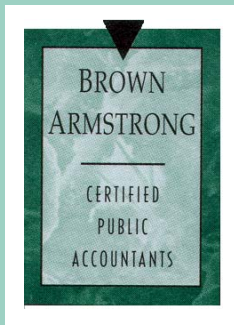


SAN LUIS OBISPO COUNTY PENSION TRUST
REPORT TO THE BOARD OF TRUSTEES
FOR THE YEAR ENDED DECEMBER 31, 2008

SAN LUIS OBISPO COUNTY PENSION TRUST

TABLE OF CONTENTS

	<u>Page</u>
I. Communication with Those Charged with Governance under Statement on Auditing Standards No. 114	1
II. Auditor’s 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	3
III. Agreed Upon Conditions Report Designed to Increase Efficiency, Internal Controls and/or Financial Reporting	5



BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
Certified Public Accountants

Main Office
4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel 661.324.4971 Fax 661.324.4997
e-mail: info@bacpas.com

Shafter Office
560 Central Avenue
Shafter, California 93263
Tel 661.746.2145 Fax 661.746.1218

Andrew J. Paulden, CPA
Peter C. Brown, CPA
Burton H. Armstrong, CPA, MST
Steven R. Starbuck, CPA
Aileen K. Keeter, CPA
Chris M. Thornburgh, CPA
Eric H. Xin, MBA, CPA
Richard L. Halle, CPA, MST

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE UNDER
STATEMENT ON AUDITING STANDARDS NO. 114**

To the Board of Trustees
San Luis Obispo County Pension Trust

Harvey J. McCown, MBA, CPA
Lynn R. Krausse, CPA, MST
Rosalba Flores, CPA
Connie M. Perez, CPA
Diana H. Branthoover, CPA
Thomas M. Young, CPA
Alicia Dias, CPA, MBA
Matthew R. Gilligan, CPA
Hanna J. Sheppard, CPA
Ryan L. Nielsen, CPA
Jian Ou-Yang, CPA
Amanda Dickerson, CPA
Jialan Su, CPA
Ariadne S. Prunes, CPA
Samuel O. Newland, CPA
Brooke N. DeCuir, CPA
Kenneth J. Witham, CPA
Clint W. Baird, CPA
Adrian Rich, CPA
Craig Rickett, CPA

We have audited the financial statements of San Luis Obispo County Pension Trust (SLOCPT) for the year ended December 31, 2008, and have issued our report thereon dated May 29, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated October 31, 2008, our responsibility, as described by professional standards is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on March 30, 2009.

Significant Audit Findings

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement contract, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by SLOCPT are described in Note 2 to the financial statements. In 2008, SLOCPT adopted the provisions of Governmental Accounting Standards Board (GASB) No. 50, Pension Disclosures an amendment of GASB No. 25 and 27.

We noted no other transactions entered into by SLOCPT during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements 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 financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the fair market value of investments.

Management's estimate of the fair market value of investments is based on market prices at the balance sheet date for those securities. In addition, the fair value of the investments in limited partnerships and real estate investments that do not have a market price is based on valuations performed on those limited partnerships and real estate investments by a third-party. 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 financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements 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 May 29, 2009.

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 involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, 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 prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

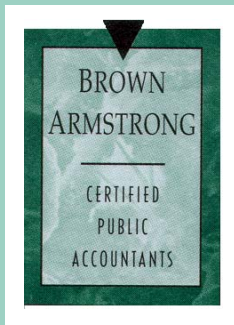
This information is intended solely for the use of the Audit Committee and management of SLOCPT and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURG & KEETER
ACCOUNTANCY CORPORATION



By: Andrew J. Paulden

Bakersfield, California
May 29, 2009



**BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER**
Certified Public Accountants

Main Office
4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel 661.324.4971 Fax 661.324.4997
e-mail: info@bacpas.com

Shafter Office
560 Central Avenue
Shafter, California 93263
Tel 661.746.2145 Fax 661.746.1218

Andrew J. Paulden, CPA
Peter C. Brown, CPA
Burton H. Armstrong, CPA, MST
Steven R. Starbuck, CPA
Aileen K. Keeter, CPA
Chris M. Thornburgh, CPA
Eric H. Xin, MBA, CPA
Richard L. Halle, CPA, MST

**AUDITOR'S 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**

Harvey J. McCown, MBA, CPA
Lynn R. Krausse, CPA, MST
Rosalba Flores, CPA
Connie M. Perez, CPA
Diana H. Branthoover, CPA
Thomas M. Young, CPA
Alicia Dias, CPA, MBA
Matthew R. Gilligan, CPA
Hanna J. Sheppard, CPA
Ryan L. Nielsen, CPA
Jian Ou-Yang, CPA
Amanda Dickerson, CPA
Jialan Su, CPA
Ariadne S. Prunes, CPA
Samuel O. Newland, CPA
Brooke N. DeCuir, CPA
Kenneth J. Witham, CPA
Clint W. Baird, CPA
Adrian Rich, CPA
Craig Rickett, CPA

To the Board of Trustees
San Luis Obispo County Pension Trust

We have audited the financial statements of the San Luis Obispo County Pension Trust (SLOCPT), as of and for the year ended December 31, 2008, and have issued our report thereon dated May 29, 2009. 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 the San Luis Obispo County Pension Trust internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of the San Luis Obispo County Pension Trust's internal control.

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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph 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 that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the San Luis Obispo County Pension Trust 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

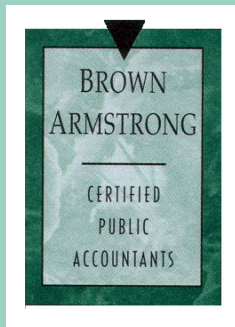
This information is intended solely for the information and use of the audit committee, Board of Trustees, and management of SLOCPT and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION



By: Andrew J. Paulden

Bakersfield, California
May 29, 2009



**BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
Certified Public Accountants**

Main Office
4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel 661.324.4971 Fax 661.324.4997
e-mail: info@bacpas.com

Shafter Office
560 Central Avenue
Shafter, California 93263
Tel 661.746.2145 Fax 661.746.1218

Andrew J. Paulden, CPA
Peter C. Brown, CPA
Burton H. Armstrong, CPA, MST
Steven R. Starbuck, CPA
Aileen K. Keeter, CPA
Chris M. Thornburgh, CPA
Eric H. Xin, MBA, CPA
Richard L. Halle, CPA, MST

**AGREED UPON CONDITIONS REPORT DESIGNED TO INCREASE
EFFICIENCY, INTERNAL CONTROLS AND/OR FINANCIAL REPORTING**

Harvey J. McCown, MBA, CPA
Lynn R. Krausse, CPA, MST
Rosalva Flores, CPA
Connie M. Perez, CPA
Diana H. Branthoover, CPA
Thomas M. Young, CPA
Alicia Dias, CPA, MBA
Matthew R. Gilligan, CPA
Hanna J. Sheppard, CPA
Ryan L. Nielsen, CPA
Jian Ou-Yang, CPA
Amanda Dickerson, CPA
Jialan Su, CPA
Ariadne S. Prunes, CPA
Samuel O. Newland, CPA
Brooke N. DeCuir, CPA
Kenneth J. Witham, CPA
Clint W. Baird, CPA
Adrian Rich, CPA
Craig Rickett, CPA

To the Board of Trustees
San Luis Obispo County Pension Trust

We have audited the financial statements of the San Luis Obispo County Pension Trust (SLOCPT) for the year ended December 31, 2008 and have issued our report thereon dated May 29, 2009. In planning and performing our audit of the financial statements of SLOCPT, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

As a result of our audit, we noted certain agreed-upon findings. These findings and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure or result in other efficiencies and are summarized as follows:

Current Year Findings & Recommendations

Agreed Upon Condition 1 – Manager to Custodian Reconciliations

One Investment Manager currently does not perform reconciliations to the global custodian.

Recommendation

Investment managers should prepare and provide SLOCPT with periodic reconciliations of their balances to the global custodian. SLOCPT should review and approve these reconciliations.

Management Response

Staff will request that copies of all reconciliation's done by the Investment Managers be copied to the Pension Trust. Staff will also monitor investment manager contracts to find appropriate times to enter such provisions into future contracts.

Status of Prior Year Findings & Recommendations

Agreed Upon Condition 1 – Manager to Custodian Reconciliations

SLOCPT does not require that the investment managers provide reconciliations of their balances to those of the global custodian.

Recommendation

Investment managers should prepare and provide SLOCPT with periodic reconciliations of their balances to the global custodian. SLOCPT should review and approve these reconciliations.

Management Response

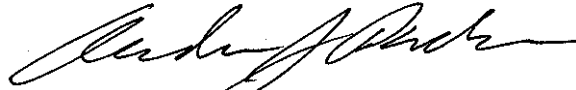
Staff will request that copies of all reconciliation's done by the Investment Managers be copied to the Pension Trust. Staff will also monitor investment manager contracts to find appropriate times to enter such provisions into future contracts.

Current Year Status

Partially Implemented – See Current Year Finding 1.

This information is intended solely for the use of the Board of Trustees and management of SLOCPT and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION



By: Andrew J. Paulden

Bakersfield, California
May 29, 2009