

JEFFERY S. BURGH  
AUDITOR-CONTROLLER

COUNTY OF VENTURA  
800 SOUTH VICTORIA AVE.  
VENTURA, CA 93009-1540



ASSISTANT  
AUDITOR-CONTROLLER  
JOANNE McDONALD

CHIEF DEPUTIES  
VALERIE BARRAZA  
BARBARA BEATTY  
JILL WARD  
MICHELLE YAMAGUCHI

June 16, 2015

Honorable Board of Supervisors  
County of Ventura  
800 South Victoria Avenue  
Ventura, CA 93009

**SUBJECT: Receive and File the Independent Audit of Basic Financial Statements of the Ventura County Treasury Investment Pool and the Independent Auditors' Communication with Those Charged with Governance**

**RECOMMENDATION:** Receive and file.

**FISCAL/MANDATES IMPACT:** None.

**DISCUSSION:**

California Government Code Section ("GC §") 26920(b) prescribes that the Auditor-Controller annually perform or cause to be performed an audit of the assets in the County Treasury. We contracted with an independent certified public accounting firm, Vavrinek, Trine, Day & Company ("VTD"), to audit the Ventura County Treasury Investment Pool as of June 30, 2014. The audit is attached as Exhibit 1.

This was the first year that the Treasury prepared a *Statement of Net Position* and a *Statement of Changes in Net Position* in accordance with generally accepted accounting principles. For past annual audits, the Treasury prepared the *Statement of Money in County Treasury*, which met the minimum requirements of GC § 26920(b). The financial reporting change was made to increase transparency and accountability on investment performance.

VTD issued an unmodified opinion, indicating that the financial statements present fairly, in all material respects, the financial position of the \$1.9 billion Ventura County Treasury Investment Pool and the changes in financial position as of and for the year ended June 30, 2014. VTD identified no material weaknesses in internal control over financial reporting and no instances of noncompliance required to be reported under *Government Auditing Standards*.

The Treasurer-Tax Collector provided the following clarification regarding the audit reports:

Additional context is needed regarding omission of Management's Discussion and Analysis ("MD&A") as noted in the attached reports. The significance of the MD&A is to "discuss the current-year results in comparison with the prior year, with emphasis on the current year". Because this was the inaugural year of Treasury submitting an independent set of financial statements of the Investment Pool, it was mutually agreed and supported that the MD&A omission was justifiable since the requisite comparative data would have been limited. In addition, an omission would have no material impact to the overall opinion.

Although the Governmental Accounting Standards Board ("GASB") requires the MD&A, the Government Finance Officers Association issued best practice guidance stating that there is no authoritative standard addressing the contents of separately issued financial reports of units that are not legally separate (e.g., Treasury). However, VTD has taken the stance that the American Institute of Certified Public Accountants' position is that the MD&A should be considered and included as part of the financial statement package. Going forward, Treasurer-Tax Collector's Office has the inaugural financial statements and data to include a relevant and meaningful MD&A in its separately issued Generally Accepted Accounting Principles based financial statements.

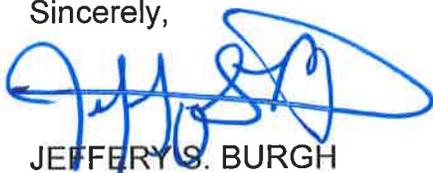
In addition, auditing standards require that auditors communicate with those charged with governance certain significant matters related to the audit. The term *those charged with governance* refers to those with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the entity's financial reporting process. The document attached as Exhibit 2 communicates such matters to the County's Board of Supervisors.

Honorable Board of Supervisors  
June 16, 2015  
Page 3

This item has been reviewed by the Treasurer-Tax Collector, County Executive Office,  
and County Counsel.

If you have any questions, please call me at 654-3151.

Sincerely,



JEFFERY S. BURGH  
Auditor-Controller

Exhibits:

Exhibit 1 – Ventura County Treasury Investment Pool – Audited Basic Financial  
Statements

Exhibit 2 – Independent Auditors' Communication with Those Charged with  
Governance

cc: Honorable Steven Hintz, Treasurer-Tax Collector  
Michael Powers, County Executive Officer  
Leroy Smith, County Counsel

**VENTURA COUNTY  
TREASURY INVESTMENT POOL  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**VENTURA COUNTY TREASURY INVESTMENT POOL  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**TABLE OF CONTENTS**

<b>INDEPENDENTS AUDITORS' REPORT .....</b>	<b>1</b>
Basic Financial Statements:	
Statement of Net Position .....	3
Statement of Changes in Net Position .....	4
Notes to the Basic Financial Statements .....	5
 <b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>.....</b>	 <b>13</b>



## INDEPENDENT AUDITORS' REPORT

To the County Board of Supervisors  
County of Ventura, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Treasury Investment Pool (Investment Pool) of the County of Ventura, California (County), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Investment Pool's basic financial statements 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 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.

### *Auditors' 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 auditors' 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 entity'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 entity'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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Investment Pool, as of June 30, 2014, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the activities of the Investment Pool and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2014, and the changes in its financial position for the year ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Management has omitted management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2015, on our consideration of the County's internal control over financial reporting as it relates to the 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.



Rancho Cucamonga, California  
May 11, 2015

**VENTURA COUNTY TREASURY INVESTMENT POOL  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

Assets

Cash and Deposits (Note 2)	\$ 61,133,529
Investments (Note 2)	1,836,849,470
Interest Receivable (Note 3)	<u>9,657</u>
Total Assets	<u>\$ 1,897,992,656</u>
Net Position Held in Trust for Pool Participants	<u><u>\$ 1,897,992,656</u></u>

See accompanying notes to the basic financial statements.

**VENTURA COUNTY TREASURY INVESTMENT POOL  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014**

Additions:

Participants' Deposits \$ 4,538,108,974

Investment Income:

Interest Income	\$ 8,148,407
Gain on Sale of Investment	828,597
Net Decrease in Fair Value	<u>(1,025,497)</u>

Net Investment Income (Loss) 7,951,507

Total Additions 4,546,060,481

Deductions:

Participants' Withdrawals 4,540,233,553

Treasury Administrative Expense 1,477,236

Total Deductions 4,541,710,789

Net Increase in Net Position 4,349,692

Beginning Net Position Held in Trust for Pool Participants 1,893,642,964

Ending Net Position Held in Trust for Pool Participants \$ 1,897,992,656

See accompanying notes to the basic financial statements.

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**The Financial Reporting Entity**

The Ventura County Investment Pool (“Investment Pool”) is part of the County of Ventura (“County”) and is responsible for assets of approximately \$1.9 billion as of June 30, 2014. The Investment Pool is administered by the Treasurer-Tax Collector, an elected official that manages pooled funds under the prudent investor rule which states that:

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

The Investment Pool is not registered with the U.S. Securities and Exchanges Commission as an investment company. The Investment Pool is comprised of the County, local school districts, local community colleges and other districts and agencies. Legal provisions require certain special districts to participate in the County’s Investment Pool including public school districts, cemetery districts, recreation and park districts, and the Air Pollution Control District. Involuntary participants in the Investment Pool comprise approximately 41%. The Treasurer-Tax Collector’s authority to invest is delegated by the Board of Supervisors in accordance with California Government Code Section (“GC §”) 53607. The Investment 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.

Pursuant to GC §27130-27137, the Board of Supervisors has established the Treasury Oversight Committee (“TOC”) which monitors and reviews the Statement of Investment Policy (“Policy”). The TOC consists of Ventura County officials, representatives from various pool participants, and members of the public. The Treasurer also reports on a monthly basis to the Board of Supervisors.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The accompanying financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, earnings on investments are recognized as revenue in the period in which they are earned and administrative costs are recognized as expenses when incurred, regardless of the timing of related cash flows. Interest earned on pooled investments is allocated quarterly to the appropriate funds based on each fund’s respective average daily balance for that quarter. Investment pool participants’ deposits and withdrawals are based on amortized cost basis, while investments are reported at fair value.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from these estimates.

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Gains and Losses**

Unrealized gains and losses of securities are determined by taking the difference between amortized cost and the fair value of investments. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that were held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior years and current year.

**NOTE 2 - CASH AND INVESTMENTS**

**Deposits**

At June 30, 2014, the carrying amount of the County's deposits was \$61,133,529 and total bank balances amounted to \$73,846,559. Of the bank balances, \$250,000 was covered by federal depository insurance and \$73,596,559 was uninsured. The total bank balance reflects a need to keep funds available for cash flow purposes. The uninsured deposits were held by a financial institution, which is legally required by the GC to collateralize the County's deposits by pledging government securities or first trust deed mortgage notes. In accordance with GC §53652, the market value of the pledged securities and first trust deed mortgage notes must be at least 110 percent and 150 percent of the County's deposits, respectively, as provided for in the County's Contract for Deposit of Moneys.

**Custodial Credit Risk - Deposits**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. For deposits, this risk is mitigated through federal depository insurance coverage and collateralization in accordance with GC §53652 as explained in detail above.

**Investments**

The Policy, which is more restrictive than required by GC §53635, stipulates the type, maturity limit, credit rating, and diversification of securities comprising the investment pool. The objectives of the Policy, in order of priority, are: safety of principal, maintenance of liquidity, and earning a competitive rate of return. The Policy, in compliance with GC §53635, authorizes the Treasurer to invest in the following: obligations of the U.S. Treasury, agencies and instrumentalities, or commercial paper rated A-1 or better by Standard and Poor's Ratings Services, P-1 by Moody's Investor Service, or F1 or better by Fitch Ratings, Commercial Paper, bankers' acceptances, repurchase agreements, corporate notes, negotiable certificates of deposit and Yankee certificates of deposit, obligations of the State of California, and obligations of any local agency within California.

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

Treasury Pool investments are accounted for in accordance with the provisions of GASB 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 provided by the custodian bank.

The County Treasurer calculates and records all interest earned, received, and accrued for the Treasurer's Investment Pool on a daily basis. Interest earned on the pooled investments is apportioned quarterly based on the average daily balance of each pool participant.

**Credit Risk**

State law and the Policy limit investments in commercial paper to those with the rating of A-1 or better by Standard & Poor's or P-1 by Moody's Investors Service. State law limits investment in medium term notes to a rating of A or better by Standard & Poor's or Moody's Investors Service; the Policy limits the short term ratings to A-1 or higher by Standard's and Poor's, P-1 by Moody's, and F1 or higher by Fitch Ratings, in addition, the Policy limits the long-term ratings to A or higher by Standard and Poor's, A2 or higher by Moody's, and A or higher by Fitch Ratings. State law does not limit investments in Municipal notes, bonds, and other obligations; the Policy limits the long-term ratings to A or higher by Standard and Poor's, A2 or higher by Moody's, and A or higher by Fitch Ratings. The County does not have credit limits on government agency securities. Certificates of deposit are required to be insured by the FDIC.

**Custodial Credit Risk - Investment**

This is the risk that, in the event of failure by the counterparty to a transaction, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Securities purchased by the Investment Pool are held by a third-party custodian, Wells Fargo Institutional Retirement Business, in their trust department to mitigate custodial risk.

**Concentration of Credit Risk**

In accordance with GASB 40, *Deposit and Investment Risk Disclosures*, disclosure is required for instruments in any one issuer that represents 5% or more of the Investment Pool holdings and are not explicitly guaranteed by the United States Government. State law and the Policy limit investments in commercial paper to 40% of the investment pool and 10% of the investment pool per issuer. State law limits investments in medium term notes to 30% of the investment pool; the Policy limit is 20% of the investment pool. State law and the Policy limit investments in negotiable certificates of deposit to 30% of the investment pool.

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

The table below identifies the investment types that are authorized by the County, along with the related concentration of credit limits:

Investment Type	Maximum Maturity		Maximum Percentage of Portfolio		Maximum Investment In One Issuer		Minimum Rating	
	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy
U.S. Agency Securities	5 years	3 years	None	None	None	25%	None	None
U.S. Treasury Bills, Notes, and Bonds	5 years	3 years	None	None	None	None	None	None
Commercial Paper	270 days	270 days	40%	40%	10%	10%	A-1	A-1 / P-1
Medium Term Notes	5 years	2 years	30%	20%	None	None	A	A-1 / P-1
Municipal Notes, Bonds, and Other Obligations	5 years	3 years	None	None	None	None	None	A-1 / P-1
Negotiable Certificates of Deposit and Yankee Certificates of Deposit	5 years	186 days	30%	30%	None	None	None	A-1 / P-1
Certificates of Deposit	5 years	375 days	30%	30%	None	None	None	A-1 / P-1
Local Agency Investment Fund	N/A	N/A	None	\$50 million	None	None	None	None
CalTrust	N/A	N/A	None	\$20 million (1)	None	None	None	Aaf
California Asset Management Program	N/A	N/A	None	\$20 million (1)	None	None	None	AAAm

Source: TTC Investment Policy

(1) – combined cannot exceed \$20 million

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

The following is a summary of the credit quality distribution and concentration of credit risk as a percentage of the investment pool's market value at June 30, 2014.

Investments at June 30, 2014	Standard & Poor's	Moody's	% of Investment Pool
Federal Home Loan Mortgage Corporation	AA+	Aaa	13.42%
Federal National Mortgage Association	AA+	Aaa	11.63%
Bank of Tokyo-Mitsubishi (CP)	A-1	P-1	7.51%
Deutsche Bk Finl (CP)	A-1	P-1	7.40%
Credit Suisse AG (CP)	A-1	P-1	7.35%
Societe Gen No Amer (CP)	A-1	P-1	6.69%
Wells Fargo Bank (MTN)	AA-	Aa3	5.75%
National Bank of Kuwait (YCD)	A-1	P-1	5.72%
BNP Paribas Finance (CP)	A-1	P-1	3.84%
Federal Farm Credit Banks	AA+	Aaa	3.78%
Korea Development BK (YCD)	A-1	P-1	2.45%
Credit Suisse AG Cert (YCD)	A-1	P-1	2.18%
Standard Chartered Bk (YCD)	A-1	P-1	2.18%
General Electric Cap Corp (MTN)	AA+	A1	2.09%
BNP Paribas NY (YCD)	A-1	P-1	1.91%
JP Morgan Securities (CP)	A-1	P-1	1.85%
Bank of New York Mellon (MTN)	AA-	Aa2	1.53%
Deutsche Bank AG (YCD)	A-1	P-1	1.36%
JP Morgan Chase (MTN)	A+	Aa3	1.23%
California St Txbl (Muni)	A	Aa3	1.22%
Credit Suisse New York (MTN)	A	A1	1.20%
Federal Home Loan Banks	AA+	Aaa	0.93%
Korea Development Bk (CP)	A-1	P-1	0.82%
Cal TRUST	AA	N/R	0.82%
Richmond CA TRANS (Muni)	AA-	N/R	0.66%
Svenska Handelsbnkn (CD)	A-1	P-1	0.57%
Bank of Montreal (CD)	N/R	P-1	0.54%
Farmer Mac	AA+	Aaa	0.54%
Wells Fargo Bank (CD)	A-1	P-1	0.54%
US Bancorp (MTN)	A+	A1	0.46%
LAIF	AA	N/R	0.38%
Mellon Bank NA (MTN)	AA-	Aa2	0.37%
Univ of California (Muni)	AA	Aa2	0.37%
Union Bank NA (CP)	A-1	P-1	0.27%

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

Investments at June 30, 2014	Standard & Poor's	Moody's	% of Investment Pool
California Street Build (Muni)	A	Aa3	0.15%
US Bank National (MTN)	A+	A1	0.07%
Anaheim CA City (Muni)	N/R	Aa3	0.07%
Riverside CNTY CA (Muni)	AA-	N/R	0.06%
Ventura CNTY Calif. (Muni)	AA	Aa2	0.03%
San Diego CA (Muni)	AA-	Aa3	0.03%
Santa Rosa CA (Muni)	AA-	N/R	<u>0.03%</u>
Total			<u>100.00%</u>

**Interest Rate Risk**

Through its Policy, the County manages its exposure to market value losses arising from increasing interest rates by limiting the weighted average maturity of the investment pool's holdings to 375 days. At June 30, 2014, the weighted average maturity of the investment pool was 290 days.

The County's investments at June 30, 2014, are summarized below (in thousands):

Amounts Invested in Pooled Treasury Fund:	Cost	Market Value	Weighted Average Maturity (Years)	Weighted Average Maturity (Days)
U.S. Agency Obligations	\$ 558,412	\$556,650	1.97	720
Commercial Paper	655,246	656,273	0.19	68
Medium Term Corporate Notes	236,397	233,546	0.67	243
Certificates of Deposit	320,408	320,412	0.13	49
Municipal Bonds	48,335	47,968	0.82	299
CalTrust	15,000	15,000		1
LAIF	7,000	7,000		1
Total Investments	<u>\$ 1,840,798</u>	<u>\$ 1,836,849</u>	<u>0.79</u>	<u>290</u>

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**California Local Agency Investment Fund (LAIF)**

The Investment Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. At June 30, 2014, the County's investment in LAIF was \$7,000,000 which approximates fair value and is the same as the value of the pool shares, which is determined on a full cost basis.

**CalTrust and California Asset Management Program (CAMP)**

The policy authorizes the Treasurer-Tax Collector to invest in The Investment Trust of California, doing business as CalTrust, and in California Asset Management Program (CAMP), California joint powers authorities in which the local agencies may invest funds pursuant to GC §53601(p). The combined investment in CalTrust and CAMP shall not exceed \$20,000,000. At June 30, 2014, the County's investment in CalTrust was \$15,000,000 which approximates fair value and is the same as the value of the pool shares, which is determined on an amortized cost basis.

A summary of the interest rate percentage range and the maturity range at June 30, 2014, of investments held by the County Treasurer is as follows:

Investments	Interest Rate Range	Interest Rate Range	
	(Yield Rate)	(Coupon Rate)	Maturity Range
LAIF	0.228 – 0.271	0.228 – 0.271	Day-to-Day
Commercial Paper	0.130 – 0.441	0.130 – 0.440	07/01/14 – 12/15/14
U.S. Agency Obligations	0.266 – 1.100	0.266 – 5.250	07/05/14 – 04/20/17
Medium Term Corporate Notes	0.249 – 0.900	0.700 – 6.900	09/15/14 – 05/09/16
Certificates of Deposit	0.145 – 0.300	0.150 – 0.310	07/02/14 – 10/21/14
Municipal Bonds	0.125 – 1.350	0.342 – 5.450	07/01/14 – 11/01/16
CalTrust	0.320 – 0.500	0.320 – 0.500	Day-to-Day

**Foreign Currency Risk**

The Investment Pool does not have any foreign currency risk as all investments in the Investment Pool are in U.S. dollar-denominated assets.

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 3 – INTEREST RECEIVABLE**

Interest receivables consist of interest accrued on investments including interest purchased with certain securities. At June 30, 2014, the Investment Pool had \$9,657 of interest receivable.

**NOTE 4 – INVESTMENT INCOME**

Investment income includes interest, gains and losses on sales of investments by the Treasurer-Tax Collector, less the decrease in fair value. As of June 30, 2014, the investment income was comprised of the following:

Interest	\$ 8,148,407
Gain on Sale of Investment	828,597
Net (Decrease) in Fair Value	<u>(1,025,497)</u>
Treasury Pool Investment Income	<u>\$ 7,951,507</u>

**NOTE 5 – INTEREST APPORTIONMENT**

Interest shall be apportioned to all pool participants quarterly, based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the Investment Pool. Using full accrual basis, the amount of interest apportioned shall be determined using the accrual method of accounting, whereby interest will be apportioned for the quarter in which it was actually earned. The Treasurer-Tax Collector may deduct from the gross interest earnings those administrative costs relating to the management of the Treasury, including salaries and other compensation, banking costs, equipment costs, supplies, the cost of information services, cashiering, accounting, depositing of public funds, audit, and any other costs as provided by GC §27013, 27133(f), and 27135.



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

To the County Board of Supervisors  
County of Ventura, 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 financial statements of the Treasury Investment Pool (Investment Pool) of the County of Ventura, California (County), as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated May 11, 2015. Our report included an emphasis of matter that the financial statements do not purport to, and do not, present fairly the financial position of the County. Also, our report notes that the financial statements do not include management's discussion and analysis.

**Internal Control over Financial Reporting**

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

*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 financial statements are free from 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California

May 11, 2015



To the County Board of Supervisors  
County of Ventura, California

We have audited the financial statements of the Treasury Investment Pool (Investment Pool) of the County of Ventura, California (County), for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the County Investment Pool's financial statements was management's estimates used in determining the fair market value of investments. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

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

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 11, 2015.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

Restriction on Use

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



Rancho Cucamonga, California  
May 11, 2015