

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

702



FROM: Riverside County Auditor-Controller

SUBMITTAL DATE:
February 2, 2016

SUBJECT: Fiscal Year 2014-15 Statement of Net Position of the Treasurer's Investment Pool with Independent Auditor's Report; [All Districts] [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file fiscal year 2014-15 Statement of Net Position of the Treasurer's Investment Pool with Independent Auditor's Report

BACKGROUND:

Summary

The county's fiscal year 2014-15 Statement of Net Position of the Treasurer's Investment Pool with Independent Auditor's Report is hereby submitted in accordance with Sections 26920(a) and 26922 of the Government Code of the State of California. The county's external auditors, Brown Armstrong Accountancy Corporation, performed the audit to determine whether cash and investments as shown on the Statement of Net Position of the Treasurer's Investment Pool as of June 30, 2014 were presented fairly.

(Continued on page 2)

Paul Angulo
Paul Angulo, CPA, CGMA, MA
Riverside County Auditor-Controller

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	Consent <input checked="" type="checkbox"/> Policy <input type="checkbox"/>
NET COUNTY COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	

SOURCE OF FUNDS: N/A

Budget Adjustment: No

For Fiscal Year: n/a

C.E.O. RECOMMENDATION:

APPROVE

BY: *Samuel Wong*
Samuel Wong

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Ashley, seconded by Supervisor Benoit and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Tavaglione, Washington, Benoit and Ashley
Nays: None
Absent: None
Date: March 1, 2016
xc: Auditor

Kecia Harper-Ihem
Clerk of the Board
By: *Kecia Harper-Ihem*
Deputy

Prev. Agn. Ref.:

District: ALL

Agenda Number:

2-3

Departmental Concurrence

- A-30
- Positions Added
- 4/5 Vote
- Change Order

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: Fiscal Year 2014-15 Statement of Net Position of the Treasurer's Investment Pool with
Independent Auditor's Report [District: All]; [\$0]

DATE: February 2, 2016

PAGE: Page 2 of 2

BACKGROUND:

Summary (continued)

Based on their audit, the Statement of Net Position presents fairly, the financial position of the investment pool of the County of Riverside as of June 30, 2015. Internal controls over financial reporting and tests of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters were also evaluated.

Impact on Citizens and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENTS:

A: Fiscal Year 2014-15 Statement of Net Position of the Treasurer's Investment Pool with Independent Auditor's Report

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL**

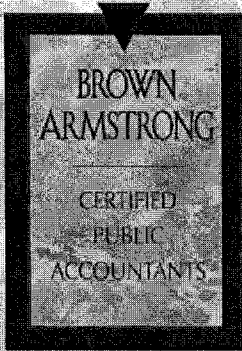
**STATEMENT OF NET POSITION
WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Riverside, California

Report on Financial Statements

We have audited the accompanying Statement of Net Position of the Treasurer's Investment Pool of the County of Riverside (the County), as of and for the year ended June 30, 2015, and the related notes to the statement, which collectively comprise the County Treasurer's Investment Pool's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Treasurer's Investment Pool of the County as of June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2016, on our consideration of the County Treasurer's Investment Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 26, 2016

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
STATEMENT OF NET POSITION
JUNE 30, 2015
(Dollars in Thousands)**

ASSETS:

Cash and investments	\$ 5,903,038
Restricted cash and investments (Note 3)	<u>927,442</u>
Total assets	<u>\$ 6,830,480</u>

LIABILITIES AND NET POSITION:

Liabilities:

Due to others	<u>\$ -</u>
Total liabilities	<u>-</u>

Net position:

Held in trust for treasury pool participants	<u>6,830,480</u>
Total net position	<u>\$ 6,830,480</u>

The notes to the basic financial statements are an integral part of this statement.

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
NOTES TO STATEMENT OF NET POSITION
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

As provided by Government Code Section 53600, the cash balances of substantially all of the County of Riverside's (the County) funds, as well as those of participating schools and agencies, are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. The Treasurer's Investment Pool (the Pool) is managed by the County Treasurer and is not registered with the Securities and Exchange Commission. The Pool's investment objectives are to safeguard principal, meet the liquidity needs of the participants, and return an acceptable yield within the parameters of prudent risk management (California Government Code Sections 2700.5 and 53600.5). Additionally, there is an Oversight Committee comprised of County officials, representatives from various Pool participants, and members of the public, whose function is to monitor compliance with the County's investment policy. The Treasurer also reports on a monthly basis to the County Board of Supervisors.

B. Reporting Method

The Pool follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB).

C. Investment Valuation

Pool investments are accounted for in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires governmental entities to report certain investments at fair market value in the statement of net position and recognize the corresponding change in fair market value of investments in the year in which the change occurred. The fair market value of pooled investments is determined monthly and is based upon valuation provided by the Pool's safekeeping agent.

NOTE 2 – CASH AND INVESTMENTS

Cash and Investments

As of June 30, 2015, cash and investments are classified in the County's financial statements as follows (in thousands):

	Governmental Activities	Business-Type Activities	Discretely Presented Component Unit	Fiduciary Funds	Total
Cash and investments	\$ 1,008,724	\$ 150,248	\$ 41,298	\$ 4,702,768	\$ 5,903,038
Restricted cash and investments	786,113	129,942	11,387	-	927,442
Total cash and investments	\$ 1,794,837	\$ 280,190	\$ 52,685	\$ 4,702,768	\$ 6,830,480

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
NOTES TO STATEMENT OF NET POSITION
JUNE 30, 2015**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Cash and Investments (Continued)

As of June 30, 2015, cash and investments consist of the following (in thousands):

Deposits	\$	542,070
Investments		6,288,410
 Total Cash and Investments		 \$ 6,830,480

Investments Authorized by the California Government Code and the County's Investment Policy

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, whichever is more restrictive. The table also identifies certain provisions of the California Government Code or the County's investment policy, where more restrictive, that address interest rate, credit risk, and concentration of credit risk. A copy of the County's investment policy can be found at www.treasurer-tax.co.riverside.ca.us.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Municipal Bonds (MUNI)	3 Years	15%	5%**
U.S. Treasuries	5 Years	100%	N/A
Local Agency Obligations (LAO)	3 Years	2.5%	2.5%
Federal Agencies	5 Years	100%	N/A
Commercial Paper (CP)	270 Days	40%	5% *
Certificate & Time Deposits (NCD & TCD)	1 Year	25%	5% *
Repurchase Agreements (REPO)	45 Days	40% / 25%	20%
Reverse REPOS	60 Days	10%	10%
Medium Term Notes (MTNO)	3 Years	20%	5% *
CalTRUST Short-Term Fund	Daily Liquidity	1%	1%
Money Market Mutual Funds (MMF)	Daily Liquidity	20%	None
Local Agency Investment Fund (LAIF)	Daily Liquidity	Max \$50 Million	N/A
Cash/Deposit Account	N/A	N/A	N/A

* Maximum of 5% per issuer in combined commercial paper, certificate & time deposits, and medium-term notes.

** For credit rated below AA-/Aa3 a 2% maximum in one issuer only for State of California debt.

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
NOTES TO STATEMENT OF NET POSITION
JUNE 30, 2015**

NOTE 2 – CASH AND INVESTMENTS (Continued)

**Investments Authorized by the California Government Code and the County's Investment Policy
(Continued)**

	Fair Market Value	Interest Rate Range	Maturity	Weighted Average Maturity (Years)	Minimum Legal Rating	Rating ⁽¹⁾ June 30, 2015	% of Portfolio
County Treasurer's Investments							
Federal Home Loan Bank	\$ 1,072,418	0.130 - 1.850%	08/15 - 05/20	1.12	N/A	AA+/Aaa	17.68%
Federal National Mortgage Association	770,021	0.110 - 1.500%	08/15 - 02/20	1.36	N/A	AA+/Aaa	12.69%
Federal Home Loan Mortgage Corp	1,093,929	0.080 - 2.000%	07/15 - 06/20	2.25	N/A	AA+/Aaa	18.03%
U.S. Treasuries	550,522	0.250 - 0.875%	01/16 - 08/17	0.89	N/A	AA+/Aaa	9.07%
Federal Farm Credit Bonds	835,609	0.140 - 0.875%	07/15 - 10/19	0.88	N/A	AA+/Aaa	13.77%
Commercial Paper	393,902	0.100 - 0.180%	07/15 - 10/15	0.13	A1/P1	A1/P1	6.49%
Wells Fargo Repo	200,000	0.140%	07/15	0.00	A1/P1	A1/P1	3.30%
UB Managed Rate	260,000	0.080%	07/15	0.00	N/A	N/R	4.29%
Money Market Mutual Funds ⁽³⁾	410,000	0.059 - 0.1067%	07/15	0.00	AAA/Aaa	AAA/Aaa	6.76%
Municipal Bonds Zero Coupon	138,796	0.120 - 0.180%	07/15 - 10/15	0.19	AA ⁽²⁾	AA+/Aa1	2.29%
Municipal Bonds	33,537	0.150 - 0.540%	08/15 - 05/16	0.44	AA ⁽²⁾	AA+/Aa1	0.55%
Farmer Mac	253,611	0.195 - 1.800%	07/15 - 05/20	2.55	N/A	N/R	4.18%
CalTRUST Short Term Fund	54,000	0.446%	07/15	0.00	N/A	AA/Aaa	0.89%
Local Agency Obligations	365	0.918%	06/20	4.96	N/A	N/R	0.01%
Total County Treasurer Investments	6,066,710						100.00%
Investments Outside the County Treasury							
Blended Component Unit Investments							
Money Market Mutual Funds ⁽³⁾	71,756	0.040 - 0.439%	07/15	0.00	AAA/Aaa	AAA/Aaa	34.12%
Investment Agreements	98,272	4.420 - 4.460%	07/15 - 11/36	18.00	AA-/Aa2	AA+/A1	46.73%
Money Market Mutual Funds ⁽⁴⁾	35,405	0.000%	N/A	0.00	N/A	N/R	16.83%
Local Agency Investment Funds	4,880	0.000%	N/A	0.00	N/A	N/R	2.32%
Total Blended Component Units	210,313						100.00%
Discretely Presented Component Unit							
Palm Desert Financing Authority							
Money Market Mutual Funds ⁽³⁾	11,387	0.000%	N/A	0.45	AAA	AAA	100.00%
Total Discretely Presented Component Unit	11,387						100.00%
Total Investments	\$ 6,288,410						

⁽¹⁾ Investment ratings are from Standard & Poor's and Moody's.

⁽²⁾ A rating permitted for the State of California Securities.

⁽³⁾ Government Code requires money market mutual funds to be rated.

⁽⁴⁾ Housing Authority and Inland Empire Tobacco Securitization Authority do not require money market mutual funds to be rated.

Investment in State Investment Pool

The County is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The State Treasurer's Office reports its investments at fair value. The fair value of securities in the State Treasurer's pooled investment program, including LAIF, generally is based on quoted market prices. The State Treasurer's Office performs a quarterly fair market valuation of the pooled investment program portfolio and a monthly fair market valuation of all securities held against carrying cost. These valuations and financial statements are posted to the State Treasurer's Office website at www.treasurer.ca.gov. The fair market value of the County's investment in this pool is reported in the accompanying financial statements at amounts based upon the County's pro-rata share of the fair market value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. As of June 30, 2015, County of Riverside Asset Leasing Corporation (CORAL) has \$2.5 million, Housing Authority has \$1.7 million, and the Riverside Regional Medical Center has \$0.7 million in LAIF.

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
NOTES TO STATEMENT OF NET POSITION
JUNE 30, 2015**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements of the respective component units, rather than the general provisions of the California Government Code or the County's investment policy. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates of its fair market value. One of the ways the County Treasurer manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so a portion of the portfolio is maturing, or coming close to maturity, to ensure the cash flow and liquidity required for operations.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. GASB Statement No. 40 requires that a disclosure is made with respect to custodial credit risks relating to deposits. The County has cash deposits with fiscal agents in excess of federal depository insurance limits held in collateralized accounts with securities held by Union Bank in the amount \$287.0 million. Investment securities are registered and held in the name of the County.

Concentration of Credit Risk

The investment policy of the County contains certain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. In accordance with GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, the County should provide information about the concentration of credit risk associated with their investments in any one issuer that represent 5% or more of total County investments. These investments are identified on the investment table on page 6.

Credit Risk

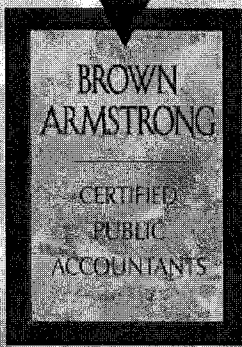
Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
NOTES TO STATEMENT OF NET POSITION
JUNE 30, 2015**

NOTE 3 – RESTRICTED CASH AND INVESTMENTS

The amount of assets restricted by legal and contractual requirements at June 30, 2015, is as follows (in thousands):

<u>Governmental Activities</u>	
General Fund Restricted Program Money	\$ 358,985
Flood Control Retriected Program Money	1,956
Public Financing Authority	303,845
Teeter Debt Service Commercial Paper Notes	49,787
<u>Other Governmental Funds</u>	
1990 Monterey Avenue	126
2005 A Capital Improvement Family	3,523
2005 B Historic Refunding	2,972
2006 A Capital Improvements	2,187
2007 A Public Safety and Refunding	5,825
2008 A Southwest Justice Center	1,678
2009 Larson Justice Center	2,755
2009 Public Safety & Woodcrest Lib	653
2012 CAC Annex	2,540
2013A PD/ Probation and Technology	14,738
2014 A/B Court Facilities Projects	1,849
District Court Financing Corporation	1,110
Inland Empire Tobacco Securitization Authority	19,571
Public Financing Authority	12,013
Total Other Governmental Funds	71,540
Total Governmental Activities	786,113
<u>Business-type Activities</u>	
Housing Authority	17,636
Other Enterprise Funds Restricted Program Money - Flood	2,963
<u>Regional Medical Center</u>	
Hospital Bonds	39,783
Restricted Program Money	863
Total Regional Medical Center	40,646
<u>Waste Resources</u>	
Remediation Costs	29,882
Closure and Post-Closure Care Costs	30,183
Customer Deposits	477
Deferred Revenue	589
Deposit Payable	38
Deferred Inflow or Resources	7,528
Total Waste Resources	68,697
Total Business-type Activities	129,942
<u>Discretely Presented Component Unit</u>	
Palm Desert Financing Authority Investments	11,387
Total Discretely Presented Component Unit	11,387
Total Restricted Cash and Investments	\$ 927,442



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Supervisors
County of Riverside, California

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We have audited, in accordance with the 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, the Statement of Net Position of the Treasurer's Investment Pool of the County of Riverside (the County), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 26, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control relating to the County Treasurer's Investment Pool. Accordingly, we do not express an opinion on the effectiveness of the County's internal control relating to the County Treasurer's Investment Pool.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance relating to the County Treasurer's Investment Pool. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance relating to the County Treasurer's Investment Pool. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 26, 2016