTY OF BUTTE

Treasury Oversight Committee
For the Year Ended June 30, 2008

COMMITTEE MEMBERS

<u>Member</u>	<u>Organization Appointed From</u>
Mark Sweany, Chairperson	Special Districts Representative
Kevin Bultema, Vice-Chairperson	Superintendent of Schools Representative
David A. Houser	Auditor-Controller
Maureen Kirk	Board of Supervisors
Kathy White	School Districts Representative

Advisory

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

COUNTY OF BUTTE

Treasury Oversight Committee
For the Year Ended June 30, 2008

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.

Compliance Audit

The oversight legislation included many specific requirements such as the required contents of the Treasurer's Investment Policy. Government Code Section (GC) 27134 required 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 (the "Committee"), membership, term of members, organization, powers and duties.

Quarterly meetings were held during the 2007-2008 year. Agendas were published and minutes of the meetings were properly maintained.

Investment Policy Statement

GC 27133 requires the County Treasurer to annually prepare an investment policy statement and this was done. The policy for this review was effective July 1, 2007 and was approved by the Treasury Oversight Committee at their April 10, 2007 meeting.

COUNTY OF BUTTE

Treasury Oversight Committee
For the Year Ended June 30, 2008

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>	
		<u>Yes</u>	<u>No</u>
a) Authorized securities	VIII	x	
Maximum percentages	VIII	x	
b) Maximum term allowed	VIII	x	
c) Criteria for selection of brokers	IX	x	
Prohibition of brokers' political contributions	IX & X	x	
d) Limits on gifts to TOC members	X	x	
e) Requirement of reporting to TOC members	XI	x	
f) Manner of calculating and apportioning costs	III	x	
g) Voluntary depositors	V	x	
h) Criteria for withdrawals	VI	x	
Includes assessment of effect on pool	VI	x	

As shown above, it is our opinion that the Government Code requirements of the policy were addressed in all material respects.

COUNTY OF BUTTE

Treasury Oversight Committee
For the Year Ended June 30, 2008

Compliance to Policy

We reviewed the County's actual practices during 2007-2008 to determine compliance to the investment policy, as follows: We verified that the maximum percentages by category of investment were not exceeded at year end. We also verified that maximums for single issuers and maximum term limits specified in the policy were not exceeded.

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

We reviewed the procedures for interest apportionment. We believe the Treasurer's costs charged and the interest apportionment process is equitable to the individual entities and funds. The following is a summary of the interest apportioned for the year:

<u>For Quarter Ending</u>	<u>Large Funds Amount</u>	<u>All Other Funds Amount</u>
September 30, 2007	\$ 678,047	\$ 2,530,211
December 31, 2007	712,446	2,697,864
March 31, 2008	759,735	2,698,921
June 30, 2008	839,406	2,644,277
Total	<u>\$ 2,989,634</u>	<u>\$ 10,571,273</u>

Conclusion

The investments throughout the year appeared to be of the type common to many counties. As of June 30, 2008, the carrying value of the pooled treasury investments totaled \$398,283,132 as compared with a market value of \$401,883,150 for a difference of \$3,600,018 (market value being greater than carrying value – 100.9% of carrying value).

We believe the Treasury Oversight Committee functioned during 2007-2008 as was intended by the legislation. It is our opinion that oversight was properly provided.

COUNTY OF BUTTE

Treasury Oversight Committee
For the Year Ended June 30, 2008

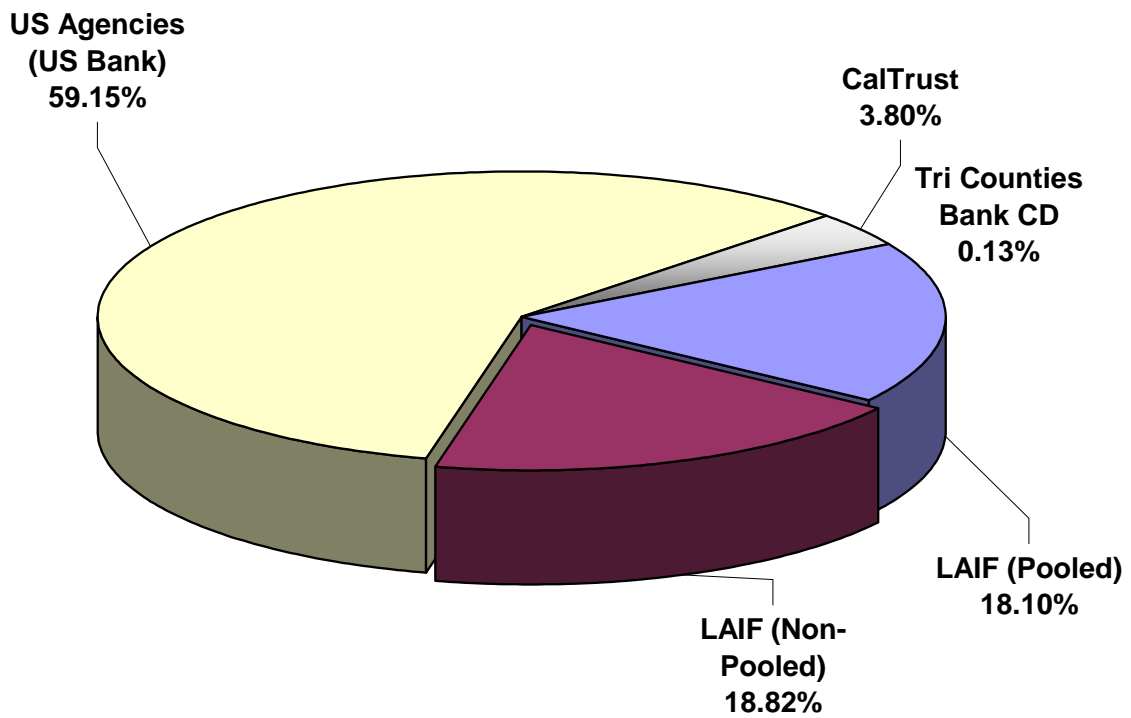
Prior Year Recommendations

There were no recommendations for June 30, 2007.

COUNTY OF BUTTE

Treasury Oversight Committee
For the Year Ended June 30, 2008

**Investments by Type
June 30, 2008**



COUNTY OF BUTTE

Treasury Oversight Committee
For the Year Ended June 30, 2008

**County Regular Apportionment Rates
vs.
Local Agency Investment Fund (LAIF) Apportionment Rates
2001 - 2008**

