

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



ITEM  
2.11  
(ID # 3972)

**MEETING DATE:**  
Tuesday, April 11, 2017

**FROM :** AUDITOR CONTROLLER:

**SUBJECT:** AUDITOR-CONTROLLER: Fiscal year 2015-16 Statement of Net Position of the Treasurer's Investment Pool with Independent Auditor's Report, District: All. [\$0]

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Receive and file the Fiscal Year 2015-16 Statement of Net Position of the Treasurer's Investment Pool with Independent Auditor's Report

**ACTION:** Consent

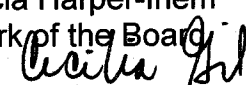
  
Paul Angulo, Director of Auditor Controller 4/5/2017

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**MINUTES OF THE BOARD OF SUPERVISORS**

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

Ayes: Jeffries, Tavaglione, Washington and Ashley  
Nays: None  
Absent: None  
Date: April 11, 2017  
xc: Auditor

Kecia Harper-Ihem  
Clerk of the Board  
By:   
Deputy

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

<b>FINANCIAL DATA</b>	<b>Current Fiscal Year:</b>	<b>Next Fiscal Year:</b>	<b>Total Cost:</b>	<b>Ongoing Cost</b>
<b>COST</b>	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
<b>NET COUNTY COST</b>	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
<b>SOURCE OF FUNDS: N/A</b>			<b>Budget Adjustment: No</b>	
			<b>For Fiscal Year: n/a</b>	

**C.E.O. RECOMMENDATION: APPROVE**

**BACKGROUND:**

**Summary**

The county's fiscal year 2015-16 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, 2016 were presented fairly.

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, 2016. 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 Residents and Businesses**

Provide an assessment of internal controls over the audited areas.

**SUPPLEMENTAL (if needed, OR delete this section):**

**Additional Fiscal Information**

Not applicable

**ATTACHMENT A.** Fiscal Year 2015-16 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, 2016**

**COUNTY OF RIVERSIDE  
TREASURER'S INVESTMENT POOL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
County of Riverside, California

### Report on Financial Statement

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, 2016, and the related notes to the financial 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 Statement

Management is responsible for the preparation and fair presentation of this basic financial statement 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 a financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on this financial 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 financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 relating to the Treasurer's Investment Pool. 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 statement.

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

## Opinion

In our opinion, the basic financial statement referred to above presents fairly, in all material respects, the financial position of the Treasurer's Investment Pool of the County as of June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As disclosed in Note 1 to the financial statements, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, during the fiscal year 2016. Our opinion is not modified with respect to the matter.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2017, on our consideration of the County's internal control over financial reporting relating to the Treasurer's Investment Pool 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 relating to the Treasurer's Investment Pool.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
February 27, 2017

**COUNTY OF RIVERSIDE  
TREASURER'S INVESTMENT POOL  
STATEMENT OF NET POSITION  
JUNE 30, 2016  
(Dollars in Thousands)**

**ASSETS:**

Cash and investments	\$ 6,302,404
Restricted cash and investments (Note 3)	<u>832,255</u>
Total assets	<u>\$ 7,134,659</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>7,134,659</u>
Total net position	<u>\$ 7,134,659</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, 2016

**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.

**D. New Accounting Pronouncements**

During the fiscal year ending June 30, 2016, the County implemented the following standards:

**GASB Statement No. 72, *Fair Value Measurement and Application*.** This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

**GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.** This statement addresses accounting and financial reporting for certain external investment pools and pool participants.

The impact of implementing GASB Statements No. 72 and No. 79 will be reflected in Note 2 of the Pool's Statement of Net Position.



**COUNTY OF RIVERSIDE  
TREASURER'S INVESTMENT POOL  
NOTES TO STATEMENT OF NET POSITION  
JUNE 30, 2016**

**NOTE 2 – CASH AND INVESTMENTS**

**Cash and Investments**

As of June 30, 2016, cash and investments are classified in the County's financial statements as follows (in thousands):

	Governmental Activities	Business-Type Activities	Discretely Presented Component Units	Fiduciary Funds	Total
Cash and investments	\$ 1,006,393	\$ 180,902	\$ 42,093	\$ 5,073,016	\$ 6,302,404
Restricted cash and investments	693,232	127,616	11,407	-	832,255
<b>Total cash and investments</b>	<b>\$ 1,699,625</b>	<b>\$ 308,518</b>	<b>\$ 53,500</b>	<b>\$ 5,073,016</b>	<b>\$ 7,134,659</b>

As of June 30, 2016, cash and investments consist of the following (in thousands):

Deposits	\$ 416,739
Investments	6,717,920
<b>Total Cash and Investments</b>	<b>\$ 7,134,659</b>

**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](http://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 and 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, 2016**

**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 <sup>(1)</sup> June 30, 2016	% of Portfolio
<b>County Treasurer's Investments</b>							
Federal Home Loan Bank	\$ 1,191,539	0.200 - 1.750%	07/16 - 04/21	0.65	N/A	AA+/Aaa	18.29%
Federal National Mortgage Association	653,011	0.145 - 1.800%	07/16 - 06/21	1.70	N/A	AA+/Aaa	10.02%
Federal Home Loan Mortgage Corp	1,262,591	0.170 - 1.900%	07/16 - 06/21	2.57	N/A	AA+/Aaa	19.38%
U.S. Treasuries	427,149	0.250 - 1.625%	07/16 - 10/19	1.13	N/A	AA+/Aaa	6.56%
Federal Farm Credit Bonds	1,247,789	0.200 - 1.110%	07/16 - 05/21	1.03	N/A	AA+/Aaa	19.15%
Commercial Paper	574,077	0.180 - 0.570%	07/16 - 11/16	0.18	A1/P1	A1/P1	8.81%
Municipal Bonds Zero Coupon	72,937	0.180 - 0.260%	07/16 - 09/16	0.17	AA <sup>(2)</sup>	AA+/Aaa	1.12%
Municipal Bonds	249,350	0.300 - 2.250%	07/16 - 05/20	1.19	AA <sup>(2)</sup>	AA+/Aaa	3.83%
Farmer Mac	238,673	0.321 - 1.700%	07/16 - 07/19	0.65	N/A	N/R	3.66%
<b>Total County Treasurer Investments</b>	<b>5,917,096</b>						<b>90.83%</b>
<b>Investments Measured at Amortized Cost</b>							
UB Managed Rate	70,000	0.093%	07/16	0.00	N/A	N/R	1.07%
Money Market Mutual Funds <sup>(3)</sup>	473,000	0.183 - 0.267%	07/16	0.00	AAA/Aaa	AAA/Aaa	7.26%
CalTRUST Short Term Fund	54,000	0.552%	07/16	0.00	N/A	AA/Aaa	0.83%
Local Agency Obligations	300	0.975%	06/20	3.96	N/A	N/R	0.00%
<b>Total Investments Measured at Amortized Cost</b>	<b>597,300</b>						<b>9.17%</b>
<b>Total County Treasurer Investments</b>	<b>\$ 6,514,396</b>						<b>100.00%</b>
<b>Investments Outside the County Treasury</b>							
<b>Blended Component Unit Investments</b>							
Money Market Funds	\$ 9,443	0.000%	N/A	0.00	Aaa	Aaa	4.92%
Money Market Funds	16,578	0.000%	N/A	0.00	AAA/Aaa	AAA/Aaa	8.83%
Money Market Funds	21,931	0.000%	N/A	0.00	N/A	N/R	11.42%
Local Agency Investment Funds	894	0.000%	N/A	0.00	N/A	N/R	0.47%
<b>Total Blended Component Units</b>	<b>48,846</b>						<b>25.44%</b>
<b>Investments Measured at the Net Asset Value (NAV)</b>							
Trustee Indenture Funds	15,724	0.000%	N/A	0.00	N/A	N/R	8.18%
Mutual Funds	31,546	0.000%	N/A	0.00	N/A	N/R	16.42%
<b>Total Blended Component Unit Investments Measured at NAV</b>	<b>47,270</b>						<b>24.60%</b>
<b>Investments Measured at Amortized Cost</b>							
Money Market Funds	70,327	0.000%	N/A	0.00	AAA	AAA	36.61%
Money Market Funds	583	0.000%	N/A	0.00	N/A	N/R	0.30%
Cash Held in Trust	19	0.000%	N/A	0.00	N/A	N/R	0.01%
Local Agency Investment Funds	6,405	0.000%	N/A	0.00	N/A	N/R	3.33%
Investment Agreements	18,667	0.000%	N/A	0.00	N/A	AAA	9.72%
<b>Total Blended Component Unit Investments Measured at Amortized Cost</b>	<b>96,001</b>						<b>49.97%</b>
<b>Total Blended Component Unit Investments</b>	<b>\$ 192,117</b>						<b>100.00%</b>
<b>Discretely Presented Component Unit</b>							
Palm Desert Financing Authority							
Money Market Funds	\$ 11,407	0.000%	N/A	0.45	AAA	AAA	100.00%
<b>Total Discretely Presented Component Unit</b>	<b>11,407</b>						<b>100.00%</b>
<b>Total Investments</b>	<b>\$ 6,717,920</b>						

<sup>(1)</sup> Investment ratings are from Standard & Poor's and Moody's.

<sup>(2)</sup> A rating permitted for the State of California Securities.

<sup>(3)</sup> Government Code requires money market mutual funds to be rated.

**COUNTY OF RIVERSIDE  
TREASURER'S INVESTMENT POOL  
NOTES TO STATEMENT OF NET POSITION  
JUNE 30, 2016**

**NOTE 2 – CASH AND INVESTMENTS** (Continued)

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

Investments by Fair Value Level	Fair Value Measurements Using			June 30, 2016
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>County Treasurer's Investments</b>				
Federal Home Loan Bank	\$ 397,802	\$ 793,737	\$ -	\$ 1,191,539
Federal National Mortgage Association	653,011	-	-	653,011
Federal Home Loan Mortgage Corp	1,262,591	-	-	1,262,591
U.S. Treasuries	427,149	-	-	427,149
Federal Farm Credit Bonds	1,247,769	-	-	1,247,769
Commercial Paper	-	574,077	-	574,077
Municipal Bonds Zero Coupon	-	72,937	-	72,937
Municipal Bonds	-	249,350	-	249,350
Farmer Mac	238,673	-	-	238,673
<b>Total County Treasurer Investments</b>	<b>4,226,995</b>	<b>1,690,101</b>	<b>-</b>	<b>5,917,096</b>
<b>Investments Measured at Amortized Cost</b>				
UB Managed Rate	-	-	-	70,000
Money Market Mutual Funds <sup>(3)</sup>	-	-	-	473,000
CalTRUST Short Term Fund	-	-	-	54,000
Local Agency Obligations	-	-	-	300
<b>Total Investments Measured at Amortized Cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>597,300</b>
<b>Total County Treasurer Investments</b>				<b>\$ 6,514,396</b>
<b>Investments Outside the County Treasury</b>				
<b>Blended Component Unit Investments</b>				
Money Market Funds	-	9,443	-	9,443
Money Market Funds	16,578	-	-	16,578
Money Market Funds	21,931	-	-	21,931
Local Agency Investment Funds	894	-	-	894
<b>Total Blended Component Units</b>	<b>39,403</b>	<b>9,443</b>	<b>-</b>	<b>48,846</b>
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Trustee Indenture Funds	-	-	-	15,724
Mutual Funds	-	-	-	31,546
<b>Total Blended Component Unit Investments Measured at NAV</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,270</b>
<b>Investments Measured at Amortized Cost</b>				
Money Market Funds	-	-	-	70,327
Money Market Funds	-	-	-	583
Cash Held in Trust	-	-	-	19
Local Agency Investment Funds	-	-	-	6,405
Investment Agreements	-	-	-	18,667
<b>Total Blended Component Unit Investments Measured at Amortized Cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>96,001</b>
<b>Total Blended Component Unit Investments</b>				<b>\$ 192,117</b>
<b>Discretely Presented Component Unit</b>				
Palm Desert Financing Authority Money Market Funds	-	-	-	11,407
<b>Total Discretely Presented Component Unit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,407</b>
<b>Total Investments</b>	<b>\$ 4,266,398</b>	<b>\$ 1,699,544</b>	<b>\$ -</b>	<b>\$ 6,717,920</b>

**COUNTY OF RIVERSIDE  
TREASURER'S INVESTMENT POOL  
NOTES TO STATEMENT OF NET POSITION  
JUNE 30, 2016**

**NOTE 2 – CASH AND INVESTMENTS** (Continued)

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

The County and its component units categorize fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. These principles recognize a three-tiered fair value hierarchy as follows:

- Level 1: Investments reflect prices quoted in active markets for identical assets;
- Level 2: Investments reflect prices quoted similar observable assets; and
- Level 3: Investments reflect prices based upon unobservable resources.

**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). 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](http://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, 2016, County of Riverside Asset Leasing Corporation (CORAL) has \$2.5 million, Housing Authority has \$3.2 million, and the Riverside University Health System – Medical Center has \$0.7 million in LAIF.

GASB Statement No. 79 establishes specific criteria used to determine whether a qualifying investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. The statement also establishes additional note disclosures to qualifying external investment pools. There was no material impact on the County Investment Pool's Statement of Net Position as a result of the implementation of GASB Statement No. 79.

**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.

**COUNTY OF RIVERSIDE  
TREASURER'S INVESTMENT POOL  
NOTES TO STATEMENT OF NET POSITION  
JUNE 30, 2016**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**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 \$265.0 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, 2016

**NOTE 3 – RESTRICTED CASH AND INVESTMENTS**

The amount of assets restricted by legal and contractual requirements at June 30, 2016, is as follows (in thousands):

<b><u>Governmental Activities</u></b>	
General Fund Restricted Program Money	\$ 332,543
Flood Control Retricted Program Money	2,174
Public Financing Authority	252,179
Teeter Debt Service Commercial Paper Notes	44,255
<b>Other Governmental Funds</b>	
1990 Monterey Avenue	117
2006 A Capital Improvements	8
2007 A Public Safety and Refunding	5,836
2008 A Southwest Justice Center	2,049
2009 Larson Justice Center	2,761
2009 Public Safety & Woodcrest Lib	1,185
2012 CAC Annex	2,549
2013 A PD/ Probation and Technology	11,598
2014 A/B Court Facilities Projects	2,455
District Court Financing Corporation	1,964
Infrastructure Financing Authority	94
Inland Empire Tobacco Securitization Authority	19,537
Public Financing Authority	11,928
<b>Total Other Governmental Funds</b>	<u>62,081</u>
<b>Total Governmental Activities</b>	<u>693,232</u>
<b><u>Business-Type Activities</u></b>	
Housing Authority	18,555
<b>Other Enterprise Funds Restricted Program Money - Flood</b>	3,109
<b>Riverside University Health System - Medical Center</b>	
Hospital Bonds	35,540
Restricted Program Money	874
<b>Total Riverside University Health System - Medical Center</b>	<u>36,414</u>
<b>Waste Resources</b>	
Remediation Costs	30,894
Closure and Post-Closure Care Costs	30,430
Customer Deposits	481
Deferred Revenue	591
Deposit Payable	38
Deferred Inflow or Resources	7,104
<b>Total Waste Resources</b>	<u>69,538</u>
<b>Total Business-Type Activities</b>	<u>127,616</u>
<b><u>Discretely Presented Component Unit</u></b>	
Palm Desert Financing Authority Investments	11,407
<b>Total Discretely Presented Component Unit</b>	<u>11,407</u>
<b>Total Restricted Cash and Investments</b>	<u>\$ 832,255</u>

BROWN  
ARMSTRONG

CERTIFIED  
PUBLIC  
ACCOUNTANTS

## 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 STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Supervisors  
County of Riverside, California

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, 2016, and the related notes to the financial statement, which collectively comprise the County's basic financial statement and have issued our report thereon dated February 27, 2017.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statement, we considered the County's internal control over financial reporting (internal control) relating to the County Treasurer's Investment Pool to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, 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.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statement is 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  
February 27, 2017