

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

February 10, 2009

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***

Auditor's Communication with Those Charged with Governance

RECOMMENDATION: Receive and file.

FISCAL/MANDATES IMPACT: None.

DISCUSSION:

Government Code Section 26920(b) 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 30, 2008, and \$1,728,758,167 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 30, 2008.

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*.

In addition, Statement on Auditing Standards (SAS) 114 requires that auditors communicate with those charged with governance certain significant matters related to the audit. SAS 114 uses the term *those charged with governance* to refer to those with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the entity's financial reporting process. The attached report entitled *Auditor's Communication with Those Charged with Governance* discloses those matters to the County's Board of Supervisors.

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,



CHRISTINE L. COHEN
Auditor-Controller

Exhibits:

- Exhibit 1 – Auditor's Report
- Exhibit 2 – Management's Discussion and Analysis
- Exhibit 3 – Statement of Money in County Treasury
- Exhibit 4 – Notes to the Statement
- Exhibit 5 – 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*
- Exhibit 6 – Auditor's Communication with Those Charged with Governance

cc: Honorable Lawrence L. Matheney, Treasurer-Tax Collector
Marty Robinson, County Executive Officer
Noel A. Klebaum, County Counsel

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



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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 30, 2008. 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 30, 2008. Using this basis of accounting, the balance in the accompanying Statement does not reflect outstanding checks totaling \$19,421,505.

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 nonaudit services in situations where the nonaudit 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 30, 2008, on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2008, on our consideration of the Treasury'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 important for assessing the results of our audit.

The management's discussion and analysis information is not a required part of the Statement but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Sincerely,



CHRISTINE L. COHEN
Auditor-Controller

December 30, 2008

cc: Honorable Lawrence L. Matheney, Treasurer-Tax Collector
Marty Robinson, County Executive Officer
Depositors in County Treasury

**County of Ventura Treasury
Management's Discussion and Analysis (Unaudited)
June 30, 2008**

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 City of Moorpark.

The Treasurer-Tax Collector of Ventura County manages pooled cash under the prudent investor rule. This rule states that:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

The Treasury manages the Pool, on behalf of Pool participants, through the authority delegated to it annually by the Ventura County Board of Supervisors. A formal Treasurer's Investment Policy is adopted by the Board of Supervisors as presented by the Treasurer and endorsed by the Treasury Oversight Committee. The primary objective of the Treasury's Investment Policy is to ensure the safety of principal. The secondary objective is to meet the liquidity needs of the Pool participants. The third objective is to achieve a competitive rate of return. The Treasury accomplishes these objectives through the purchase of high quality fixed income investments held to a designated maturity.

Financial Highlights

The total book value of the Pool at June 30, 2008 was \$1.722 billion, an increase of \$70.8 million over the year ended June 30, 2007.

Investments at Book Value		
	2008	2007
Government Agencies	1,193,785,918.61	1,080,946,867.09
Commercial Paper	528,540,185.84	570,479,135.87
Certificate of Deposit	0.00	100,000.00
Total	<u>1,722,326,104.45</u>	<u>1,651,526,002.96</u>

The investment income of the pool increased \$2.60 million from \$72.71 million for the year ending June 30, 2007 to \$75.30 million for the year ending June 30, 2008. The yield on investments decreased from 4.64% for fiscal year 2006/2007 to 4.47% for fiscal year 2007/2008.

The fair value of the Pool showed an unrealized gain of \$15.111 million as of June 30, 2008 compared to an unrealized gain of \$5.623 million as of June 30, 2007.

	Investments at Fair Market Value		Unrealized Gain/(Loss)	
	2008	2007	2008	2007
Government Agencies	1,204,873,300.00	1,084,651,083.80	11,087,381.39	3,704,216.71
Commercial Paper	532,564,246.00	572,397,979.00	4,024,060.16	1,918,843.13
Certificate of Deposit	0.00	100,000.00	0.00	0.00
Total	<u>1,737,437,546.00</u>	<u>1,657,149,062.80</u>	<u>15,111,441.55</u>	<u>5,623,059.84</u>

The Pool's allowable administrative expenses totaled \$1.3 million for the year ending June 30, 2008. This amount has been consistent for the last 4 years.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Treasury's basic financial statements.

1. The Statement of Money
2. Notes to the Statement of Money

The Statement of Money presents information on the distribution of the Pool's assets and liabilities, including Fair Market Value provided by our custodian, Wells Fargo.

The Notes to the Statement of Money presents additional information regarding Treasury operations and the Investment Pool.

Ventura County California
Statement of Money in County Treasury
At Close of Business 06/30/08

Page 1

EXHIBIT 3

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:

	General Ledger	Market Value of Investments per Wells Fargo*
Treasury Currency	\$ 3,500.00	\$ 3,500.00
Registered Bonds/Coupons	\$ -	
Certificate of Time Deposit	\$ -	\$ - *
Government Securities & Agencies	\$ 1,193,785,918.61	\$ 1,204,873,300.00 *
Local Agency Investment Fund	\$ -	
Repurchase Agreement	\$ -	
Bankers Acceptance	\$ -	
Negotiable Certificate of Deposit	\$ -	
Commercial Paper	\$ 528,540,185.84	\$ 532,564,246.00 *
Medium Term Notes	\$ -	
Teeter Funding Note	\$ -	
Demand	\$ 6,428,563.02	\$ 6,428,563.02
Coupon Transit	\$ -	
Registered Bonds/Coupons Liabilities	\$ -	
Sub Total	\$ 1,728,758,167.47	\$ 1,743,869,609.02
Outstanding Treasurer's Checks	\$ -	\$ -
Total Fund Balance	\$ 1,728,758,167.47	\$ 1,743,869,609.02

LAWRENCE L. MATHENEY, Treasurer-Tax Collector

By: 

Dated: 10-17-08

**VENTURA COUNTY TREASURY
NOTES TO THE STATEMENT OF MONEY IN COUNTY TREASURY
AS OF JUNE 30, 2008**

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 30, 2005, 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 City of Moorpark.

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

VENTURA COUNTY TREASURY
NOTES TO THE STATEMENT OF MONEY IN COUNTY TREASURY
AS OF JUNE 30, 2008

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 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 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 approximately 44 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 30, 2008, the carrying amount of the County's deposits was \$6,428,563.02 and total bank balances amounted to \$4,684,830.94. The difference was due to net timing differences of \$1,743,732.08. Of the bank balances, \$100,000 was covered by federal depository insurance and \$4,584,830.94 was uninsured. The uninsured deposits were held by a financial institution, which is legally required by the California Government Code (GC) to collateralize the County's deposits by pledging government securities or first trust deed mortgage notes. In accordance with GC 53652, the market value of the pledged securities and first trust deed mortgage notes must be at least 110 percent and 150 percent of the County's deposits, respectively, as provided for in the County's Contract for Deposit of Moneys.

VENTURA COUNTY TREASURY
NOTES TO THE STATEMENT OF MONEY IN COUNTY TREASURY
AS OF JUNE 30, 2008

Investments

The County's investments at June 30, 2008, are summarized below (in thousands):

Amounts Invested in Pooled Treasury Fund:	Cost	Fair Value	Weighted Average Maturity (Years)
U.S. Agency Obligations	\$ 1,193,786	\$ 1,204,873	0.93
Commercial Paper	528,540	532,564	0.10
Total Investments	<u>\$ 1,722,326</u>	<u>\$ 1,737,437</u>	<u>0.68</u>

A summary of the interest rate percentage range and the maturity range at June 30, 2008, of investments held by the County Treasurer is as follows:

<u>Investments</u>	<u>Interest Rate Range</u>	<u>Maturity Range</u>
Time Deposits		
Commercial Paper	2.20 - 4.47	7/1/08 - 9/30/08
U.S. Agency Obligations	2.03 - 5.25	7/2/08 - 9/13/10

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 30, 2008, the weighted average maturity of the investment pool was 248 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 30, 2008

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 30, 2008.

<u>Investments at June 30, 2008</u>	<u>Standard & Poor's</u>	<u>Moody's</u>	<u>% of Investment Pool</u>
Federal Home Loan Banks	AAA	Aaa	29.43%
Federal Farm Credit Banks	AAA	Aaa	22.22%
Federal Home Loan Mortgage Corporation	AAA	Aaa	17.70%
Bank of America	A-1+	P-1	9.55%
Toyota Motor Credit Corporation	A-1+	P-1	8.87%
General Electric Capital Corporation	A-1+	P-1	7.37%
Citigroup	A-1+	P-1	4.58%
Wells Fargo and Company	A-1+	P-1	0.28%
			<hr/>
			100.00%
			<hr/>

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CHIEF DEPUTIES
LOUISE WEBSTER
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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 30, 2008, and has issued our report thereon, dated December 30, 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 Treasury's 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*.

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

December 30, 2008

cc: Honorable Lawrence L. Matheney, Treasurer-Tax Collector
Marty Robinson, County Executive Officer
Depositors in County Treasury

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



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AUDITOR'S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the Statement of Money in County Treasury (Statement) as of June 30, 2008, and have issued our report thereon dated December 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our announcement memorandum dated July 1, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the Statement prepared by management with your oversight is fairly presented, in all material respects, in conformity with the modified cash basis of accounting. Our audit of the Statement does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Treasury. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of Treasury's compliance with certain provisions of laws and regulations. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Treasury are described in Note 2 to the Statement. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Treasury during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the Statement in a different period than when the transaction occurred.

Accounting estimates are an integral part of the Statement prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the

Statement and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Statement was the fair market value of investments.

Management's estimate of the fair market value of investments is based on values provided by the County's investment custodian as described in Note 4 to the Statement. We evaluated the key factors and assumptions used to develop the fair market value of investments in determining that it is reasonable in relation to the Statement.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the Statement.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 30, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involved application of an accounting principle to the Treasury's Statement or a determination of the type of auditor's opinion that may be expressed on the Statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year as the Treasury's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Independence

Generally accepted auditing standards and *Government Auditing Standards* require independence for all audits. Although the auditor's report affirms our independence as the Treasury's auditors, there are circumstances that, in our professional judgment, may be reasonably thought to bear on our independence because of the Auditor-Controller's statutory obligation to maintain the accounts of departments, districts, or funds that are contained within the County Treasury. However, we believe that the following safeguards and division of responsibility exist. The 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, we have given significant consideration to these circumstances in reaching the conclusion that independence has not been impaired.

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

Sincerely,



CHRISTINE L. COHEN
Auditor-Controller

December 30, 2008

cc: Honorable Lawrence L. Matheney, Treasurer-Tax Collector
Marty Robinson, County Executive Officer