

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



**ITEM: 2.11
(ID # 12205)**

MEETING DATE:
Tuesday, April 07, 2020


FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Fiscal year 2018-19 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 2018-19 Statement of Net Position of the Treasurer's Investment Pool with Independent Auditor's Report

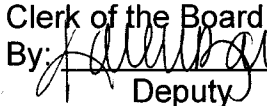
ACTION: Consent


Paul A. Angulo, County Auditor-Controller 3/20/2020

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Spiegel, seconded by Supervisor Perez and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt
Nays: None
Absent: None
Date: April 7, 2020
xc: Auditor

Kecia R. Harper
Clerk of the Board
By: 
Deputy

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

BACKGROUND:

Summary

The county's fiscal year 2018-19 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, 2019, were presented fairly.

| FINANCIAL DATA | Current Fiscal Year: | Next Fiscal Year: | Total Cost: | Ongoing Cost |
|-----------------------------|-----------------------------|--------------------------|------------------------------|---------------------|
| COST | \$ 0.0 | \$ 0.0 | \$ 0.0 | \$ 0.0 |
| 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

BACKGROUND:

Summary (continued)

Based on the results of 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, 2019. 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.

ATTACHMENT A. Fiscal Year 2018-19 Statement of Net Position of the Treasurer's Investment Pool with Independent Auditor's Report


 Stephanie Pava, Principal Management Analyst 3/31/2020

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

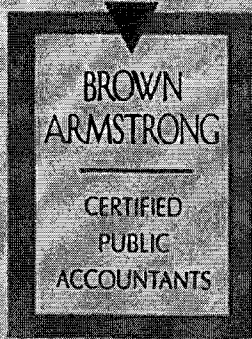
**STATEMENT OF NET POSITION
WITH
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2019

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
JUNE 30, 2019**

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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 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 June 30, 2019, 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 relating to the Treasurer's Investment Pool 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.

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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, 2019, 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 February 25, 2020, 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 25, 2020

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
STATEMENT OF NET POSITION
JUNE 30, 2019
(Dollars in Thousands)**

ASSETS:

| | |
|---------------------------------|---------------------|
| Cash and investments | \$ 6,700,200 |
| Restricted cash and investments | <u>607,129</u> |
| Total assets | <u>\$ 7,307,329</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>7,307,329</u> |
| Total net position | <u>\$ 7,307,329</u> |

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

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
NOTES TO STATEMENT OF NET POSITION
JUNE 30, 2019**

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 value in the statement of net position and recognize the corresponding change in fair value of investments in the year in which the change occurred. The fair value of pooled investments is determined monthly and is based upon valuation provided by the Pool's safekeeping agent.

Pool investments are also accounted for in accordance with the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. Securities, including U.S. Treasury and Agency securities, are carried at fair value/cost based on current market prices, on a monthly basis. Repurchase agreements are carried at fair value based on quoted market prices, except for repurchase agreements maturing within ninety days of June 30, 2019, which are carried at cost. Bond anticipation notes are carried at fair value/cost. Commercial paper is carried at amortized cost/cost. Investments in bankers' acceptances and nonparticipating guaranteed investment contracts are carried at cost. Participating guaranteed investment contracts are carried at fair value based on net realizable value. Mutual funds are carried at fair value based on the funds' share price. Local Agency Obligations are carried at cost based on the value of each participating dollar.

The fair value of a participant's position in the pool is not the same as the value of pooled shares. The method used to determine the value of participants' equity withdrawn is based on the book value, amortized cost, and accrued interest of the participants' percentage at the date of such withdrawal.

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
NOTES TO STATEMENT OF NET POSITION
JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS

Cash and Investments

As of June 30, 2019, 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 | \$ 1,251,677 | \$ 146,402 | \$ 32,288 | \$ 5,269,833 | \$ 6,700,200 |
| Restricted cash and investments | 500,797 | 106,332 | - | - | 607,129 |
| Total cash and investments | \$ 1,752,474 | \$ 252,734 | \$ 32,288 | \$ 5,269,833 | \$ 7,307,329 |

As of June 30, 2019, cash and investments consist of the following (in thousands):

| | |
|-----------------------------------|---------------------|
| Deposits | \$ 245,566 |
| Investments | 7,061,763 |
| Total Cash and Investments | \$ 7,307,329 |

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 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) | 4 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) or Corporate Notes | 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, 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

The County and Component Units have the following recurring fair value measurements as of June 30, 2019 (in thousands):

| | June 30, 2019 | Interest Rate Range | Maturity | Weighted Average Maturity (Years) | Minimum Legal Rating | Rating ⁽¹⁾ June 30, 2019 | % of Portfolio |
|----------------------------------------------------------------------------|---------------------|---------------------|---------------|-----------------------------------|----------------------|-------------------------------------|----------------|
| County Treasurer's Investments | | | | | | | |
| Investments by Fair Value Level | | | | | | | |
| U.S. treasuries | \$ 588,211 | 0.875-2.458% | 07/19 - 06/24 | 0.31 | N/A | AA+/Aaa | 8.60% |
| Federal home loan mortgage corp. | 1,366,102 | 1.200-3.160% | 07/19 - 06/24 | 2.13 | N/A | AA+/Aaa | 19.98% |
| Federal national mortgage association | 398,153 | 1.000-2.875% | 07/19 - 09/23 | 1.41 | N/A | AA+/Aaa | 5.82% |
| Federal home loan bank | 1,105,191 | 1.500-2.717% | 07/19 - 07/23 | 1.16 | N/A | AA+/Aaa | 16.16% |
| Federal farm credit bank | 824,037 | 1.320-3.330% | 08/19 - 06/24 | 1.73 | N/A | AA+/Aaa | 12.05% |
| Farmer mac | 160,502 | 1.420-2.850% | 07/19 - 06/23 | 0.12 | N/A | N/R | 2.35% |
| Municipal notes | 234,957 | 1.151-4.000% | 07/19 - 06/23 | 0.02 | AA-/Aa3/AA- | AAA/Aaa | 3.44% |
| Commercial paper | 920,200 | 2.260-2.790% | 07/19 - 01/20 | 0.16 | A1/P1/F1 | AAA/Aaa | 13.46% |
| Corporate notes | 292,356 | 1.100-2.000% | 08/19 - 03/21 | 0.60 | AA/Aa2/AA | AAA/Aaa | 4.26% |
| Total County Treasurer's Investments by Fair Value Level | 5,889,709 | | | | | | 86.12% |
| Investments Measured at Amortized Cost | | | | | | | |
| Farmer mac | 25,000 | 2.726% | 5/29/2020 | 0.01 | N/A | N/R | 0.37% |
| Negotiable certificates of deposit | 35,000 | 3.000% | 8/16/2019 | 0.13 | A1/P1/F1 | AA-/Aa2 | 0.51% |
| Managed rate accounts | 778,000 | 2.480% | 7/1/2019 | 0.00 | N/A | N/R | 11.38% |
| Local agency obligations | 80 | 2.845% | 6/15/2020 | 0.96 | N/A | N/R | 0.00% |
| CalTRUST short term fund | 4,024 | 2.547% | 7/1/2019 | 0.00 | N/A | AA+/Aaa | 0.06% |
| Money market mutual funds ⁽²⁾ | 107,000 | 2.272-2.283% | 7/1/2019 | 0.00 | AAA | AAA/Aaa | 1.56% |
| Total Investments Measured at Amortized Cost | 949,104 | | | | | | 13.88% |
| Total County Treasurer's Investments | 6,838,813 | | | | | | 100.00% |
| Investments Measured at Amortized Cost | | | | | | | |
| Money market funds | 120,134 | 0.000 - 2.32% | | N/A | AAA/Aaa | AAA/Aaa | 53.88% |
| Certificates of deposit | 1,000 | 0.300% | 10/18-10/19 | N/A | | | 0.45% |
| Local agency investment funds | 4,502 | 2.390% | 7/1/2019 | N/A | N/A | N/R | 2.02% |
| Mutual funds | 94,532 | 0.000-5.740% | | | | NR/Aaa | 42.40% |
| Investment agreements | 2,782 | 4.828% | 2/12/2035 | | | | 1.25% |
| Total Blended Component Unit Investments Measured at Amortized Cost | 222,950 | | | | | | 100.00% |
| Total Blended Component Unit Investments | 222,950 | | | | | | 100.00% |
| Total Investments | \$ 7,061,763 | | | | | | |

⁽¹⁾ Investment ratings are from Standard & Poor's (S&P) and Moody's Investor Service (Moody's).

⁽²⁾ 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, 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Fair Value Measurements

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. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the County has the ability to access.
- Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the County's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk).

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
NOTES TO STATEMENT OF NET POSITION
JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued)

The County has the following recurring fair value measurements as of June 30, 2019 (in thousands):

| Investments by Fair Value Level | Fair Value Measurements Using | | | June 30, 2019 |
|------------------------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|---------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| County Treasurer's Investments | | | | |
| Investments by Fair Value Level | | | | |
| U.S. treasuries | \$ 588,211 | \$ - | \$ - | \$ 588,211 |
| Federal home loan mortgage corp. | - | 1,366,102 | - | 1,366,102 |
| Federal national mortgage association | - | 398,153 | - | 398,153 |
| Federal home loan bank | - | 1,105,191 | - | 1,105,191 |
| Federal farm credit bank | - | 824,037 | - | 824,037 |
| Farmer mac | - | 160,502 | - | 160,502 |
| Municipal notes | - | 234,957 | - | 234,957 |
| Commercial paper | - | 920,200 | - | 920,200 |
| Corporate notes | - | 292,356 | - | 292,356 |
| Total County Treasurer's Investments by Fair Value Level | 588,211 | 5,301,498 | - | 5,889,709 |
| Investments Measured at Amortized Cost | | | | |
| Farmer mac | - | - | - | 25,000 |
| Negotiable certificates of deposit | - | - | - | 35,000 |
| Managed rate accounts | - | - | - | 778,000 |
| Local agency obligations | - | - | - | 80 |
| CalTRUST short term fund | - | - | - | 4,024 |
| Money market mutual funds | - | - | - | 107,000 |
| Total Investments Measured at Amortized Cost | - | - | - | 949,104 |
| Total County Treasurer's Investments | 588,211 | 5,301,498 | - | 6,838,813 |
| Investments Measured at Amortized Cost | | | | |
| Money market funds | - | - | - | 120,134 |
| Certificates of deposit | - | - | - | 1,000 |
| Local agency investment funds | - | - | - | 4,502 |
| Mutual funds | - | - | - | 94,532 |
| Investment agreements | - | - | - | 2,782 |
| Total Blended Component Unit Investments Measured at Amortized Cost | - | - | - | 222,950 |
| Total Blended Component Unit Investments | - | - | - | 222,950 |
| Total Investments | \$ 588,211 | \$ 5,301,498 | \$ - | \$ 7,061,763 |

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
NOTES TO STATEMENT OF NET POSITION
JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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. The fair 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 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, 2019, County of Riverside Asset Leasing Corporation (CORAL) had \$2.5 million and the Riverside University Health System – Medical Center had \$2.0 million for a total of \$4.5 million in LAIF. Also reported under restricted cash, Housing Authority had \$0.1 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 Treasurer's 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 value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates of its fair 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, 2019**

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 not 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 not 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 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 \$336 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 5 of this report.

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, 2019

NOTE 3 – RESTRICTED CASH AND INVESTMENTS

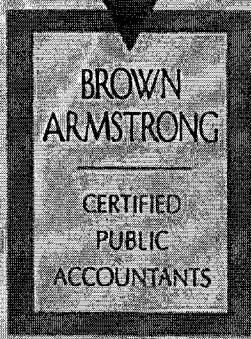
The amount of assets restricted by legal and contractual requirements at June 30, 2019, is as follows (in thousands):

Governmental Activities

| | | |
|------------------------------------------------------|---------------|-----------------------|
| General Fund | | \$ 411,861 |
| Flood Control | | 1,904 |
| Teeter Debt Service | | 32,515 |
| Public Financing Authority - Capital Projects | | 9,612 |
| Other Governmental Funds | | |
| CORAL | | |
| LAIF | \$ 2,538 | |
| Restricted Cash and Other Investments | <u>10,686</u> | \$ 13,224 |
| District Court Financing Corporation | | 1,063 |
| Infrastructure Financing Authority | | 11,464 |
| Pension Obligation | | 4,714 |
| Inland Empire Tobacco Securitization Authority | | 13,029 |
| Public Financing Authority | | <u>1,411</u> |
| Total Other Governmental Funds | | <u>44,905</u> |
| Total Governmental Activities | | <u>500,797</u> |

Business-Type Activities

| | | |
|------------------------------------------------------------------|--|--------------------------|
| Riverside University Health System - Medical Center | | |
| LAIF | | 1,964 |
| Restricted Cash and Other Investments | | <u>26,447</u> |
| Total Riverside University Health System - Medical Center | | 28,411 |
| Waste Resources | | |
| Remediation Costs | | 34,687 |
| Closure and Post-Closure Care Costs | | 31,852 |
| Customer Deposits | | 630 |
| Advances from Grantors and 3rd Parties | | 357 |
| Deposit Payable | | 38 |
| Deferred Inflow of Resources | | <u>5,790</u> |
| Total Waste Resources | | 73,354 |
| Housing Authority | | |
| Section 8 Housing Choice Voucher HAP | | 921 |
| Restricted Cash and Other Investments | | <u>283</u> |
| Total Housing Authority | | 1,204 |
| Other - Flood Control | | <u>3,363</u> |
| Total Business-Type Activities | | <u>106,332</u> |
| Total Restricted Cash and Investments | | <u>\$ 607,129</u> |



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 June 30, 2019, and the related notes to the financial statement, which collectively comprise the Treasurer's Investment Pool's basic financial statement and have issued our report thereon dated February 25, 2020.

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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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County Treasurer's Investment Pool's basic financial statement is free of material misstatement, we performed tests of the County's 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

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Accountancy Corporation

Bakersfield, California
February 25, 2020