



CHRISTINE L. COHEN  
AUDITOR-CONTROLLER  
County of Ventura  
800 South Victoria Avenue  
Ventura, CA 93009-1540

CHIEF DEPUTIES  
LOUISE WEBSTER  
SANDRA BICKFORD  
BARBARA BEATTY  
JOANNE McDONALD

March 18, 2008

Honorable Board of Supervisors  
County of Ventura  
800 South Victoria Avenue  
Ventura, CA 93009

**SUBJECT: RECEIVE AND FILE THE AUDITOR'S REPORT  
STATEMENT OF MONEY IN COUNTY TREASURY  
VENTURA COUNTY TREASURY POOL**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

RECOMMENDATION: Receive and file.

FISCAL/MANDATES IMPACT: None.

DISCUSSION:

Government Code Section 26920 prescribes that the Auditor-Controller annually audit the Statement of Money in County Treasury (Statement) prepared by the Treasurer-Tax Collector. The purpose of the audit is to verify whether the Statement presents fairly the cash and investments deposited with the Treasurer. This audit was performed as of June 29, 2007, and \$1,660,449,483 was on deposit with the Treasurer. In our opinion, the Statement referred to above presents fairly, in all material respects, the cash and investments deposited with the Treasurer as of June 29, 2007.

We also considered the Treasury's internal control over financial reporting and evaluated compliance and other matters for the purpose of expressing our opinion on the Statement. As a result, we noted no deficiencies in internal control and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Board of Supervisors

March 18, 2008

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This item has been reviewed by the Treasurer-Tax Collector, County Executive Office, and County Counsel.

If you have any questions, please call me at 654-3151.

Sincerely,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

CHRISTINE L. COHEN  
Auditor-Controller

Enclosures

cc: Honorable Lawrence L. Matheney, Treasurer-Tax Collector  
John F. Johnston, County Executive Officer  
Noel A. Klebaum, County Counsel



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**AUDITOR'S REPORT**  
**Statement of Money in County Treasury**  
**Ventura County Treasury Pool**

To the Honorable Board of Supervisors  
County of Ventura, California:

The Auditor-Controller's Office, in accordance with Government Code Section 26920, has audited the accompanying Statement of Money in County Treasury (Statement) as of June 29, 2007. This Statement is the responsibility of the Treasurer-Tax Collector management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying Statement has been prepared on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, to present the cash and cash investments deposited with the Treasurer as of June 29, 2007. Using this basis of accounting, the balance in the accompanying Statement does not reflect outstanding checks totaling \$8,902,109.

In connection with the audit contained herein, there are certain disclosures that are necessary pursuant to *Government Auditing Standards*.

As required by various statutes within the California Government Code, county auditor-controllers are mandated to perform certain accounting, auditing, and financial reporting functions. These activities, in themselves, necessarily impair *Government Auditing Standards'* independence standards. Specifically, "audit organizations should not audit their own work or provide non-audit services in situations where the non-audit services are significant/material to the subject matter of audits." Although the Office of Auditor-Controller is statutorily obligated to maintain the accounts of departments, districts, or funds that are contained within the County Treasury, we believe that the following safeguards and division of responsibility exist. The Ventura County Auditor-Controller is an elected official and, as such, is independent from the County's management structure. Also, the internal audit staff, having the responsibility to perform audits, resides in a stand-alone division of the Auditor-Controller's Office and has no other responsibility of the accounts and records being audited. Therefore, the reader of this report can rely on the information contained herein.

In our opinion, except for the disclosure required by *Government Auditing Standards* as noted above, the Statement referred to above presents fairly, in all material respects, the cash and investments deposited with the Treasurer as of June 29, 2007, on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2008, on our consideration of the Treasurer's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Sincerely,



CHRISTINE L. COHEN  
Auditor-Controller

January 25, 2008

Attachments

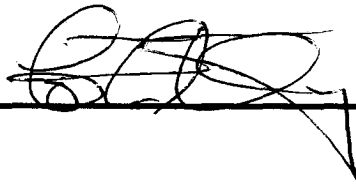
cc: Honorable Lawrence L. Matheney, Treasurer-Tax Collector  
John F. Johnston, County Executive Officer  
Depositors in County Treasury

**Ventura County California**  
**Statement of Money in County Treasury**  
**At Close of Business 06/29/07**

*In accordance with Div. 2, Article 2, Sections 26920, 26921, & 26922 of the Government Code, The Auditor conducted a count of the money in the County Treasury, as of the close of business on the date stated above, the detail of which is represented by the following:*

	<b>General Ledger</b>	<b>Market Value of Investments per Wells Fargo*</b>
Treasury Currency	\$ 3,500.00	\$ 3,500.00
Registered Bonds/Coupons	\$ -	
Certificate of Time Deposit	\$ 100,000.00	\$ 100,000.00 *
Government Securities & Agencies	\$ 1,080,946,867.09	\$ 1,084,651,083.80 *
Local Agency Investment Fund	\$ -	
Repurchase Agreement	\$ -	
Bankers Acceptance	\$ -	
Negotiable Certificate of Deposit	\$ -	
Commercial Paper	\$ 570,479,135.87	\$ 572,397,979.00 *
Medium Term Notes	\$ -	
Teeter Funding Note	\$ -	
Demand	\$ 8,919,979.85	\$ 8,919,979.85
Coupon Transit	\$ -	
Registered Bonds/Coupons Liabilities	\$ -	
<b>Sub Total</b>	<b>\$ 1,660,449,482.81</b>	<b>\$ 1,666,072,542.65</b>
Outstanding Treasurer's Checks	\$ -	\$ -
<b>Total Fund Balance</b>	<b>\$ 1,660,449,482.81</b>	<b>\$ 1,666,072,542.65</b>

**LAWRENCE L. MATHENEY, Treasurer-Tax Collector**

By:  \_\_\_\_\_

Dated: 7-5-07

**VENTURA COUNTY TREASURY**  
**NOTES TO THE STATEMENT OF MONEY IN COUNTY TREASURY**  
**AS OF JUNE 29, 2007**

**1. DESCRIPTION OF THE REPORTING ENTITY**

The office of the Ventura County Treasurer is governed by the Board of Supervisors of the County of Ventura and is administered by the Treasurer, an elected official. The Treasurer is responsible for the safekeeping and investment of funds for the County, school districts, and special districts.

The accompanying Statement of Money in County Treasury (Statement of Money) separately reports deposits and investments included in the Comprehensive Annual Financial Report of the County of Ventura. The Statement of Money does not include cash and investments for the Ventura County Employees' Retirement Association, the Supplemental Retirement System, and other funds held in trust outside the County Treasury. For additional disclosure information please refer to the latest publication of the County Comprehensive Annual Financial Report.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Statement of Money is presented on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the modified cash basis, disbursements are recognized when paid by the bank rather than at the time checks are issued. Interest earned on pooled investments is allocated quarterly to the appropriate funds based on each fund's respective average daily balance for that quarter.

For the fiscal year ended June 29, 2007, the County Treasurer implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3". This statement is effective for the County Treasurer for the fiscal period beginning after June 15, 2004. This statement addresses common deposit and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement also are required to be disclosed.

**3. EXTERNAL INVESTMENT TRUST**

The County Treasurer's investment pool is defined as internal and external investment pools in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The internal investment pool includes the funds and component units of the reporting entity and is reported in the various County funds. The external investment pool commingles the moneys of more than one legally separate entity, not part of the sponsor's reporting entity, and invests on the participants' behalf in an investment portfolio.

The external investment pool includes both voluntary and involuntary participants for which cash and investments are held by the County Treasurer. Legal provisions require certain special districts to participate in the County Treasurer's investment pool including public school districts, cemetery districts, recreation and park districts, and the Air Pollution Control District. Voluntary participants include the consolidated courts.

The financial reporting for these governmental entities, which are independent of the County Board, is limited to the total amount of cash and investments and other assets, and the related fiduciary responsibility of the County for disbursement of these assets. Activities of the school districts and special districts are administered by their own separate boards. Effective January 1, 1998, activities of the County's consolidated

**VENTURA COUNTY TREASURY**  
**NOTES TO THE STATEMENT OF MONEY IN COUNTY TREASURY**  
**AS OF JUNE 29, 2007**

courts are governed by the State of California. The County Auditor-Controller makes disbursements upon the request of the responsible school and self-governed district officers and the presiding judge of the consolidated courts.

The County Board of Supervisors has no effective authority to govern, manage, approve budgets, assume financial accountability, establish revenue limits, nor to appropriate surplus funds available in these entities. Therefore, these entities are not financially accountable to the County.

**4. CASH AND INVESTMENTS**

The County's Investment Policy Statement (IPS), which is more restrictive than required by California Government Code Section 53635, stipulates the type, maturity limit, credit rating, and diversification of securities comprising the investment pool. The objectives of the IPS are safety of principal, maintenance of liquidity, and earning a competitive rate of return.

Investments permitted by the IPS include obligations of the U.S. Treasury, agencies and instrumentalities, or commercial paper rated A-1 or better by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase and reverse repurchase agreements, corporate notes, negotiable certificates of deposit, obligations of the State of California, and obligations of any local agency within California.

The County is not registered with the SEC as an investment company. Fair value calculations at fiscal year-end are based on values provided by the County's investment custodian. No guarantees have been provided during the period to support the value of shares in the pool. Investment earnings are allocated on the average daily balance in the Treasury's pool for the calendar quarter. The earnings are distributed to participants twice per quarter as cash is received. The fair value of the participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' shares sold and redeemed is based on the book value of participants' daily average balances in the Treasury's pool for the calendar quarter. The total percentage share of the Treasurer's pool related to the involuntary participants is 49 percent.

As permitted by Government Code Section 53635, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities.

**Deposits**

At June 29, 2007, the carrying amount of the County's deposits was \$9,019,979.85 and total bank balances amounted to \$6,498,803.73. The difference was due to net timing differences of \$2,521,176.12. Of the bank balances, \$200,000 was covered by federal depository insurance and \$6,298,803.73 was uninsured. The uninsured deposits were held by a financial institution, which is legally required by the California Government Code to collateralize the County's deposits by pledging government securities or first trust deed mortgage notes. The market value of pledged securities and first trust deed mortgage notes must be at least 110 percent and 150 percent of the County's deposits, respectively. The collateral was held by the pledging financial institution's trust department and is considered held in the County's name.

**VENTURA COUNTY TREASURY  
NOTES TO THE STATEMENT OF MONEY IN COUNTY TREASURY  
AS OF JUNE 29, 2007**

Investments

The County's investments at June 29, 2007, are summarized below (in thousands):

Amounts Invested in Pooled Treasury Fund:	Cost	Fair Value	Weighted Average Maturity (Years)
U.S. Agency Obligations	\$ 1,080,947	\$ 1,084,651	1.22
Commercial Paper	570,479	572,398	0.06
Certificates of Deposit	100	100	0.39
<b>Total Investments</b>	<b>\$ 1,651,526</b>	<b>\$ 1,657,149</b>	<b>0.82</b>

A summary of the interest rate percentage range and the maturity range at June 29, 2007, of investments held by the County Treasurer is as follows:

<u>Investments</u>	<u>Interest Rate Range</u>	<u>Maturity Range</u>
Certificates of Deposit	5.08	11/21/07
Commercial Paper	5.19 – 5.27	07/02/07 – 09/24/07
U. S. Agency Obligations	2.77 – 5.25	07/15/07 - 05/12/10

Interest Rate Risk

Through its IPS, the County manages its exposure to fair value losses arising from increasing interest rates by limiting the weighted average maturity of the investment pool's holdings to 365 days. At June 29, 2007, the weighted average maturity of the investment pool was 300 days.

Credit Risk

State law and the IPS limit investments in commercial paper to those with the rating of A-1 or better by Standard & Poor's or P-1 by Moody's Investors Service. The County does not have credit limits on government agency securities. Certificates of deposit are required to be insured by the FDIC.



**VENTURA COUNTY TREASURY**  
**NOTES TO THE STATEMENT OF MONEY IN COUNTY TREASURY**  
**AS OF JUNE 29, 2007**

Concentration of Credit Risk

State law and the IPS limit investments in commercial paper to 40% of the investment pool and 10% of the investment pool per issuer. The following is a summary of the credit quality distribution and concentration of credit risk as a percentage of the investment pool's fair value at June 29, 2007:

<u>Investments at June 29, 2007</u>	<u>Standard &amp; Poor's</u>	<u>Moody's</u>	<u>% of Investment Pool</u>
Federal Home Loan Banks	AAA	Aaa	25.53%
Federal Home Loan Mortgage Corporation	AAA	Aaa	19.61%
Federal Farm Credit Banks	AAA	Aaa	17.30%
Citigroup	A-1+	P-1	8.65%
General Electric Capital Corporation	A-1+	P-1	8.02%
AIG Funding	A-1+	P-1	7.56%
Toyota Motor Credit Corporation	A-1+	P-1	5.68%
Chevron	A-1+	P-1	4.64%
Federal National Mortgage Association	AAA	Aaa	3.00%
Certificates of Deposit	Unrated	Unrated	0.01%
Total			<u>100%</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Board of Supervisors  
County of Ventura, California:

The Auditor-Controller's Office, in accordance with Government Code Section 26920, has audited the Statement of Money in County Treasury (Statement) as of June 29, 2007, and has issued our report thereon, dated January 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Treasury's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of the Treasury's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Treasury's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Treasury's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the Treasury's Statement that is more than inconsequential will not be prevented or detected by the Treasury's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Statement will not be prevented or detected by the Treasury's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to Treasury management in a separate letter.

This report is intended solely for the information and use of Treasury management, the County Board of Supervisors, the County Executive Office, and depositors in the County Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



CHRISTINE L. COHEN  
Auditor-Controller

January 25, 2008

cc: Honorable Lawrence L. Matheney, Treasurer-Tax Collector  
John F. Johnston, County Executive Officer  
Depositors in County Treasury