



# **VENTURA COUNTY TREASURY OVERSIGHT COMMITTEE**

**Committee Members**  
**Supervisor Peter C. Foy**  
District 4, Committee Chair  
**Judge Steven Hintz**  
Treasurer-Tax Collector  
**Jeffery S. Burgh**  
Auditor-Controller  
**Ms. Misty Key**  
Associate Superintendent  
County Superintendent of Schools  
**Ms. Lori Mahoney**  
Investment Advisor

## **MEETING AGENDA**

**VENTURA COUNTY GOVERNMENT CENTER  
HALL OF ADMINISTRATION  
ATLANTIC CONFERENCE ROOM, MAIN PLAZA  
800 South Victoria Avenue  
Ventura, California 93009**

**November 2, 2016**

**1:00 P.M.**

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact Janet Wolfe at (805) 654-3728. Reasonable advance notification of the need for accommodation prior to the meeting (48 hours advance notice is preferable) will enable us to make reasonable arrangements to ensure accessibility to this meeting.

The following information is provided to help you understand, follow, and participate in the Committee meeting:

Pursuant to California Government Code Section 54953 (a) et seq. time is set aside for citizen presentations regarding Committee related issues. Those wishing to speak must fill out a speaker card and submit it to any staff members in attendance. Speaker cards for issues not on the agenda must be submitted to the committee staff prior to the beginning of the public comment period. For agenda item, speaker cards must also be submitted before the item is taken up for consideration.

Members of the public making oral presentations to the Committee in connection with one or more agenda or non-agenda items at a single meeting are limited to a cumulative total of time not to exceed five (5) minutes for all of their oral presentations at such meeting unless otherwise provided. NOTE: The Committee Chair may limit the number or duration of speakers on a matter.

Agenda material is available at <http://www.ventura.org/ttc/treasury-oversight-committee>

## **OPENING**

1. Call to Order.
2. Roll Call.
3. Agenda Review – Consider and approve by majority vote minor revisions and/or ratify inclusion of new items.
4. Approval of Meeting Minutes for April 6, 2016.
5. Committee Members’ and Staff Comments.

## **INFORMATIONAL AGENDA**

6. Receive and File the June 21, 2016 Board of Supervisors’ Adopted Resolution to Renew the Delegation of Authority to the Treasurer-Tax Collector to Invest Effective July 1, 2016 through July 1, 2017.
7. Receive and File a Board Letter of Certified Fixed Income Practitioner “CFIP” Designation to the Investment Work Group Team.
8. Receive and File an Oral Report of the Association of Public Treasurers of the United States & Canada’s Certified Public Finance Administrator and Cash Handling Policy Certification, August 2016.
9. Receive and File the Investment Work Group’s Biographies.

## **AGENDA**

10. Receive and File a Report “February 2016-September 2016 Transactions.”
11. Review, Discussion, Receive and File the Standard and Poor’s Ventura County Treasury Portfolio Pool Profile Report.
12. Receive and File the Independent Auditor’s Report of Basic Financial Statements of the Ventura County Treasury Investment Pool and the Independent Auditor’s Communication with Those Charged with Governance.
13. Receive and File the “Annual Treasury Oversight Committee Audit Engagement Letter.”
14. Discuss, Review and Approve the Recommended Proposed Modifications to the Statement of Investment Policy.
15. Public Comment - Time set aside for public comments regarding matters not appearing on the regular agenda. (Five minutes total per person).
16. Adjournment/Next Scheduled Meeting: April 12, 2017 at 1:00 P.M.



## **VENTURA COUNTY TREASURY OVERSIGHT COMMITTEE**

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Date: November 2, 2016

### **Agenda Item 4 - Approval of Meeting Minutes for April 6, 2016**

#### Recommendation

Review and approve the meeting minutes for April 6, 2016 (Exhibit 4.1).



**VENTURA COUNTY  
TREASURY OVERSIGHT COMMITTEE**

**April 6, 2016**

**Ventura County Government Center  
Hall of Administration, Atlantic Conference Room  
800 South Victoria Avenue  
Ventura, CA 93009**

**MINUTES**

**Committee Members**

Supervisor Peter C. Foy ..... Chair, Board of Supervisors (Absent)  
Judge Steven Hintz..... Treasurer-Tax Collector  
Jeffery S. Burgh ..... Auditor-Controller  
Ms. Misty Key ..... Associate Superintendent  
Ms. Lori Mahoney..... Investment Advisor

**Staff**

Linda Catherine Le ..... Assistant Treasurer-Tax Collector  
Connie Mah..... Treasury Management Division Manager

**Guest(s)**

Robert Bravo..... Management Analyst, County Executive Office

**OPENING (Items 1-5)**

**CALL TO ORDER & ROLL CALL**

At 1:07 P.M., Judge Steven Hintz called the meeting of the Ventura County Treasury Oversight Committee (“TOC”) to order. Roll is called.

**AGENDA REVIEW & APPROVAL OF MEETING MINUTES FOR NOVEMBER 4, 2015**

There were no additions or revisions of the Agenda.

Motion: Approve the Meeting Minutes for November 4, 2015

Moved by Ms. Misty Key, seconded by Ms. Lori Mahoney

Vote: Motion carried 3-0; Abstained by the Honorable Jeffery S. Burgh

**COMMITTEE MEMBERS’ AND STAFF COMMENTS**

The Honorable Jeffery S. Burgh was introduced as a newly appointed member to the Treasury Oversight Committee. Mr. Robert Bravo, Management Analyst/County Executive Office was introduced as the Treasurer-Tax Collector’s Office’s analyst.

## **INFORMATIONAL AGENDA**

### **AGENDA ITEM 6**

*Receive and File a Letter Confirming the Appointment of the Honorable Jeffery S. Burgh, Auditor-Controller, to the Ventura County Treasury Oversight Committee.*

The Committee received and filed a staff report as presented.

Motion: Approve

Moved by Judge Steven Hintz, and seconded by Ms. Key

Vote: Motion carried 4-0

### **AGENDA ITEM 7**

*Receive and File February 2016 Investment Report.*

The Committee received and filed a staff report as presented.

Motion: Approve

Moved by Mr. Burgh, and seconded by Ms. Mahoney

Vote: Motion carried 4-0

## **REGULAR AGENDA**

### **AGENDA ITEM 8**

*Receive and File the Brown Armstrong Audit Report dated February 15, 2016*

Motion: Approve

Moved by Mr. Burgh and seconded by Ms. Key

Vote: Motion carried 4-0

### **AGENDA ITEM 9**

*Receive and File "October 2015 through February 2016 Transactions"*

Motion: Approve

Moved by Ms. Key and seconded by Ms. Mahoney

Vote: Motion carried 4-0

### **AGENDA ITEM 10**

*Approval of a Recommendation to the Board of Supervisors to Renew the Delegation of Authority to Invest from July 1, 2016 through June 30, 2017.*

Motion: Approve

Moved by Mr. Burgh, and seconded by Ms. Key

Vote: Motion carried 4-0

### **AGENDA ITEM 11**

*Public Comment.*

There were no public comments.

With no further items to discuss, the meeting was adjourned at 1:46 P.M. The next meeting will be convened on Wednesday, November 2, 2016 at 1:00 P.M.



## VENTURA COUNTY TREASURY OVERSIGHT COMMITTEE

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Date: November 2, 2016

**Agenda Item 6 – Receive and File the June 21, 2016 Board of Supervisors’ Adopted Resolution to Renew the Delegation of Authority to the Treasurer-Tax Collector to Invest Effective July 1, 2016 through July 1, 2017.**

### Recommendation

It is recommended that the Treasury Oversight Committee receive and file the attached Letter presented to the Board of Supervisors on June 21, 2016 (Exhibit 6.1) to renew the delegation of authority to the Treasurer-Tax Collector to invest or reinvest the funds of the County and the funds of all depositors in the County Treasury effective July 1, 2016, 12:01 A.M. (PDT) through July 1, 2017, expiring at 12:01 A.M. (PDT).



# TREASURER-TAX COLLECTOR VENTURA COUNTY

EXHIBIT 6.1

**STEVEN HINTZ**  
TREASURER  
TAX COLLECTOR

Linda Catherine Le, MPPA, ACPFIM  
Assistant Treasurer-Tax Collector

June 21, 2016

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

**SUBJECT:** Adoption of a Resolution to Renew the Delegation of Authority to the Treasurer/Tax Collector to Invest

**RECOMMENDATION:**

It is recommended that the Board adopt the attached Resolution (“Resolution”) to renew the delegation of authority to the Treasurer/Tax Collector to invest or reinvest the funds of the County and the funds of all depositors in the County Treasury effective July 1, 2016, 12:01 A.M. (PDT) through July 1, 2017, expiring at 12:01 A.M. (PDT).

**FISCAL/MANDATES IMPACT:**

There is no fiscal impact to the County of Ventura.

**DISCUSSION:**

Pursuant to Government Code Section 27000.1, the Board may, by ordinance, delegate to the Treasurer/Tax Collector the authority to invest or reinvest the funds of the County and the funds of all depositors in the County Treasury. This delegation must be reviewed by the Board of Supervisors annually, and may be renewed each year by resolution pursuant to Government Code Section 53607.

The most recent delegation was accomplished by resolution passed on April 21, 2015, pursuant to Government Code Section 53607. This delegation expires on July 1, 2016, unless renewed by your Board under the provisions of Government Code Section 53607. At its meeting held on April 6, 2016, the Treasury Oversight Committee reviewed the County’s investment policy and performance and supported renewal of this delegation. Further, as demonstrated by the monthly report on investments, the Treasurer/Tax Collector continues to successfully implement the County’s investment policy and achieve its objectives of safety, liquidity and earning a competitive rate of return.

Board of Supervisors  
June 21, 2016  
Page 2 of 2

It is recommended that your Board adopt the attached Resolution to renew the delegation to take effect at 12:01 A.M. (PDT) on July 1, 2016, and shall expire, unless earlier revoked, at 12:01 A.M. (PDT), on July 1, 2017.

This letter has been reviewed and approved as to form by the County Executive Office, County Counsel and the Auditor-Controller's Office.

If you have any questions regarding this item, please call me at 654-3726 or Linda Catherine Le, Assistant Treasurer/Tax Collector, at 654-3771.

Regards,



STEVEN HINTZ  
Treasurer/Tax Collector

Exhibit 1 – Resolution



BOARD MINUTES  
BOARD OF SUPERVISORS, COUNTY OF VENTURA, STATE OF CALIFORNIA

SUPERVISORS STEVE BENNETT, LINDA PARKS,  
KATHY I. LONG, PETER C. FOY AND JOHN C. ZARAGOZA  
June 21, 2016 at 8:30 a.m.

CONSENT – TREASURER-TAX COLLECTOR – Adoption of a Resolution to Renew the Delegation of Authority to the Treasurer-Tax Collector to Invest or Reinvest the Funds of the County and the Funds of all Depositors in the County Treasury, Effective July 1, 2016 through July 1, 2017.

- (X) All Board members are present.
- (X) Upon motion of Supervisor Zaragoza, seconded by Supervisor Long, and duly carried, the Board hereby approves the staff recommendations as stated in the respective Board letters for Consent Items 11 – 41, 43 – 45 and 68 – 72, with a revised Board Letter and Exhibit 1 for Item Nos. 16 and 69.

I hereby certify that the annexed instrument is a true and correct copy of the document which is on file in this office.

Dated: MICHAEL POWERS  
Clerk of the Board of Supervisors  
County of Ventura, State of California

4/28/16

By: Louie Yaris  
Deputy Clerk of the Board

By: Brian Palmer  
Brian Palmer  
Chief Deputy Clerk of the Board



RESOLUTION *16-067*

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF VENTURA, RENEWING THE DELEGATION OF AUTHORITY TO THE TREASURER TO INVEST OR REINVEST THE FUNDS OF THE COUNTY AND THE FUNDS OF OTHER DEPOSITORS IN THE COUNTY TREASURY

WHEREAS, pursuant to Government Code Section 27000.1, the Board may, by ordinance, delegate to the Treasurer the authority to invest or reinvest the funds of the County and the funds of all depositors in the County Treasury;

WHEREAS, a delegation of authority to invest must be reviewed by the Board of Supervisors annually, and may be renewed each year by resolution pursuant to Government Code Section 53607;

WHEREAS, the most recent delegation by the Board of Supervisors was accomplished by resolution, adopted April 21, 2015, effective July 1, 2015, pursuant to Government Code Sections 53607 and 27000.1, and expires at 12:01 A.M., Pacific Daylight Time, on July 1, 2016, unless renewed by your Board under the provisions of Government Code Section 53607;

WHEREAS, the Board of Supervisors has reviewed the delegation of authority to the Treasurer to invest funds and desires to renew this delegation for another year pursuant to Government Code Section 53607;

NOW, THEREFORE, BE IT RESOLVED, the Board hereby renews the delegation of authority to the Treasurer to invest or reinvest the funds of the County and the funds of all depositors in the County Treasury. This delegation shall take effect at 12:01 A.M., Pacific Daylight Time, on July 1, 2016, and shall expire, unless earlier revoked, at 12:01 A.M., Pacific Daylight Time, on July 1, 2017.

Upon motion of Supervisor *Zaragoza*, seconded by Supervisor *Long* and duly carried, the Board hereby adopts the foregoing resolution on June 21, 2016.

*Linda Pritz*  
Chair, Board of Supervisors  
County of Ventura

ATTEST:

MICHAEL POWERS  
Clerk of the Board of Supervisors  
County of Ventura, State of California

By: *Jane Smith*  
Deputy Clerk of the Board





## **VENTURA COUNTY TREASURY OVERSIGHT COMMITTEE**

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Date: November 2, 2016

### **Agenda Item 7 – Receive and File a Board Letter of Certified Fixed Income Practitioner “CFIP” Designation to the Investment Work Group Team.**

#### Recommendation

It is recommended that the Treasury Oversight Committee receive and file the attached Letter presented to the Board of Supervisors on April 19, 2016 (Exhibit 7.1).



# TREASURER-TAX COLLECTOR VENTURA COUNTY

EXHIBIT 7.1

**STEVEN HINTZ**  
TREASURER  
TAX COLLECTOR

April 19, 2016

Linda Catherine Le, MPPA, ACPFIM  
Assistant Treasurer-Tax Collector

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

**SUBJECT:** Receive and File a Presentation of Certified Fixed Income Practitioner  
“CFIP” Designation to Treasurer-Tax Collector’s Staff

**RECOMMENDATION:**

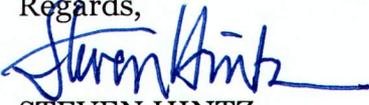
It is recommended that your Board receive and file a presentation recognizing the CFIP recipients.

**DISCUSSION:**

Linda Catherine Le, Assistant Treasurer-Tax Collector; Connie Mah, Treasury Management Division Manager; and Tai Ralston, Fiscal Specialist, all recently earned the Certified Fixed Income Practitioner (“CFIP”) designation by completing Fixed Income Academy’s (“Academy”) comprehensive training curriculum designed for public agencies, institutional bond investors and fiduciaries.

One of my main organizational goals was to create a professional financial institution through a “signature initiative” that draws on the implementation of best practice models in banking, tax collections and investment management. I am extremely proud to be part of the professional endeavor towards financial literacy, transparency and excellence in fixed income investment practices.

Ms. Susan Munson, Founder and Chief Executive Officer of the Academy, developed the program to deliver world-class knowledge in an easy to use platform to help committed professionals across the nation to achieve the learning objectives of finances. Please join Ms. Munson and me in congratulating the Ventura County Investment Work Group in achieving this excellence that represents commitment, dedication and integrity to financial prudence.

Regards,  
  
STEVEN HINTZ  
Treasurer/Tax Collector



## **VENTURA COUNTY TREASURY OVERSIGHT COMMITTEE**

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Date: November 2, 2016

### **Agenda Item 8 – Receive and File an Oral Report of the Association of Public Treasurers of the United States & Canada’s Certified Public Finance Administrator and Cash Handling Policy Certification, August 2016.**

#### Recommendation

It is recommended that the Treasury Oversight Committee receive and file an oral report of the Association of Public Treasurers of the United States & Canada’s Certified Public Finance Administrator and Cash Handling Policy Certifications.

The Ventura County Treasurer-Tax Collector’s Office (“Office”) submitted the Cash Handling (“Policy”) to the Association of Public Treasurers of the United States and Canada (APTUS&C) in June 2016. A Certificate of Excellence delineates trust and confidence to the governing body, the pool participants and the public that the Office has taken the extra professional step of having the Policy review and certify. The Office’s accomplishment is a testament of our ongoing commitment to financial prudence.

Finally, since 1979, APTUS&C formulated a professional certification program to recognize individuals who demonstrate a strong knowledge in the field of public finance and who exhibit exemplary performance within the treasury management profession. In order to earn the prestigious Certified Public Finance Administrator (“CPFA”) credential, Judge Steven Hintz and Ms. Linda Catherine Le must meet specified education and experience standards. The CPFA Certification was awarded to Judge Hintz and Ms. Le in August 2016.



## VENTURA COUNTY TREASURY OVERSIGHT COMMITTEE

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Date: November 2, 2016

### **Agenda Item 9 – Receive and File the Investment Work Group’s Biographies.**

#### Recommendation

Receive and file the attached Biographies of the Investment Work Group (Exhibit 9.1). The group is comprised of the following members:

- The Honorable Steven Hintz, Treasurer-Tax Collector
- Ms. Linda Catherine Le, Assistant Treasurer-Tax Collector
- Ms. Connie Mah, Accounting-Manager
- Ms. Marilou Tan, CPA, Senior Finance Analyst
- Ms. Bertha Lopez, Investment Clerk
- Ms. Sakaothip Brabante, Investment Clerk

**VENTURA COUNTY  
INVESTMENT WORK GROUP**

**STEVEN HINTZ**

Ventura County's Treasurer-Tax Collector  
First Elected November 2010, took office January 2011  
Re-elected November 2014, Second Term in Office January 2015  
California Municipal Court Judge 1982-1996, Superior Court Judge 1996-2009  
Ventura County Deputy District Attorney 1975-1982  
Lieutenant, U.S. Navy Judge Advocate General's Corps 1971-1975  
B.S. San Diego State, Business Management, Political Science minor  
J.D. Boalt Hall School of Law, University of California, Berkeley  
Certified Public Funds Investment Manager (CPFIM) 2012  
Certified Public Finance Administrator (CPFA) 2016

**LINDA CATHERINE LE**

Assistant Treasurer-Tax Collector  
Appointed July 2013  
Program Management Analyst, County Executive Office 2007-2013  
B.A. cum laude, Applied Research Psychology, Long Beach State  
M.P.P.A. summa cum laude, California Lutheran University  
Advanced Certified Public Funds Investment Manager (ACPFIM) 2013  
Certified Public Finance Administrator (CPFA) 2015  
Certified Fixed Income Practitioner (CFIP) 2015  
Certified California Municipal Treasurer (CCMT) 2016

**CONNIE MAH**

Fiscal Manager, Treasury since 2009  
Accounting-Manager, Treasurer-Tax Collector, September 2016  
B.S. Business Administration, University of California, Berkeley  
M.P.A. California State University, Northridge  
Certified Fixed Income Practitioner (CFIP) 2015

**MARILOU TAN**

Senior Finance Analyst, Treasurer-Tax Collector's Office, September 2016  
Financial Analyst II, Treasurer-Tax Collector's Office, November 2015  
Senior Auditor, Arthur Anderson LLP  
Senior Internal Auditor, Hewlett-Packard Company  
Financial Analysis Manager, WellPoint, Inc.  
Certified Public Accountant, California Board of Accountancy, since 2000  
Bachelor of Science in Business Administration, Accounting and Finance  
Summa Cum Laude, California State University, Northridge

**BERTHA LOPEZ**

Treasury Supervisor, Promoted in October 2016  
Investment Clerk since 2009

**SAKAOTHIP ("THIP") BRABANTE**

Fiscal Technician, Treasurer-Tax Collector's Office, July 2016  
12 year experience in banking; accounts payable services and payroll and claims  
Bachelor's Degree in Business Computer Science from Assumption University, Thailand  
Professional Accounting Certificate from UC Santa Barbara  
Notary Public issued by the State of California



## **VENTURA COUNTY TREASURY OVERSIGHT COMMITTEE**

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Date: November 2, 2016

### **Agenda Item 10 – Receive and File a Report “February 2016 through September 2016 Transactions”**

#### Recommendation

Receive and file “February 2016 through September 2016 Transactions” report (Exhibit 10.1).

## FEBRUARY 2016 - SEPTEMBER 2016 TRANSACTIONS

Transaction Date	Purchase/ Sale	Par Amount	Security Type	Security Name	Maturity Date	Yield
02/01/16	Purchase	10.00	CP	ABBEY NATL TREASURY SERV	04/27/16	0.56
02/01/16	Purchase	10.00	CP	ABBEY NATL TREASURY SERV	05/31/16	0.65
02/02/16	Purchase	5.00	GA	FHLB DISCOUNT NOTE	05/31/16	0.40721
02/04/16	Purchase	10.00	CP	TOYOTA MOTOR CREDIT CORP	05/26/16	0.53
02/09/16	Sale	2.00	GA	FAMCA	03/06/18	0.906243
02/10/16	Purchase	15.00	SUPRANATIONAL	INTL BK RECON & DEVELOP	10/05/18	1.020201
02/10/16	Sale	10.00	GA	FAMCA	09/28/17	0.892058
02/10/16	Purchase	10.00	CP	BANK OF TOKYO MIT UFJ NY	06/02/16	0.59
02/12/16	Purchase	10.00	SUPRANATIONAL	INTL FINANCE CORP	06/15/18	0.926828
02/16/16	Purchase	10.00	YCD	CHIBA BANK LTD NEW YORK	05/12/16	0.75
02/17/16	Purchase	14.21	SUPRANATIONAL	INTL FINANCE CORP	06/15/18	0.874906
02/17/16	Purchase	10.00	CP	TOYOTA CREDIT PUERTO RICO	04/28/16	0.49
02/18/16	Purchase	10.00	CP	KOREA DEVELOPMENT BANK NY	06/02/16	0.60
02/19/16	Purchase	10.00	SUPRANATIONAL	INTL BK RECON & DEVELOP	10/05/18	1.030071
02/22/16	Purchase	10.00	YCD	CHIBA BANK LTD NEW YORK	05/05/16	0.62
02/25/16	Sale	10.00	GA	FAMCA	10/28/16	0.697395
02/25/16	Purchase	10.00	YCD	STANDARD CHARTERED BK NY	11/21/16	1.05
02/26/16	Purchase	5.00	GA	FNMA	02/26/19	1.125
02/26/16	Purchase	5.00	SUPRANATIONAL	INTL BK RECON & DEVELOP	02/26/19	1.360239
02/26/16	Purchase	5.00	GA	FFCB	02/16/18	0.85
02/26/16	Purchase	5.00	SUPRANATIONAL	INTL BK RECON & DEVELOP	02/26/19	1.367068
03/02/16	Purchase	10.00	YCD	CHIBA BANK LTD NEW YORK	07/01/16	0.75
03/04/16	Purchase	5.00	GA	FNMA	03/28/18	0.973046
03/14/16	Purchase	10.00	YCD	BANCO ESTADO CHILE NY	05/05/16	0.42
03/15/16	Purchase	2.00	MTN	BERKSHIRE HATHAWAY	03/07/18	1.470137
03/15/16	Purchase	10.00	SUPRANATIONAL	INTL BK RECON & DEVELOP	10/05/18	1.190003
03/16/16	Purchase	10.00	CP	CREDIT SUISSE NEW YORK	10/12/16	1.03
03/17/16	Purchase	5.00	SUPRANATIONAL	INTL BK RECON & DEVELOP	02/26/19	1.391692
03/17/16	Purchase	4.290	GA	FNMA	02/26/19	1.243340
03/18/16	Purchase	10.00	SUPRANATIONAL	INTL BK RECON & DEVELOP	01/22/19	1.2602

## FEBRUARY 2016 - SEPTEMBER 2016 TRANSACTIONS

Transaction Date	Purchase/ Sale	Par Amount	Security Type	Security Name	Maturity Date	Yield
02/01/16	Purchase	10.00	CP	ABBEY NATL TREASURY SERV	04/27/16	0.56
03/18/16	Purchase	15.00	CP	MITSUI & CO USA INC.	04/25/16	0.52
03/21/16	Purchase	20.00	CP	MITSUI & CO USA INC.	04/28/16	0.52
03/28/16	Purchase	5.00	CP	TOYOTA MOTOR CREDIT CORP	12/23/16	1.03
03/29/16	Purchase	5.350	GA	FHLMC	03/29/19	1.237370
03/29/16	Purchase	10.00	GA	FHLB	03/29/19	1.35
03/29/16	Purchase	5.00	GA	FFCB	03/29/18	0.895224
03/29/16	Purchase	10.00	CP	BANK OF TOKYO MIT UFJ NY	08/29/16	0.79
03/29/16	Purchase	10.00	GA	FFCB	03/29/18	0.875
03/30/16	Purchase	20.00	CP	CREDIT SUISSE NEW YORK	08/29/16	0.82
04/01/16	Purchase	10.00	CP	BANK OF TOKYO MIT UFJ NY	06/01/16	0.47
04/01/16	Purchase	10.00	GA	FHLB DISCOUNT NOTE	06/02/16	0.29498
04/01/16	Purchase	10.00	YCD	NATL BANK OF KUWAIT NY	07/01/16	0.70
04/04/16	Purchase	10.00	CP	ABBEY NATL TREASURY SERV	08/02/16	0.56
04/05/16	Purchase	5.00	GA	FHLB DISCOUNT NOTE	06/07/16	0.29498
04/05/16	Purchase	10.00	CP	ABBEY NATL TREASURY SERV	12/30/16	0.97
04/05/16	Purchase	10.00	CP	CANADIAN IMPERIAL HLDING	12/16/16	0.93
04/06/16	Purchase	10.00	CP	JP MORGAN SEC LLC	10/03/16	0.87
04/06/16	Purchase	20.00	CP	BANK OF TOKYO MIT UFJ NY	04/20/16	0.39
04/06/16	Purchase	20.00	YCD	BANCO ESTADO CHILE NY	06/16/16	0.45
04/07/16	Purchase	10.00	CP	GE CAPITAL CORP	04/21/16	0.34
04/07/16	Purchase	20.00	YCD	STANDARD CHARTERED BANK NY	12/30/16	1.08
04/08/16	Purchase	15.00	MTN	TOYOTA MOTOR CREDIT CORP	04/06/18	1.212226
04/08/16	Purchase	10.00	CP	ABBEY NATL TREASURY SERV	01/03/17	0.94
04/08/16	Purchase	20.00	YCD	BANCO ESTADO CHILE NY	07/18/16	0.56
04/11/16	Purchase	20.00	YCD	STANDARD CHARTERED BANK NY	01/06/17	1.09
04/12/16	Purchase	10.00	GA	FFCB	04/18/18	0.754994
04/13/16	Purchase	10.00	CP	TOYOTA MOTOR CREDIT CORP	07/25/16	0.54
04/18/16	Purchase	10.00	GA	FHLB	04/18/19	1.217023
04/18/16	Purchase	10.00	SUPRANATIONAL	INTL BK RECON & DEVELOP	01/18/19	1.0101

## FEBRUARY 2016 - SEPTEMBER 2016 TRANSACTIONS

Transaction Date	Purchase/ Sale	Par Amount	Security Type	Security Name	Maturity Date	Yield
02/01/16	Purchase	10.00	CP	ABBAY NATL TREASURY SERV	04/27/16	0.56
04/18/16	Purchase	10.00	GA	FHLB	04/18/19	1.220429
04/18/16	Purchase	20.00	GA	FHLB DISCOUNT NOTE	07/28/16	0.35618
04/19/16	Purchase	10.00	GA	FFCB	07/18/18	1.022704
04/20/16	Purchase	4.00	MUNI	NIVERSITY OF CALIFORNIA REVENUE	05/15/18	0.95
04/20/16	Purchase	3.00	MUNI	NIVERSITY OF CALIFORNIA REVENUE	05/15/19	1.169
4/20/2016	Purchase	20.00	YCD	CHIBA BANK LTD NEW YORK	07/29/16	0.70
4/20/2016	Purchase	10.00	YCD	CREDIT INDUST ET COMM NY	08/01/16	0.59
4/20/2016	Purchase	10.00	CP	BANK OF TOKYO MIT UFJ NY	07/27/16	0.61
4/21/2016	Purchase	10.00	CP	BANK OF TOKYO MIT UFJ NY	08/03/16	0.62
4/22/2016	Purchase	10.00	CP	BANK OF TOKYO MIT UFJ NY	08/01/16	0.62
4/25/2016	Purchase	10.00	MTN	TOYOTA MOTOR CREDIT CORP	04/25/18	1.10
4/25/2016	Purchase	10.00	MTN	TOYOTA MOTOR CREDIT CORP	04/25/18	1.10
4/25/2016	Purchase	10.00	CP	TOYOTA MOTOR CREDIT CORP	08/08/16	0.58
4/26/2016	Purchase	10.00	SUPRANATIONAL	INTL BK RECON & DEVELOP	04/26/19	1.25
4/26/2016	Purchase	10.00	GA	FHLMC	04/26/19	1.125
4/26/2016	Purchase	5.00	SUPRANATIONAL	INTL BK RECON & DEVELOP	04/26/19	1.30
4/26/2016	Purchase	5.00	SUPRANATIONAL	INTL BK RECON & DEVELOP	04/26/19	1.284086
4/27/2016	Purchase	12.500	GA	FHLMC	04/27/18	1.00
4/28/2016	Purchase	5.00	SUPRANATIONAL	INTL BK RECON & DEVELOP	10/05/18	1.020774
05/03/16	Purchase	10.00	YCD	CHIBA BANK LTD NEW YORK	08/17/16	0.72
05/03/16	Purchase	10.00	GA	FHLMC	10/26/18	1.020445
05/04/16	Purchase	10.00	YCD	CHIBA BANK LTD NEW YORK	08/17/16	0.71
05/04/16	Purchase	10.00	YCD	BANCO ESTADO CHILE NY	01/27/17	1.01
05/06/16	Purchase	10.00	YCD	CHIBA BANK LTD NEW YORK	07/28/16	0.69
05/09/16	Purchase	8.00	GA	FHLB	05/09/18	1.00
05/10/16	Purchase	10.00	YCD	CHIBA BANK LTD NEW YORK	08/01/16	0.59
05/10/16	Purchase	5.00	GA	FHLMC	08/10/18	1.00137
05/11/16	Purchase	10.00	CP	KOREA DEVELOPMENT BANK NY	08/17/16	0.59
05/13/16	Purchase	10.00	YCD	CHIBA BANK LTD NEW YORK	09/02/16	0.70

## FEBRUARY 2016 - SEPTEMBER 2016 TRANSACTIONS

Transaction Date	Purchase/ Sale	Par Amount	Security Type	Security Name	Maturity Date	Yield
02/01/16	Purchase	10.00	CP	ABBNEY NATL TREASURY SERV	04/27/16	0.56
05/13/16	Purchase	10.00	YCD	BANCO ESTADO CHILE NY	09/02/16	0.66
05/17/16	Purchase	5.00	MUNI	CALIFORNIA ST	04/01/18	0.90
05/18/16	Purchase	15.00	GA	FFCB	05/18/18	0.950238
05/18/16	Purchase	15.00	YCD	NATL BANK OF KUWAIT NY	02/10/17	1.16
05/19/16	Purchase	10.830	GA	FFCB	11/19/18	1.100663
05/19/16	Purchase	15.00	CP	KOREA DEVELOPMENT BANK NY	10/25/16	0.94
05/20/16	Purchase	10.00	CP	KOREA DEVELOPMENT BANK NY	10/25/16	0.94
05/20/16	Purchase	10.00	YCD	BANCO ESTADO CHILE NY	02/14/17	1.06
05/24/16	Purchase	20.00	YCD	ROYAL BANK OF CANADA NY	02/17/17	1.07
05/24/16	Purchase	10.00	YCD	CHIBA BANK LTD NEW YORK	10/03/16	0.81
05/24/16	Purchase	15.00	CP	JP MORGAN SECURITIES, LLC.	02/17/17	1.09
05/24/16	Purchase	10.00	CP	BANK OF TOKYO MIT UFJ NY	10/03/16	0.74
05/25/16	Purchase	0.100	MUNI	OREGON ST	05/01/19	1.15
05/25/16	Purchase	0.100	MUNI	OREGON ST	05/01/17	0.73
05/25/16	Purchase	0.100	MUNI	OREGON ST	05/01/18	0.90
05/25/16	Purchase	10.00	GA	FHLB	05/25/18	1.00
05/25/16	Purchase	10.00	CP	ABBNEY NATL TREASURY SERV	02/14/17	1.09
05/25/16	Purchase	4.650	CP	CANADIAN IMPERIAL HLDING	02/03/17	0.98
05/25/16	Purchase	10.00	CP	TOYOTA MOTOR CREDIT CORP	02/15/17	1.10
05/25/16	Purchase	10.00	YCD	NATL BANK OF KUWAIT NY	10/03/16	0.83
06/01/16	Purchase	10.00	CP	BANK OF TOKYO MIT UFJ NY	10/03/16	0.76
06/01/16	Purchase	9.325	CP	CANADIAN IMPERIAL HLDING	02/17/17	1.01
06/02/16	Purchase	15.00	YCD	NATL BANK OF KUWAIT NY	10/04/16	0.86
06/06/16	Purchase	15.00	CP	BANK OF TOKYO MIT UFJ NY	10/06/16	0.75
06/07/16	Purchase	10.00	YCD	KOOKMIN BANK NY	09/27/16	0.76
06/08/16	Purchase	10.00	CP	JP MORGAN SEC LLC	03/03/17	1.05
06/09/16	Purchase	0.870	MUNI	YUBA CA COMMUNITY COLLEGE DIST	08/01/16	0.603
06/09/16	Purchase	1.00	MUNI	YUBA CA COMMUNITY COLLEGE DIST	08/01/18	0.90
06/09/16	Purchase	10.00	YCD	BANCO ESTADO CHILE NY	03/06/17	1.09

## FEBRUARY 2016 - SEPTEMBER 2016 TRANSACTIONS

Transaction Date	Purchase/ Sale	Par Amount	Security Type	Security Name	Maturity Date	Yield
02/01/16	Purchase	10.00	CP	ABBEY NATL TREASURY SERV	04/27/16	0.56
06/14/16	Purchase	10.00	YCD	KOOKMIN BANK NY	03/10/17	1.110
06/16/16	Purchase	10.00	YCD	NATL BANK OF KUWAIT NY	08/09/16	0.58
07/25/16	Purchase	20.00	YCD	NATL BANK OF KUWAIT NY	04/21/17	1.24
07/26/16	Purchase	20.00	YCD	CHIBA BANK LTD NY	09/01/16	0.51
07/27/16	Purchase	15.00	CP	KOREA DEVELOPMENT BANK NY	10/24/16	0.71
07/28/16	Purchase	15.00	YCD	CHIBA BANK LTD NY	10/25/16	0.88
08/03/16	Purchase	10.00	YCD	CHIBA BANK LTD NY	11/04/16	0.88
08/04/16	Purchase	10.00	YCD	NATL BANK OF KUWAIT NY	11/04/16	0.83
08/09/16	Purchase	10.00	YCD	CHIBA BANK LTD NY	11/07/16	0.98
08/19/16	Purchase	30.00	LAIF	LAIF	DAILY	VARIED
08/19/16	Purchase	10.00	CALTRUST	CALTRUST	DAILY	VARIED
08/19/16	Purchase	25.00	YCD	KOOKMIN BANK NY	02/03/17	1.02
08/19/16	Purchase	20.00	YCD	KOOKMIN BANK NY	11/10/16	0.86
08/19/16	Purchase	25.00	YCD	KOOKMIN BANK NY	01/03/17	0.99
08/23/16	Purchase	10.00	CP	ABBEY NATL TREASURY SERV	05/19/17	1.34
08/29/16	Purchase	10.00	CP	ABBEY NATL TREASURY SERV	05/24/17	1.38
08/30/16	Purchase	10.00	YCD	NATL BANK OF KUWAIT NY	05/26/17	1.44
09/01/16	Purchase	10.00	YCD	NATL BANK OF KUWAIT NY	05/26/17	1.41
09/06/16	Purchase	10.00	CP	TOYOTA CREDIT DE PUERTO RICO	01/03/17	0.92
09/07/16	Purchase	15.00	CP	CREDIT AGRICOLE CIB NY	01/05/17	0.96
09/09/16	Purchase	10.00	YCD	BANCO ESTADO CHILE NY	01/04/17	0.95
09/12/16	Purchase	10.00	CP	CREDIT AGRICOLE CIB NY	01/06/17	0.96
09/16/16	Purchase	10.00	YCD	CHIBA BANK LTD NY	01/03/17	1.05
09/21/16	Purchase	10.00	YCD	CHIBA BANK LTD NY	01/04/17	1.06
09/23/16	Purchase	15.00	CP	BANK OF TOKYO MIT UFJ NY	01/09/17	0.86
09/28/16	Purchase	10.00	YCD	CHIBA BANK LTD NY	01/13/17	1.06
09/29/16	Purchase	10.00	YCD	KOOKMIN BANK NY	01/17/17	1.02



## **VENTURA COUNTY TREASURY OVERSIGHT COMMITTEE**

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Date: November 2, 2016

### **Agenda Item 11 – Review, Discuss, Receive and File Standard and Poor’s Ventura County Treasury Portfolio Report**

#### Recommendation

Review, discuss, receive and file the “Standard and Poor’s Ventura County Treasury Portfolio” Report (Exhibit 11.1).



55 Water Street  
New York, NY 10041  
212 438 2000 Tel  
212 438 5075 Fax

August 9, 2016

Ventura County  
800 South Victoria Avenue  
Ventura, CA, 93009  
Attention: Steven Hintz, Treasurer-Tax Collector

**Re:** Ventura County Treasury Portfolio

Dear Mr. Hintz:

S&P Global Ratings hereby affirms its Fund Credit Quality Rating of “**AAAF**” and Fund Volatility Rating of “**S1+**” for the above-referenced fund.

This letter constitutes S&P Global Ratings’ permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements or to allow the Issuer to comply with its regulatory obligations) will become effective only after we’ve released the rating on [standardandpoors.com](http://standardandpoors.com). Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable. To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P Global Ratings may choose to acknowledge such a rating and denote such acknowledgement on [www.standardandpoors.com](http://www.standardandpoors.com) with an alphabetic or other identifier affixed to such rating or by other means.

To maintain the rating, S&P Global Ratings must receive all information as indicated in the applicable Terms and Conditions. You understand that S&P Global Ratings relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to: [guyna.johnson@spglobal.com](mailto:guyna.johnson@spglobal.com). If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website, please send hard copies to: S&P Global Ratings, 55 Water Street, New York, New York 10041-0003, Attention: Funds Surveillance Group.

The rating is subject to the Terms and Conditions attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

S&P Global Ratings is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at [www.standardandpoors.com](http://www.standardandpoors.com). If you have any questions, please contact us. Thank you for choosing S&P Global Ratings.

Sincerely yours,

S&P Global Ratings, acting through  
Standard & Poor's Financial Services LLC

Analytical Contact: Guyna Johnson  
312-233-7008

/dg



## **S&P Global Ratings Terms and Conditions Applicable To Credit Ratings**

You understand and agree that:

**General.** The credit ratings and other views of S&P Global Ratings are statements of opinion and not statements of fact. Credit ratings and other views of S&P Global Ratings are not recommendations to purchase, hold, or sell any securities and do not comment on market price, marketability, investor preference or suitability of any security. While S&P Global Ratings bases its credit ratings and other views on information provided by issuers and their agents and advisors, and other information from sources it believes to be reliable, S&P Global Ratings does not perform an audit, and undertakes no duty of due diligence or independent verification, of any information it receives. Such information and S&P Global Ratings' opinions should not be relied upon in making any investment decision. S&P Global Ratings does not act as a "fiduciary" or an investment advisor. S&P Global Ratings neither recommends nor will recommend how an issuer can or should achieve a particular credit rating outcome nor provides or will provide consulting, advisory, financial or structuring advice.

**All Credit Rating Actions in S&P Global Ratings' Sole Discretion.** S&P Global Ratings may assign, raise, lower, suspend, place on CreditWatch, or withdraw a credit rating, and assign or revise an Outlook, at any time, in S&P Global Ratings' sole discretion. S&P Global Ratings may take any of the foregoing actions notwithstanding any request for a confidential or private credit rating or a withdrawal of a credit rating, or termination of this Agreement. S&P Global Ratings will not convert a public credit rating to a confidential or private credit rating, or a private credit rating to a confidential credit rating.

**Publication.** S&P Global Ratings reserves the right to use, publish, disseminate, or license others to use, publish or disseminate the credit rating provided hereunder and any analytical reports, including the rationale for the credit rating, unless you specifically request in connection with the initial credit rating that the credit rating be assigned and maintained on a confidential or private basis. If, however, a confidential or private credit rating or the existence of a confidential or private credit rating subsequently becomes public through disclosure other than by an act of S&P Global Ratings or its affiliates, S&P Global Ratings reserves the right to treat the credit rating as a public credit rating, including, without limitation, publishing the credit rating and any related analytical reports. Any analytical reports published by S&P Global Ratings are not issued by or on behalf of you or at your request. Notwithstanding anything to the contrary herein, S&P Global Ratings reserves the right to use, publish, disseminate or license others to use, publish or disseminate analytical reports with respect to public credit ratings that have been withdrawn, regardless of the reason for such withdrawal. S&P Global Ratings may publish explanations of S&P Global Ratings' credit ratings criteria from time to time and nothing in this Agreement shall be construed as limiting S&P Global Ratings' ability to modify or refine its credit ratings criteria at any time as S&P Global Ratings deems appropriate. The provisions of this paragraph are subject to the restrictions on disclosure of Confidential Information set forth in this Agreement.

**Information to be Provided by You.** For so long as this Agreement is in effect, in connection with the credit rating provided hereunder, you will provide, or cause to be provided, as promptly as practicable, to S&P Global Ratings all information requested by S&P Global Ratings in accordance with its applicable published credit ratings criteria. The credit rating, and the maintenance of the credit rating, may be affected by S&P Global Ratings' opinion of the information received from you or your authorized agents and advisors. Except for "Excluded Information", as defined below, all information provided to S&P Global Ratings by you or your authorized agents and advisors regarding the credit rating or, if applicable, surveillance of the credit rating, will, as of the date such information is provided, contain no untrue statement of material fact nor omit a material fact necessary in order to make such information, in light of the

circumstances in which it was provided, not misleading. Excluded Information means information you cause to be provided by your authorized agents and advisors pursuant to the first sentence of this paragraph with respect to which such agent or advisor has agreed in a writing provided to S&P Global Ratings to make the agreements in this paragraph and to be liable to S&P Global Ratings for breaches of such agreements to the same extent as if you provided the information directly to S&P Global Ratings hereunder. A material breach of the agreements in this paragraph shall constitute a material breach of this Agreement.

Liability Relating to Information to be Provided by You. To the extent permitted by applicable law, you will be liable to S&P Global Ratings and its affiliates for all Losses actually incurred and directly resulting from (x) a material breach of the agreements in the immediately preceding paragraph or (y) a claim that the provision by you or your authorized agents and advisors of information to S&P Global Ratings hereunder infringes or violates the intellectual property rights of a third party. For purposes of this paragraph, “Losses” means losses, damages, liabilities, judgments, costs, charges, expenses and reasonable attorneys’ fees, including any such losses arising from claims asserted by a third party against S&P Global Ratings, in each case as finally determined by a court of competent jurisdiction in a proceeding in which you are a party. Losses do not include amounts resulting from S&P Global Ratings’ gross negligence, intentional wrongdoing or willful misconduct as finally determined by a court of competent jurisdiction in a proceeding in which you are a party.

Confidential Information. For purposes of this Agreement, “Confidential Information” shall mean verbal or written information that you or your authorized agents and advisors have provided to S&P Global Ratings and, in connection with providing such information, have indicated in writing that the information is “Confidential.” Notwithstanding the foregoing, information disclosed by you or your authorized agents and advisors to S&P Global Ratings shall not be deemed to be Confidential Information, and S&P Global Ratings shall have no obligation to treat such information as Confidential Information, if such information (i) was known by S&P Global Ratings at the time of such disclosure and was not known by S&P Global Ratings to be subject to a prohibition on disclosure, (ii) was known to the public at the time of such disclosure, (iii) becomes known to the public (other than by an act of S&P Global Ratings or its affiliates) subsequent to such disclosure, (iv) is disclosed to S&P Global Ratings by a third party subsequent to such disclosure and S&P Global Ratings reasonably believes that such third party’s disclosure to S&P Global Ratings was not prohibited, (v) is developed independently by S&P Global Ratings or its affiliates without reference to the Confidential Information, or (vi) is approved in writing by you or your authorized agents and advisors for public disclosure. S&P Global Ratings is aware that U.S. and state securities laws may impose restrictions on trading in securities when in possession of material, non-public information and has adopted securities trading and communication policies to that effect.

S&P Global Ratings’ Use of Information. Except as required by applicable law or regulation or otherwise provided herein, S&P Global Ratings shall not disclose Confidential Information to third parties.

S&P Global Ratings may (i) use Confidential Information for its credit rating activities, including without limitation, to assign, raise, lower, suspend, place on CreditWatch, or withdraw a credit rating, and assign or revise an Outlook, as well as to make internal determinations about commercial arrangements for its credit rating activities, and (ii) share Confidential Information with its affiliates or agents engaged in the credit ratings business who are bound by appropriate confidentiality obligations (“Ratings Affiliates and Agents”).

Subject to the other provisions herein, S&P Global Ratings may also use, and share Confidential Information with any of its affiliates or agents engaged in other financial services businesses who are bound by appropriate confidentiality obligations (“Other Affiliates and Agents”, and together with Ratings Affiliates and Agents, “Affiliates and Agents”), for modelling, benchmarking and research purposes.

Subject to the other provisions herein, S&P Global Ratings may publish and/or share with its Affiliates and Agents, who also may publish, data aggregated or derived from Confidential Information, excluding data that is specific to and identifies individual debtors, customers or clients.

S&P Global Ratings will comply with all applicable U.S. and state laws, rules and regulations protecting personally-identifiable information and the privacy rights of individuals. S&P Global Ratings acknowledges for itself and on behalf of its affiliates that you may be entitled to seek specific performance and injunctive or other equitable relief as a remedy for

S&P Global Ratings' or its affiliates' disclosure of Confidential Information in violation of this Agreement. S&P Global Ratings and its Affiliates and Agents reserve the right to use, publish, disseminate, or license others to use, publish or disseminate any non-Confidential Information provided by you or your authorized agents and advisors.

S&P Global Ratings Not an Expert, Underwriter or Seller under Securities Laws. S&P Global Ratings has not consented to and will not consent to being named an "expert" or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. S&P Global Ratings is not an "underwriter" or "seller" as those terms are defined under applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation Sections 11 and 12(a)(2) of the U.S. Securities Act of 1933. S&P Global Ratings has not performed the role or tasks associated with an "underwriter" or "seller" under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with this engagement.

Office of Foreign Assets Control. As of the date of this Agreement, (a) neither you nor the issuer (if you are not the issuer) or any of your or the issuer's subsidiaries, or any director or corporate officer of any of the foregoing entities, is the subject of any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC Sanctions"), (b) neither you nor the issuer (if you are not the issuer) is 50% or more owned or controlled, directly or indirectly, individually or collectively, by one or more persons or entities that is or are the subject of OFAC Sanctions, and (c) to the best of your knowledge, no entity 50% or more owned or controlled by a direct or indirect parent of you or the issuer (if you are not the issuer) is the subject of OFAC Sanctions. For purposes of clause (c) in this section, "parent" is a person or entity owning or controlling, directly or indirectly, 50% or more of you or the issuer (if you are not the issuer). For so long as this Agreement is in effect, you will promptly notify S&P Global Ratings if any of these circumstances change.

S&P Global Ratings' Use of Confidential and Private Credit Ratings. S&P Global Ratings may use confidential and private credit ratings in its analysis of the debt issued by collateralized debt obligation (CDO) and other investment vehicles. S&P Global Ratings may disclose a confidential or private credit rating as a confidential credit estimate or assessment to the managers of CDO and similar investment vehicles. S&P Global Ratings may permit CDO managers to use and disseminate credit estimates or assessments on a limited basis and subject to various restrictions; however, S&P Global Ratings cannot control any such use or dissemination.

Entire Agreement. Nothing in this Agreement shall prevent you, the issuer (if you are not the issuer) or S&P Global Ratings from acting in accordance with applicable laws and regulations. Subject to the prior sentence, this Agreement, including any amendment made in accordance with the provisions hereof, constitutes the complete and entire agreement between the parties on all matters regarding the credit rating provided hereunder. The terms of this Agreement supersede any other terms and conditions relating to information provided to S&P Global Ratings by you or your authorized agents and advisors hereunder, including without limitation, terms and conditions found on, or applicable to, websites or other means through which you or your authorized agents and advisors make such information available to S&P Global Ratings, regardless if such terms and conditions are entered into before or after the date of this Agreement. Such terms and conditions shall be null and void as to S&P Global Ratings.

Limitation on Damages. S&P Global Ratings does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a credit rating or the results obtained from the use of such information. S&P GLOBAL RATINGS GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. S&P Global Ratings, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to you, your affiliates or any person asserting claims on your behalf, directly or indirectly, for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to the credit rating provided hereunder or the related analytic services even if advised of the possibility of such damages or other amounts except to the extent such damages or other amounts are finally determined by a court of competent jurisdiction in a proceeding in which you and S&P Global Ratings are parties to result from gross negligence, intentional wrongdoing or willful misconduct of S&P Global Ratings. In furtherance and not in limitation of the foregoing, S&P

Global Ratings will not be liable to you, your affiliates or any person asserting claims on your behalf in respect of any decisions alleged to be made by any person based on anything that may be perceived as advice or recommendations. In the event that S&P Global Ratings is nevertheless held liable to you, your affiliates, or any person asserting claims on your behalf for monetary damages under this Agreement, in no event shall S&P Global Ratings be liable in an aggregate amount in excess of seven times the aggregate fees paid to S&P Global Ratings for the credit rating giving rise to the cause of action, up to a maximum of US\$5,000,000 except to the extent such monetary damages directly result from S&P Global Ratings' intentional wrongdoing or willful misconduct. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. Neither party waives any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Credit Ratings Acknowledged for Use in Other Jurisdictions. To the extent that regulatory authorities allow a credit rating agency to acknowledge in one jurisdiction a credit rating issued in another jurisdiction for certain regulatory purposes, S&P Global Ratings may choose to acknowledge such a credit rating and denote such acknowledgement on www.standardandpoors.com with an alphabetic or other identifier affixed to such credit rating or by other means. S&P Global Ratings reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. If S&P Global Ratings acknowledges such a credit rating for regulatory purposes, all limitations set out herein with respect to a credit rating will apply to such acknowledgment of the credit rating, including without limitation, that such acknowledgement is not a recommendation to purchase, hold, or sell any securities nor does it comment on market price, marketability, investor preference or suitability of any security. S&P Global Ratings, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to you, your affiliates or any person asserting claims on your behalf, directly or indirectly, for actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to the assignment, withdrawal, or suspension of such acknowledgement, even if advised of the possibility of such damages or other amounts, except to the extent such damages or other amounts are finally determined by a court of competent jurisdiction in a proceeding in which you and S&P Global Ratings are parties to result from gross negligence, intentional wrongdoing or willful misconduct of S&P Global Ratings.

Termination of Agreement. This Agreement may be terminated by either party at any time upon written notice to the other party. Except where expressly limited to the term of this Agreement, these Terms and Conditions shall survive the termination of this Agreement.

No Third-Party Beneficiaries. Nothing in this Agreement, or the credit rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the credit rating. No person is intended as a third party beneficiary of this Agreement or of the credit rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns. Subject to the limitations contained in this Agreement, S&P Global Ratings shall be liable for the conduct of its affiliates that would otherwise constitute a breach of the terms of this Agreement if S&P Global Ratings had engaged in such conduct itself.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Amendments. This Agreement may not be amended or superseded except by a writing that specifically refers to this Agreement and is executed manually or electronically by authorized representatives of both parties.

Governing Law. This Agreement and the credit rating letter(s) shall be governed by the internal laws of the State of New York. The parties irrevocably agree that the state and federal courts of New York located in the County of New York shall be the exclusive forums for any dispute arising out of or relating to this Agreement or the credit rating letter(s) and the parties hereby consent to the personal jurisdiction of such courts.



## **VENTURA COUNTY TREASURY OVERSIGHT COMMITTEE**

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Date: November 2, 2016

### **Agenda Item 12 – Receive and File the Independent Auditor’s Report of Basic Financial Statements of the Ventura County Treasury Investment Pool and the Independent Auditor’s Communication with Those Charged with Governance.**

#### Recommendation

It is recommended that the Treasury Oversight Committee receive and file the Independent Auditor’s Report of Financial Statements of the Ventura County Treasury Investment Pool as of June 30, 2015 (Exhibit 12.1).

Government Code Section 26920(b) requires that on an annual basis, the Auditor-Controller shall perform or cause to be performed an audit of the assets of the County Treasury.

Prior to 2013, the Auditor-Controller’s Office (“ACO”) performed an annual audit of the Statement of Money in County Treasury. According to the ACO, due to changes in auditing standards, the Internal Audit Division of the ACO is no longer perform the annual audit.

The ACO contracted Vavrinek, Trine, Day & Co., LLP (“VTD”) to perform the inaugural audit in May 2014 for the fiscal year ending June 30, 2014. Subsequently, on an annual basis, the Treasurer-Tax Collector’s Office is charged to prepare the annual financial statements. The reporting change resulted in a greater transparency and accountability on investment performance.

The independent audit of basic financial statements of the Ventura County Treasury Investment Pool was presented to the Ventura County Board of Supervisors on June 7, 2016.

As identified by VTD, there were no material weaknesses in internal control over financial reporting and no instances of noncompliance.

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 7, 2016

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, 2015. The audit is attached as Exhibit 1.

VTD issued an unmodified opinion, indicating that the financial statements present fairly, in all material respects, the financial position of the \$2.3 billion Ventura County Treasury Investment Pool and the changes in financial position as of and for the year ended June 30, 2015. VTD identified no material weaknesses in internal control over financial reporting and no instances of noncompliance required to be reported under *Government Auditing Standards*.

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 7, 2016  
Page 2

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,

A handwritten signature in black ink, appearing to read 'Jeffery S. Burgh', with a large, sweeping flourish at the end.

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, 2015**

**VENTURA COUNTY TREASURY INVESTMENT POOL  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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## 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 Ventura County Investment Pool (Investment Pool), as of and for the year ended June 30, 2015, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2015, and the changes in financial position thereof 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 of Ventura as of June 30, 2015, 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***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 4 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2016, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Rancho Cucamonga, California  
April 19, 2016

**VENTURA COUNTY TREASURY'S INVESTMENT POOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015 (Unaudited)**

As management of the Ventura County's Investment Pool ("Investment Pool"), we offer readers of the Investment Pool's financial statements this narrative overview and analysis of the financial activities of the Investment Pool for the fiscal year ended June 30, 2015.

The following analysis primarily focuses on the Investment Pool's current year results in comparison with the prior year. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

**Financial Highlights**

- The Investment Pool's total net position at June 30, 2015, was \$2.3 billion, an increase of \$426.7 million (22.5%) compared to prior year.
- Contributions by participants increased by \$667.1 million resulting from the addition of new participants such as Gold Coast Health Plan and Ventura County Public Financing Authority and additional contribution from the public school districts due to Proposition 39 bond proceeds and increased school funding from the State.
- The net investment income increased by \$2.2 million or 27.2% from the prior year. The net change in the fair value of investments increased by \$3.0 million primarily due to changes in investment portfolio mix in the current year. Offsetting the increase in the change in fair value is lower interest income and lower gain on the sale of investments compared to prior year.
- The Investment Pool's expense ratio was competitive at 0.06% of the average daily balance for the current year and 0.08% for the prior year.

**Overview of the Investment Pool Financial Statements**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The Investment Pool's basic financial statements consist of two components:

- 1) Statement of Net Position and Statement of Changes in Net Position;
- 2) Notes to the Basic Financial Statements

The Statement of Net Position presents information on the Investment Pool's assets and liabilities, with the difference between the two reported as *net position*.

**VENTURA COUNTY TREASURY'S INVESTMENT POOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015 (Unaudited)**

A summary of the Investment Pool's net position is presented below.

**Statement of Net Position**

	2015	2014	Increase/(Decrease)	
			Amount	Percentage
Assets				
Cash and Deposits	\$ 258,224,327	\$ 61,133,529	\$ 197,090,798	322.4%
Investments	2,066,398,258	1,836,849,470	229,548,788	12.5%
Interest Receivable	34,093	9,657	24,436	253.0%
Total Assets	<u>2,324,656,678</u>	<u>1,897,992,656</u>	<u>426,664,022</u>	22.5%
<b>Net Position</b>	<b><u>\$ 2,324,656,678</u></b>	<b><u>\$ 1,897,992,656</u></b>	<b><u>\$ 426,664,022</u></b>	<b>22.5%</b>

A summary of the changes in the Investment Pool's net position is presented below.

**Statement of Changes in Net Position**

	2015	2014	Increase/(Decrease)	
			Amount	Percentage
Additions:				
Participants' Deposits	\$ 5,205,235,091	\$ 4,538,108,974	\$ 667,126,117	14.7%
Net Investment Income	10,114,362	7,951,507	2,162,855	27.2%
Total Additions	<u>5,215,349,453</u>	<u>4,546,060,481</u>	<u>669,288,972</u>	14.7%
Deductions:				
Participants' Withdrawals	4,787,439,715	4,540,233,553	247,206,162	5.4%
Treasury Administrative Expense	1,245,716	1,477,236	(231,520)	-15.7%
Total Deductions	<u>4,788,685,431</u>	<u>4,541,710,789</u>	<u>246,974,642</u>	5.4%
Changes in Net Position	426,664,022	4,349,692	422,314,330	9709.1%
Net Position Beginning of Year	<u>1,897,992,656</u>	<u>1,893,642,964</u>	<u>4,349,692</u>	0.2%
Net Position End of Year	<b><u>\$ 2,324,656,678</u></b>	<b><u>\$ 1,897,992,656</u></b>	<b><u>\$ 426,664,022</u></b>	<b>22.5%</b>

**VENTURA COUNTY TREASURY INVESTMENT POOL**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

## Assets

Cash and Deposits (Note 2)	\$ 258,224,327
Investments (Note 2)	2,066,398,258
Interest Receivable (Note 3)	<u>34,093</u>
Total Assets	<u>\$ 2,324,656,678</u>
Net Position Held in Trust for Pool Participants	<u><u>\$ 2,324,656,678</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, 2015**

Additions:

Participants' Deposits	\$ 5,205,235,091
------------------------	------------------

## Investment Income:

Interest Income	\$ 7,656,718	
Gain on Sale of Investment	484,353	
Net Increase in Fair Value	1,973,291	

Net Investment Income	10,114,362
Total Additions	5,215,349,453

Deductions:

Participants' Withdrawals	4,787,439,715
Treasury Administrative Expense	1,245,716
Total Deductions	4,788,685,431

Net Increase in Net Position	426,664,022
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Beginning Net Position Held in Trust for Pool Participants	1,897,992,656
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Ending Net Position Held in Trust for Pool Participants	\$ 2,324,656,678
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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, 2015**

**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 \$2.3 billion as of June 30, 2015. 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 United States Securities and Exchange 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 38%. 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 a full cost basis, while investments are reported at fair value.

**New Accounting Pronouncement**

In February 2015, the Governmental Accounting Standards Board (“GASB”) issued Statement No. 72, *Fair Value Measurement and Application*. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. It also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB 72 is effective for financial statements for periods beginning after June 15, 2015, with earlier application encouraged. The adoption of GASB 72 will require additional disclosure and presentation according to new hierarchy.

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**New Accounting Pronouncement (Continued)**

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB 79 provides guidance for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. It also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. GASB 79 is effective for financial statements for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The County has not determined the effect of this statement.

**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 and disclosures at the date of the financial statements and during the reporting period. Actual results could differ from these estimates.

**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, 2015, the carrying amount of the County's deposits was \$258,224,327 and total bank balances amounted to \$272,218,135. The carrying amount of cash and deposits reflects outstanding checks of \$17,934,827. Of the bank balances, \$250,000 was covered by federal depository insurance and \$271,968,135 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.

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**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 instruments: 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, bankers' acceptances, repurchase agreements, corporate notes, negotiable certificates of deposit and Yankee certificates of deposit, supranational instruments, obligations of the State of California, and obligations of any local agency within California.

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 A2 by Moody's; the Policy limits the short term ratings to A-1 or higher by Standard 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. State law limits investments in supranational instruments to those with the rating of AA or better by Standard & Poor's; the Policy limits the rating to AAA by Standard and Poor's. The County does not have credit limits on government agency securities. Certificates of deposit are required to be insured by the FDIC.

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**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. State law and the Policy limit investments in supranational instruments to 30% of the investment pool.

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**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
Supranational Instruments	5 years	3 years	30%	30%	None	None	AA	AAA
Negotiable Certificates of Deposit	5 years	186 days	30%	30%	None	None	None	A-1 / P-1
Yankee Certificates of Deposit	5 years	270 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 (LAIF)	N/A	N/A	None	\$50 million	None	None	None	None
CalTRUST	N/A	N/A	None	\$25 million (1)	None	None	None	Aaf
California Asset Management Program	N/A	N/A	None	\$25 million (1)	None	None	None	AAAm

Source: Ventura County Statement of Investment Policy

*(1) – combined cannot exceed \$25 million*

**VENTURA COUNTY TREASURY INVESTMENT POOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**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, 2015.

Investments at June 30, 2015	Standard & Poor's	Moody's	% of Investment Pool
International Bk Recon & Develop (Supra)	AAA	Aaa	13.29%
Federal Home Loan Bank (GA)	AA+	Aaa	9.48%
Federal Farm Credit Bank (GA)	AA+	Aaa	8.97%
Federal Home Loan Mortgage Corporation (GA)	AA+	Aaa	8.61%
National Bank of Kuwait (YCD)	A-1	P-1	6.29%
Chiba Bank (YCD)	A-1	P-1	6.05%
Standard Chartered Bk (YCD)	A-1	P-1	5.33%
Credit Agricole (CP)	A-1	P-1	4.88%
Bank of Tokyo-Mitsubishi (CP)	A-1	P-1	4.35%
Credit Suisse AG (CP)	A-1	P-1	3.48%
Federal Agricultural Mortgage Corp (GA)	AA+	N/R	2.52%
MUFG Union Bank (CP)	A-1	P-1	2.42%
Wells Fargo & Company (MTN)	A+	A2	2.10%
International Finance Corp (Supra)	AAA	N/R	1.94%
PNC Bank (CP)	A-1	P-1	1.94%
LAIF	AA	N/R	1.69%
US Treasury Note (Treasury)	AA+	Aaa	1.69%
California St Txbl (Muni)	A+	Aa3	1.45%
Korea Development Bk (CP)	A-1+	P-1	1.36%
BNP Paribas (CP)	A-1	P-1	1.21%
General Electric Cap Corp (MTN)	AA+	A1	1.14%
Wells Fargo Bank (MTN)	AA-	Aa2	1.11%
Bank of Tokyo-Mitsubishi (YCD)	A-1	P-1	0.97%
Nordea Bank AB (CP)	A-1+	P-1	0.97%
Wachovia Bk Nat'l (MTN)	A+	Aa3	0.88%
Federal National Mortgage Association (GA)	AA+	Aaa	0.79%
CalTRUST	AA	N/R	0.73%
Microsoft Corp (MTN)	AAA	Aaa	0.59%
Federal Home Loan Mortgage Corp Discount Note (GA)	AA+	N/R	0.48%
Standard Chartered Bk (CP)	A-1	P-1	0.48%
Toyota Credit de Puerto Rico (CP)	A-1+	P-1	0.48%
Bank of New York Mellon (MTN)	A+	A1	0.39%
Wal-Mart Stores Inc (MTN)	AA	Aa2	0.34%
Federal Home Loan Bank Discount Note (GA)	AA+	N/R	0.24%
Toyota Motor Credit Corp (CP)	A-1+	P-1	0.24%

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

Investments at June 30, 2015	Standard &		% of Investment
	Poor's	Moody's	Pool
Santa Clara Vly CA Transprt A Ref-Txbl (Muni)	AA+	Aa2	0.16%
Berkshire Hathaway (MTN)	AA	Aa2	0.15%
Los Angeles CA Unif Sch Dist (Muni)	AA-	Aa2	0.15%
Bank of Nova Scotia (MTN)	A+	Aa2	0.12%
Napa CA Cmnty Redev Agy Succes Ref (Muni)	A+	N/R	0.11%
Orange Cnty CA Pensn Oblg Ref-Pnsn (Muni)	AA-	N/R	0.11%
Univ of California Revenues (Muni)	AA	Aa2	0.08%
Grossmont CA Union High Sch Di (Muni)	A+	Aa3	0.06%
San Bernardino City CA Unif Sch Txbl(Muni)	A	A2	0.05%
Riverside Cnty CA Asset Leasin Txbl-Ref Court (Muni)	AA-	N/R	0.04%
California State Dept of Water Resources (Muni)	AAA	Aa1	0.03%
Santa Rosa CA Pensn Oblg (Muni)	AA-	N/R	0.03%
Riverside CA Pensn Oblg Bans-Txbl-Ser A (Muni)	A-1+	N/R	0.02%
S Placer CA Fire Prot Dist COP (Muni)	A+	N/R	<u>0.01%</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, 2015, the weighted average maturity of the Investment Pool was 295 days.

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

The County's investments at June 30, 2015, are summarized below (in thousands):

Amounts Invested in Pooled Treasury Fund:	Cost	Market Value	Weighted Average Maturity (Years)	Weighted Average Maturity (Days)
U.S. Treasury STRIPS	\$ 34,951	\$ 34,998	0.98	359
U.S. Agency Obligations	642,370	642,631	1.17	428
Commercial Paper	450,252	450,708	0.20	73
Medium Term Corporate Notes	142,929	140,938	0.27	99
Supranational Instruments	314,825	314,594	2.05	747
Certificates of Deposit	385,021	385,067	0.16	60
Municipal Bonds	48,025	47,462	1.02	373
CalTRUST	15,000	15,000		1
LAIF	35,000	35,000		1
Total Investments	<u>\$ 2,068,373</u>	<u>\$ 2,066,398</u>	<u>0.81</u>	<u>295</u>

**California Local Agency Investment Fund**

The Investment Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF) that is regulated by the California GC under the oversight of the Treasurer of the State of California. At June 30, 2015, the County's investment in LAIF was \$35,000,000 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**

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 \$25,000,000. At June 30, 2015, 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.

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

A summary of the interest rate percentage range and the maturity range at June 30, 2015, of investments held by the County is as follows:

Investments	Interest Rate Range (Yield Rate)	Interest Rate Range (Coupon Rate)	Maturity Range
LAIF	0.244 – 0.299	0.244 – 0.299	Day-to-Day
Commercial Paper	0.200 – 0.593	0.200 – 0.590	07/01/15 – 03/11/16
U.S. Treasury STRIPS	0.282 – 0.646	0.250 – 0.625	05/15/16 – 02/15/17
U.S. Agency Obligations	0.090 – 0.970	0.090 – 5.250	07/15/15 – 03/06/18
Medium Term Corporate Notes	0.173 – 0.800	0.446 – 6.900	07/01/15 – 01/13/17
Supranational Instruments	0.605 – 1.230	0.610 – 1.230	01/17/17 – 06/15/18
Certificates of Deposit	0.240 – 0.540	0.240 – 0.570	07/02/15 – 12/22/15
Municipal Bonds	0.274 – 1.550	0.274 – 3.950	07/01/15 – 04/01/18
CalTRUST	0.360 – 0.510	0.360 – 0.510	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.

**NOTE 3 – INTEREST RECEIVABLE**

Interest receivables consist of interest accrued on investments including interest purchased with certain securities. At June 30, 2015, the Investment Pool had \$34,093 of interest receivable.

**NOTE 4 – 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 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 Ventura County Investment Pool (Investment Pool), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Investment Pool's basic financial statements, and have issued our report thereon dated April 19, 2016. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County of Ventura's (County) 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

April 19, 2016



## **VENTURA COUNTY TREASURY OVERSIGHT COMMITTEE**

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Date: November 2, 2016

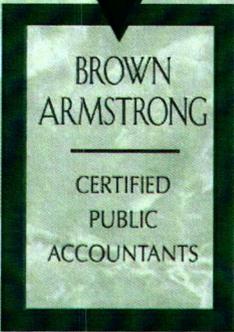
### **Agenda Item 13 – Receive and File the “Annual Treasury Oversight Committee Audit Engagement Letter”**

#### Recommendation

It is recommend that the Treasury Oversight Committee receive and file the “Annual Treasury Oversight Committee Audit Engagement Letter” (Exhibit 13.1).

Per Government Code Section 27134, the county treasury oversight committee shall cause an annual audit to be conducted to determine the county treasury’s compliance. The audit may include issues relating to the structure of the investment portfolio and risk. Brown Armstrong *Certified Public Accountants* firm will examine the County of Ventura’s compliance with the Treasury Oversight Committee provisions contained in the California Government Code and the County Investment Policy for the year ended June 30, 2016.

The audit engagement will commence in January 2017. A final report will be presented to the Treasury Oversight Committee in April 2017.



BROWN  
ARMSTRONG

CERTIFIED  
PUBLIC  
ACCOUNTANTS

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TEL 209.451.4833

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

## BROWN ARMSTRONG

*Certified Public Accountants*

October 10, 2016

Steven Hintz  
Treasurer-Tax Collector  
County of Ventura  
800 South Victoria Avenue  
Ventura, California 93009-1290

*To be effective November 30, 2016, if approved  
by the Treasury Oversight Committee.*

Dear Mr. Hintz;

We are pleased to confirm our understanding of the services we are to provide County of Ventura Treasurer-Tax Collector (the County TTC) for the year ended June 30, 2016. We will perform, as required by California Government Code Section 27134 (California Government Code), a compliance audit of the investment policies and procedures of the County TTC and issue an audit report in accordance with audit standards generally accepted in the United States of America, and standards applicable to financial audits contained in *Governmental Audit Standards* issued by the Comptroller General of the United States.

### Audit Objective

The objective of our audit is the expression of an opinion as to whether management's assertion that the County TTC complied with the California Government Code regarding the investment pool portfolio and the County TTC's investment policy during the year ended June 30, 2016, is fairly stated, in all material respects. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the County TTC and other procedures we consider necessary to enable us to express such an opinion. If our opinion on the compliance is other than unmodified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

### Audit Procedures—General

An audit includes examining, on a test basis, evidence about the County TTC's compliance with the provisions of the California Government Code regarding the investment pool portfolio and the County TTC's Investment Policy. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether violations of laws or governmental regulations that is attributable to the County TTC or to acts by management or employees acting on behalf of the County TTC.

Steven Hintz  
Treasurer-Tax Collector  
County of Ventura  
October 10, 2016  
Page Two

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on management's assertion as a whole. However, we will inform you of any material errors that come to our attention, and we will inform you of any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during any later periods for which we are not engaged as auditors.

At the conclusion of our audit, we will require certain written representations from you about the management's responsibility and related matters.

#### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the County TTC and its environment, including internal control, sufficient to plan the audit in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing our opinion on management's assertion regarding compliance with the California Government Code regarding the investment portfolio and the County TTC's investment policy. Our tests will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under under AICPA professional standards and *Government Auditing Standards*.

#### **Management Responsibilities**

Management is responsible for establishing and maintaining internal control and for compliance with laws, regulations, contracts, and grants. Management is responsible for making all financial records and related information available to us. We understand that you will provide us with such information required for our audit and that you are responsible for the accuracy and completeness of that information.

#### **Audit Administration, Fees, and Other**

We understand that your employees will prepare all confirmations we request and will locate any documents selected by us for testing.

We expect to begin our audit on approximately January 10, 2017, and to issue our reports no later than March 15, 2017.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, typing, postage, travel, copies, telephone, etc.) and will approximate \$3,800. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and may not be resumed until your account is paid in

Steven Hintz  
 Treasurer-Tax Collector  
 County of Ventura  
 October 10, 2016  
 Page Three

full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

All disputes under this agreement shall be submitted to mediation. Each party shall designate an executive officer empowered to attempt to resolve the dispute. Should the designated representatives be unable to agree on a resolution, a competent and impartial third party acceptable to both parties shall be appointed to mediate. Each disputing party shall pay an equal percentage of the mediator's fees and expenses. No suit or arbitration proceedings shall be commenced under this agreement until at least 60 days after the mediator's first meeting with the involved parties. In the event that the dispute is required to be litigated, the court shall be authorized to assess litigation costs against any party found not to have participated in the mediation process in good faith.

We appreciate the opportunity to be of service to the County TTC and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

BROWN ARMSTRONG  
 ACCOUNTANCY CORPORATION



By: Eric H. Xin

EHX:rnp  
 Enclosure  
 P:\Engagement\82785\PSR-02-1\2016 Draft Engagement Letter for Board Approval

**RESPONSE:**

This letter correctly sets forth the understanding of the County TTC.

By: Pruda Call he

Title: Assistant Treasurer-Tax Collector

Date: 10 October 2016



## **VENTURA COUNTY TREASURY OVERSIGHT COMMITTEE**

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Date: November 2, 2016

### **Agenda Item 14 – Discuss, Review and Approve the Recommended Proposed Modifications to the Statement of Investment Policy.**

#### Recommendation

It is recommended that the Treasury Oversight Committee discuss, review and approve the recommended proposed six (6) modifications to the Statement of Investment Policy for the Board of Supervisors' final approval.

Exhibit 14.1 is the Investment Policy Markup version. Exhibit 14.2 is the Investment Policy Clean version.

#### **Qualifications of Brokers, Dealers and Financial Institutions**

It is recommended that the following language be added for further clarity (page 7 of the Investment Policy Markup):

“Upon application, all firms will provide a copy of their most recent published annual report; quarterly reports issued since the last annual report; Financial and Operational Combined Uniform Single (FOCUS) Report; organization chart; and any financial information regarding credit lines and debt support provided by the parent firm.”

“Furthermore, no later than July 31 of each calendar year, in addition to the required annual written acknowledgment of the Investment Policy compliance, only as requested by the Treasurer-Tax Collector, all firms will provide a copy of their most recent published annual report; FOCUS Report; organization chart; and any financial information regarding credit lines and debt support provided by the parent firm.”

#### **Municipal Notes, Bonds and Other Obligations**

It is recommended that the following language be added for further clarity (page 9 of the Investment Policy Markup):

“Municipal notes, bonds, and other obligations are securities issued by California state and local government agencies to finance capital and operating expenses. The characteristics of a municipal bond or note often are similar to the characteristics of corporate bonds and notes or the U.S. government and federal agency bonds and notes. Municipal notes normally have a specific maturity date, and bear interest that is scheduled to be paid at specific intervals. Municipal notes, bonds and other obligations may not exceed a maximum of three years or 1150 days. Municipal notes must meet the minimum debt rating described above in Medium Term Notes and Deposit Notes.”

### **Negotiable Certificates of Deposit**

Negotiable Certificates of Deposit (NCD) are issued by commercial banks, foreign banks, and thrift institutions against funds deposited for a specified period of time and earn specified or variable rates of interest. Currently, NCDs are limited to a maximum term of 270 days.

It is recommended that the maximum term for NCDs be increased to one year or 365 days (page 9 of the Investment Policy Markup).

### **Yankee Certificates of Deposit**

Yankee Certificates of Deposit (YCD) are issued in the United States by a branch or agency of a foreign bank. They are negotiable instruments, and most have a minimum face value of \$100,000, making them appropriate for large investors. Currently, Appendix A delineated the maximum maturity shall be 270 days.

For clarity, it is recommended to include the language of the maximum maturity in the Investment Policy (page 9 of the Investment Policy Markup). Furthermore, it is recommended that the maximum term to maturity of any YCD shall be one year or 365 days.

### **Certificates of Deposit**

Currently, the maximum term to maturity shall not exceed 375 days.

It is recommended that the maximum term shall be one year or 365 days (page 9 of the Investment Policy Markup).

### **Appendix A- Local Agency Investment Fund**

The Treasurer-Tax Collector may invest in the Local Agency Investment Fund (“LAIF”) as established by the State Treasurer for the benefit of local agencies up to the maximum permitted by State Law. As of January 1, 2016 the maximum permitted is \$65.0 MM. It is recommended to replace “\$50.0 MM” to “as permitted by State law” for administrative efficiency (page 18 of the Investment Policy Markup).

# VENTURA COUNTY

## STATEMENT OF INVESTMENT POLICY

AS APPROVED **DECEMBER 6, 2016** ~~DECEMBER 16, 2014~~



### BOARD OF SUPERVISORS

**SUPERVISOR LINDA PARKS, DISTRICT 2, CHAIR**

**SUPERVISOR STEVE BENNETT, DISTRICT 1**

**SUPERVISOR KATHY I. LONG, DISTRICT 3**

**SUPERVISOR PETER C. FOY, DISTRICT 4**

**SUPERVISOR JOHN C. ZARAGOZA, DISTRICT 5**

**Judge Steven Hintz**  
**Treasurer-Tax Collector**

**Linda Catherine Le**  
**Assistant Treasurer-Tax Collector**

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**Ventura County Treasurer-Tax Collector's Office**  
**800 South Victoria Avenue, L#1290**  
**Ventura, CA 93009-1290**  
**E-mail [helpinghand@ventura.org](mailto:helpinghand@ventura.org)**  
**Website: [www.ventura.org/ttc](http://www.ventura.org/ttc)**

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## **STATEMENT OF INVESTMENT POLICY**

This Statement of Investment Policy (“Policy”) provides the guidelines for prudent investment of public funds in a manner which will provide the highest investment return with optimal security and liquidity. The Policy and practices of the County Treasurer are based on prudent money management principles and California State Law, specifically Government Code Sections 27000 - 27000.5; 27130 - 27137; and 53600 - 53686. Furthermore, it outlines the policies essential to ensuring the safety and financial strength of the County’s investment portfolio.

This Policy is based on the principles of prudent money management and conforms to all applicable Federal and State laws governing the investment of public funds. In instances in which the Policy is more restrictive than Federal or State law, the Policy will supersede.

The Policy shall be reviewed annually and any modifications made thereto must be approved by the Board of Supervisors.

### **Introduction**

The Treasurer-Tax Collector of Ventura County manages pooled cash under the prudent investor rule. This rule 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.”

This rule allows the County the option to operate over a broad spectrum of investment opportunity defined within Section 53601 *et seq* of the California Government Code. Therefore, the County's portfolio will be made up of a selection of investments that ensure diversification and meet the liquidity needs of the organization. The major overriding premise underlying the County's investment objective is always to ensure that funds are available when needed.

### **Investment Objective**

It is the policy of the County to invest public funds in a manner which will provide for the preservation of capital while meeting the daily cash flow requirements of the County and other participants, while attaining a market average yield within an acceptable and defined level of risk.

The Policy has three primary objectives, in order of priority:

- 1) The safety of principal.
- 2) Maintenance of liquidity to meet cash flow needs.
- 3) To earn a competitive rate of return (i.e., yield) within the confines of the California Government Code, this policy, and procedural structure.

In order to accomplish the objectives of safety, liquidity, and yield, the economy and various financial markets are monitored daily in order to assess the probable course of interest rates and thus maximize yield on the County's temporarily idle funds. In a market with increasing interest rates, the Treasury will attempt to invest in securities with shorter maturities. This strategy allows funds to be available for other investments when interest rates are at higher levels. Conversely, when interest rates appear to be near a plateau, the Treasury will attempt to lock in a higher rate of return. The length of term for all investments shall be commensurate with the short, medium, and long-term cash flow needs of the County and other investment pool participants.

### ***Investment and the Notion of Risk***

In order to accomplish the investment philosophy outlined above, the concept of risk must be clearly defined as it relates to the investment of public funds. This concept of risk finds its ultimate translation into a structured and well-diversified portfolio.

The County shall ensure the safety of its idle funds by limiting credit and interest rate risk. These are the two types of risk that can clearly damage a public sector portfolio.

Credit risk is defined as the risk of loss due to the failure of the issuer of a security and shall be mitigated by:

- 1) Pre-qualifying financial institutions with which it will do business through the utilization of Moody's Investors Service, Standard and Poor's Ratings Services, and Fitch Ratings.
- 2) Diversifying the portfolio so that the failure of any one issuer or backer will not place any undue financial burden on the County.
- 3) Monitor all County investments on a daily basis to anticipate and respond appropriately to a significant reduction in the credit worthiness of a depository.

Interest rate risk is defined as the risk that the market value of portfolio securities will fall due to an increase in interest rates. This risk shall be mitigated by:

- 1) Structuring the portfolio so that securities mature at times to meet the ongoing cash needs of the County.
- 2) Restructure of the portfolio to minimize the loss of market value or cash flow.
- 3) Limit the average maturity of the portfolio holdings to 375 days.

The investment program of Ventura County shall be managed with a degree of professionalism that is worthy of the public trust and adheres to the tenets of modern portfolio theory.

The Treasury is very cognizant of past losses of public funds by local agencies throughout California. Those losses resulted in a loss of confidence by the public in public sector investment expertise. This policy seeks to ensure that proper controls are maintained by the Treasurer-Tax Collector and subordinate staff.

There are times when it becomes necessary for losses to be taken:

- A) Interest rates appear to be rising and the funds can be invested shorter term at higher rates.
- B) When opportunities arise that will result in an increase in overall interest income to the County.
- C) When cash needs are greater than expected.

Therefore, in order to mitigate these event risks to the County's portfolio all investment losses shall be approved by the Treasurer-Tax Collector, exclusively. This authority shall not be delegated.

### ***Liquidity***

The County's portfolio will be structured so that securities will mature at or about the same time as cash is needed to meet demand and in accordance with the economic projections mentioned above.

The Treasury will construct a portfolio that will consist of securities with active secondary and resale markets. Any investments for which no secondary market exists, such as time deposits, shall not exceed 375 days and no investment will have a maturity of more than 1150 days.

### ***Yield***

The Treasurer-Tax Collector shall always attempt to obtain a competitive rate of return on any investment type consistent with the required safety, liquidity, and other parameters of this policy, departmental procedures, and the laws of the State of California.

## **INTERNAL CONTROLS**

The Treasurer-Tax Collector shall establish a system of internal controls, which shall be documented in writing. The controls will be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, and unanticipated changes in financial markets.

Except for declared emergencies, the County Treasurer-Tax Collector's Office shall observe the following procedures on a daily basis:

- All investment transactions shall be entered into the accounting system.
- County investments shall be transacted, confirmed, accounted for, and audited by different people.

***Safekeeping of Securities***

To protect against potential losses caused by the collapse of individual securities dealers, all securities owned by the County, including collateral on repurchase agreements, shall be held in safekeeping by a third party bank trust department, acting as agent for the County under the terms of a custody agreement executed by the bank and the Treasurer-Tax Collector. All trades executed between the County and a dealer will settle on a delivery vs. payment basis with a custodial bank. All security transactions engaged in by the Treasurer-Tax Collector shall be countersigned by another authorized treasury department employee.

***Security Custody & Deliveries***

All securities purchased shall be deposited for safekeeping with the custodial bank that has contracted to provide the County Treasurer with custodial security clearance services.

All security holdings shall be reconciled monthly by the County Treasurer-Tax Collector's Office and audited at least quarterly by the internal audit division of the Auditor-Controller's Office.

All security transactions are to be conducted on a "delivery-versus-payment basis". Confirmation receipts on all investments are to be reviewed immediately for conformity with County transaction documentation. Confirmations resulting from securities purchased under repurchase agreements should clearly state the exact and complete nomenclature of the underlying securities purchased, that these securities have been sold to the County under a repurchase agreement, and the stipulated date and amount of the resale by the County back to the seller of the securities.

**SECURITY INSTRUMENTS*****Qualifications of Brokers, Dealers, and Financial Institutions***

The Treasurer-Tax Collector will maintain a list of approved financial institutions authorized to provide investment services. Additionally, the Treasurer-Tax Collector shall transact business only with approved direct issuers; security brokers/dealers selected by credit worthiness that licensed by the State of California and licensed by the Financial Industry Regulatory Authority (FINRA); National or State chartered bank or savings institutions; and primary government dealers designated by the Federal Reserve.

Any broker/dealer interested in conducting business with the County must have an office within the State of California and is required to fill out an extensive questionnaire maintained by the Treasurer-Tax Collector. This questionnaire is then reviewed by the Treasurer-Tax Collector and upon acceptance permits the County to deal with the broker/dealer.

The Treasurer-Tax Collector views the relationship of the firm and its representatives to the County as being a long-term mutually beneficial business relationship. The Treasurer-Tax Collector expects the firm and its staff to act with integrity and trust. The firm must ensure that its staff is aware of the County Treasurer's Investment Policy as well as California Government Code sections 53601 and 53635 that govern the securities transactions of the County. The firm will be required to annually issue written acknowledgment that it has read and will comply with the County's Investment Policy.

No broker/dealer may have made political contributions greater than the limits expressed in Rule G-37 of the Municipal Securities Rule Making Body to the Treasurer-Tax Collector, Board of Supervisors, or candidate for those offices, or Treasury Oversight Committee members.

The Treasury staff shall investigate dealers with which it will conduct business in order to determine: if the firm is adequately capitalized and meets the Federal Reserve's minimum capital requirements for broker/dealer operations, makes markets in securities appropriate to the County's investment policy, the individual covering the account has a minimum of three years dealing with large institutional accounts, and receives three favorable recommendations from other short term cash portfolio managers.

~~Upon application and as requested by the Treasurer Tax Collector, all the firms are required to provide a copy of their most recent published annual report, quarterly reports issued since the last annual report, Financial and Operational Combined Uniform Single (FOCUS) Report, organization chart, any financial information regarding credit lines and debt support provided by the parent firm and any other data required.~~

Upon application, all firms will provide a copy of their most recent published annual report; quarterly reports issued since the last annual report; Financial and Operational Combined Uniform Single (FOCUS) Report; organization chart; and any financial information regarding credit lines and debt support provided by the parent firm.

Furthermore, no later than July 31 of each calendar year, in addition to the required annual written acknowledgment of the Investment Policy compliance, only as requested by the Treasurer-Tax Collector, all firms will provide a copy of their most recent published annual report; FOCUS Report; organization chart; and any financial information regarding credit lines and debt support provided by the parent firm.

### ***Ratings***

With the exception of LAIF, insured deposits, and U.S. Treasury and Government Agency issues, investments shall be placed only in those instruments and institutions rated favorably as determined by the Treasurer-Tax Collector in accordance with this Statement and with the assistance of Moody's Investors Service, Standard and Poor's Ratings Services, and Fitch Ratings.

If the rating of any investment drops during the course of time with which the County has placed an investment, the investment will be matured at the earliest possible convenience. If the rating of any security drops below the minimum acceptable rating for that security class, resulting in a split rating, the investment will be sold if no significant loss of principal is involved or matured at the earliest possible convenience. These sales must be individually approved by the Treasurer-Tax Collector. A rating of "NR" by one rating service is not a split rating and does not bar the purchase of the security.

***U.S. Agencies***

The purchase of U.S. agency securities shall be limited to issues of the Federal Farm Credit Banks (FFCB), Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corp. (Freddie Mac/FHLMC), the Federal National Mortgage Corporation (Fannie Mae/FNMA), Federal Agricultural Mortgage Corporation (Farmer Mac/FAMCA), or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored or backed entity. The fund's holdings of any one federal agency security shall not exceed 25% of the total fund at the time of purchase. The maximum maturity of any one agency investment shall not exceed three years or 1150 days.

***U. S. Government***

United States Treasury Bills, Notes, and Bonds are backed by the full faith and credit of the United States Government. There shall be no limitation as to the percentage of the portfolio which can be invested in this category. The maturity of a security is limited to a maximum of three years or 1150 days.

***Commercial Paper***

Commercial Paper is a short term unsecured promissory note issued to finance short term credit needs. Commercial Paper eligible for investment must be of "prime" quality of the highest ranking or of the highest short-term letter and numerical rating as provided for by Standard and Poor's Ratings Services, Moody's Investors Service, and Fitch Ratings (S&P A-1+, A-1; Moody's P-1; Fitch F1+, F1). Eligible paper is further limited to issuing corporations that are organized and operating within the United States and have total assets in excess of \$500 million and an "A" or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by S&P (A or higher), Moody's (A2 or higher) and Fitch (A or higher). Purchases of eligible Commercial Paper may not exceed 270 days to maturity. Purchases of Commercial Paper may not exceed 40 percent of the investment portfolio at the time of the purchase. No more than 10 percent of the total assets of the pool at the time of the purchase may be invested in the outstanding paper of any single issuing corporation. The Treasurer-Tax Collector shall establish a list of approved Commercial Paper issuers in which investments may be made.

***Medium-Term Notes and Deposit Notes***

Medium-Term Notes eligible for investment must be rated in the same categories described in **Commercial Paper**, above, to wit: Short-term ratings by S&P A-1 or higher; Moody's P-1; and Fitch F1 or higher; and long-term ratings of S&P A or higher, Moody's A2 or higher, and Fitch A or higher. Medium-Term Notes may not exceed 20 percent of the investment portfolio at the time of the purchase and may not have a maturity of longer than 2 years or 735 days.

### ***Municipal Notes, Bonds and Other Obligations***

Municipal notes, bonds, and other obligations are securities issued by **California** state and local government agencies to finance capital and operating expenses. The characteristics of a municipal bond or note often are similar to the characteristics of corporate bonds and notes or the U.S. government and federal agency bonds and notes. Municipal notes normally have a specific maturity date, and bear interest that is scheduled to be paid at specific intervals. Municipal notes, bonds and other obligations may not exceed a maximum of three years or 1150 days. Municipal notes must meet the minimum debt rating described above in Medium Term Notes and Deposit Notes.

### ***Bankers Acceptances***

A Bankers Acceptance is a draft or bill of exchange accepted by a bank or trust company and brokered to investors in the secondary market. Bankers Acceptances may be purchased for a period of up to 180 days and in an amount not to exceed 40 percent of the investment portfolio at the time of the purchase, with no more than 30 percent of the investment portfolio at the time of the purchase in the Bankers Acceptances of any one commercial bank. The Treasurer-Tax Collector shall establish a list of those banks deemed most credit worthy for the investment in Bankers Acceptances, limited to those institutions rated as noted in **Commercial Paper** and **Medium-Term Notes**, above.

### ***Negotiable Certificates of Deposit and Yankee Certificates of Deposit***

Negotiable Certificates of Deposit (NCD) are issued by commercial banks, foreign banks, and thrift institutions against funds deposited for a specified period of time and earn specified or variable rates of interest. The Treasurer-Tax Collector may invest up to 30 percent of the investment portfolio at the time of the purchase in NCD's. Negotiable certificates of deposit shall be limited to those institutions rated as noted in **Commercial Paper** and **Medium-Term Notes**, above.

NCD's differ from other Certificates of Deposit in that they are illiquid instruments which are traded in secondary markets. The maximum term to maturity of any NCD shall be **one year or 365 days** ~~270 days~~. The Treasurer-Tax Collector shall establish a list of eligible domestic commercial banks, thrifts and state licensed foreign banks (Yankee Certificates of Deposit) which will be eligible for investment.

Yankee Certificates of Deposit (YCD) are issued in the United States by a branch or agency of a foreign bank. They are negotiable instruments, and most have a minimum face value of \$100,000, making them appropriate for large investors. **The maximum term to maturity of any YCD shall be one year or 365 days.**

### ***Certificates of Deposit***

Certificates of Deposit are deposits by the Treasurer-Tax Collector in commercial banks or savings and loan associations within the State of California and shall be limited to those institutions rated as noted above in **Negotiable Certificates of Deposit**. Local institutions shall receive preference for deposits up to \$250,000 if competitive rates are offered. These investments are non-negotiable. The maximum term to maturity shall not exceed **one year or 365** ~~375~~ days and shall be fully insured by the FDIC.

### ***Repurchase Agreements***

The County may invest in repurchase agreements with banks and dealers of primary dealer status recognized by the Federal Reserve with which the County has entered into a repurchase contract which specifies terms and conditions of repurchase agreements. The maturity of repurchase agreements shall not exceed 90 days. The market value of securities used as collateral for repurchase agreements shall be monitored daily by the Treasurer-Tax Collector and will not be allowed to fall below 102% of the value borrowed against those funds. The value is adjusted quarterly based on the value of the repurchase agreement.

In order to conform with provisions of the Federal Bankruptcy Code which provide for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be certificates of deposit, commercial paper, eligible bankers' acceptances, or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by the United States or any agency of the United States. Furthermore, this collateral shall not exceed three years or 1150 days to maturity.

There shall be a \$75 million limitation in repurchase agreements entered into with any one institution.

### ***Securities Lending***

Securities Lending is permissible as an agreement to lend securities to a borrower who provides collateral to the local agency. The local agency retains ownership and continues to receive all interest, dividends, and capital appreciation. Both securities and collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

### ***Local Agency Investment Fund***

The Treasurer-Tax Collector may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer for the benefit of local agencies up to the maximum permitted by State law.

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

The Treasurer-Tax Collector may invest in The Investment Trust of California, doing business as CalTRUST, and in California Asset Management Program (CAMP), California joint powers authorities in which local agencies may invest funds pursuant to Government Code section 53601(p). The combined investment in CalTrust and CAMP shall not exceed \$25,000,000 at the time of the purchase. The Treasurer-Tax Collector shall withdraw its entire investment in a program if the S&P rating falls below AAf/S-1+ for CalTrust or AAAM for CAMP.

### ***Local Agency Debt and State Warrants***

The Treasurer-Tax Collector may invest in bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

The Treasurer-Tax Collector may invest in registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-

producing property owned, controlled, or operated by the state, or by a department, board, agency, or authority of the state.

### ***Supranationals***

The Treasurer-Tax Collector may invest surplus funds to include United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB).

These instruments must have a maximum remaining maturity of three years (1150 days) or less, be eligible for purchase and sale within the United States, be S&P rated "AAA" and shall not exceed 30% of the agency's surplus funds.

### ***Prohibited Transactions and Asset-Backed Securities***

At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy Statement and with applicable provisions of the California Government Code.

The Treasurer-Tax Collector may not invest in asset backed securities such as Collateralized Mortgage Obligations.

### ***Apportionment of Interest and Costs***

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. 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, cashing, accounting, reporting remittance processing, depositing of public funds, audit, and any other costs as provided by Section 27013, 27133(f), and 27135.

## **AUTHORITY AND RESPONSIBILITIES OF THE TREASURER-TAX COLLECTOR**

### ***Delegation to Authority to Invest***

The Treasurer-Tax Collector's authority to invest is delegated by the Board of Supervisors in accordance with the California Government Code Sections 27000.1 and 53607. Statutory authority for the investment and safekeeping functions are found in Sections 53600 et seq., and 53630 et seq., of the California Government Code.

The Treasurer-Tax Collector has the authority to react to unstable market conditions in order to preserve the safety, liquidity or yield of the portfolio. The Treasurer-Tax Collector's reaction may temporarily change the investment parameters or investment practices of the County until the market has stabilized or until the Board of Supervisors has approved a revised Investment Policy.

The Treasurer-Tax Collector shall immediately notify the Treasury Oversight Committee members and the Board of Supervisors at their next scheduled meeting of any changes to the investment parameters or practices that were precipitated by the unstable market conditions.

***Authority to Execute Investment Transactions***

The authority to execute investment transactions on a daily basis is limited to the Treasurer-Tax Collector. This function may be delegated to the Assistant Treasurer-Tax Collector and/or other Treasury personnel at the discretion of the Treasurer-Tax Collector.

***Competitive Bidding***

All purchase/sales shall be made only after a process of competitive bidding, unless information provided on electronic market quotation services, faxes, or email transmissions show current market rates. A minimum of three offer/bids should be obtained before an investment is purchased or sold. Exceptions to the above would involve transactions in U.S. Treasury or agency obligations, repurchase agreements, securities possessing unique characteristics which would make competitive bidding impractical, or market circumstances in which competitive bidding could be adverse to the best interest of the Treasurer-Tax Collector's investment program.

***Place and Time for Conducting Business***

Investment transactions shall not be conducted from any place other than the office of the Treasurer-Tax Collector during normal business hours established for Treasury operations. Exceptions must have the approval of the Treasurer-Tax Collector.

***Conflict of Interest***

No agency employee nor Treasury Oversight Committee member may directly or indirectly accept or solicit from any persons, corporations, or group having a business relationship with this Agency anything of economic value as a gift, gratuity, or favor which would be in conflict with the County Administrative Policy.

No agency employee nor Treasury Oversight Committee member shall, outside of regular working hours, engage in any profession, trade, business, or occupation which is incompatible or involves a conflict of interest with his duties as a county officer or employee, or which in any way may reflect unfavorably on this Agency, the appointing authority, or his fellow employees.

***Portfolio Reporting***

The Treasurer-Tax Collector shall prepare a monthly Investment Report to be presented at a regularly scheduled meeting of the Board of Supervisors, including a succinct management summary that provides a clear picture of the status of the current investment portfolio, market conditions and strategy for the coming months. The report will also include a listing of all investments by type, name of issuer, date of maturity, par and dollars amount invested in each security, investment, and the money within the Treasury. There will be a separate statement advising the Board of the longest maturity of a security in the portfolio. The report will contain a statement assuring the Board that the anticipated cash flow needs of the participants will be met. The report will also include a statement that the investment practices and portfolio holdings are in compliance with the investment policy or an explanation as to why there is a condition which exists outside of the investment policy. The Treasurer-Tax

Collector will also provide a copy of the monthly Investment Report to the Treasury Oversight Committee members each month.

### ***Disaster Recovery Program***

The Treasurer-Tax Collector's Disaster Plan includes critical phone numbers and addresses of key Treasury and investment personnel, as well as, currently approved bankers and broker/dealers. The plan provides for an offsite location to be communicated at the time of readiness if the Treasurer-Tax Collector's offices are uninhabitable. In the event the Treasurer or authorized staff is unable to invest the portfolio, the Treasurer has an agreement with the custodian for a daily sweep of all uninvested cash with the custody bank into an interest-bearing account.

Until normal operations of the Treasurer's office have been restored, the limitations on the size of an Individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this Investment Policy Statement and would be required to be reported to the Board of Supervisors and Pool Participants in a timely manner.

### ***Extraordinary Withdrawals***

The Treasurer-Tax Collector will maintain a schedule of seasonal deposits into and withdrawals from the investment pool by participating districts. Constant contact with the pool participants will be maintained to ascertain any cash needs beyond the anticipated cash-flow patterns. Our investment strategy is based upon the known cash-flow patterns, which allow the Treasurer-Tax Collector to maximize interest earnings for the County and other pool participants.

Extraordinary withdrawals could create a liquidity problem and negatively impact the earnings of the remaining pool participants if the Treasurer-Tax Collector is forced to liquidate securities before their scheduled maturity date. A pool participant who wishes to withdraw from the pool or make an extraordinary withdrawal, will be encouraged to work with the Treasury to arrange a withdrawal schedule that would prevent losses to the withdrawing district or the remaining pool participants. Losses experienced by the County investment pool, which were precipitated by the unnoticed extraordinary withdrawal of funds, will be borne by the district who caused such losses to occur. The Treasurer-Tax Collector reserves the right to choose which securities to liquidate and could choose to sell the securities that have the lowest earnings.

### ***Terms and Conditions that a Local Agency May Participate in the Pool***

Local agencies may, by resolution of their governing bodies and the approval of the Treasurer-Tax Collector, deposit excess funds in the County Treasury for the purpose of investment by the Treasurer-Tax Collector. The procedures for this process are contained in the Treasury Procedural Manual.

## **INVESTMENT GLOSSARY**

**Accrued Interest** – Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

**Agency Issues** – Securities issued by federal agencies, those chartered by the federal government or Government Sponsored Enterprises that are considered to be backed by the federal government. See also Government Sponsored Enterprises.

**Amortized Cost** – The original cost of the principal adjusted for the periodic reduction of any discount or premium from the purchase date until a specific date (also called “Book Value”).

**Bankers Acceptance** – Money market instrument created from transactions involving foreign trade. In its simplest and most traditional form, a bankers’ acceptance is merely a check, drawn on a bank by an importer or exporter of goods.

**Basis Point** – A unit of measurement equal to 1/100 of 1 percent. As an example, the difference between a security yielding 3.25% and one yielding 3.20% is five basis points.

**Benchmark** – An index or security used to compare the performance of a portfolio.

**Bond** – A long-term debt instrument of a government or corporation promising payment of the original investment plus interest by a specified future date.

**Bullet** – A colloquial term for a bond that cannot be redeemed, or called, prior to maturity.

**Callable Bond** – A bond in which all or a portion of its outstanding principal may be redeemed prior to maturity by the issuer under specified conditions.

**Collateralization** – Process by which a borrower pledges securities, property or other deposits for the purpose of securing the repayment of a loan and/or security.

**Collateralized Certificate of Deposit** – An instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is collateralized by the bank with securities at a minimum of 110% of the deposit amount.

**Commercial Paper** – Money Market instrument representing an unsecured short-term promissory note of a corporation at a specified rate of return for a specified period of time.

**Coupon** – The stated interest rate on a debt security that an issuer promises to pay.

**Credit Quality** – An indication of risk that an issuer of a security will fulfill its obligation, as rated by a rating agency.

**Credit Rating** – A standardized assessment, expressed in alphanumeric characters, of a company’s creditworthiness.

**Credit Risk** – The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

**Derivatives** – Securities which derive their value from that of another security or an underlying index, currency or other measure. Floating rate notes (also “floaters”) are not considered derivatives.

**Discount Instruments** – Securities that are sold at a discount to face value.

**Diversification** – The practice or concept of investing in a range of securities by sector, maturity, asset class or credit quality in order to reduce and spread financial risk.

**Dollar Weighted Average Maturity** – The sum of the amount of each security investment multiplied by the number of days to maturity, divided by the total amount of security investments.

**Duration** – Is a measure of the price volatility of a portfolio and reflects an estimate of the projected increase or decrease in the value of that portfolio based upon a decrease or increase in the interest rates. A duration of 1.0 means that for every one percent increase in interest rates, the market value of the Portfolio would decrease by 1.0 percent.

**Earnings Apportionment** – Is the quarterly interest distribution to the Pool Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool.

**Government Obligations** – Securities issued by the U.S. Treasury and Federal Agencies. U.S. Treasuries are direct obligations of the Federal Government. Agencies are not direct obligations of the Federal Government, but involve Federal sponsorship or guarantees.

**Government Sponsored Enterprises (GSE’S)** – Private, shareholder-owned companies with a relationship with government agencies. These agencies generally are viewed to have an implied guarantee of the U.S. government.

**Highly Liquid** – The most eminent type of security that is easily converted to cash because there are many interested buyers and sellers to trade large quantities at a reasonable price.

**Illiquid** – A security that is difficult to buy or sell or has a wide spread between the bid price and offer price in the secondary market. There are few buyers and sellers willing to trade large quantities at a reasonable price.

**Interest Rate Risk** – The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value. Also called “Market Risk”.

**Liquid** – A security that is easily bought and sold because of the willingness of interested buyers and sellers to trade large quantities at a reasonable price.

**Local Agency Obligation** – An indebtedness issued by a local agency, department, board, or authority within the State of California.

**Long-Term** – The term used to describe a security when the maturity is greater than one year.

**Market Value** – An estimate of the value of a security at which the principal would be sold from a willing seller to a willing buyer at the date of pricing.

**Medium-Term Notes** – These are Corporate Notes and Bank Notes that are debt obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

**Money Market Mutual Fund** – A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

**Municipal Notes, Bonds and Other Obligations** - Municipal notes, bonds, and other obligations are securities issued by state and local government agencies to finance capital and operating expenses. The characteristics of a municipal bond or note often are similar to the characteristics of corporate bonds and notes or the U.S. government and federal agency bonds and notes. Municipal notes normally have a specific maturity date, and bear interest that is scheduled to be paid at specific intervals. Municipal notes, bonds and other obligations may not exceed a maximum of three years or 1150 days. Municipal notes must meet the minimum debt rating described above in Medium Term Notes and Deposit Notes.

**Negotiable Certificate of Deposit** – A Money Market instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is traded in secondary markets.

**Par** – The stated maturity value, or face value, of a security.

**Pass-Through Securities** – A debt instrument that reflects an interest in a mortgage pool, consumer receivables pool and equipment lease-backed pool that serves as collateral for a bond.

**Pool** – In this context, the pooled monies of different government agencies administered by the County Treasurer. Each pool member owns a fractional interest in the securities held in the Pool.

**Portfolio Value** – The total book value amount of all the securities held in the Treasurer's Pooled Money Fund.

**Primary Dealer** – A group of dealers and banks that can buy and sell securities directly with the Federal Reserve Bank of New York.

**Private Placements** – Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

**Range Notes** – Notes which pay interest only if the underlying index upon which it is benchmarked, falls within a certain range.

**Repurchase Agreement** – A repurchase agreement consists of two simultaneous transactions. One is the purchase of securities by an investor (i.e., the County), the other is the commitment by the seller (i.e. a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed future date.

**Reverse Repurchase Agreement** – The mirror image of Repurchase Agreements. In this instance the County Pool is the seller of securities to an investor (i.e. brokers).

**Safekeeping** – A custodian bank’s action to store and protect an investor’s securities by segregating and identifying the securities.

**Securities Lending** – A transaction wherein the Treasurer’s Pool transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

**Short-Term** – The term used to describe a security when the maturity is one year or less.

**Supranationals** – Senior unsecured unsubordinated obligations that are issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. They are eligible for purchase and sale within the United States and approved for investments by local agencies in California as of January 1, 2015.

**Total Return** – The sum of all investment income plus changes in the capital value of a portfolio for a given period.

**Voluntary Participants** – Local agencies that are not required to deposit their funds with the County Treasurer.

**Weighted Average Maturity** – The remaining average maturity of all securities held in a portfolio.

**Yankee Certificates of Deposit** - Yankee Certificates of Deposit (YCD) are issued in the United States by a branch or agency of a foreign bank. They are negotiable instruments, and most have a minimum face value of \$100,000, making them appropriate for large investors.

**Yield** – The gain, expressed as a percentage that an investor derives from a financial asset.

**Yield to Maturity** – The percentage rate of return paid if the security is held to its maturity date. The calculation is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.

**APPENDIX A: INVESTMENT INSTRUMENTS**

<b>Investment Instruments</b>	<b>Maximum Maturity</b>	<b>Maximum Specified Percentage of Portfolio</b>	<b>Approved Selected Agencies</b>
U.S. Agencies	3 years or 1150 days	25%	Yes
Commercial Paper (CP)	270 days	40%	Yes
Medium Term Notes (MTN)	2 years or 735 days	20%	Yes
Supranationals	3 years (1150 days) or less	30%	Yes
U.S. Government Treasury Bills, Notes, and Bonds	3 years or 1150 days	N/A	
Yankee Certificates of Deposit (YCD)	<del>270 days</del> 1 year or 365 days	30%	Yes
Negotiable Certificates of Deposit (NCD)	<del>270 days</del> 1 year or 365 days	30%	Yes
Certificates of Deposits (CD)	<del>375 days</del> 1 year or 365 days	30%	Yes
Local Agency Investment Fund (LAIF)	N/A	<del>\$50 MM</del> As Maximum Permitted by State Law	
CalTrust/CAMP		\$25 MM	
Cal-based Munis	3 years or 1150 days		

# VENTURA COUNTY

## STATEMENT OF INVESTMENT POLICY

AS APPROVED DECEMBER 6, 2016



### BOARD OF SUPERVISORS

**SUPERVISOR LINDA PARKS, DISTRICT 2, CHAIR**

**SUPERVISOR STEVE BENNETT, DISTRICT 1**

**SUPERVISOR KATHY I. LONG, DISTRICT 3**

**SUPERVISOR PETER C. FOY, DISTRICT 4**

**SUPERVISOR JOHN C. ZARAGOZA, DISTRICT 5**

**Judge Steven Hintz**  
**Treasurer-Tax Collector**

**Linda Catherine Le**  
**Assistant Treasurer-Tax Collector**

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**Ventura County Treasurer-Tax Collector's Office**  
**800 South Victoria Avenue, L#1290**  
**Ventura, CA 93009-1290**  
**E-mail [helpinghand@ventura.org](mailto:helpinghand@ventura.org)**  
**Website: [www.ventura.org/ttc](http://www.ventura.org/ttc)**

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## STATEMENT OF INVESTMENT POLICY

This Statement of Investment Policy (“Policy”) provides the guidelines for prudent investment of public funds in a manner which will provide the highest investment return with optimal security and liquidity. The Policy and practices of the County Treasurer are based on prudent money management principles and California State Law, specifically Government Code Sections 27000 - 27000.5; 27130 - 27137; and 53600 - 53686. Furthermore, it outlines the policies essential to ensuring the safety and financial strength of the County’s investment portfolio.

This Policy is based on the principles of prudent money management and conforms to all applicable Federal and State laws governing the investment of public funds. In instances in which the Policy is more restrictive than Federal or State law, the Policy will supersede.

The Policy shall be reviewed annually and any modifications made thereto must be approved by the Board of Supervisors.

### Introduction

The Treasurer-Tax Collector of Ventura County manages pooled cash under the prudent investor rule. This rule 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.”

This rule allows the County the option to operate over a broad spectrum of investment opportunity defined within Section 53601 *et seq* of the California Government Code. Therefore, the County's portfolio will be made up of a selection of investments that ensure diversification and meet the liquidity needs of the organization. The major overriding premise underlying the County's investment objective is always to ensure that funds are available when needed.

### Investment Objective

It is the policy of the County to invest public funds in a manner which will provide for the preservation of capital while meeting the daily cash flow requirements of the County and other participants, while attaining a market average yield within an acceptable and defined level of risk.

The Policy has three primary objectives, in order of priority:

- 1) The safety of principal.
- 2) Maintenance of liquidity to meet cash flow needs.
- 3) To earn a competitive rate of return (i.e., yield) within the confines of the California Government Code, this policy, and procedural structure.

In order to accomplish the objectives of safety, liquidity, and yield, the economy and various financial markets are monitored daily in order to assess the probable course of interest rates and thus maximize yield on the County's temporarily idle funds. In a market with increasing interest rates, the Treasury will attempt to invest in securities with shorter maturities. This strategy allows funds to be available for other investments when interest rates are at higher levels. Conversely, when interest rates appear to be near a plateau, the Treasury will attempt to lock in a higher rate of return. The length of term for all investments shall be commensurate with the short, medium, and long-term cash flow needs of the County and other investment pool participants.

***Investment and the Notion of Risk***

In order to accomplish the investment philosophy outlined above, the concept of risk must be clearly defined as it relates to the investment of public funds. This concept of risk finds its ultimate translation into a structured and well-diversified portfolio.

The County shall ensure the safety of its idle funds by limiting credit and interest rate risk. These are the two types of risk that can clearly damage a public sector portfolio.

Credit risk is defined as the risk of loss due to the failure of the issuer of a security and shall be mitigated by:

- 1) Pre-qualifying financial institutions with which it will do business through the utilization of Moody's Investors Service, Standard and Poor's Ratings Services, and Fitch Ratings.
- 2) Diversifying the portfolio so that the failure of any one issuer or backer will not place any undue financial burden on the County.
- 3) Monitor all County investments on a daily basis to anticipate and respond appropriately to a significant reduction in the credit worthiness of a depository.

Interest rate risk is defined as the risk that the market value of portfolio securities will fall due to an increase in interest rates. This risk shall be mitigated by:

- 1) Structuring the portfolio so that securities mature at times to meet the ongoing cash needs of the County.
- 2) Restructure of the portfolio to minimize the loss of market value or cash flow.
- 3) Limit the average maturity of the portfolio holdings to 375 days.

The investment program of Ventura County shall be managed with a degree of professionalism that is worthy of the public trust and adheres to the tenets of modern portfolio theory.

The Treasury is very cognizant of past losses of public funds by local agencies throughout California. Those losses resulted in a loss of confidence by the public in public sector investment expertise. This policy seeks to ensure that proper controls are maintained by the Treasurer-Tax Collector and subordinate staff.

There are times when it becomes necessary for losses to be taken:

- A) Interest rates appear to be rising and the funds can be invested shorter term at higher rates.
- B) When opportunities arise that will result in an increase in overall interest income to the County.
- C) When cash needs are greater than expected.

Therefore, in order to mitigate these event risks to the County's portfolio all investment losses shall be approved by the Treasurer-Tax Collector, exclusively. This authority shall not be delegated.

### ***Liquidity***

The County's portfolio will be structured so that securities will mature at or about the same time as cash is needed to meet demand and in accordance with the economic projections mentioned above.

The Treasury will construct a portfolio that will consist of securities with active secondary and resale markets. Any investments for which no secondary market exists, such as time deposits, shall not exceed 375 days and no investment will have a maturity of more than 1150 days.

### ***Yield***

The Treasurer-Tax Collector shall always attempt to obtain a competitive rate of return on any investment type consistent with the required safety, liquidity, and other parameters of this policy, departmental procedures, and the laws of the State of California.

## **INTERNAL CONTROLS**

The Treasurer-Tax Collector shall establish a system of internal controls, which shall be documented in writing. The controls will be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, and unanticipated changes in financial markets.

Except for declared emergencies, the County Treasurer-Tax Collector's Office shall observe the following procedures on a daily basis:

- All investment transactions shall be entered into the accounting system.
- County investments shall be transacted, confirmed, accounted for, and audited by different people.

***Safekeeping of Securities***

To protect against potential losses caused by the collapse of individual securities dealers, all securities owned by the County, including collateral on repurchase agreements, shall be held in safekeeping by a third party bank trust department, acting as agent for the County under the terms of a custody agreement executed by the bank and the Treasurer-Tax Collector. All trades executed between the County and a dealer will settle on a delivery vs. payment basis with a custodial bank. All security transactions engaged in by the Treasurer-Tax Collector shall be countersigned by another authorized treasury department employee.

***Security Custody & Deliveries***

All securities purchased shall be deposited for safekeeping with the custodial bank that has contracted to provide the County Treasurer with custodial security clearance services.

All security holdings shall be reconciled monthly by the County Treasurer-Tax Collector's Office and audited at least quarterly by the internal audit division of the Auditor-Controller's Office.

All security transactions are to be conducted on a "delivery-versus-payment basis". Confirmation receipts on all investments are to be reviewed immediately for conformity with County transaction documentation. Confirmations resulting from securities purchased under repurchase agreements should clearly state the exact and complete nomenclature of the underlying securities purchased, that these securities have been sold to the County under a repurchase agreement, and the stipulated date and amount of the resale by the County back to the seller of the securities.

**SECURITY INSTRUMENTS*****Qualifications of Brokers, Dealers, and Financial Institutions***

The Treasurer-Tax Collector will maintain a list of approved financial institutions authorized to provide investment services. Additionally, the Treasurer-Tax Collector shall transact business only with approved direct issuers; security brokers/dealers selected by credit worthiness that licensed by the State of California and licensed by the Financial Industry Regulatory Authority (FINRA); National or State chartered bank or savings institutions; and primary government dealers designated by the Federal Reserve.

Any broker/dealer interested in conducting business with the County must have an office within the State of California and is required to fill out an extensive questionnaire maintained by the Treasurer-Tax Collector. This questionnaire is then reviewed by the Treasurer-Tax Collector and upon acceptance permits the County to deal with the broker/dealer.

The Treasurer-Tax Collector views the relationship of the firm and its representatives to the County as being a long-term mutually beneficial business relationship. The Treasurer-Tax Collector expects the firm and its staff to act with integrity and trust. The firm must ensure that its staff is aware of the County Treasurer's Investment Policy as well as California Government Code sections 53601 and 53635 that govern the securities transactions of the County. The firm will be required to annually issue written acknowledgment that it has read and will comply with the County's Investment Policy.

No broker/dealer may have made political contributions greater than the limits expressed in Rule G-37 of the Municipal Securities Rule Making Body to the Treasurer-Tax Collector, Board of Supervisors, or candidate for those offices, or Treasury Oversight Committee members.

The Treasury staff shall investigate dealers with which it will conduct business in order to determine: if the firm is adequately capitalized and meets the Federal Reserve's minimum capital requirements for broker/dealer operations, makes markets in securities appropriate to the County's investment policy, the individual covering the account has a minimum of three years dealing with large institutional accounts, and receives three favorable recommendations from other short term cash portfolio managers.

Upon application, all firms will provide a copy of their most recent published annual report; quarterly reports issued since the last annual report; Financial and Operational Combined Uniform Single (FOCUS) Report; organization chart; and any financial information regarding credit lines and debt support provided by the parent firm.

Furthermore, no later than July 31 of each calendar year, in addition to the required annual written acknowledgment of the Investment Policy compliance, only as requested by the Treasurer-Tax Collector, all firms will provide a copy of their most recent published annual report; FOCUS Report; organization chart; and any financial information regarding credit lines and debt support provided by the parent firm.

### ***Ratings***

With the exception of LAIF, insured deposits, and U.S. Treasury and Government Agency issues, investments shall be placed only in those instruments and institutions rated favorably as determined by the Treasurer-Tax Collector in accordance with this Statement and with the assistance of Moody's Investors Service, Standard and Poor's Ratings Services, and Fitch Ratings.

If the rating of any investment drops during the course of time with which the County has placed an investment, the investment will be matured at the earliest possible convenience. If the rating of any security drops below the minimum acceptable rating for that security class, resulting in a split rating, the investment will be sold if no significant loss of principal is involved or matured at the earliest possible convenience. These sales must be individually approved by the Treasurer-Tax Collector. A rating of "NR" by one rating service is not a split rating and does not bar the purchase of the security.

### ***U.S. Agencies***

The purchase of U.S. agency securities shall be limited to issues of the Federal Farm Credit Banks (FFCB), Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corp. (Freddie Mac/FHLMC), the Federal National Mortgage Corporation (Fannie Mae/FNMA), Federal Agricultural Mortgage Corporation (Farmer Mac/FAMCA), or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored or backed entity. The fund's holdings of any one federal agency security shall not exceed 25% of the total fund at the time of purchase. The maximum maturity of any one agency investment shall not exceed three years or 1150 days.

***U. S. Government***

United States Treasury Bills, Notes, and Bonds are backed by the full faith and credit of the United States Government. There shall be no limitation as to the percentage of the portfolio which can be invested in this category. The maturity of a security is limited to a maximum of three years or 1150 days.

***Commercial Paper***

Commercial Paper is a short term unsecured promissory note issued to finance short term credit needs. Commercial Paper eligible for investment must be of “prime” quality of the highest ranking or of the highest short-term letter and numerical rating as provided for by Standard and Poor's Ratings Services, Moody's Investors Service, and Fitch Ratings (S&P A-1+, A-1; Moody's P-1; Fitch F1+, F1). Eligible paper is further limited to issuing corporations that are organized and operating within the United States and have total assets in excess of \$500 million and an “A” or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by S&P (A or higher), Moody's (A2 or higher) and Fitch (A or higher). Purchases of eligible Commercial Paper may not exceed 270 days to maturity. Purchases of Commercial Paper may not exceed 40 percent of the investment portfolio at the time of the purchase. No more than 10 percent of the total assets of the pool at the time of the purchase may be invested in the outstanding paper of any single issuing corporation. The Treasurer-Tax Collector shall establish a list of approved Commercial Paper issuers in which investments may be made.

***Medium-Term Notes and Deposit Notes***

Medium-Term Notes eligible for investment must be rated in the same categories described in **Commercial Paper**, above, to wit: Short-term ratings by S&P A-1 or higher; Moody's P-1; and Fitch F1 or higher; and long-term ratings of S&P A or higher, Moody's A2 or higher, and Fitch A or higher. Medium-Term Notes may not exceed 20 percent of the investment portfolio at the time of the purchase and may not have a maturity of longer than 2 years or 735 days.

***Municipal Notes, Bonds and Other Obligations***

Municipal notes, bonds, and other obligations are securities issued by California state and local government agencies to finance capital and operating expenses. The characteristics of a municipal bond or note often are similar to the characteristics of corporate bonds and notes or the U.S. government and federal agency bonds and notes. Municipal notes normally have a specific maturity date, and bear interest that is scheduled to be paid at specific intervals. Municipal notes, bonds and other obligations may not exceed a maximum of three years or 1150 days. Municipal notes must meet the minimum debt rating described above in Medium Term Notes and Deposit Notes.

***Bankers Acceptances***

A Bankers Acceptance is a draft or bill of exchange accepted by a bank or trust company and brokered to investors in the secondary market. Bankers Acceptances may be purchased for a period of up to 180 days and in an amount not to exceed 40 percent of the investment portfolio at the time of the purchase, with no more than 30 percent of the investment portfolio at the time of the purchase in the Bankers Acceptances of any one commercial bank. The Treasurer-Tax Collector shall establish a list of those banks deemed most credit worthy for the

investment in Bankers Acceptances, limited to those institutions rated as noted in **Commercial Paper** and **Medium-Term Notes**, above.

***Negotiable Certificates of Deposit and Yankee Certificates of Deposit***

Negotiable Certificates of Deposit (NCD) are issued by commercial banks, foreign banks, and thrift institutions against funds deposited for a specified period of time and earn specified or variable rates of interest. The Treasurer-Tax Collector may invest up to 30 percent of the investment portfolio at the time of the purchase in NCD's. Negotiable certificates of deposit shall be limited to those institutions rated as noted in **Commercial Paper** and **Medium-Term Notes**, above.

NCD's differ from other Certificates of Deposit in that they are illiquid instruments which are traded in secondary markets. The maximum term to maturity of any NCD shall be one year or 365 days. The Treasurer-Tax Collector shall establish a list of eligible domestic commercial banks, thrifts and state licensed foreign banks (Yankee Certificates of Deposit) which will be eligible for investment.

Yankee Certificates of Deposit (YCD) are issued in the United States by a branch or agency of a foreign bank. They are negotiable instruments, and most have a minimum face value of \$100,000, making them appropriate for large investors. The maximum term to maturity of any YCD shall be one year or 365 days.

***Certificates of Deposit***

Certificates of Deposit are deposits by the Treasurer-Tax Collector in commercial banks or savings and loan associations within the State of California and shall be limited to those institutions rated as noted above in **Negotiable Certificates of Deposit**. Local institutions shall receive preference for deposits up to \$250,000 if competitive rates are offered. These investments are non-negotiable. The maximum term to maturity shall not exceed one year or 365 days and shall be fully insured by the FDIC.

***Repurchase Agreements***

The County may invest in repurchase agreements with banks and dealers of primary dealer status recognized by the Federal Reserve with which the County has entered into a repurchase contract which specifies terms and conditions of repurchase agreements. The maturity of repurchase agreements shall not exceed 90 days. The market value of securities used as collateral for repurchase agreements shall be monitored daily by the Treasurer-Tax Collector and will not be allowed to fall below 102% of the value borrowed against those funds. The value is adjusted quarterly based on the value of the repurchase agreement.

In order to conform with provisions of the Federal Bankruptcy Code which provide for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be certificates of deposit, commercial paper, eligible bankers' acceptances, or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by the United States or any agency of the United States. Furthermore, this collateral shall not exceed three years or 1150 days to maturity.

There shall be a \$75 million limitation in repurchase agreements entered into with any one institution.

***Securities Lending***

Securities Lending is permissible as an agreement to lend securities to a borrower who provides collateral to the local agency. The local agency retains ownership and continues to receive all interest, dividends, and capital appreciation. Both securities and collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

***Local Agency Investment Fund***

The Treasurer-Tax Collector may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer for the benefit of local agencies up to the maximum permitted by State law.

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

The Treasurer-Tax Collector may invest in The Investment Trust of California, doing business as CalTRUST, and in California Asset Management Program (CAMP), California joint powers authorities in which local agencies may invest funds pursuant to Government Code section 53601(p). The combined investment in CalTrust and CAMP shall not exceed \$25,000,000 at the time of the purchase. The Treasurer-Tax Collector shall withdraw its entire investment in a program if the S&P rating falls below Aaf/S-1+ for CalTrust or AAAM for CAMP.

***Local Agency Debt and State Warrants***

The Treasurer-Tax Collector may invest in bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

The Treasurer-Tax Collector may invest in registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state, or by a department, board, agency, or authority of the state.

***Supranationals***

The Treasurer-Tax Collector may invest surplus funds to include United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB).

These instruments must have a maximum remaining maturity of three years (1150 days) or less, be eligible for purchase and sale within the United States, be S&P rated "AAA" and shall not exceed 30% of the agency's surplus funds.

***Prohibited Transactions and Asset-Backed Securities***

At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy Statement and with applicable provisions of the California Government Code.

The Treasurer-Tax Collector may not invest in asset backed securities such as Collateralized Mortgage Obligations.

***Apportionment of Interest and Costs***

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. 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, reporting remittance processing, depositing of public funds, audit, and any other costs as provided by Section 27013, 27133(f), and 27135.

**AUTHORITY AND RESPONSIBILITIES  
OF THE TREASURER-TAX COLLECTOR**

***Delegation to Authority to Invest***

The Treasurer-Tax Collector's authority to invest is delegated by the Board of Supervisors in accordance with the California Government Code Sections 27000.1 and 53607. Statutory authority for the investment and safekeeping functions are found in Sections 53600 et seq., and 53630 et seq., of the California Government Code.

The Treasurer-Tax Collector has the authority to react to unstable market conditions in order to preserve the safety, liquidity or yield of the portfolio. The Treasurer-Tax Collector's reaction may temporarily change the investment parameters or investment practices of the County until the market has stabilized or until the Board of Supervisors has approved a revised Investment Policy.

The Treasurer-Tax Collector shall immediately notify the Treasury Oversight Committee members and the Board of Supervisors at their next scheduled meeting of any changes to the investment parameters or practices that were precipitated by the unstable market conditions.

***Authority to Execute Investment Transactions***

The authority to execute investment transactions on a daily basis is limited to the Treasurer-Tax Collector. This function may be delegated to the Assistant Treasurer-Tax Collector and/or other Treasury personnel at the discretion of the Treasurer-Tax Collector.

***Competitive Bidding***

All purchase/sales shall be made only after a process of competitive bidding, unless information provided on electronic market quotation services, faxes, or email transmissions show current market rates. A minimum of three offer/bids should be obtained before an investment is purchased or sold. Exceptions to the above would involve transactions in U.S. Treasury or agency obligations, repurchase agreements, securities possessing unique characteristics which would make competitive bidding impractical, or market circumstances in which competitive bidding could be adverse to the best interest of the Treasurer-Tax Collector's investment program.

***Place and Time for Conducting Business***

Investment transactions shall not be conducted from any place other than the office of the Treasurer-Tax Collector during normal business hours established for Treasury operations. Exceptions must have the approval of the Treasurer-Tax Collector.

***Conflict of Interest***

No agency employee nor Treasury Oversight Committee member may directly or indirectly accept or solicit from any persons, corporations, or group having a business relationship with this Agency anything of economic value as a gift, gratuity, or favor which would be in conflict with the County Administrative Policy.

No agency employee nor Treasury Oversight Committee member shall, outside of regular working hours, engage in any profession, trade, business, or occupation which is incompatible or involves a conflict of interest with his duties as a county officer or employee, or which in any way may reflect unfavorably on this Agency, the appointing authority, or his fellow employees.

***Portfolio Reporting***

The Treasurer-Tax Collector shall prepare a monthly Investment Report to be presented at a regularly scheduled meeting of the Board of Supervisors, including a succinct management summary that provides a clear picture of the status of the current investment portfolio, market conditions and strategy for the coming months. The report will also include a listing of all investments by type, name of issuer, date of maturity, par and dollars amount invested in each security, investment, and the money within the Treasury. There will be a separate statement advising the Board of the longest maturity of a security in the portfolio. The report will contain a statement assuring the Board that the anticipated cash flow needs of the participants will be met. The report will also include a statement that the investment practices and portfolio holdings are in compliance with the investment policy or an explanation as to why there is a condition which exists outside of the investment policy. The Treasurer-Tax Collector will also provide a copy of the monthly Investment Report to the Treasury Oversight Committee members each month.

***Disaster Recovery Program***

The Treasurer-Tax Collector's Disaster Plan includes critical phone numbers and addresses of key Treasury and investment personnel, as well as, currently approved bankers and broker/dealers. The plan provides for an offsite location to be communicated at the time of readiness if the Treasurer-Tax Collector's offices are uninhabitable. In the event the Treasurer or authorized staff is unable to invest the portfolio, the Treasurer has an agreement with the custodian for a daily sweep of all uninvested cash with the custody bank into an interest-bearing account.

Until normal operations of the Treasurer's office have been restored, the limitations on the size of an Individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this Investment Policy Statement and would be required to be reported to the Board of Supervisors and Pool Participants in a timely manner.

***Extraordinary Withdrawals***

The Treasurer-Tax Collector will maintain a schedule of seasonal deposits into and withdrawals from the investment pool by participating districts. Constant contact with the pool participants will be maintained to ascertain any cash needs beyond the anticipated cash-flow patterns. Our investment strategy is based upon the known cash-flow patterns, which allow the Treasurer-Tax Collector to maximize interest earnings for the County and other pool participants.

Extraordinary withdrawals could create a liquidity problem and negatively impact the earnings of the remaining pool participants if the Treasurer-Tax Collector is forced to liquidate securities before their scheduled maturity date. A pool participant who wishes to withdraw from the pool or make an extraordinary withdrawal, will be encouraged to work with the Treasury to arrange a withdrawal schedule that would prevent losses to the withdrawing district or the remaining pool participants. Losses experienced by the County investment pool, which were precipitated by the unnoticed extraordinary withdrawal of funds, will be borne by the district who caused such losses to occur. The Treasurer-Tax Collector reserves the right to choose which securities to liquidate and could choose to sell the securities that have the lowest earnings.

***Terms and Conditions that a Local Agency May Participate in the Pool***

Local agencies may, by resolution of their governing bodies and the approval of the Treasurer-Tax Collector, deposit excess funds in the County Treasury for the purpose of investment by the Treasurer-Tax Collector. The procedures for this process are contained in the Treasury Procedural Manual.

## **INVESTMENT GLOSSARY**

**Accrued Interest** – Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

**Agency Issues** – Securities issued by federal agencies, those chartered by the federal government or Government Sponsored Enterprises that are considered to be backed by the federal government. See also Government Sponsored Enterprises.

**Amortized Cost** – The original cost of the principal adjusted for the periodic reduction of any discount or premium from the purchase date until a specific date (also called “Book Value”).

**Bankers Acceptance** – Money market instrument created from transactions involving foreign trade. In its simplest and most traditional form, a bankers’ acceptance is merely a check, drawn on a bank by an importer or exporter of goods.

**Basis Point** – A unit of measurement equal to 1/100 of 1 percent. As an example, the difference between a security yielding 3.25% and one yielding 3.20% is five basis points.

**Benchmark** – An index or security used to compare the performance of a portfolio.

**Bond** – A long-term debt instrument of a government or corporation promising payment of the original investment plus interest by a specified future date.

**Bullet** – A colloquial term for a bond that cannot be redeemed, or called, prior to maturity.

**Callable Bond** – A bond in which all or a portion of its outstanding principal may be redeemed prior to maturity by the issuer under specified conditions.

**Collateralization** – Process by which a borrower pledges securities, property or other deposits for the purpose of securing the repayment of a loan and/or security.

**Collateralized Certificate of Deposit** – An instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is collateralized by the bank with securities at a minimum of 110% of the deposit amount.

**Commercial Paper** – Money Market instrument representing an unsecured short-term promissory note of a corporation at a specified rate of return for a specified period of time.

**Coupon** – The stated interest rate on a debt security that an issuer promises to pay.

**Credit Quality** – An indication of risk that an issuer of a security will fulfill its obligation, as rated by a rating agency.

**Credit Rating** – A standardized assessment, expressed in alphanumeric characters, of a company’s creditworthiness.

**Credit Risk** – The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

**Derivatives** – Securities which derive their value from that of another security or an underlying index, currency or other measure. Floating rate notes (also “floaters”) are not considered derivatives.

**Discount Instruments** – Securities that are sold at a discount to face value.

**Diversification** – The practice or concept of investing in a range of securities by sector, maturity, asset class or credit quality in order to reduce and spread financial risk.

**Dollar Weighted Average Maturity** – The sum of the amount of each security investment multiplied by the number of days to maturity, divided by the total amount of security investments.

**Duration** – Is a measure of the price volatility of a portfolio and reflects an estimate of the projected increase or decrease in the value of that portfolio based upon a decrease or increase in the interest rates. A duration of 1.0 means that for every one percent increase in interest rates, the market value of the Portfolio would decrease by 1.0 percent.

**Earnings Apportionment** – Is the quarterly interest distribution to the Pool Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool.

**Government Obligations** – Securities issued by the U.S. Treasury and Federal Agencies. U.S. Treasuries are direct obligations of the Federal Government. Agencies are not direct obligations of the Federal Government, but involve Federal sponsorship or guarantees.

**Government Sponsored Enterprises (GSE’S)** – Private, shareholder-owned companies with a relationship with government agencies. These agencies generally are viewed to have an implied guarantee of the U.S. government.

**Highly Liquid** – The most eminent type of security that is easily converted to cash because there are many interested buyers and sellers to trade large quantities at a reasonable price.

**Illiquid** – A security that is difficult to buy or sell or has a wide spread between the bid price and offer price in the secondary market. There are few buyers and sellers willing to trade large quantities at a reasonable price.

**Interest Rate Risk** – The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value. Also called “Market Risk”.

**Liquid** – A security that is easily bought and sold because of the willingness of interested buyers and sellers to trade large quantities at a reasonable price.

**Local Agency Obligation** – An indebtedness issued by a local agency, department, board, or authority within the State of California.

**Long-Term** – The term used to describe a security when the maturity is greater than one year.

**Market Value** – An estimate of the value of a security at which the principal would be sold from a willing seller to a willing buyer at the date of pricing.

**Medium-Term Notes** – These are Corporate Notes and Bank Notes that are debt obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

**Money Market Mutual Fund** – A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

**Municipal Notes, Bonds and Other Obligations** - Municipal notes, bonds, and other obligations are securities issued by state and local government agencies to finance capital and operating expenses. The characteristics of a municipal bond or note often are similar to the characteristics of corporate bonds and notes or the U.S. government and federal agency bonds and notes. Municipal notes normally have a specific maturity date, and bear interest that is scheduled to be paid at specific intervals. Municipal notes, bonds and other obligations may not exceed a maximum of three years or 1150 days. Municipal notes must meet the minimum debt rating described above in Medium Term Notes and Deposit Notes.

**Negotiable Certificate of Deposit** – A Money Market instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is traded in secondary markets.

**Par** – The stated maturity value, or face value, of a security.

**Pass-Through Securities** – A debt instrument that reflects an interest in a mortgage pool, consumer receivables pool and equipment lease-backed pool that serves as collateral for a bond.

**Pool** – In this context, the pooled monies of different government agencies administered by the County Treasurer. Each pool member owns a fractional interest in the securities held in the Pool.

**Portfolio Value** – The total book value amount of all the securities held in the Treasurer's Pooled Money Fund.

**Primary Dealer** – A group of dealers and banks that can buy and sell securities directly with the Federal Reserve Bank of New York.

**Private Placements** – Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

**Range Notes** – Notes which pay interest only if the underlying index upon which it is benchmarked, falls within a certain range.

**Repurchase Agreement** – A repurchase agreement consists of two simultaneous transactions. One is the purchase of securities by an investor (i.e., the County), the other is the commitment by the seller (i.e. a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed future date.

**Reverse Repurchase Agreement** – The mirror image of Repurchase Agreements. In this instance the County Pool is the seller of securities to an investor (i.e. brokers).

**Safekeeping** – A custodian bank’s action to store and protect an investor’s securities by segregating and identifying the securities.

**Securities Lending** – A transaction wherein the Treasurer’s Pool transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

**Short-Term** – The term used to describe a security when the maturity is one year or less.

**Supranationals** – Senior unsecured unsubordinated obligations that are issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. They are eligible for purchase and sale within the United States and approved for investments by local agencies in California as of January 1, 2015.

**Total Return** – The sum of all investment income plus changes in the capital value of a portfolio for a given period.

**Voluntary Participants** – Local agencies that are not required to deposit their funds with the County Treasurer.

**Weighted Average Maturity** – The remaining average maturity of all securities held in a portfolio.

**Yankee Certificates of Deposit** - Yankee Certificates of Deposit (YCD) are issued in the United States by a branch or agency of a foreign bank. They are negotiable instruments, and most have a minimum face value of \$100,000, making them appropriate for large investors.

**Yield** – The gain, expressed as a percentage that an investor derives from a financial asset.

**Yield to Maturity** – The percentage rate of return paid if the security is held to its maturity date. The calculation is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.

**APPENDIX A: INVESTMENT INSTRUMENTS**

<b>Investment Instruments</b>	<b>Maximum Maturity</b>	<b>Maximum Specified Percentage of Portfolio</b>	<b>Approved Selected Agencies</b>
U.S. Agencies	3 years or 1150 days	25%	Yes
Commercial Paper (CP)	270 days	40%	Yes
Medium Term Notes (MTN)	2 years or 735 days	20%	Yes
Supranationals	3 years (1150 days) or less	30%	Yes
U.S. Government Treasury Bills, Notes, and Bonds	3 years or 1150 days	N/A	
Yankee Certificates of Deposit (YCD)	1 year or 365 days	30%	Yes
Negotiable Certificates of Deposit (NCD)	1 year or 365 days	30%	Yes
Certificates of Deposits (CD)	1 year or 365 days	30%	Yes
Local Agency Investment Fund (LAIF)	N/A	As Maximum Permitted by State Law	
CalTrust/CAMP		\$25 MM	
Cal-based Munis	3 years or 1150 days		