

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



ASSISTANT  
AUDITOR-CONTROLLER  
JEFFERY S. BURGH

CHIEF DEPUTIES  
SANDRA BICKFORD  
BARBARA BEATTY  
JOANNE McDONALD  
VALERIE BARRAZA

April 8, 2014

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

**SUBJECT: Receive and File the Independent Auditors' Report on Statement of Money in County Treasury and Communication with Those Charged with Governance**

**RECOMMENDATION:** Receive and file.

**FISCAL/MANDATES IMPACT:** None.

**DISCUSSION:**

Government Code Section 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 Statement of Money in County Treasury (Statement) as of June 30, 2013. The audit is attached as Exhibit 1.

VTD issued an unmodified opinion, indicating that the Statement presents fairly the cash and investments of approximately \$1.9 billion deposited with the Treasurer. 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

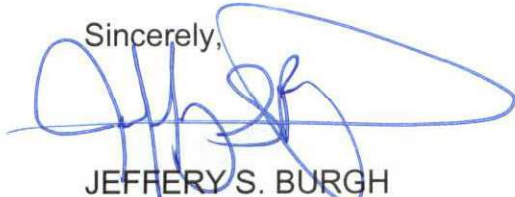
April 8, 2014

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

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

Sincerely,



JEFFERY S. BURGH

Assistant Auditor-Controller

Exhibits:

Exhibit 1 – Independent Auditors' Report on Statement of Money in County Treasury

Exhibit 2 – Communication with Those Charged with Governance

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

**COUNTY OF VENTURA**  
**STATEMENT OF MONEY IN COUNTY TREASURY**  
**INDEPENDENT AUDITORS' REPORT**  
**AS OF JUNE 30, 2013**

**COUNTY OF VENTURA**  
**STATEMENT OF MONEY IN COUNTY TREASURY**  
**AUDITORS' REPORT**  
**AS OF JUNE 30, 2013**

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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 Statement of Money in County Treasury of the County of Ventura, California (County), as of and for the year ended June 30, 2013, and the related notes (the financial statement) as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 statement.

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

#### *Opinion*

In our opinion, the financial statement referred to above presents fairly, in all material respects, the Statement of Money in County Treasury as of June 30, 2013, in accordance with the modified cash basis of accounting described in Note 2.

### ***Emphasis of Matter***

#### ***Financial Statement Information***

As discussed in Note 2, the financial statement presents only the cash and investments in the County Treasury and does not purport to, and does not, present fairly the financial position of the County of Ventura, California, as of June 30, 2013, in conformity with accounting principles generally accepted in the United States of America.

#### ***Basis of Accounting***

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of the Treasury'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  
December 23, 2013

**Ventura County California**  
**Statement of Money in County Treasury**  
**At Close of Business 06/30/13**  
**Modified Cash Basis**

*In accordance with Div. 2, Article 2, Sections 26920 and 26922 of the Government Code, The Auditor conducted a count of the money in the County Treasury, as of the close of business on the date stated above, the detail of which is represented by the following:*

	<b>General Ledger</b>	<b>Market Value of Investments per Wells Fargo*</b>
Treasury Currency	\$ 3,500.00	\$ 3,500.00
Registered Bonds/Coupons	\$ -	
Certificate of Time Deposit	\$ -	\$ - *
Government Securities & Agencies	\$ 1,107,571,804.41	\$ 1,106,197,993.00 *
Local Agency Investment Fund	\$ 50,000,000.00	\$ 50,000,000.00 *
Repurchase Agreement	\$ -	
Bankers Acceptance	\$ -	
Negotiable Certificate of Deposit	\$ -	
Commercial Paper	\$ 236,742,520.29	\$ 236,812,050.00 *
Medium Term Notes	\$ 212,483,040.75	\$ 210,864,090.71 *
Teeter Funding Note	\$ -	
Demand	\$ 303,384,023.75	\$ 303,384,023.75
Coupon Transit	\$ -	
Registered Bonds/Coupons Liabilities	\$ -	
<b>Sub Total</b>	\$ 1,910,184,889.20	\$ 1,907,261,657.46
Outstanding Treasurer's Checks	\$ -	\$ -
<b>Total Fund Balance</b>	\$ 1,910,184,889.20	\$ 1,907,261,657.46

**STEVEN HINTZ, Treasurer-Tax Collector**

By: 

Dated: 17 July 2013

See accompanying notes to the financial statement



**VENTURA COUNTY TREASURY**  
**NOTES TO THE STATEMENT OF MONEY IN COUNTY TREASURY**  
**AS OF JUNE 30, 2013**

**1. DESCRIPTION OF THE REPORTING ENTITY**

The office of the Ventura County Treasurer is governed by the Board of Supervisors of the County of Ventura and is administered by the Treasurer, an elected official. The Treasurer is responsible for the safekeeping and investment of funds for the County, school districts, and special districts.

The accompanying Statement of Money in County Treasury (Statement of Money) separately reports deposits and investments included in the Comprehensive Annual Financial Report of the County of Ventura. The Statement of Money does not include cash and investments for the Ventura County Employees' Retirement Association, the Supplemental Retirement System, and other funds held in trust outside the County Treasury. For additional disclosure information please refer to the latest publication of the County Comprehensive Annual Financial Report.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Statement of Money is presented on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the modified cash basis, disbursements are recognized when paid by the bank rather than at the time checks are issued. Interest earned on pooled investments is allocated quarterly to the appropriate funds based on each fund's respective average daily balance for that quarter.

The Statement of Money presents only the cash and investments in the County Treasury and is not intended to present fairly the financial position of the County of Ventura.

**3. EXTERNAL INVESTMENT TRUST**

The County Treasurer's investment pool is comprised of internal and external investment pool participants. The internal pool participants include the funds and component units of the reporting entity and are reported in the various County funds. The external pool participants include legally separate entities, which are not part of the sponsor's reporting entity.

The external investment pool includes both voluntary and involuntary participants for which cash and investments are held by the County Treasurer. The total percentage share of the Treasurer's pool related to the involuntary participants is approximately 40 percent. Legal provisions require certain special districts to participate in the County Treasurer's investment pool including public school districts, cemetery districts, recreation and park districts, and the Air Pollution Control District.

The financial reporting for these governmental entities, which are independent of the County Board, is limited to the total amount of cash and investments and other assets, and the related fiduciary responsibility of the County for disbursement of these assets. Activities of the school districts and special districts are administered by their own separate boards. Effective January 1, 1998, activities of the County's consolidated courts are governed by the State of California. The County Auditor-Controller makes disbursements upon the request of the responsible school and self-governed district officers and the presiding judge of the consolidated courts.



**VENTURA COUNTY TREASURY**  
**NOTES TO THE STATEMENT OF MONEY IN COUNTY TREASURY**  
**AS OF JUNE 30, 2013**

The County Board of Supervisors has no effective authority to govern, manage, approve budgets, assume financial accountability, establish revenue limits, nor to appropriate surplus funds available in these entities. Therefore, these entities are not financially accountable to the County.

**4. CASH AND INVESTMENTS**

The County's Investment Policy Statement (IPS), which is more restrictive than required by California Government Code Section 53635, stipulates the type, maturity limit, credit rating, and diversification of securities comprising the investment pool. The objectives of the IPS are safety of principal, maintenance of liquidity, and earning a competitive rate of return.

Investments permitted by the IPS include obligations of the U.S. Treasury, agencies and instrumentalities, or commercial paper rated A-1 or better by Standard and Poor's Ratings Services, P-1 by Moody's Investor Service, or F1 or better by Fitch Ratings, Commercial Paper Record, bankers' acceptances, repurchase agreements, corporate notes, negotiable certificates of deposit, obligations of the State of California, and obligations of any local agency within California.

The County is not registered with the SEC as an investment company. Market value calculations at fiscal year-end are based on values provided by the County's investment custodian. No guarantees have been provided during the period to support the value of shares in the pool. Investment earnings are allocated on the average daily balance in the Treasury's pool for the calendar quarter. The earnings are distributed to participants twice per quarter as cash is received. The market value of the participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' shares sold and redeemed is based on the book value of participants' daily average balances in the Treasury's pool for the calendar quarter. The total percentage share of the Treasurer's pool related to the involuntary participants is approximately 40 percent.

As permitted by Government Code Section 53635, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities.

**Deposits**

At June 30, 2013, the carrying amount of the County's deposits was \$303,384,023.75 and total bank balances amounted to \$293,841,851.41. The difference was due to net timing differences of \$9,542,172.34. Of the bank balances, \$250,000 was covered by federal depository insurance and \$293,591,851.41 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 California Government Code (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**  
**NOTES TO THE STATEMENT OF MONEY IN COUNTY TREASURY**  
**AS OF JUNE 30, 2013**

Investments

The County's investments at June 30, 2013, are summarized below (in thousands):

Amounts Invested in Pooled Treasury Fund:	Cost	Market Value	Weighted Average Maturity (Years)	Weighted Average Maturity (Days)
U.S. Agency Obligations	\$ 1,107,572	\$ 1,106,198	0.85	311
Commercial Paper	236,742	236,812	0.25	91
Medium Term Corporate Notes	212,483	210,864	0.97	356
LAIF	50,000	50,000		1
Total Investments	<u>\$ 1,609,797</u>	<u>\$ 1,603,874</u>	<u>0.75</u>	<u>274</u>

The County investment pool maintains an investment in the State of California Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. At June 30, 2013, the County's investment in LAIF was \$50,000,000, which approximates fair value and is the same as the value of the pool shares, which is determined on an amortized cost basis.

A summary of the interest rate percentage range and the maturity range at June 30, 2013, of investments held by the County Treasurer is as follows:

Investments	Interest Rate Range (Yield Rate)	Interest Rate Range (Coupon Rate)	Maturity Range
LAIF	0.244 – 0.377	.282	Day-to-Day
Commercial Paper	0.070 – 0.311	0.070 – 0.310	07/01/13 – 03/07/14
U.S. Agency Obligations	0.150 – 1.530	0.180 – 5.000	07/09/13 – 11/27/15
Medium Term Corporate Notes	0.174 – 1.070	1.000 – 6.300	08/05/13 – 03/23/15

Interest Rate Risk

Through its IPS, 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, 2013, the weighted average maturity of the investment pool was 276 days.

**VENTURA COUNTY TREASURY**  
**NOTES TO THE STATEMENT OF MONEY IN COUNTY TREASURY**  
**AS OF JUNE 30, 2013**

Credit Risk

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

Concentration of Credit Risk

State law and the IPS 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 IPS limit is 15% of the investment pool. 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, 2013.

Investments at June 30, 2013	Standard & Poor's	Moody's	% of Investment Pool
Federal National Mortgage Association	AA+	Aaa	28.31%
Federal Home Loan Mortgage Corporation	AA+	Aaa	20.23%
Federal Home Loan Banks	AA+	Aaa	11.45%
Federal Farm Credit Banks	AA+	Aaa	8.58%
Toyota Motor Credit Co (CP)	A1+	P1	6.54%
General Electric Capital Corp (MTN)	AA+	A1	3.72%
Credit Suisse New York (MTN)	A+	A1	3.18%
LAIF	NA	NA	3.12%
JP Morgan Chase & Co (CP)	A1	P1	2.62%
JP Morgan Chase & Co (MTN)	A	A2	2.12%
Union Bank NA (CP)	A1	P1	1.87%
Credit Suisse AG (CP)	A1	P1	1.43%
Rabobank USA (CP)	A1+	P1	1.06%
US Bancorp (MTN)	A+	A1	1.01%
Bank of New York Mellon (MTN)	A+	AA3	0.79%
Toyota Motor Credit Corp (MTN)	AA-	AA3	0.64%
General Electric Capital Corporation (CP)	A1+	P1	0.63%
Chevron Corporation (CP)	A1+	P1	0.62%
Wyeth (MTN)	AA	A1	0.56%
Mellon Bank NA (MTN)	A	A2	0.44%
Federal Agricultural Mortgage Corporation	N/R	N/R	0.41%
US Bank NA (MTN)	A+	A1	0.32%
Citigroup Inc. (MTN)	A-	BAA2	0.20%
IBM Corp. (MTN)	AA-	AA3	0.15%



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

To the County Board of Supervisors  
County of Ventura, California

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying Statement of Money in County Treasury of the County of Ventura, California (County), as of June 30, 2013, and the related notes (the financial statement) and have issued our report thereon dated December 23, 2013. Our report included an emphasis-of-matter regarding the financial statement's modified cash basis of accounting and that the financial statement does not purport to present the financial position of the County.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, 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 statement 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 statement is 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  
December 23, 2013



To the Honorable Board of Supervisors  
County of Ventura, California

We have audited the Statement of Money in County Treasury (financial statement) of the County of Ventura, California (County) for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 2 to the financial statement. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statement prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statement and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statement was the fair value of investments.

Management's estimate of the fair value of investments is based on the County's investment custodian as described in Note 4 to the financial statement. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statement.

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

#### *Difficulties Encountered in Performing the Audit*

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

#### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 23, 2013.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

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



Rancho Cucamonga, California  
December 23, 2013