

**VENTURA COUNTY  
TREASURY INVESTMENT POOL  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**VENTURA COUNTY TREASURY INVESTMENT POOL  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

To the County Board of Supervisors  
County of Ventura, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Ventura County Investment Pool (Investment Pool), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Investment Pool's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Investment Pool, as of June 30, 2016, 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, 2016, 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.

As described in Note 1 to the financial statements, the Investment Pool adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, effective July 1, 2015. 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 March 30, 2017, 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 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, as it relates to the Investment Pool.



Rancho Cucamonga, California  
March 30, 2017

**VENTURA COUNTY TREASURY INVESTMENT POOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016 (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, 2016.

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, 2016, increased \$44.7 million, or 1.9%, compared to the prior-year period.
- The net investment income increased by \$9.7 million or 95.9% from the prior year. We have been investing in higher yielding securities with maturities over one year, while effectively meeting the cash flow needs of the fund participants. The weighted average maturity of the Investment Pool was 328 days at June 30, 2016, compared to 295 days in the prior-year period. Higher investment income was primarily driven by an increase in market yield during the year ended June 30, 2016. The Investment Pool is a fixed-income, interest-rate sensitive portfolio with no direct exposure to equities, commodities or global markets.
- Contributions by participants decreased by \$198.4 million or 3.8% primarily due to no new large participants and lower contribution from annual school district borrowing programs, Proposition 39 funding, and other funding sources from the State.
- Deductions from the participants increased by \$193.2 million or 4.0% primarily due to ongoing withdrawals by the Health Care Agency for the construction of their hospital and other capital projects, higher withdrawals from Gold Coast Health Plan, and increased withdrawals to contribute to the County retirement program.
- The Investment Pool's expense ratio was competitive at 0.06% of the average daily balance for the current year and 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

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

**VENTURA COUNTY TREASURY INVESTMENT POOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016 (UNAUDITED)**

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

**Statement of Net Position**

	2016	2015	Increase/(Decrease)	
			Amount	Percentage
Assets				
Cash and Deposits	\$ 273,201,393	\$ 258,224,327	\$ 14,977,066	5.8%
Investments	2,096,134,854	2,066,398,258	29,736,596	1.4%
Interest Receivable	56,578	34,093	22,485	66.0%
Total Assets	<u>2,369,392,825</u>	<u>2,324,656,678</u>	<u>44,736,147</u>	1.9%
<b>Net Position</b>	<b><u>\$ 2,369,392,825</u></b>	<b><u>\$ 2,324,656,678</u></b>	<b><u>\$ 44,736,147</u></b>	1.9%

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

**Statement of Changes in Net Position**

	2016	2015	Increase/(Decrease)	
			Amount	Percentage
Additions:				
Participants' Deposits	\$ 5,006,856,845	\$ 5,205,235,091	\$ (198,378,246)	-3.8%
Net Investment Income	19,812,858	10,114,362	9,698,496	95.9%
Total Additions	<u>5,026,669,703</u>	<u>5,215,349,453</u>	<u>(188,679,750)</u>	-3.6%
Deductions:				
Participants' Withdrawals	4,980,679,350	4,787,439,715	193,239,635	4.0%
Treasury Administrative Expense	1,254,206	1,245,716	8,490	0.7%
Total Deductions	<u>4,981,933,556</u>	<u>4,788,685,431</u>	<u>193,248,125</u>	4.0%
Changes in Net Position	44,736,147	426,664,022	(381,927,875)	-89.5%
Net Position Beginning of Year	2,324,656,678	1,897,992,656	426,664,022	22.5%
Net Position End of Year	<b><u>\$ 2,369,392,825</u></b>	<b><u>\$ 2,324,656,678</u></b>	<b><u>\$ 44,736,147</u></b>	1.9%

**VENTURA COUNTY TREASURY INVESTMENT POOL  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

Assets

Cash and Deposits (Note 2)	\$ 273,201,393
Investments (Note 2)	2,096,134,854
Interest Receivable (Note 3)	<u>56,578</u>
Total Assets	<u>\$ 2,369,392,825</u>
Net Position Held in Trust for Pool Participants	<u><u>\$ 2,369,392,825</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, 2016**

Additions:

Participants' Deposits		\$ 5,006,856,845
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Investment Income:

Interest Income	\$	13,923,813
Gain on Sale of Investment		22,100
Net Increase in Fair Value		<u>5,866,945</u>

Net Investment Income		<u>19,812,858</u>
Total Additions		<u>5,026,669,703</u>

Deductions:

Participants' Withdrawals		4,980,679,350
Treasury Administrative Expense		<u>1,254,206</u>
Total Deductions		<u>4,981,933,556</u>

Net Increase in Net Position		44,736,147
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Beginning Net Position Held in Trust for Pool Participants		<u>2,324,656,678</u>
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Ending Net Position Held in Trust for Pool Participants	\$	<u><u>2,369,392,825</u></u>
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See accompanying notes to the basic financial statements

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

**The Financial Reporting Entity**

The Ventura County Investment Pool (“Investment Pool”) is part of the County of Ventura (“County”) and is responsible for assets of approximately \$2.4 billion as of June 30, 2016. 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 42%. 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.

**New Accounting Pronouncement**

In February 2015, the Governmental Accounting Standards Board (“GASB”) issued Statement No. 72, *Fair Value Measurement and Application*. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. It establishes a hierarchy of inputs used to measure fair

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

value consisting of three levels. Level 1 inputs are unadjusted, quoted prices for identical assets in active markets. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly. Level 3 are unobservable inputs for an asset. The County implemented this standard for the fiscal year ended June 30, 2016. There was no material impact on the Investment Pool financial statements as a result of the implementation. See Note 6 for additional information.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB 79 provides guidance for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. It also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. This Statement had no impact on the Investment Pool's financial statements for the year ended June 30, 2016, as the Investment Pool does not meet the criteria and continues to report investments at fair value.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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, 2016, the carrying amount of the County's deposits was \$273.2 million, and the total bank balance amounted to \$311.0 million. The difference between the carrying amount and the bank balance includes temporary reconciling items such as outstanding checks and deposit in transit. Of the bank balance, \$250,000 was covered by federal depository insurance and \$310.7 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

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

at least 110 percent and 150 percent of the County's deposits, respectively, as provided for in the County's Contract for Deposit of Moneys.

**Custodial Credit Risk - Deposits**

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

**Investments**

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

Treasury Pool investments are accounted for in accordance with the provisions of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended by GASB 72, which requires governmental entities to report certain investments at fair value in the statement of net position and recognize the corresponding change in fair value of investments in the year in which the change occurred. The fair value of pooled investments is determined monthly and is provided by the custodian bank. The 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.

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 or P-1 by Moody's Investors Service. State law limits investment in medium term notes to a rating of A or better by Standard & Poor's or A2 by Moody's; the Policy limits the short term ratings to A-1 or higher by Standard and Poor's, P-1 by Moody's, and F1 or higher by Fitch Ratings; in addition, the Policy limits the long-term ratings to A or higher by Standard and Poor's, A2 or higher by Moody's, and A or higher by Fitch Ratings. State law does not limit investments in municipal notes,

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

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.

**Concentration of Credit Risk**

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

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

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

Source: Ventura County Statement of Investment Policy

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

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

The following is a summary of the credit quality distribution and concentration of credit risk as a percentage of the Investment Pool's market value at June 30, 2016.

Investments at June 30, 2016	Standard & Poor's	Moody's	% of Investment Pool
International Bk Recon & Develop (Supra)	AAA	Aaa	21.12%
Federal Farm Credit Bank (GA)	AA+	Aaa	11.34%
Federal Home Loan Bank (GA)	AA+	Aaa	7.16%
J.P. Morgan (CP)	A-1	P-1	5.23%
International Finance Corp (Supra)	AAA	Aaa	5.21%
Federal Home Loan Mortgage Corporation (GA)	AA+	Aaa	4.69%
Chiba Bank (YCD)	A-1	P-1	4.29%
Standard Chartered Bk (YCD)	A-1	P-1	3.58%
Bank of Tokyo-Mitsubishi (CP)	A-1	P-1	3.57%
National Bank of Kuwait (YCD)	A-1	P-1	2.86%
Banco Del Esta De Chle (YCD)	A-1+	P-1	2.86%
Abbey Nat'l Treasury (CP)	A-1	P-1	2.85%
Korea Development Bk (CP)	A-1+	P-1	2.62%
Federal National Mortgage Association (GA)	AA+	Aaa	2.13%
Credit Agricole (CP)	A-1	P-1	1.91%
Credit Suisse AG (CP)	A-1	P-1	1.91%
California St Txbl (Muni)	AA-	Aa3	1.72%
LAIF	AA	N/R	1.67%
Toyota Motor Credit Corp (CP)	A-1+	P-1	1.67%
Toyota Motor Credit Corp (MTN)	AA-	Aa3	1.66%
Federal Home Loan Bank Discount Note (GA)	A-1+	N/R	1.43%
Canadian Imper. HLDS (CP)	A-1	P-1	1.14%
Kookmin Bank (YCD)	A-1	P-1	0.96%
Toronto-Dominion (YCD)	A-1+	P-1	0.96%
Royal Bk of Canada (YCD)	A-1+	P-1	0.95%
CalTRUST	AA	N/R	0.72%
U.S. Treasury Notes (Treasury)	AA+	Aaa	0.48%
Credit Ind Et CM (YCD)	A-1	P-1	0.48%
Wells Fargo & Company (MTN)	A	A2	0.48%
Inter-American Devel Bk (Supra)	AAA	Aaa	0.35%
Univ of California Revenues (Muni)	AA	Aa2	0.34%
Los Angeles Cnty CA Public Works (Muni)	AA	A1	0.25%
Berkshire Hathaway (MTN)	AA	Aa2	0.24%
Wells Fargo Bank (NCD)	A-1+	P-1	0.24%
Federal Home Loan Mortgage Corp Discount Note (GA)	A-1+	P-1	0.24%
Santa Clara Vly CA Transprtn A Ref-Txbl (Muni)	AA+	Aa2	0.16%

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

Investments at June 30, 2016	Standard &		% of Investment
	Poor's	Moody's	Pool
San Diego CA Redev Agy (Muni)	AA-	N/R	0.13%
San Mateo CA Redev Agy (Muni)	A	N/R	0.11%
Yuba CA Redev Agy (Muni)	AA-	Aa2	0.09%
Santa Rosa CA Redev Agy (Muni)	AA	N/R	0.08%
Grossmont CA Union High Sch Di (Muni)	A+	Aa3	0.05%
California State Dept of Water Resources (Muni)	AAA	Aa1	0.03%
Riverside Cnty CA Asset Leasin Txbl-Ref Court (Muni)	AA-	N/R	0.02%
Oregon St Txbl (Muni)	AA+	Aa1	0.01%
Napa CA Cmnty Redev Agy Succes Ref (Muni)	A+	N/R	<u>0.01%</u>
Total			<u>100.00%</u>

**Interest Rate Risk**

Through its Policy, the County manages its exposure to market value losses arising from increasing interest rates by limiting the weighted average maturity of the Investment Pool's holdings to 375 days. At June 30, 2016, the weighted average maturity of the Investment Pool was 328 days.

The County's investments at June 30, 2016, are summarized below (in thousands):

Amounts Invested in Pooled Treasury Fund:	Cost	Market Value	Weighted Average Maturity (Years)	Weighted Average Maturity (Days)
U.S. Treasury Notes	\$ 9,989	\$ 10,018	0.98	359
U.S. Agency Obligations	564,729	565,668	1.17	429
Commercial Paper	436,723	438,019	0.27	98
Medium Term Corporate Notes	50,077	49,913	1.37	500
Supranational Instruments	557,883	559,437	1.51	551
Yankee Certificates of Deposit	355,041	355,155	0.28	103
Negotiable Certificates of Deposit	5,000	5,001	0.04	14
Municipal Bonds	62,801	62,924	1.21	443
CalTRUST	15,000	15,000		1
LAIF	35,000	35,000		1
Total Investments	<u>\$ 2,092,243</u>	<u>\$ 2,096,135</u>	<u>0.90</u>	<u>328</u>

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

**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, 2016, the County's investment in LAIF was \$35.0 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, 2016, the County's investment in CalTRUST was \$15.0 million, which approximates fair value and is the same as the value of the pool shares, which is determined on a full cost basis.

A summary of the interest rate percentage range and the maturity range at June 30, 2016, of investments held by the County is as follows:

Investments	Interest Rate Range (Yield Rate)	Interest Rate Range (Coupon Rate)	Maturity Range
U.S. Treasury Notes	0.646 – 0.837	0.625 – 0.750	02/15/17 – 10/31/17
U.S. Agency Obligations	0.350 – 1.250	0.350 – 5.250	07/05/16 – 04/26/19
Commercial Paper	0.541 – 1.109	0.540 – 1.100	07/11/16 – 03/03/17
Medium Term Corporate Notes	0.792 – 1.470	0.792 – 1.450	07/20/16 – 04/25/18
Supranational Instruments	0.605 – 1.392	0.610 – 1.350	11/15/16 – 04/26/19
Yankee Certificates of Deposit	0.560 – 1.160	0.560 – 1.200	07/01/16 – 03/10/17
Negotiable Certificates of Deposit	0.830 – 0.830	0.830 – 0.830	07/14/16 – 07/14/16
Municipal Bonds	0.606 – 2.230	0.730 – 2.565	08/01/16 – 05/15/19
LAIF	0.320 – 0.576	0.320 – 0.576	Day-to-Day
CalTRUST	0.490 – 0.730	0.490 – 0.730	Day-to-Day

**VENTURA COUNTY TREASURY INVESTMENT POOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

**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, 2016, the Investment Pool had \$56,578 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.

**NOTE 5 – RELATED PARTY**

The County portion of the Investment Pool's net position as of June 30, 2016 is \$1.1 billion. Certain costs allocated by the County to the Investment Pool includes salaries and benefits, services and supplies, overhead and equipment totaling \$1.3 million in the current fiscal year.

**VENTURA COUNTY TREASURY INVESTMENT POOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 6 – 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:

(in thousands)	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)
<b>Investments by fair value level</b>				
Debt securities:				
U.S. Treasury Notes	\$ 10,018		\$ 10,018	
U.S. Agency Obligations	565,668	\$ 34,985	530,683	
Commercial Paper	438,019		438,019	
Medium Term Corporate Notes	49,913		49,913	
Supranational Instruments	559,437		484,571	\$ 74,866
Yankee Certificate of Deposit	355,155		355,155	
Negotiable Certificates of Deposit	5,001		5,001	
Municipal Bonds	62,924		62,924	
Total investments - by Fair Value Level	<u>\$ 2,046,135</u>	<u>\$ 34,985</u>	<u>\$ 1,936,284</u>	<u>\$ 74,866</u>
CalTRUST	15,000			
LAIF	35,000			
Total investments	<u>\$ 2,096,135</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.



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

To the Board of Supervisors  
County of Ventura, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Ventura County Investment Pool (Investment Pool), as of and for the year ended June 30, 2016, 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 March 30, 2017. 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) and that the Investment Pool adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, effective July 1, 2015.

**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, as it relates to the Investment Pool. 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  
March 30, 2017