

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

319
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FROM: County Auditor-Controller

SUBMITTAL DATE:
April 17, 2013

SUBJECT: Fiscal Year 2011-12 Statement of Net Assets With Independent Auditor's Report.

RECOMMENDED MOTION: Receive and file Fiscal Year 2011-12 Statement of Net Assets With Independent Auditor's Report.

BACKGROUND: The county's Fiscal Year 2011-12 Statement of Net Assets With Independent Auditor's Report is hereby submitted in accordance with Sections 26920(b) and 26922 of the Government Code of the State of California. The county's external auditors, Brown Armstrong Accountancy Corporation performed the audit to determine whether cash and investments as shown on the "Statement of Assets Held By The County Treasury As Of June 30, 2012" were presented fairly.

Based on their audit, the amounts shown on the "Statement of Assets Held By The County Treasury As Of June 30, 2012" present fairly the financial position of the Treasurer's Investment Pool. Internal controls over financial reporting and tests of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters were also evaluated.

Paul Angulo

Paul Angulo, CPA, MA
County Auditor-Controller

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

BY: *Karen Johnson*
Karen Johnson

County Executive Office Signature

- Policy
- Policy
- Consent
- Consent

Dep't Recomm.:
Per Exec. Ofc.:

STAMP: RECEIVED BY COUNTY AUDITOR
APR 18 2013 10:53 AM
COUNTY OF RIVERSIDE, CALIFORNIA

Prev. Agn. Ref.: | **District:** All | **Agenda Number:**

2-4

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Riverside, California

We have audited the accompanying Statement of Net Assets of the Treasurer's Investment Pool of the County of Riverside (the County), as of and for the year ended June 30, 2012, as listed in the table of contents. This Statement of Net Assets is the responsibility of the County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Treasurer's Investment Pool of the County as of June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2013, on our consideration of the County Treasurer's Investment Pool'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
February 6, 2013



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

BASIC FINANCIAL STATEMENTS

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
STATEMENT OF NET ASSETS
JUNE 30, 2012
(Dollars in Thousands)**

ASSETS:

Cash and investments	\$ 4,597,183
Restricted cash and investments (Note 3)	<u>579,214</u>
Total assets	<u>\$ 5,176,397</u>

LIABILITIES AND NET ASSETS:

Liabilities:

Due to others	<u>\$ -</u>
Total liabilities	<u>-</u>

Net Assets:

Held in trust for treasury pool participants	<u>5,176,397</u>
Total net assets	<u>\$ 5,176,397</u>

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

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
NOTES TO STATEMENT OF NET ASSETS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

As provided by Government Code Section 53600, the cash balances of substantially all of the County of Riverside's (the County) funds, as well as those of participating schools and agencies, are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. The Treasurer's Investment Pool (the Pool) is managed by the County Treasurer and is not registered with the Securities and Exchange Commission. The Pool's investment objectives are to safeguard principal, meet the liquidity needs of the participants, and return an acceptable yield within the parameters of prudent risk management (California Government Code Sections 2700.5 and 53600.5). Additionally, there is an Oversight Committee comprised of County officials, representatives from various Pool participants, and members of the public, whose function is to monitor compliance with the County's investment policy. The Treasurer also reports on a monthly basis to the County Board of Supervisors.

B. Reporting Method

The Pool follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB).

C. Investment Valuation

Pool investments are accounted for in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires governmental entities to report certain investments at fair market value in the statement of net assets and recognize the corresponding change in fair market value of investments in the year in which the change occurred. The fair market value of pooled investments is determined monthly and is based upon valuation provided by the Pool's safekeeping agent.

NOTE 2 – CASH AND INVESTMENTS

Cash and Investments

As of June 30, 2012, cash and investments are classified in the County's financial statements as follows (in thousands):

	Governmental Activities	Business-Type Activities	Discretely Presented Component Unit	Fiduciary Funds	Total
Cash and investments	\$ 1,245,887	\$ 137,819	\$ 42,212	\$ 3,171,265	\$ 4,597,183
Restricted cash and investments	485,424	78,732	15,058	-	579,214
Total cash and investments	<u>\$ 1,731,311</u>	<u>\$ 216,551</u>	<u>\$ 57,270</u>	<u>\$ 3,171,265</u>	<u>\$ 5,176,397</u>

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
NOTES TO STATEMENT OF NET ASSETS
JUNE 30, 2012**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Cash and Investments (Continued)

As of June 30, 2012, cash and investments consist of the following (in thousands):

Deposits		\$	206,038
Investments			4,970,359
 Total cash and investments		 \$	 <u>5,176,397</u>

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

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, whichever is more restrictive. The table also identifies certain provisions of the California Government Code or the County's investment policy, where more restrictive, that address interest rate, credit risk, and concentration of credit risk. A copy of the County's investment policy can be found at www.treasurer-tax.co.riverside.ca.us.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Public Agency Bonds	3 Years	15%	5%**
U.S. Treasury	5 Years	100%	N/A
Local Agency Obligations	3 Years	2.5%	2.5%
Federal Agencies	5 Years	100%	N/A
Commercial Paper	270 Days	40%	4% *
Negotiable Certificates of Deposit	1 Year	25%	4% *
Time Deposits	1 Year	2%	N/A
Repurchase Agreements	45 Days	40% / 25%	20%
Reverse Repurchase Agreements ***	60 Days	10%	10%
Medium-Term Notes	3 Years	20%	4% *
CalTrust Short-Term Fund	Daily Liquidity	1%	1%
Money Market Mutual Funds	Daily Liquidity	20%	None
Local Agency Investment Fund	Daily Liquidity	\$50 Million	N/A
Cash/Deposit Account	N/A	N/A	N/A

* Maximum of 4% per issuer in combined commercial paper, certificate and time deposits, and medium-term notes.

** For credit rated below AA-/Aa3, 2% maximum in one issuer only for State of California debt.

*** Only for Emergency liquidity purposes.

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
NOTES TO STATEMENT OF NET ASSETS
JUNE 30, 2012**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

	Fair Market Value	Interest Rate Range	Maturity	Weighted Average Maturity (Years)	Minimum Legal Rating	Rating (1) June 30, 2012	% of Portfolio
County Treasurer's Investments							
Federal Home Loan Bank	\$ 1,912,816	0.14 - 1.61%	07/12 - 05/17	0.95	N/R	AA+/Aaa	41.15%
Federal National Mortgage Association	851,326	0.14 - 1.32%	07/12 - 03/17	2.13	N/R	AA+/Aaa	18.32%
Federal Home Loan Mortgage	624,927	0.20 - 1.75%	07/12 - 03/17	1.83	N/R	AA+/Aaa	13.44%
U.S. Treasury Bills and Bonds	165,215	0.15 - 0.33%	09/12 - 05/13	0.66	N/R	AA+/Aaa	3.56%
Federal Farm Credit Bank	522,542	0.14 - 1.30%	07/12 - 04/16	0.89	N/R	AA+/Aaa	11.24%
Repurchase Agreements	80,000	0.11%	07/12	0.01	A1/P1	N/R	1.72%
Commercial Paper	139,867	0.15 - 0.33%	07/12 - 11/12	0.19	A1/P1	AA+/Aa3	3.01%
Money Market Mutual Funds	125,000	0.01 - 0.05%	07/12	0.00	AAA	AAA/Aaa	2.69%
Municipal Bonds	76,391	0.28 - 1.24%	07/12 - 04/15	0.70	AA-/Aa3	AA/Aa2	1.64%
Farmer Mac	45,563	0.21 - 0.76%	07/12 - 05/13	0.70	N/R	N/R	0.98%
CalTRUST	54,000	0.44%	07/12	0.00	N/R	AAA/Aaa	1.16%
Local Agency Obligations	534	0.96%	06/20	7.96	N/A	N/R	0.01%
Local Agency Investment Funds	50,000	0.38%	07/12	0.00	N/A	N/R	1.08%
Total Treasurer's Pooled Investments	4,648,181						100.00%
Investments Outside the County Treasury							
Blended Component Unit Investments							
Money Market Mutual Funds (2)	52,299	0.00 - 0.05%	07/12	0.00	AA-	AA-	17.03%
Commercial Paper	15,371	0.07 - 0.14%	07/12 - 08/12	0.12	AA+/A1	AA+/A1	5.00%
Investment Agreements	214,148	2.38 - 4.46%	12/14 - 11/36	8.47	AA-/Aa2	AA-/Aa2	69.73%
Money Market Mutual Funds (3)	20,084	0.00 - 0.09%	N/A	0.00	N/R	N/R	6.54%
Local Agency Investment Funds	5,218	0.00 - 0.36%	N/A	0.00	N/A	N/R	1.70%
Total Blended Component Units	307,120						100.00%
Discretely Presented Component Unit							
Palm Desert Financing Authority							
Money Market Mutual Funds (2)	15,058	0.01 - 0.30%	N/A	0.59	AAA	AAA	100.00%
Total Discretely Presented Component Unit	15,058						100.00%
Total Investments	\$ 4,970,359						

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

(2) Government Code requires money market mutual funds to be rated.

(3) Housing Authority and Inland Empire Tobacco Securitization Authority do not require money market mutual funds to be rated.

Investment in State Investment Pool

The County is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The State Treasurer's Office reports its investments at fair value. The fair value of securities in the State Treasurer's pooled investment program, including LAIF, generally is based on quoted market prices. The State Treasurer's Office performs a quarterly fair market valuation of the pooled investment program portfolio and a monthly fair market valuation of all securities held against carrying cost. These valuations and financial statements are posted to the State Treasurer's Office website at www.treasurer.ca.gov. The fair market value of the County's investment in this pool is reported in the accompanying financial statements at amounts based upon the County's pro-rata share of the fair market value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. As of June 30, 2012, the Pool has \$50.0 million in LAIF, CORAL has \$2.5 million, the Housing Authority has \$2.0 million and the Riverside Regional Medical Center has \$0.7 million in LAIF.

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
NOTES TO STATEMENT OF NET ASSETS
JUNE 30, 2012**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements of the respective component units, rather than the general provisions of the California Government Code or the County's investment policy. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates of its fair market value. One of the ways the County Treasurer manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so a portion of the portfolio is maturing, or coming close to maturity, to ensure the cash flow and liquidity required for operations.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will be able to recover the value of its investment or collateral securities that are in the possession of another party. Neither the California Government Code nor the County's investment policy contain legal or policy requirements that would limit the County's exposure to custodial credit risk for deposits or investments except for the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. GASB Statement No. 40 requires that a disclosure is made with respect to custodial credit risks relating to deposits. The County has cash deposits with fiscal agents in excess of federal depository insurance limits held in collateralized accounts with securities held by Union Bank in the amount \$161.2 million. Investment securities are registered and held in the name of the County.

Concentration of Credit Risk

The investment policy of the County contains certain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. In accordance with GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, the County should provide information about the concentration of credit risk associated with their investments in any one issuer that represent 5% or more of total County investments.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

**COUNTY OF RIVERSIDE
TREASURER'S INVESTMENT POOL
NOTES TO STATEMENT OF NET ASSETS
JUNE 30, 2012**

NOTE 3 – RESTRICTED CASH AND INVESTMENTS

The amount of assets restricted by legal and contractual requirements at June 30, 2012, is as follows (in thousands):

General Fund	
Restricted Program Money	\$ 299,673
Total General Fund	<u>299,673</u>
Flood Special	
Restricted Program Money	4,815
Total Flood Special	<u>4,815</u>
Teeter Debt	
Teeter Commercial Paper Notes	79,630
Total Teeter Debt	<u>79,630</u>
Non-Major Governmental Funds	
1985 Certificates	20,796
1990 Monterey Avenue	134
1997 Historic Court House	280
2000 Southwest Justice Center	543
2003 A Historic Courthouse	1,355
2003 B Capital Facilities	423
2005 A Capital Improvement Family Law	3,523
2005 B Historic Refunding	2,698
2006 A Capital Improvements	2,187
2007 A Public Safety and Refunding	26,931
2008 A Southwest Justice Center	794
2009 Larson Justice Center	2,610
2009 Public Safety and Woodcrest Library Refunding	4,756
2012 CAC Annex	5,574
Bankruptcy Court	6,713
District Court Financing Corporation	1,099
Inland Empire Tobacco Securitization Authority	19,890
Total Non-Major Governmental Funds	<u>100,306</u>
Regional Medical Center	
1993 Hospital Bonds	23,890
Total Regional Medical Center	<u>23,890</u>
Waste Management Department	
Remediation Costs	51,957
Total Waste Management Department	<u>51,957</u>
Non-Major Enterprise Funds	
Housing Authority Bond	194
Restriction Program Money - Flood	2,691
Total Non-Major Enterprise Funds	<u>2,885</u>
Interest Service Funds	
Flood Control Equipment	1,000
Total Internal Service Funds	<u>1,000</u>
Discretely Presented Component Unit	
Palm Desert Financing Authority	15,058
	<u>15,058</u>
Total Restricted Assets	<u>\$ 579,214</u>

**BROWN
ARMSTRONG**

CERTIFIED
PUBLIC
ACCOUNTANTS

BROWN ARMSTRONG

Certified Public Accountants

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

To the Board of Supervisors
County of Riverside, California

We have audited the Statement of Net Assets of the Treasurer's Investment Pool of the County of Riverside (the County), as of and for the year ended June 30, 2012, and have issued our report thereon dated February 6, 2013. 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.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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*.

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

This report is intended solely for the information and use of the Board of Supervisors, Treasury Oversight Committee, management, and others within the administration of the County of Riverside Treasurer's Investment Pool and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
February 6, 2013