

JEFFERY S. BURGH
AUDITOR-CONTROLLER

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



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JOANNE McDONALD

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BARBARA BEATTY
AMY HERRON
JILL WARD
MICHELLE YAMAGUCHI

April 21, 2020

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 for the Year Ended June 30, 2019, and the Related Independent Auditor's Communication with Those Charged with Governance

RECOMMENDATION: Receive and file.

FISCAL/MANDATES IMPACT: None.

DISCUSSION:

California 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, Eide Bailly LLP, to audit the Ventura County Treasury Investment Pool for the year ended June 30, 2019. The audit is attached as Exhibit 1.

The auditors issued an unmodified opinion, indicating that the financial statements present fairly, in all material respects, the financial position of the \$2.8 billion Ventura County Treasury Investment Pool and the changes in financial position as of and for the year ended June 30, 2019. The auditors 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 the obligations related to the accountability of the entity, including overseeing the financial reporting process. The document attached as Exhibit 2 communicates such matters to the County's Board of Supervisors.

Honorable Board of Supervisors
April 21, 2020
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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 (805) 654-3151.

Sincerely,



JEFFERY S. BURGH
Auditor-Controller

Exhibits:

- Exhibit 1 – Ventura County Treasury Investment Pool Basic Financial Statements
for the Year Ended June 30, 2019
- Exhibit 2 – Independent Auditor's Communication with Those Charged with
Governance

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



Basic Financial Statements
Year Ended June 30, 2019

Ventura County
Treasury Investment Pool

**VENTURA COUNTY TREASURY INVESTMENT POOL
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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Independent Auditor's 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, 2019, 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.

Auditor's 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, 2019, 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, 2019, 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 February 21, 2020, 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, as it relates to the Investment Pool. The purpose of that report is solely 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 the effectiveness of the County's 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, as it relates to the Investment Pool.



Rancho Cucamonga, California
February 21, 2020

**VENTURA COUNTY TREASURY INVESTMENT POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019 (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, 2019.

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, 2019, increased by \$289.3 million, or 11.3%, compared to the prior-year period.
- Cash decreased by \$59.8 million or 56.4% to take advantage of rising interest rates. We invested cash, temporary idle during the year, in high quality fixed-income investments during the year.
- Additions to pooled investment increased by \$305.8 million or 5.7% primarily due to higher and improved property tax collection and school bond proceeds of \$184.3 million.
- The net investment income increased by \$35.0 million or 90.4% primarily due to higher interest income and increase in the change in the fair value of investments from the prior year. Interest income increased by \$29.0 million from the prior fiscal year due to increase in market yields. The Federal Reserve raised the federal funds rate twice in September 2018 and in December 2018, resulting in the increase of key interest rates. The fair value of the investments had a net increase of \$10.6 million for the year ended June 30, 2019, compared to a net increase of \$4.7 million for the year ended June 30, 2018. Due to its short-term nature and low effective duration, the investments were less sensitive to interest rate movements. The new scoring protocol of Standard and Poor's Global Ratings Service discourages long-term investments to maintain our current ratings of AA Af/S1+, the highest rating given by that service.
- The weighted average maturity of the Investment Pool was 198 days at June 30, 2019, compared to 154 days in the prior-year period. The Investment Pool is a fixed-income, interest-rate sensitive portfolio with no direct exposure to equities, commodities, or global markets.
- Higher deductions in fiscal year 2019 were primarily due to timing in the payment of Ventura County Tax and Revenue Anticipation Notes. There was a bond payment made in fiscal year 2019 while there was no bond payment made in fiscal year 2018.
- The Investment Pool's expense ratio was competitive at 0.06% of the average daily balance for the current year and for the prior-year period.

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

**VENTURA COUNTY TREASURY INVESTMENT POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019 (UNAUDITED)**

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*.

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

Statement of Net Position

	2019	2018	Increase/(Decrease)	
			Amount	Percentage
Assets				
Cash Deposits	\$ 46,229,831	\$ 105,988,947	\$ (59,759,116)	-56.4%
Investments	2,796,216,686	2,447,385,100	348,831,586	14.3%
Interest Receivable	406,231	206,237	199,994	97.0%
Total Assets	<u>2,842,852,748</u>	<u>2,553,580,284</u>	<u>289,272,464</u>	11.3%
Net Position	<u>\$ 2,842,852,748</u>	<u>\$ 2,553,580,284</u>	<u>\$ 289,272,464</u>	11.3%

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

Statement of Changes in Net Position

	2019	2018	Increase/(Decrease)	
			Amount	Percentage
Additions:				
Participants' Deposits	\$ 5,669,681,911	\$ 5,363,901,814	\$ 305,780,097	5.7%
Net Investment Income	<u>73,670,214</u>	<u>38,696,391</u>	<u>34,973,823</u>	90.4%
Total Additions	<u>5,743,352,125</u>	<u>5,402,598,205</u>	<u>340,753,920</u>	6.3%
Deductions:				
Participants' Withdrawals	5,452,543,533	5,247,277,663	205,265,870	3.9%
Treasury Administrative Expense	<u>1,536,128</u>	<u>1,449,487</u>	<u>86,641</u>	6.0%
Total Deductions	<u>5,454,079,661</u>	<u>5,248,727,150</u>	<u>205,352,511</u>	3.9%
Changes in Net Position	289,272,464	153,871,055	135,401,409	88.0%
Net Position Beginning of Year	<u>2,553,580,284</u>	<u>2,399,709,229</u>	<u>153,871,055</u>	6.4%
Net Position End of Year	<u>\$ 2,842,852,748</u>	<u>\$ 2,553,580,284</u>	<u>\$ 289,272,464</u>	11.3%

**VENTURA COUNTY TREASURY INVESTMENT POOL
STATEMENT OF NET POSITION
JUNE 30, 2019**

Assets	
Cash and Deposits (Note 2)	\$ 46,229,831
Investments (Note 2)	2,796,216,686
Interest Receivable (Note 3)	<u>406,231</u>
Total Assets	<u>\$ 2,842,852,748</u>
Net Position Held in Trust for Pool Participants	<u><u>\$ 2,842,852,748</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, 2019**

Additions:

Participants' Deposits		\$5,669,681,911
Investment Income:		
Interest Income	\$ 63,044,267	
Net Increase in Fair Value	10,625,947	
Net Investment Income		73,670,214
Total Additions		5,743,352,125

Deductions:

Participants' Withdrawals		5,452,543,533
Treasury Administrative Expense		1,536,128
Total Deductions		5,454,079,661
Net Increase in Net Position		289,272,464
Beginning Net Position Held in Trust for Pool Participants		2,553,580,284
Ending Net Postion Held in Trust for Pool Participants		\$2,842,852,748

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, 2019**

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 \$2.8 billion as of June 30, 2019. 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 does not have any legally binding guarantees of share values. 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 50%. 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.

The financial statements include only the activities of the Investment Pool. These financial statements are not intended to present the activities of the County of Ventura.

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.

**VENTURA COUNTY TREASURY INVESTMENT POOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019, the carrying amount of the County's deposits was \$46.2 million, and the total bank balance amounted to \$95.6 million. The difference between the carrying amount and the bank balance includes temporary reconciling items such as outstanding checks and deposits in transit. Of the bank balance, \$250 thousand was covered by federal depository insurance and \$95.4 million was uninsured. The total bank balance reflects a need to keep funds available for cash flow purposes. The uninsured deposits were held by a financial institution, which is legally required by the GC to collateralize the County's deposits by pledging government securities or first trust deed mortgage notes. In accordance with GC §53652, the market value of the pledged securities and first trust deed mortgage notes must be at least 110 percent and 150 percent of the County's deposits, respectively, as provided for in the County's Contract for Deposit of Moneys.

Custodial Credit Risk - Deposits

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

**VENTURA COUNTY TREASURY INVESTMENT POOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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, commercial paper, bankers' acceptances, repurchase agreements, corporate notes, negotiable certificates of deposit and Yankee certificates of deposit, supranational instruments, obligations of the State of California, general obligations of the other 49 states, and obligations of any local agency within California.

Treasury Pool investments are accounted for in accordance with the provisions of Government Accounting Standards Board ("GASB") 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended by GASB 72, *Fair Value Measurement and Application*, 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. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. The fair value of pooled investments is determined monthly and is provided by the custodian bank. The investment in the State managed Local Agency Investment Fund ("LAIF") and the Investment Trust of California, doing business as CalTRUST, approximates fair value and is the same as the value of the pool shares, which is determined on a full cost basis. See Note 5 for additional information.

The County Treasurer calculates and records all interest received 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, P-1 by Moody's Investors Service, or F1 or better by Fitch Ratings. 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 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.

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.

**VENTURA COUNTY TREASURY INVESTMENT POOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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. Policy limits investments in municipal notes and bonds to 30% of the investment pool. State law and the Policy limit investments in supranational instruments to 30% of the investment pool. State law and the Policy limit investments in negotiable certificates of deposit, Yankee certificates of deposit, and certificates of deposit to 30% of the investment pool.

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/A2
Municipal Notes, Bonds, and Other Obligations	5 years	3 years	None	30%	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	1 year	30%	30%	None	None	None	A-1 / P-1
Yankee Certificates of Deposit	5 years	1 year	30%	30%	None	None	None	A-1 / P-1
Certificates of Deposit	5 years	1 year	30%	30%	None	None	None	A-1 / P-1
Local Agency Investment Fund (LAIF)	N/A	N/A	None	As permitted by state law	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, 2019

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, 2019.

Investments at June 30, 2019	Standard & Poor's	Moody's	% of Investment Pool
Federal Home Loan Bank (GA)	AA+	Aaa	7.07%
National Bank of Kuwait (YCD)	A-1	P-1	6.62%
Toyota Motor Credit Corp (CP)	A-1+	P-1	6.39%
Federal Home Loan Mortgage Corporation (GA)	AA+	Aaa	5.29%
Toronto-Dominion (YCD)	A-1+	P-1	4.84%
Royal Bank of Canada (YCD)	A-1+	P-1	4.30%
MUFG Bank (CP)	A-1	P-1	4.26%
International Bank Recon & Develop (Supra)	AAA	Aaa	4.20%
Oversea-Chinese Banking (YCD)	A-1+	P-1	3.94%
Toyota Credit De Puerto Rico (CP)	A-1+	P-1	3.92%
Korea Development Bank (CP)	A-1+	P-1	3.70%
J.P. Morgan Securities (CP)	A-1	P-1	3.20%
Credit Agricole (CP)	A-1	P-1	3.03%
Federal Farm Credit Bank (GA)	AA+	Aaa	2.74%
Microsoft Corporation (MTN)	AAA	Aaa	2.61%
Credit Suisse AG (CP)	A-1	P-1	2.49%
Korea Development Bank (YCD)	A-1+	P-1	2.33%
Inter-American Development Bank (Supra)	AAA	Aaa	2.16%
LAIF	NR	NR	1.97%
Toyota Motor Credit Corp (MTN)	AA-	Aa3	1.96%
Federal National Mortgage Association (GA)	AA+	Aaa	1.83%
International Finance Corp (Supra)	AAA	Aaa	1.78%
International Finance Corp Discount Note (Supra)	A-1+	P-1	1.60%
BNY Mellon (MTN)	A	A1	1.44%
Kookmin Bank (YCD)	A-1	P-1	1.43%
California St Txbl (Muni)	AA-	Aa3	1.36%
Dexia Credit (CP)	A-1+	P-1	1.25%
Standard Chartered Bank (YCD)	A-1	P-1	1.25%
Federal Home Loan Bank Discount Note (GA)	A-1+	P-1	1.07%
Federal Home Loan Mortgage Discount Note (GA)	A-1+	P-1	1.07%
J.P. Morgan Chase Bank (MTN)	A+	Aa2	1.07%
CalTRUST	AA	NR	0.89%
Exxon Mobil Corp (MTN)	AA+	Aaa	0.78%
Banco Del Estado de Chile (YCD)	A-1	P-1	0.72%
Berkshire Hathaway Finance (MTN)	AA	Aa2	0.71%
Cisco Systems (MTN)	AA-	A1	0.53%

VENTURA COUNTY TREASURY INVESTMENT POOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Investments at June 30, 2019	Standard & Poor's	Moody's	% of Investment Pool
U.S. Bank (MTN)	AA-	A1	0.53%
Apple Inc (MTN)	AA+	Aa1	0.42%
PNC Bank (MTN)	A	A2	0.39%
Great West Life (CP)	A-1+	P-1	0.36%
International Bank Recon & Develop Discount Note (Supra)	A-1+	P-1	0.35%
Kaiser Foundation (CP)	A-1+	NR	0.35%
Fremont CA Union High School District (Muni)	AAA	Aaa	0.31%
Australia & New Zealand Banking (MTN)	AA-	Aa3	0.23%
Chevron Corp (MTN)	AA	Aa2	0.20%
IBM Corp (MTN)	A	A1	0.20%
John Deere Capital Corporation (MTN)	A	A2	0.19%
Tulare County CA Pension (Muni)	AA-	A1	0.18%
San Diego CA Tobacco Settlement (Muni)	A	NR	0.11%
American Honda Finance (MTN)	A	A2	0.10%
National Rural Utility (MTN)	A	A1	0.04%
San Francisco City & County Airport Revenue (Muni)	A	A1	0.04%
Santa Barbara County CA Solid Waste (Muni)	AA	A1	0.04%
San Francisco Bay Area Rapid Transit (Muni)	AA+	NR	0.03%
University of California (Muni)	AA	Aa2	0.03%
California State University (Muni)	AA-	Aa2	0.02%
Cotati-Rohnert Park CA Unif (Muni)	AA	A1	0.02%
San Francisco City & Cnty Affordable Housing (Muni)	AAA	Aaa	0.02%
San Leandro CA Redev Agency (Muni)	AA-	NR	0.02%
Palo Alto CA COPS (Muni)	AA+	NR	0.01%
San Juan Capistrano CA (Muni)	AAA	NR	<u>0.01%</u>
Total			<u>100.00%</u>

**VENTURA COUNTY TREASURY INVESTMENT POOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019, the weighted average maturity of the Investment Pool was 198 days.

The County's investments at June 30, 2019, are summarized below (in thousands):

<u>Amounts Invested In Pooled Treasury Fund:</u>	<u>Cost</u>	<u>Market Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Weighted Average Maturity (Days)</u>
U.S. Agency Obligations	\$ 531,395	\$ 533,543	0.95	347
Commercial Paper	800,384	809,461	0.27	99
Medium Term Corporate Notes	317,269	318,873	0.81	296
Supranational Instruments	280,143	282,280	0.70	255
Yankee Certificates of Deposit	710,088	710,998	0.36	131
Municipal Bonds	61,012	61,047	0.47	173
LAIF	55,000	55,000	0.49	179
CalTRUST	25,000	25,015	0.91	332
Total Investments	<u>\$ 2,780,291</u>	<u>\$ 2,796,217</u>	<u>0.54</u>	<u>198</u>

California Local Agency Investment Fund

The Investment Pool maintains an investment in the State of California LAIF that is regulated by the California GC under the oversight of the Treasurer of the State of California. At June 30, 2019, the County's investment in LAIF was \$55.0 million, 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 \$25.0 million. At June 30, 2019, the County's investment in CalTRUST was \$25.0 million, which approximates fair value and is the same as the value of the pool shares, which is determined on a full cost basis.

**VENTURA COUNTY TREASURY INVESTMENT POOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

A summary of the interest rate percentage range and the maturity range at June 30, 2019, of investments held by the County is as follows:

Investments	Interest Rate Range (Yield Rate)	Interest Rate Range (Coupon Rate)	Maturity Range
U.S. Agency Obligations	2.300 – 2.972	0.875 – 2.920	07/01/19-06/17/22
Commercial Paper	2.261 – 4.675	2.230 – 2.971	07/03/19-02/24/20
Medium Term Corporate Notes	1.544 – 2.994	1.100 – 2.725	07/12/19-06/03/21
Supranational Instruments	2.328 – 2.902	0.875 – 3.875	07/18/19-04/12/22
Yankee Certificates of Deposit	2.500 – 3.175	2.500 – 3.190	07/02/19-05/29/20
Municipal Bonds	1.549 – 3.300	1.549 – 3.300	07/01/19-12/01/21
LAIF	1.944 - 2.449	1.944 - 2.449	
CalTRUST	1.590 - 3.840	1.590 - 3.840	

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, 2019, the Investment Pool had \$406,231 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.

**VENTURA COUNTY TREASURY INVESTMENT POOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 5 – FAIR VALUE MEASUREMENT

Investments are recorded at fair value in the statement of net position and are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The CalTRUST and LAIF investments are not subject to the fair value hierarchy. Deposits and withdrawals in the CalTRUST and LAIF investments are made on the basis of \$1 and not fair value. Level inputs, as defined by GASB 72 guidance for fair value measurements and disclosures, are as follows:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(in thousands)				
Investments by Fair Value Level				
Debt Securities:				
U.S. Agency Obligations	\$ 533,543	\$ 59,772	\$ 473,771	
Commercial Paper	809,461		809,461	
Medium Term Corporate Notes	318,873		318,873	
Supranational Instruments	282,280		282,280	
Yankee Certificate of Deposit	710,998		710,998	
Municipal Bonds	61,047		61,047	
Total investments - by Fair Value Level	<u>2,716,202</u>	<u>\$ 59,772</u>	<u>\$ 2,656,430</u>	<u>\$ -</u>
LAIF	55,000			
CalTRUST	25,015			
Total Investments	<u>\$ 2,796,217</u>			

Investments classified as Level 1 were valued using unadjusted, quoted prices for identical assets in active markets.

Investments classified as Level 2 were valued using various pricing models such as matrix pricing technique, option adjusted spread model, and multi-dimensional relational model.

Investments classified as Level 3 were priced manually using various sources such as issuer investment manager, client, default price, and other unobservable inputs.

NOTE 6 – RELATED PARTY

The County portion of the Investment Pool's net position as of June 30, 2019 is \$1.2 billion. Certain costs allocated by the County to the Investment Pool includes salaries and benefits, services and supplies, overhead and equipment totaling \$1.5 million in the current fiscal year.



CPAs & BUSINESS ADVISORS

Independent Auditor's 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, 2019, 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 February 21, 2020. 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 of Ventura (County).

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
February 21, 2020



February 21, 2020

To the Board of Supervisors
County of Ventura, California

We have audited the financial statements of the Treasury Investment Pool (Investment Pool) of the County of Ventura, California (County) as of and for the year ended June 30, 2019, and have issued our report thereon dated February 21, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated May 28, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the County Investment Pool solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal control in our Independent Auditor's Report on Internal Control over Financial Statements Performed in Accordance with *Government Auditing Standards* dated February 21, 2020.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Investment Pool is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events.

Financial Statement Disclosures

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

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. No such items were reported.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the County Investment Pool's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated February 21, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the County, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Investment Pool's auditors.

This report is intended solely for the information and use of the 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California