

**COUNTY OF SAN LUIS OBISPO  
TREASURY OVERSIGHT COMMITTEE  
COMPLIANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2013**

## COUNTY OF SAN LUIS OBISPO

Treasury Oversight Committee  
For the Calendar Year Ended June 30, 2013

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**GALLINA** LLP

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT ACCOUNTANT'S REPORT**

Members of the Treasury  
Oversight Committee  
County of San Luis Obispo  
San Luis Obispo, California

We have examined the County of San Luis Obispo's compliance with the Treasury Oversight Committee provisions contained in Sections 27130-27137 of the California Government Code for the year ended June 30, 2013. 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.

In our opinion, the County of San Luis Obispo is in compliance, in all material respects, with the articles of Sections 27130-27137 of the Government Code for the year ending June 30, 2013. We have included on the following pages our discussion and observations regarding the oversight provided.

This report is intended only for the information of the Treasury's management, Treasury Oversight Committee, the Board of Supervisors, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Roseville, California  
October 8, 2013

## COUNTY OF SAN LUIS OBISPO

Treasury Oversight Committee  
For the Year Ended June 30, 2013

### COMMITTEE MEMBERS

<u>Member</u>	<u>Organization Representing</u>
Mary Jarvis	Superintendent of Schools Designee
Jim Erb	County Auditor-Controller
Dan Buckshi	County Board of Supervisors
James Brescia	School District and Community College District
Clark Channing	Public Member

## COUNTY OF SAN LUIS OBISPO

Treasury Oversight Committee  
For the Year Ended June 30, 2013

### **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 § 27131 now makes the Treasury Oversight Committee optional, although the Legislature encourages the continuation of the Oversight Committee. The County of San Luis Obispo elected to continue services from the Treasury Oversight Committee.

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 Requirement**

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

### **Committee Operation**

A meeting of the committee was held during the fiscal year on October 24, 2012. We reviewed the minutes and believe that the meeting was properly conducted in order to provide oversight.

### **Investment Policy Statement Requirement**

Government Code § 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 June 30, 2013 was on hand and was used for purposes of this audit. It was submitted to and approved by the County's Board of Supervisors.

## COUNTY OF SAN LUIS OBISPO

Treasury Oversight Committee  
For the Year Ended June 30, 2013

### Investment Policy Review

We reviewed the requirement specified in Government Code § 27133, items a-h. We believe the investment policy addressed all the required provisions as follows:

<u>Requirement</u>	<u>Policy Section</u>	<u>Deemed Compliant</u>
a) Authorized securities	8.0, Appendix A	yes
Maximum percentage by type	8.0, Appendix A	yes
b) Maximum terms	11.0, Appendix A	yes
c) Criteria for selection of brokers	7.0	yes
Prohibition of political donations	7.1	yes
d) Limits on gifts	6.1	yes
e) Reporting to Oversight Committee	15.0	yes
f) Calculation of treasurer's costs (GC § 27013)	16.0	yes
g) Voluntary depositors	2.2	yes
h) Requests for withdrawal	10.0	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 2012-2013 to determine compliance to the investment policy. We verified the maximum percentages by category of investment. All categories of investments were within 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.

### Review of Board of Supervisors' Resolution 2007-03, 96-48 and 96-49

We reviewed that the San Luis Obispo County Treasurer Oversight Committee (CTOC), Treasurer and Treasurer's Investment Policy were in compliance with the Board of Supervisors' Resolution 2007-303, 96-48, and 96-49 for the fiscal year ended June 30, 2013.

We believe the CTOC, Treasurer and Investment Policy to be in compliance with these resolutions.

### 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.

## COUNTY OF SAN LUIS OBISPO

Treasury Oversight Committee  
For the Year Ended June 30, 2013

### **Interest Apportionment**

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.

### **Conclusion**

The investments at June 30, 2013 appear to be in compliance with the County's investment policy. We believe the Treasury Oversight Committee functioned during 2012-2013 as was intended by the oversight legislation. It is our opinion that oversight was properly provided.