



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Department Name:** Auditor-Controller  
**Department No.:** 061  
**For Agenda Of:** 8/10/2010  
**Placement:** Administrative  
**Estimated Tme:**  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors

**FROM:** Department Robert W. Geis, CPA, Auditor-Controller, 568-2100  
Director(s)  
Contact Info: Heather Harkless, CPA, Audit Manager, 568-2456

**SUBJECT:** Auditor's Reports on the Treasurer's Statement of Assets and the Treasurer's compliance with the Treasury Oversight Committee provisions contained in Sections 27130-27137 of the California Government Code.

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**County Counsel Concurrence**

As to form: N/A

**Auditor-Controller Concurrence**

As to form: Yes

**Other Concurrence:** N/A

As to form: No

**Recommended Actions:**

That the Board of Supervisors:

1. Receive and file the Auditor-Controller's Audit Reports on the Statement of Assets in the Santa Barbara County Treasury Pool, as of June 30, 2010.
2. Receive and file the Auditor-Controller's Audit Report on the Treasurer's Compliance with the Treasury Oversight Committee provisions contained in Sections 27130-27137 of the California Government Code for the fiscal year ended June 30, 2010.

**Summary Text:**

The Audit Reports are being submitted pursuant to California Government Code Sections 26920(b), 26922, and 27134 as well as Santa Barbara County Code Section 2-23.2.

**Background:**

Funds that are controlled by the County Treasurer include currently available cash of the County as well as the cash invested into the pool by other governments (such as school districts, special districts and others). The Treasurer is responsible for investing all of these funds in accordance with applicable sections of the California Government Code and the Treasurer's Investment Policy.

The goals of the Treasurer's Investment Policy are safety, liquidity, and yield, in that order. Types of securities in which the Treasurer may invest include U.S. Treasury and U.S. Government agency securities; state and/or local agency bonds, notes, warrants or certificates of indebtedness; bankers' acceptances; commercial paper; corporate notes; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; securities lending; bank deposits; money market mutual funds; the State of California Local Agency Investment Fund; and the Investment Trust of California.

Furthermore, pursuant to Government Code Section 27131, the Treasurer has established a County Treasury Oversight Committee to review and monitor the Treasurer's Investment Policy and to promote public interest in the investment of public funds.

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We have audited the Statement of Assets (the statement) of the Santa Barbara County Treasurer as of and for the year then ended June 30, 2010 and have issued our reports thereon dated July 29, 2010. All information included in the statement is the representation of the management of the County Treasurer. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation.

In our opinion the statement referred to above presents fairly, in all material respects, the assets controlled by the County Treasurer as of June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

We have also issued reports dated July 29, 2010 on our consideration of the Treasurer's internal control over financial reporting and our tests of compliance with certain provisions of laws and regulations including a report on the Treasurer's compliance with California Government Code Sections 27130-27137. Our report on the Treasurer's compliance with the Treasury Oversight Committee provisions contained in Sections 27130-27137 applies to fiscal year ended June 30, 2010.

In planning and performing our audit on the statement, we considered the Treasurer's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the statement, but not for the purpose of expressing an opinion on the effectiveness of the Treasurer's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Treasurer's internal control over financial reporting.

As part of obtaining reasonable assurance about whether the statement is 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 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 material noncompliance required to be reported under Government Auditing Standards.

We also examined the Treasurer's compliance with the Treasury Oversight Committee provisions contained in Sections 27130-27137 of the California Government Code for the fiscal year June 30, 2010. In our opinion the Treasurer is in compliance, in all material respects, with the provisions contained in

Sections 27130-27137 of the Government Code for the fiscal years audited.

**Background:**

**Performance Measure:**

**Fiscal and Facilities Impacts:** None

Budgeted: N/A

**Fiscal Analysis:** N/A

**Staffing Impacts:**

**Legal Positions:**  
N/A

**FTEs:**  
N/A

**Special Instructions:**

None

**Attachments:**

Auditor's Report

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of the  
Statement of Assets Performed in Accordance with Government Auditing Standards

Auditor's Report on Compliance; Santa Barbara County Treasury Pool; Treasurer's Oversight  
Committee

Statement of Assets – As of June 30, 2010, with accompanying notes

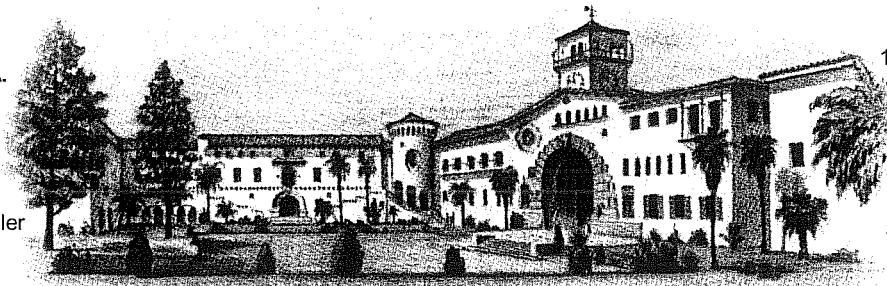
**Authored by:** Justin Greene on behalf of Heather Harkless, Audit Manager

**cc:** Bernice James, Treasurer-Tax Collector

# County of Santa Barbara

Robert W. Geis, C.P.A.  
Auditor-Controller

Theo Fallati, C.P.A.  
Assistant Auditor-Controller



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## Office of the Auditor-Controller

### AUDITOR'S REPORT

To the Honorable Board of Supervisors and the County of Santa Barbara, California:

Pursuant to Government Code §26920(b) and §26922, we have audited the accompanying *Statement of Assets* (the statement) of the Santa Barbara County Treasurer as of and for the year then ended June 30, 2010. This statement is the responsibility of the County Treasurer's management. Our responsibility is to express an opinion on the statement based on our audit. The prior year's comparative information has been derived from the Santa Barbara County Treasurer's 2009 statement and, in our report dated August 6, 2009 we expressed an unqualified opinion on that statement.

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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance that the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As required by various statutes within the California Government Code, county auditor-controllers are mandated to perform certain accounting, auditing, and financial reporting functions. These activities, in themselves, impair *Government Auditing Standards'* independence standards. We believe that the following safeguards and division of responsibility exist to retain the audit organization independence. The Santa Barbara County Auditor-Controller is directly elected by the voters of the jurisdiction being audited. Also, the audit staff, having the responsibility to perform audits, resides in a stand-alone division of the Auditor-Controller's Office and has no other responsibility of the accounts and records being audited.

In our opinion, the statement referred to above presents fairly, in all material respects, the assets controlled by the County Treasurer as of June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 30, 2010 on our consideration of the Treasurer's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, and contracts. 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.

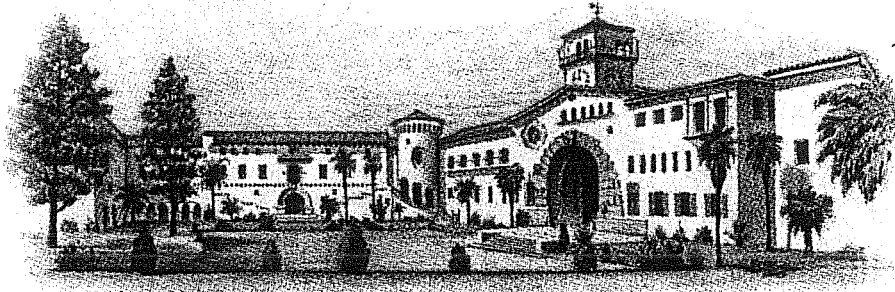
A handwritten signature in cursive script, appearing to read "R. W. Geis".

Robert W. Geis, CPA

July 30, 2010

# County of Santa Barbara

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## Office of the Auditor-Controller

### AUDITOR'S REPORT ON COMPLIANCE SANTA BARBARA COUNTY TREASURY POOL TREASURER'S OVERSIGHT COMMITTEE

To the Santa Barbara County Treasurer Oversight Committee and the Honorable Santa Barbara County Board of Supervisors:

We have examined the Santa Barbara County Treasurer's compliance with the Treasury Oversight Committee provisions contained in §27130-27137 of the California Government Code for the fiscal year ended June 30, 2010. Treasury's management is responsible for the compliance with those requirements. Our responsibility is to express an opinion on the Santa Barbara County Treasurer's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Treasury management's compliance and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on compliance with specified requirements.

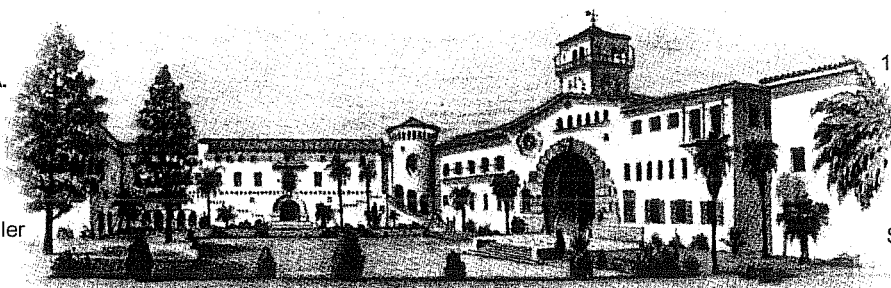
In our opinion the Santa Barbara County Treasurer is in compliance, in all material respects, with the provisions contained in §27130-27137 of the Government Code for the fiscal year ending June 30, 2010.

Robert W. Geis, CPA  
July 30, 2010

# County of Santa Barbara

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## Office of the Auditor-Controller

### REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE STATEMENT OF ASSETS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Board of Supervisors and the County of Santa Barbara, California:

Pursuant to Government Code §26920(b) and §26922, we have audited the accompanying *Statement of Assets* (the statement) of the Santa Barbara County Treasurer as of and for the year then ended June 30, 2010. We conducted our audit in accordance with generally accepted auditing standards 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

In planning and performing our audit, we considered the Treasurer's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the statement, but not for the purpose of expressing an opinion on the effectiveness of the Treasurer's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Treasurer's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Treasurer's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the statement that is more than inconsequential will not be prevented or detected by the Treasurer's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the statement will not be prevented or detected by the Treasurer's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of 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*.

We noted certain matters that we reported to Treasury management in a separate letter dated July 30, 2010.

This report is intended solely for the information and use of management, the Board of Directors, and the Treasury Oversight Committee. However, this letter is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Robert W. Geis". The signature is fluid and cursive, with a large initial "R" and "G".

Robert W. Geis, CPA

July 30, 2010



# Santa Barbara County Treasury Pool Statement of Assets As of June 30, 2010

Asset Description	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value 6/30/2010	Fair Value 6/30/2009	Net Change
Cash on Hand	\$ 4,000	\$ -	\$ -	\$ 4,000	\$ 4,000	\$ -
Bank Deposits	105,782,049	-	-	105,782,049	41,336,412	64,445,637
<b>Total Cash</b>	<b>105,786,049</b>	<b>-</b>	<b>-</b>	<b>105,786,049</b>	<b>41,340,412</b>	<b>64,445,637</b>
<b>Outstanding Purchase Interest:</b>						
Treasurer's Pool Outstanding Purchase Interest	46,747	-	-	46,747	17,308	29,439
<b>Total Outstanding Purchase Interest</b>	<b>46,747</b>	<b>-</b>	<b>-</b>	<b>46,747</b>	<b>17,308</b>	<b>29,439</b>
<b>Treasurer's Pooled Investments:</b>						
Local Agency Investment Fund (LAIF)	50,000,000	-	-	50,000,000	34,000,000	16,000,000
U.S. Treasury Bills	47,825,680	142,840	-	47,968,520	5,998,861	41,969,659
Commercial Paper	93,927,349	14,464	(9,083)	93,932,730	76,680,701	17,252,029
Negotiable Certificates of Deposit	53,500,000	9,250	(56,125)	53,453,125	79,190,230	(25,737,105)
Corporate Notes: TLGP <sup>1</sup>	9,995,600	202,800	-	10,198,400	10,214,850	(16,450)
Corporate Notes	44,967,540	1,408,903	(161,700)	46,214,743	109,307,124	(63,092,381)
Government Agency Bonds and Notes	469,877,964	3,799,564	(14,200)	473,663,328	480,471,218	(6,807,890)
<b>Total Treasurer's Pooled Investments</b>	<b>770,094,133</b>	<b>5,577,821</b>	<b>(241,108)</b>	<b>775,430,846</b>	<b>795,862,984</b>	<b>(20,432,138)</b>
<b>Directed Investments:</b>						
Government Agency Bonds	-	-	-	-	427,503	(427,503)
<b>Total Directed Investments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>427,503</b>	<b>(427,503)</b>
<b>Total Pooled and Directed Investments (Including Purchase Interest)</b>	<b>770,140,880</b>	<b>5,577,821</b>	<b>(241,108)</b>	<b>775,477,593</b>	<b>796,307,795</b>	<b>(20,830,202)</b>
<b>Investments Held with Fiscal Agents:</b>						
Money Market	16,418,505	-	-	16,418,505	6,159,121	10,259,384
Local Agency Investments Fund (LAIF)	1,007,707	-	-	1,007,707	-	1,007,707
Treasury Bills	-	-	-	-	2,369,061	(2,369,061)
Commercial Paper	10,290,687	-	-	10,290,687	-	10,290,687
Government Agency Bonds and Notes	11,228,945	149,375	(4,297)	11,374,023	13,884,348	(2,510,325)
<b>Total Investments Held with Fiscal Agents</b>	<b>38,945,844</b>	<b>149,375</b>	<b>(4,297)</b>	<b>39,090,922</b>	<b>22,412,530</b>	<b>16,678,392</b>
<b>Total Investments and Purchase Interest</b>	<b>809,086,724</b>	<b>5,727,196</b>	<b>(245,405)</b>	<b>814,568,515</b>	<b>818,720,325</b>	<b>(4,151,810)</b>
<b>Total Cash, Investments, and Outstanding Purchase Interest</b>	<b>\$ 914,872,773</b>	<b>\$ 5,727,196</b>	<b>\$ (245,405)</b>	<b>\$ 920,354,564</b>	<b>\$ 860,060,737</b>	<b>\$ 60,293,827</b>

<sup>1</sup>Temporary Liquidity Guarantee Program

The accompanying notes are an integral part of this statement.

## Santa Barbara County Treasury Pool

### Notes to the Statement of Assets

#### **Summary of Significant Accounting Policies**

The Statement of Assets includes the cash balances of substantially all funds, which are pooled and invested by the County Treasurer. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. Interest earned on pooled investments is apportioned quarterly to certain participating funds based upon each fund's average daily deposit balance with all remaining interest deposited in the General Fund.

Investments held by the County Treasurer are stated at fair value. The fair value of investments is established based on quoted market prices received from the securities custodian. Fair value of investments held fluctuates with interest rates. The fair value of participants' position in the pool is the same as the value of the pool shares. The value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. The total percentage share of the County's investment pool that relates to external involuntary participants is 56% as of June 30, 2010.

The Treasurer participates in the State of California Local Agency Investment Fund (LAIF). Investments in the LAIF are governed by State statutes and overseen by a five member Local Investment Advisory Board.

The County's investment pool holds an AAAf/S1 credit rating by Standard and Poor's. State statutes and the Treasurer's Investment Policy provide the framework for investment. The objectives of the State of California Government Code and the Treasurer's Investment Policy is primarily to safeguard investment principal by mitigating exposure to risk factors, secondarily to maintain sufficient liquidity to meet cash flow needs, and lastly to attain a return on the funds. On this last objective the Treasurer's Investment Policy specifies the attainment of a "market average rate of return" consistent with the primary objectives of safety and liquidity.

The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2010 to support the value of shares in the Treasurer's investment pool.

#### **Deposits**

##### **Custodial Credit Risk**

The 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 deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that of the County's total bank balance, \$250,000 is insured by the Federal Depository Insurance Corporation (FDIC). The remaining \$105,532,049 on deposit is collateralized with securities held by the pledging financial institution but not in the County's name. Per Government Code section 53652, the depository is required to maintain a market value of at least 110% of the pledged collateral. At June 30, 2010 the value of pledged collateral was 129%.

At June 30, 2010, the carrying amount of the County's deposits was \$105,782,049 and the corresponding bank balance was \$96,402,237. The difference of \$9,379,812 was principally due to deposits in transit.

#### **Investments**

Pursuant to Section 53646 of the Government Code the County Treasurer prepares an *Investment Policy Statement* annually, presents it to the Treasury Oversight Committee for review and to the Board of Supervisors for approval. After approval, the policy is forwarded to the California Debt and Investment Advisory Commission.

The Investment Policy Statement provides the basis for the management of a prudent, conservative investment program. Public funds are invested to provide the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All

investments are made in accordance with the Government Code and, in general, the Treasurer's Investment Policy is more restrictive than state law. Types of securities in which the Treasurer may invest include U.S. Treasury and U.S. Government agency securities; state and/or local agency bonds, notes, warrants or certificates of indebtedness; bankers' acceptances; commercial paper; corporate notes; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; securities lending; bank deposits; money market mutual funds; the State of California Local Agency Investment Fund (LAIF); and the Investment Trust of California (CalTRUST).

### Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Treasurer mitigates these risks by holding a diversified portfolio of high quality investments.

The Treasurer's Investment Policy sets specific parameters on the credit quality of investment purchases. Securities issued and fully guaranteed as to payment by an agency or government sponsored enterprise of the U.S. Government be rated AAA by at least two of the three major rating services, i.e. Fitch, Moody's and Standard & Poor's (S&P). Commercial paper obligations and negotiable certificates of deposit shall be rated by at least two of the three major rating services at a minimum of F1 by Fitch, P-1 by Moody's and A-1 by S&P. Corporate notes, with a maturity greater than three years, shall be rated AA by at least two of the three major rating services. Corporate notes, with a maturity of three years or less, shall be rated AA- by at least two of the three major ratings services. Corporate Temporary Liquidity Guarantee Program (TLGP) notes shall be rated AAA by one of three major ratings services.

The following is a summary of the credit quality distribution by investment type as a percentage of fair value at June 30, 2010 (NR means Not Rated):

	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitch</u>	<u>% of Portfolio</u>
<b>Treasurer's Pooled Investments:</b>				
LAIF	NR	NR	NR	6.45%
U.S. Treasury Bills	Aaa	AAA	AAA	6.19%
Commercial Paper	P-1	A-1+	F1	4.51%
Commercial Paper	P-1	A-1+	NR	1.93%
Commercial Paper	P-1	A-1	F1+	2.32%
Commercial Paper	P-2	A-1+	F1	3.35%
Negotiable Certificates of Deposit	P-1	A-1	F1	6.89%
Corporate Notes: TLGP	Aaa	AAA	AAA	0.67%
Corporate Notes: TLGP	Aaa	AAA	NR	0.65%
Corporate Notes	Aa2	AA+	NR	0.64%
Corporate Notes	Aa3	A+	AA-	0.65%
Corporate Notes	A1	AA-	AA-	2.68%
Corporate Notes	A2	A+	AA-	0.68%
Corporate Notes	A2	A	A+	0.65%
Corporate Notes	A3	A	A+	0.66%
Government Agency Bonds and Notes	Aaa	AAA	AAA	49.74%
Government Agency Bonds and Notes	Aaa	AAA	NR	11.34%
<b>Total Treasurer's Pooled Investments</b>				<b><u>100.00%</u></b>
<b>Investments Held with Fiscal Agents:</b>				
LAIF	NR	NR	NR	2.58%
Money Market	P-1	A-1+	F1+	42.00%
Commercial Paper	P-1	A-1+	F1+	26.33%
Government Agency Bonds and Notes	Aaa	AAA	AAA	22.73%
Government Agency Bonds and Notes	Aaa	AAA	NR	6.36%
<b>Total Investments Held with Fiscal Agents</b>				<b><u>100.00%</u></b>

Instruments in any one issuer that represent 5% or more of the County's investments as of June 30, 2010 are as follows: (excludes external investment pools and debt explicitly guaranteed by the U.S. government)

<u>Issuer</u>	<u>Issuer Type</u>	<u>Fair Value Holdings</u>	<u>Percentage Holdings</u>
<b>Treasurer's Pooled Investments:</b>			
Union Bank	Corporation	\$ 48,469,825	6.25%
U.S. Bank	Corporation	\$ 39,932,350	5.15%
Federal Farm Credit Bank	Government Sponsored	\$ 69,819,990	9.00%
Federal Home Loan Bank	Government Sponsored	\$ 87,928,650	11.34%
Federal Home Loan Mortgage Corporation	Government Sponsored	\$ 79,187,250	10.21%
Federal National Mortgage Association	Government Sponsored	\$ 236,727,438	30.53%
<b>Investments Held with Fiscal Agents:</b>			
U.S. Bank Commercial Paper	Corporation	\$ 10,290,687	26.33%
Federal Home Loan Bank	Government Sponsored	\$ 2,488,425	6.37%
Federal Home Loan Mortgage Corporation	Government Sponsored	\$ 2,275,154	5.82%
Federal National Mortgage Association	Government Sponsored	\$ 6,610,444	16.91%

### **Custodial Credit Risk**

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank. Securities are not held in broker accounts.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County mitigates this risk by making longer-term investments only with funds that are not needed for current cash flow purposes and holding these securities to maturity. The maturity of investments purchased is governed by a demand for funds analysis of prior periods' revenues and expenditures, and is also determined by current cash flow demands assessed on an ongoing basis. The Treasurer's Investment Policy also dictates that the final maturity date of any individual security shall not exceed five years and that non-short term investments (greater than one year), in the aggregate, shall not exceed 75% of the portfolio.

The following is a summary of the weighted average days to maturity by investment type at June 30, 2010.

	<u>Weighted Average Days to Maturity</u>
<b>Treasurer's Pooled Investments:</b>	
LAIF	On Demand
U.S. Treasury Bills	119
Commercial Paper	42
Negotiable Certificates of Deposit	189
Corporate Notes: TLGP	359
Corporate Notes	399
Government Agency Bonds and Notes	641
Investment Pool Average	445
<b>Investments Held with Fiscal Agents:</b>	
LAIF	On Demand
Money Market	On Demand
Commercial Paper	96
Government Agency Bonds and Notes	859
Investments Held with Fiscal Agents Average	273

The weighted average days to maturity for the underlying securities held in the LAIF pool presented above is 203. For purposes of the weighted average maturity calculation, the County assumes that all of its investments will be held to maturity.

A summary of interest rate and maturity ranges for the Treasurer's investments is as follows:

<b>Treasurer's Pooled Investments:</b>	<b>Principal</b>	<b>Interest Rate Range</b>	<b>Maturity Range</b>	<b>Fair Value % of Portfolio</b>
LAIF	\$ 50,000,000	0.56%	On Demand	6.45%
U.S. Treasury Bills*	\$ 48,000,000	Discount	7/10-3/11	6.19%
Commercial Paper*	\$ 89,000,000	Discount	7/10-11/10	11.47%
Commercial Paper-Non-Discount	\$ 5,000,000	0.25%	7/10	0.64%
Negotiable Certificates of Deposit	\$ 53,500,000	0.08%-0.85%	8/10-5/11	6.89%
Corporate Notes: TLGP	\$ 10,000,000	1.63%-3.00%	1/11-12/11	1.32%
Corporate Notes	\$ 45,004,000	4.50%-5.68%	8/10-9/12	5.96%
Government Agency Discount Notes*	\$ 183,810,000	Discount	7/10-6/11	23.68%
Government Agency Bonds and Notes	\$ 286,900,000	0.45%-4.82%	7/10-6/15	37.40%
<b>Investments Held with Fiscal Agents:</b>				
LAIF	\$ 1,007,707	0.56%	On Demand	2.58%
Money Market	\$ 16,418,505	0.18%-0.35%	On Demand	42.00%
U.S. Bank Commercial Paper	\$ 10,290,687	0.39%-0.56%	9/10-12/10	26.33%
Government Agency Discount Notes*	\$ 3,208,000	Discount	11/10	8.20%
Government Agency Bonds and Notes	\$ 8,051,000	0.85%-4.75%	12/10-03/15	20.89%

\*Commercial paper, U.S. Treasury Bills, and discount notes are purchased at a discount. The difference between maturity value and principal paid is earnings apportioned to the investment pool.

The fair value of investments generally changes with the fluctuations of interest rates. In a rising interest rate market, the fair value of investments could decline below original cost. Conversely, when interest rates decline, the fair value of investments increases. The Treasurer believes liquidity in the portfolio is sufficient to meet cash flow needs and to preclude the Treasurer from having to sell investments below original cost.

At June 30, 2010, \$9,955,850 or 1.28% of the Treasurer's Pooled Investments was held in floating rate notes. The notes are tied to the London Interbank Offered Rate (LIBOR) with quarterly coupon resets. Debt investments with a variable-rate coupon reset on certain periodic dates based on that day's market rate.

At June 30, 2010, \$16,019,430 or 2.07% of the Treasurer's Pooled Investments was held in U.S. agency step-up notes. Step-up securities grant the issuer the option to call the note on a certain specified date(s). On a certain date, or dates, the coupon rate of the note increases (steps up) by an amount specified at the inception of the note.

Interest earned on pooled investments is apportioned quarterly to participating funds based upon each fund's average daily cash balance. Unrealized gains and losses are also apportioned quarterly to participating funds based upon the fund's ending cash balance. Interest and net investment income consisted of the following for the fiscal year ended June 30, 2010:

	<b>Pool</b>	<b>Directed</b>	<b>Total</b>
Interest Income	\$ 11,382,123	\$ 27,370	\$ 11,409,493
Realized Gain	1,865,462	230	1,865,692
Administration & Audit Fees	(1,972,983)	(4,116)	(1,977,099)
Miscellaneous Adjustments	11,117	-	11,117
<b>Total Net Investment Income</b>	<b>\$ 11,285,719</b>	<b>\$ 23,484</b>	<b>\$ 11,309,203</b>

The Treasurer may purchase securities at a discount from face value to earn higher than nominal rates of return. Under GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, such discount, when realized, is considered gain rather than interest. Interest earnings for the year amounted to \$11,409,493. The net realized gain on investments sold or matured during the year was \$1,865,692. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been 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 year(s).

### Restricted Cash

Cash and investments that are restricted by legal or contractual requirements amounted to \$40,158,180 as of June 30, 2010.

### Condensed Financial Statement

The following represents a condensed statement of assets and changes in assets for the Treasurer's investment pool as of June 30, 2010:

	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>Net Change</u>
Assets Held for Pool	\$ 881,263,642	\$ 837,220,704	\$ 44,042,938
Equity of Internal Pool Participants	\$ 345,174,599	\$ 330,949,813	\$ 14,224,786
Equity of External Pool Participants	536,042,296	506,253,583	29,788,713
Outstanding Purchase Interest	46,747	17,308	29,439
Total Equity	<u>\$ 881,263,642</u>	<u>\$ 837,220,704</u>	<u>\$ 44,042,938</u>