



Treasurer-Tax Collector

COUNTY OF TULARE

AGENDA ITEM

BOARD OF SUPERVISORS

ALLEN ISHIDA
District One

PETE VANDER POEL
District Two

PHILLIP A. COX
District Three

J. STEVEN WORTHLEY
District Four

MIKE ENNIS
District Five

AGENDA DATE: June 11, 2013

Public Hearing Required	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Scheduled Public Hearing w/Clerk	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Published Notice Required	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Advertised Published Notice	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Meet & Confer Required	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Electronic file(s) has been sent	Yes <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
Budget Transfer (Aud 308) attached	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Personnel Resolution attached	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Agreements are attached and signature line for Chairman is marked with tab(s)/flag(s)	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>

CONTACT PERSON: Frank Vigario PHONE: 559-636-5265

SUBJECT: Treasurer's Investment Pool's Comprehensive Annual Financial Report (CAFR) for fiscal year 2012.

REQUEST(S):

That the Board of Supervisors:

Accept the Treasurer's Investment Pool's Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2012.

SUMMARY:

The submitted "Treasurer's Investment Pool's Comprehensive Annual Financial Report" for the year ended June 30, 2012 was prepared by the Treasury staff and audited by the Brown Armstrong Accountancy Corporation. Their audit included the following components:

- An audit of the Treasury Pool's Financial Statements in accordance with generally accepted auditing standards, which require that audit be planned and performed to obtain reasonable assurance that the Financial Statements are free of material misstatement
- A review of the Treasury's internal control and compliance in order to determine the scope and depth of planned audit procedures.
- An examination of managements assertion that the Treasurer's Investment Pool complied with the provisions of Government Code and the County's Investment Policy.

The Auditors have provided an unqualified or "clean" opinion stating that the financial statements present fairly, the respective financial position of the

SUBJECT: Treasurer's Investment Pool's Comprehensive Annual Financial Report (CAFR) for fiscal year 2012.
DATE: June 11, 2013

Treasurer's Investment Pool as of June 30, 2012 in conformity with accounting principles generally accepted in the United States of America [Page 12]. The auditors also found no significant deficiencies or material weaknesses with regard to the Treasury's internal control over financial reporting [page 31]. The examination of management's assertion that the Treasurer's Investment Pool complied with the provisions of California Code and the County's Investment Policy also provided an unqualified or "clean" opinion [page 33].

The document has been reviewed by the Treasury Oversight Committee and is submitted for your consideration and acceptance.

The CAFR is presented in four main sections:

1. The Introductory Section, which is unaudited, consists of a letter of transmittal, including a profile of the Tulare County Investment Pool, acknowledgments, and a list of the Treasury Oversight Committee Members.
2. The Financial Section, provides management's discussion and analysis, the financial statements, and notes to the financial statements. This section also contains the unqualified opinion of the independent auditor.
3. The Investment Section, which is unaudited, provides an overview of the Treasurer's investment program. This section contains information relating to the investment activities of the Treasury, including a summary of the Treasury's investment policies, the Pool's asset allocation, and other portfolio information.
4. The Statistical Section, which is unaudited, is the final section of the report and consists of various tables and schedules depicting trends and miscellaneous, relevant data concerning Pool investments.

FISCAL IMPACT/FINANCING:

None.

LINKAGE TO THE COUNTY OF TULARE STRATEGIC BUSINESS PLAN:

The County's five-year strategic plan includes the Organizational Performance Initiative to provide the public with accessible high quality information and an objective evaluation and measurement of performance. An approved Investment Policy provides a level of accountability for investment officials and promotes a public trust in investment decisions.

SUBJECT: Treasurer's Investment Pool's Comprehensive Annual Financial Report
(CAFR) for fiscal year 2012.

DATE: June 11, 2013

ADMINISTRATIVE SIGN-OFF:

Rita A. Woodard
Auditor-Controller / Treasurer Tax-Collector

Cc: Auditor-Controller
County Counsel
County Administrative Office (2)

Attachment(s)
Attachment A -- Investment Pool's Comprehensive Annual Financial Report

**BEFORE THE BOARD OF SUPERVISORS
COUNTY OF TULARE, STATE OF CALIFORNIA**

IN THE MATTER OF TREASURER'S)
INVESTMENT POOL'S COMPREHENSIVE) Resolution No. _____
ANNUAL FINANCIAL REPORT (CAFR)) Agreement No. _____
FOR FISCAL YEAR 2012.)

UPON MOTION OF SUPERVISOR _____, SECONDED BY
SUPERVISOR _____, THE FOLLOWING WAS ADOPTED BY THE
BOARD OF SUPERVISORS, AT AN OFFICIAL MEETING HELD _____
_____, BY THE FOLLOWING VOTE:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST: JEAN M. ROUSSEAU
COUNTY ADMINISTRATIVE OFFICER/
CLERK, BOARD OF SUPERVISORS

BY: _____
Deputy Clerk

* * * * *

Accepted the Treasurer's Investment Pool's Comprehensive Annual Financial Report
(CAFR) for fiscal year ended June 30, 2012.



TULARE COUNTY TREASURER'S INVESTMENT POOL

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Issued By
Rita Woodard
Auditor-Controller /Treasurer-Tax Collector

Mission Statement

It is the Mission of the Tulare County Treasury to provide the citizens, agencies, and employees of Tulare County with effective, high-quality financial services in a manner that is professional, courteous, responsive and efficient. To meet our service obligations, we employ modern, cost-effective and flexible methodologies in the receipt, investment and security of public monies in an overall effort to maintain the highest levels of customer service satisfaction and public confidence.

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal from Treasurer	4
Treasury Oversight Committee Members, Treasury Staff, & Financial Advisors	10

FINANCIAL SECTION

Independent Auditor's Report	12
Management's Discussion and Analysis	14
<u>Basic Financial Statements:</u>	
Statement of Net Assets	19
Statement of Changes in Net Assets	20
Notes to Basic Financial Statements	21

OTHER INDEPENDENT AUDITOR'S REPORT

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 <i>Government Auditing Standards</i>	31
Compliance Report.....	33

INVESTMENT SECTION

Administrative Overview	35
Outline of Investment Policy	36
Credit Risk and Concentration of Credit Risk	38
Interest Rate Risk	40
Investment Results and Income Allocation	41
Investment Holdings Summary	42

STATISTICAL SECTION

Schedule of Additions/Deductions and Change in Net Assets	44
Schedule of Investment Asset Allocations	45
Schedule of Earnings, Expenses, Average Daily Balances, and Returns	46



INTRODUCTORY SECTION

County of Tulare

221 S Mooney Blvd Room 103-E
Visalia, California 93291-4593



Rita A. Woodard
Auditor-Controller/Treasurer-Tax Collector

Hiley Wallis, Chief Deputy Treasurer-Tax Collector

Telephone: (559) 636-5290

Fax: (559) 730-2532

www.co.tulare.ca.us/government/treasurertax

March 5, 2013

Board of Supervisors & Treasury Oversight Committee
County of Tulare
Tulare County Administration Building
Visalia, California 93291



I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Tulare County Investment Pool (the "Investment Pool") for the year ended June 30, 2012. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Tulare County Treasurer's Office.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is reported in a manner designed to present fairly the financial position, and changes in financial position of the Investment Pool in conformity with Generally Accepted Accounting Principals in the United States of America (GAAP). All disclosures necessary to enable the reader to gain an understanding of the Investment Pool's financial activities have been included.

The Investment Pool's financial statements have been audited, in accordance with auditing standards generally accepted in the United States, by Brown Armstrong Accountancy Corporation, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Investment Pool for the year ended June 30, 2012, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Investment Pool's financial statements for the year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management provides a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The Investment Pool's MD&A can be found after the independent auditor's report.

This CAFR is presented in four (4) major sections:

1. The Introductory Section, which is unaudited, consists of this letter of transmittal, including a profile of the Tulare County Investment Pool, acknowledgments, and a list of the Treasury Oversight Committee Members.
2. The Financial Section, provides management's discussion and analysis, the financial statements, and notes to the financial statements. This section also contains the unqualified opinion of the independent auditor.
3. The Investment Section, which is unaudited, provides an overview of the Treasurer's investment program. This section contains information relating to the investment activities of the Treasury, including a summary of the Treasury's investment policies, the Pool's asset allocation, and other portfolio information.
4. The Statistical Section, which is unaudited, is the final section of the report and consists of various tables and schedules depicting trends and miscellaneous, relevant data concerning Pool investments.

Profile of the Tulare County Investment Pool

The Tulare County Investment Pool is a local government pool with more than \$915 million in assets as of June 30, 2012. The management responsibility for the Investment Pool has been delegated by the Tulare County Board of Supervisors to the Tulare County Auditor-Controller / Treasurer-Tax Collector, an elected official who is responsible for tax collection, banking, investment, and accountability of public funds. The Investment Pool is managed by the Treasurer's Office on behalf of the Investment Pool participants. As of June 30, 2012, the County's portion of the Investment Pool assets was approximately 36%, while the external portion that is not part of the County represented approximately 64% of the investment portfolio. Depositors in the Investment Pool include both "mandatory" and "voluntary" participants located within the County of Tulare.

Mandatory participants include the County of Tulare, K-12 school districts, the College of the Sequoias, and various special districts and other accounts controlled by the County Board of Supervisors. Mandatory participants are defined as those agencies required by law to deposit their funds with the County Treasurer's Office. Mandatory participants comprise the majority of the Investment Pool's assets, approximately 97% as of June 30, 2012.

Voluntary participants are those agencies that are not required to place their funds in the Investment Pool, and do so only as an investment option. Voluntary participants include County Retirement and various special district and other local government agencies. As of June 30, 2012, voluntary participants accounted for approximately 3% of the Investment Pool.

In addition to investment management, the Treasurer's Office also provides cash management and banking services to all mandatory participants. These services include, but are not limited to: warrant redemption, Automated Clearing House (ACH) transactions, Federal wire payments, and the acceptance of deposits.

Investment Policies and Practices

The Investment Pool's primary objective is the *safety* and preservation of capital. The second objective is the continual maintenance of *liquidity* (or always having the ability to cover the cash flow needs of its participants). The third objective is *yield*. The following goals have been set for the next fiscal year 2012/2013:

- Continue to earn a total rate of return which is approximately equal to or greater than the benchmarks established by the Investment Policy.
- Continue to improve systems and processes by working toward a paperless environment while maintaining appropriate internal control.
- Continue to implement the new deposit/cashiering system within other County departments to improve cash management and provide a higher level of customer service.

The Treasurer's Office prepares the Investment Policy on an annual basis, to ensure the integrity of the Investment Pool and to provide guidelines for its operation. Upon completion of the Investment Policy by the Treasurer's Office, it is presented for review to the Treasury Oversight Committee, and then to the County Board of Supervisors for their approval at a public meeting.

The maturity distribution of the Investment Pool is limited by the Investment Policy, which places restrictions on the securities that may be purchased. Cash, temporarily idle during the year, was invested in obligations of the U.S.

Treasury, U.S. government agencies, commercial paper, municipal obligations, corporate bonds and medium-term notes, money market accounts, repurchase agreements and federally insured and/or collateralized certificates of deposit.

The maturities of the investments range from one day to five years, with a weighted average maturity as of June 30, 2012 of 753 days. The weighted average effective yield to maturity (annualized) on investments as of June 30, 2012 was 1.195%. To safeguard the investments, a custodian is employed to safekeep, settle, and accept interest payments on investments held by the Investment Pool. To facilitate internal security and safeguards, the Investment Policy requires an annual audit and the establishment and maintenance of internal control procedures.

For the 2011/2012 fiscal year, the Investment Pool earned a 1.71% annualized earnings rate (net of fees). The Investment Pool's average rate of return (net of fees) over the last three years was 2.29% and 3.03% over the last five years. The Treasurer's Office has implemented a system of internal controls designed to ensure the reliability of reported investment information. The Treasurer's Office provides monthly and quarterly investment reports to the Board of Supervisors. Furthermore, the Board of Supervisors has established the Treasury Oversight Committee, who monitors the management of funds and reviews the Investment Policy.

Please refer to the Investment Section (pages 34-42) of this CAFR for additional information on investments.

Market Events

Since June 30, 2011, bond market yields have continued to decline to historically low levels in response to a myriad of domestic and international events. During this time period, the U.S. sovereign debt rating was lowered to AA+ from AAA by Standard & Poor's, the European debt crisis escalated and fueled considerable market volatility, the U.S. economy continued to recover at a sluggish pace, China's economic growth decelerated, President Obama was reelected for a 2nd term, and concerns about Congressional budgetary negotiations and the "fiscal cliff" intensified. In addition, the Federal Reserve's unprecedented monetary policy accommodation has continued to put downward pressure on yields.

The low interest rate environment had a positive impact on the performance of the County's investment portfolio. The decline in interest rates along with modest economic growth has helped to drive positive price appreciation for all fixed income sectors, allowing us to capture capital gains in addition to coupon income. However, it also had a negative effect as we were unable to invest these earnings or any new money at the same rate of return as the original investments. We expect a similar interest rate environment and economic conditions in the coming year and will continue to search for opportunities to safely add value to the portfolio. Safety and liquidity will continue to be the portfolio's top objectives.

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Treasurer's Office and our Advisors. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and determining responsible management of the funds in the Investment Pool.

Requests for Information

This financial report is designed to provide a general overview of the Investment Pool's activities during fiscal year 2011-2012. Questions concerning any of the information provided in this report or requests for additional information, including a complete list of the Investment Pool's current holdings, should be addressed to the Office of the Tulare County Treasurer, 221 South Mooney Boulevard, Room 103-E, Visalia, California, 93291. A copy of this Comprehensive Annual Financial Report can be obtained on our website at http://www.co.tulare.ca.us/government/treasurertax/treasurer_information/.

Respectfully,



Rita A. Woodard
Tulare County Auditor-Controller/Treasurer-Tax Collector

TREASURY OVERSIGHT COMMITTEE

John Snavelly, Chairman	Superintendent Porterville Unified School District
Stanley Bennett, Vice Chair	Business Owner Public Member
Ronald Bosetti	Retired Public Member
Eric Limas	Business Manager Lower Tule River Irrigation District
Jean Rousseau	County Administrative Officer County of Tulare
John Wilborn	Director, External Business Services Tulare County Office of Education
Rita Woodard	Auditor-Controller County of Tulare

TREASURY STAFF

Hiley Wallis	Chief Deputy Treasurer-Tax Coll.
Frank Vigario	Chief Accountant – Treasury
Catarino Galicia	Investment Officer
Kimberly Tapp	Treasury Teller/Cashier
Elisa Montoya	Treasury Teller/Cashier
Monica Martin	Treasury Teller/Cashier
Nancy Shinen	Secretary

FINANCIAL ADVISORS

PFM Asset Management

Chandler Asset Management

SAFEKEEPING AGENT

Union Bank

FINANCIAL SECTION



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Tulare, California

We have audited the accompanying financial statements of the Treasurer's Investment Pool of the County of Tulare (the County), as of and for the year ended June 30, 2012, which collectively comprise the Treasurer's Investment Pool's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions 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 the *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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Treasurer's Investment Pool, as of June 30, 2012, and results of its investment activity thereof for the year then ended 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 March 5, 2013, 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. 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 14 through 17 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

MAIN OFFICE

4200 TRUXTON AVENUE

SUITE 300

BAKERSFIELD, CA 93309

TEL: 661.324.4971

FAX: 661.324.1997

EMAIL: info@bacpas.com

560 CENTRAL AVENUE

SHAFER, CALIFORNIA 93263

TEL: 661.746.2145

FAX: 661.746.1218

8050 N. PALM AVENUE

SUITE 300

FRESNO, CALIFORNIA 93711

TEL: 559.476.3592

FAX: 559.476.3593

790 E. COLORADO BLVD.

SUITE 908B

PASADENA, CALIFORNIA 91101

TEL: 626.240.0920

FAX: 626.240.0927

5250 CLAREMENT AVENUE

SUITE 237

STOCKTON, CA 95207

TEL: 209.451.4833



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

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, investment section, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory, investment, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
March 5, 2013

**Tulare County Investment Pool
Management's Discussion and Analysis
June 30, 2012 (Unaudited)**

As management of the Tulare County Investment Pool (the Pool), we offer readers of the Pool's financial statements this narrative overview and analysis of the financial activities of the Investment Pool for the year ended June 30, 2012. The following analysis primarily focuses on the Investment Pool's current year results in comparison with the prior year. We hope that the information presented here, and in the Letter of Transmittal, provides you with a solid understanding of the Investment Pool's financial status as of June 30, 2012.

Fiscal Year 2011-2012 Economic Summary

Weak economic data has shown that while the U.S. economy continues to recover; it is doing so at a very slow pace. The unemployment rate has moved lower and now sits below 8%, however millions of American's continue to struggle to find full time employment. On a positive note, the housing sector has begun to show signs of recovery as prices have increased and inventory has decreased. Abroad, Euro-zone countries dominated the headlines as they continue to struggle to solve their debt crisis. Concern over if and when it will be resolved drove investors into the safety of U.S. Treasuries.

The Federal Open Market Committee (FOMC) has recognized the continued weakness in the economy and has implemented multiple rounds of stimulus in response. This past year, after two rounds of quantitative easing that first began in 2008, the FOMC began Operation Twist in September 2011. The program involves the Federal Reserve selling shorter term Treasury securities and using the proceeds to purchase longer-term Treasury securities and is set to expire at year end. In September of 2012, the FOMC implemented a third round of quantitative easing, whereby the Treasury will purchase \$40 billion of mortgage backed securities on a monthly basis indefinitely. The goal of all of the programs is to bring down longer-term rates, thereby making loans less expensive and encouraging home buying, car buying, and project financing—spurring economic growth. The Federal Reserve has also placed downward pressure on short-term rates by keeping the Fed Funds target rate at 0% to 0.25%, where it has been since December.

The policies of the Federal Reserve have been successful in keeping rates low, and Treasury yields, which reached all-time lows in July, continue to trade near their record lows. In addition to low yields, the yield spread, or difference, between sectors narrowed to extremely tight levels throughout the year. The yield difference between the Treasury and Agency sectors became so narrow that in some instances Agencies were trading with lower yields than Treasuries. Corporate yield spreads also narrowed as investors' increased demand for yield pushed down corporate bond yields.

Financial Highlights

- ▶ The assets of the Investment Pool held for Pool Participants at the close of the most recent fiscal year was \$915.9 million (net assets).
- ▶ The Investment Pool's total net assets increased by \$18.1 million. This represents a net increase of 2.0% over the last fiscal year.
- ▶ The net investment income of the Investment Pool increased by 15.7% from \$15.8 million for the year ended June 30, 2011, to \$18.2 million for the year ended June 30, 2012.
- ▶ During the year, the Investment Pool distributed \$16.2 million to participants compared to the previous year's distribution of \$21.5 million. This represents a decrease of \$5.2 million (24.5%) under last fiscal year.
- ▶ The Investment Pool's expense ratio was competitive at 0.17% of the average daily balance for fiscal year 2011-12 and 0.15% for fiscal year 2010-11.
- ▶ As of June 30, 2012, the market value of the Investment Pool showed an undistributed and net unrealized gain of \$10.8 million compared to an undistributed and net unrealized gain of \$10.5 million at June 30, 2011.

Overview of Investment Pool Financial Statements

This discussion and analysis is intended to serve as an introduction to the Investment Pool's basic financial statements. The basic financial statements consist of two components:

- (1a) Statement of Net Assets;
- (1b) Statement of Changes in Net Assets; and
- (2) Notes to the Basic Financial Statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Net Assets

The Statement of Net Assets presents information on the Investment Pool's assets and liabilities, with the difference between the two reported as *net assets*. The Investment Pool's net assets increased by \$18.1 million (2.0%) for the year ended June 30, 2012, primarily due to an increase in participant deposits and receipt of state deferrals.

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

STATEMENT OF NET ASSETS

	2012	2011	Increase/ (Decrease)	Percentage
<u>Assets</u>				
Cash and Receivables	\$ 80,852,857	\$ 44,888,808	\$ 35,964,049	80.1%
Investments at Fair Value	835,443,511	852,985,036	(17,541,525)	-2.1%
Total Assets:	916,296,368	897,873,844	18,422,524	2.1%
<u>Liabilities</u>				
Distributions Payable	302,192	17,878	284,314	
Total Liabilities	302,192	17,878	284,314	
Net Assets Held in Trust for Pool Participants	\$ 915,994,176	\$ 897,855,966	18,138,210	2.0%

Changes in Net Assets

The Statement of Changes in Net Assets presents information on how the Investment Pool's net assets changed during the most recent fiscal year. The additions include additions to pool investments, interest income and changes in the fair value of investments. The deductions consist of deductions from pool investments, income distributions to the Investment Pool participants and operating expenses. Both the additions to and deductions from the Pooled Investments include interfund activity.

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

STATEMENT OF CHANGES IN NET ASSETS

	2012	2011	Increase/ (Decrease)	Percentage
<u>Additions</u>				
Additions to Pooled Investments	\$ 6,509,498,897	\$ 6,159,912,604	\$ 349,586,293	5.7%
Net Investment Income	18,282,020	15,800,871	2,481,149	15.7%
Total Additions	6,527,780,917	6,175,713,475	352,067,442	5.7%
<u>Deductions</u>				
Deductions from Pooled Investments	6,491,768,912	6,083,400,493	408,368,419	6.7%
Distributions to Participants	16,279,262	21,571,882	(5,292,620)	-24.5%
Treasury Operating Expenses	1,594,533	1,268,135	326,398	25.7%
Total Deductions	6,509,642,707	6,106,240,510	403,402,197	6.6%
Changes in Net Assets	18,138,210	69,472,965	(51,334,755)	-73.9%
Net Assets Beginning of Year	897,855,966	828,383,001	69,472,965	8.4%
Net Assets End of Year	\$ 915,994,176	\$ 897,855,966	\$ 18,138,210	2.0%

BASIC FINANCIAL STATEMENTS

**County of Tulare
Treasurer's Investment Pool
Statement of Net Assets
June 30, 2012**

ASSETS:

Cash on Hand and Bank Deposits (Note 2)	72,889,482
Cash in Transit (Note 3)	4,450,000
Interest Receivable	3,513,375
Investments (Note 4)	835,443,511
	<hr/>
Total Assets:	\$ 916,296,368
	<hr/> <hr/>

LIABILITIES AND NET ASSETS:

Liabilities:

Distributions Payable	\$ 302,192
	<hr/>
Total Liabilities	302,192
	<hr/> <hr/>

Net Assets:

Held in Trust for Treasury Pool Participants	915,994,176
	<hr/>
Total Net Assets	\$ 915,994,176
	<hr/> <hr/>

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

County of Tulare
Treasurer's Investment Pool
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2012

Additions:

Participants' Deposits		\$ 6,509,498,897
Investment Income: (Note 5)		
Interest and Dividends	\$ 12,825,337	
Gain on Sale of Investments	5,124,304	
Net Decrease in Fair Market Value	332,379	
Total Investment Income Earned		18,282,020
Total Additions		6,527,780,917

Deductions:

Participants' Withdrawals (Note 6)		6,491,768,912
Income Apportioned to Participants		16,279,262
Operating Expenditures		1,594,533
Total Deductions		6,509,642,707
Increase in Net Assets		18,138,210
Beginning Net Assets Held In Trust For Pool Participants		897,855,966
Ending Net Assets Held in Trust for Pool Participants		\$ 915,994,176

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

**County of Tulare
Treasurer's Investment Pool
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 1 – Summary of Significant Accounting Policies

A. Description of the Reporting Entity

The Tulare County Investment Pool (the Investment Pool) is part of the County of Tulare (the County) and is responsible for assets of approximately \$916 million as of June 30, 2012. The cash balances of substantially all of the County's 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 administered by the County Treasurer-Tax Collector and is not registered with the Securities and Exchange Commission. 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 (California Government Code sections 27000.5 and 53600.5).

Pursuant to Sections 27130-27137 of the California Government Code, the Board of Supervisors has established a Treasurer's Oversight Committee (TOC) whose function is to monitor compliance with the Investment Policy. The TOC is comprised of Tulare County officials, representatives from various pool participants, and members of the public. The Treasurer also reports on a quarterly basis to the Board of Supervisors.

B. Reporting Method

The financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Investment Pool follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB).

C. Investment Valuation

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*, 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 Investment Pool's safekeeping agent.

D. Investment Income and Apportionment

The County Treasurer calculates and records all interest earned, received, and accrued 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. It is the County's policy to charge interest to a participant whose average daily equity is negative.

Note 2 – Cash Deposits

As of June 30 2012, the Treasurer's Investment Pool's bank deposits had a carrying amount of \$72,873,884. The balance per the financial institution totaled \$72,788,684. Of the balances in the financial institutions, 100% was covered by Federal Depository Insurance (FDIC) with no balance requiring collateralization pursuant to California Government Code.

The California Government Code requires California banks and savings and loan associations to secure the County's deposits by pledging government securities or first trust deed mortgage notes. The market value of the pledged government securities and first trust deed mortgage notes must be a least 110% and 150% of the County's deposits, respectively. The collateral is held by the pledging financial institutions trust department or its agent and is considered to be held in the County's name.

Note 3 – Cash in Transit

The Treasury Pool held two U.S. Treasury securities that matured on June 30, 2012. Due to the maturity date falling on a weekend, funds were not transferred until July 2, 2012. The par value of these securities has been removed from our investment holdings and is being shown as “cash in transit”.

Note 4 - Investments

The Investment Pool’s cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer. The objectives of the policy, in order of priority, are: preservation of capital, liquidity, and yield. The County’s Investment Policy, in compliance with California Government Code Section 53635, authorizes the Treasurer to invest in the following:

- a) Bonds issued by the County of Tulare
- b) Obligations of the U.S. Treasury
- c) Obligations issued by a State or Local Agency
- d) Obligations of Federal Agencies or U.S. Government Sponsored Enterprises
- e) Bankers Acceptances eligible for purchase by the Federal Reserve System
- f) Commercial Paper rated A-1 by Standard & Poor’s Corporation or P-1 by Moody’s Commercial Paper Record
- g) Negotiable Certificates of Deposit
- h) Medium Term Corporate Notes rated “A” or better
- i) Money Market Funds
- j) Repurchase and Reverse Repurchase Agreements
- k) Local Agency Investment Fund (LAIF)
- l) Managed Investment Pools pursuant to §53601

Custodial Credit Risk

This is the risk that, in the event of failure by the counterparty, 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. The Treasury has limited its custodial credit risk on investments by having all investments in the name of the County. In accordance with the Governmental Accounting Standards Board Statement 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, the County's investments have been classified into the following three categories of custodial credit risk:

- (1) Insured or registered, or securities held by the County or its agent in the County's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the County's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by the counterparty's trust department or agent, but not in the County's name.

As of June 30, 2012, the entire portfolio is under category (1) except for Money Market Funds, which do not fall under any of the above categories of credit risk as the investment in these funds are not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk

This is the risk that fluctuations in interest rates will adversely affect the fair value of an investment. The Treasury mitigates this risk by investing in longer-term securities only with funds that are not needed for current cash flow purposes and generally holding these securities to maturity.

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 with a single issuer. The Treasury mitigates these risks by holding a diversified portfolio of high quality investments and limits the percentage of the total investments to the type of investment and to any one issuer by type of allowable investment instrument. State law also limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The NRSRO's used by the County are listed in the County's investment policy and are Standard and Poor's, and Moody's.

On August 5, 2011 Standard and Poor's downgraded the credit rating of Securities that are fully guaranteed as to payment by an agency, or government sponsored enterprise of the US Government to AA+, however a Aaa rating continues to be provided Moody's and Fitch.

As of June 30, 2012, the County invested in primarily high quality investments as shown below.

Credit Ratings	
AAA	6%
A-1 (short-term rating)	9%
AA	65%
A	12%
SP-1+	2%
Not Rated**	6%
Total	100%

Standard & Poors Ratings [includes all ratings in this category (e.g., A-, A, A+)].

** The portion of the portfolio that is not rated represents the \$50,000 deposit in LAIF, the State of California investment fund.

The Investment Pool's Investments as of June 30, 2012, are as follows:

	Carrying Value (000)	Reported/ Fair Value (000)	WAM (in days)	Stated Interest Rate	Maturity Range
U S Treasury Obligations	\$ 136,661	\$ 138,394	1,218	0.375% - 5.125%	06/2014 - 01/2017
Federal Agency Obligations	296,125	301,135	1,060	0.300% - 6.000%	08/2012 - 06/2017
FDIC Guaranteed Notes	13,246	13,358	175	2.125%	12/2012
Corporate Notes/Bonds	184,336	188,262	884	0.550% - 6.125%	08/2013 - 06/2017
Municipal Obligations	20,000	20,000	727	2.340%	08/2013
Negotiable Time Deposits	46,749	46,760	408	0.245% - 1.617%	10/2012 - 02/2014
Commercial Paper	24,121	24,113	71	0.150% - 0.380%	08/2012 - 10/2012
	<u>721,238</u>	<u>732,022</u>			
Other investments					
Money Market Funds	13,276	13,276	1		
LAIF Managed Pool	50,000	50,061	1		
Other Managed Pool	40,085	40,085	1		
Total other investments	<u>103,361</u>	<u>103,422</u>			
Total Investments	<u>\$ 824,599</u>	<u>\$ 835,444</u>			

Investments in Money Market Funds and the Managed Pools are not categorized, in accordance with GASB No. 40 because they are not evidenced by securities that exist in physical or book entry form.

The Investment Pool held investments in excess of 5% of the total yearend investments (excluding deposit accounts) for the following issuers:

Issuer	Amount	Percentage
United States Treasury	138,394,286.45	16.8%
Federal National Mortgage Association	119,523,833.85	14.5%
Federal Home Loan Mortgage Corporation	82,082,173.95	10.0%
Federal Home Loan Bank	50,661,510.75	6.2%
California Local Agency Investment Fund (L.A.I.F.)	50,060,982.15	6.1%

California Local Agency Investment Fund (LAIF)

The State Treasurer's Local Agency Investment Fund (LAIF) is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without penalty or loss of interest. The value of the Pool's shares in LAIF that may be withdrawn is determined on an amortized cost basis, which may be different from the fair value of the County's position in the pool. Participation in LAIF is voluntary. 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. In addition, the State Treasurer's Office performs 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.

As of June 30, 2012, the Investment Pool's investment in LAIF is \$50,060,982. The total amount recorded by all public agencies in LAIF at that date is \$21,887,750,115. Of that amount, 96.53% is invested in non-derivative financial products and 3.47% of the portfolio is invested in Medium-term and Short-term Structured notes and Asset-backed securities.

Repurchase Agreements

Repurchase Agreements are contracts in which a broker/dealer sells securities to the Investment Pool with an agreement to repurchase those securities for a fixed price at an agreed-upon date. Government Code requires that California public entities that utilize repurchase agreements collateralize the investments that underlay the repurchase agreements with amounts that exceed cost. The market value of the securities underlying the repurchase agreements must be valued at 102% or greater. The Pool's Investment Policy reflects this requirement. As of June 30, 2012, the portfolio had no outstanding repurchase agreements.

Note 5 – Treasury Pool Income

The fair market value fluctuates with interest rates, and increasing rates could cause the value of investments to decline below original cost. County management believes the liquidity in the portfolio is more than adequate to meet cash flow requirements and to preclude the County from having to sell investments below original cost for that purpose.

As of June 30, 2012, the investment income was comprised of the following:

<u>Investment Income</u>		
Interest and Dividends	\$	12,825,337
Net (Increase) in the Fair Value		5,456,683
Less: Investment Expenses		<u>(1,594,533)</u>
Total Treasury Pool Income	\$	<u>16,687,487</u>

The net increase in fair market value gain and gain on sale of investments during the fiscal year 2011-2012 was \$5,456,683. This amount takes into account all changes, including the net gain on sale of investments of \$5,124,304 that occurred during the year. The fair market value gain on investments held as of June 30, 2012, was \$332,379.

Note 6 – Income Apportionment and Participant Withdrawals

The County Treasurer calculates and records all interest earned, received, and accrued for the Pool on a daily basis. The apportionment of investment earnings to the various funds participating in the Investment Pool is done at the end of each calendar quarter pursuant to Government Code Section 53647.

The apportioned amount is computed as follows:

$$\begin{array}{l} \text{Participating Share} \\ \text{of Pool Income} \end{array} = \frac{(\text{Fund's Avg. Daily Equity} \times \text{Pool Total Income})}{\text{Total Pool Average Daily Equity}}$$

The value of the participant's shares in the pool that may be withdrawn is determined on an amortized cost basis, which may be different from the fair market value of the participant's position in the Pool.

Note 7 – Interfund Balance

Due from Pool Participants represents current outstanding balances between funds at the end of the fiscal reporting period. The County's computerized general ledger only allows for the transfer of cash between funds until mid-July following the end of the fiscal year. Therefore, the recording of interfund activity, which occurred during the fiscal year, but which is entered to the system after mid-July, results in an interfund receivable/payable. The balance due to pool participants at June 30, 2012, was \$302,192.



OTHER INDEPENDENT AUDITOR'S REPORT



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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Supervisors
County of Tulare, California

MAIN OFFICE

4200 TRUXTON AVENUE

SUITE 300

BAKERSFIELD, CA 93309

TEL 661 324 4971

FAX 661 324 4997

EMAIL info@bacpas.com

560 CENTRAL AVENUE

SHAWT, CALIFORNIA 93263

TEL 661 746 7145

FAX 661 746 1718

8050 N. PALM AVENUE

SUITE 300

FRESNO, CALIFORNIA 93711

TEL 559 476 3592

FAX 559 476 3593

790 E. COLORADO BLVD.

SUITE 906B

PASADENA, CALIFORNIA 91101

TEL 626 240 0920

FAX 626 240 0922

5250 CLAREMENT AVENUE

SUITE 237

STOCKTON, CA 95207

TEL 209 451 1833

We have audited the financial statements of the Treasurer's Investment Pool of the County of Tulare (the County), as of and for the year ended June 30, 2012, which collectively comprise the Treasurer's Investment Pool's basic financial statements and have issued our report thereon dated March 5, 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 controls 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*.



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 management, Board of Supervisors, others within the County, and federal awarding agencies and pass-through entities 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
March 5, 2013



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Tulare, California

We have examined management's assertion, included in the management representation letter dated March 5, 2013, that the Treasurer's Investment Pool of the County of Tulare (the County) complied with the provisions of the California Government Code and the County's Investment Policy during the fiscal year ended June 30, 2012. Management is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements 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 of the County's compliance with specified requirements.

In our opinion, management's assertion that the County complied with the aforementioned requirements for the fiscal year ended June 30, 2012, is fairly stated, in all material respects.

This report is intended solely for the information of the Tulare County Treasury Oversight Committee, the County Board of Supervisors, management, and applicable legislative bodies. However, this report is a matter of public record and its distribution is not limited. In addition, an audit report providing an opinion as to the financial position of the Treasurer's Investment Pool of the County of Tulare as of June 30, 2012, was issued separately.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

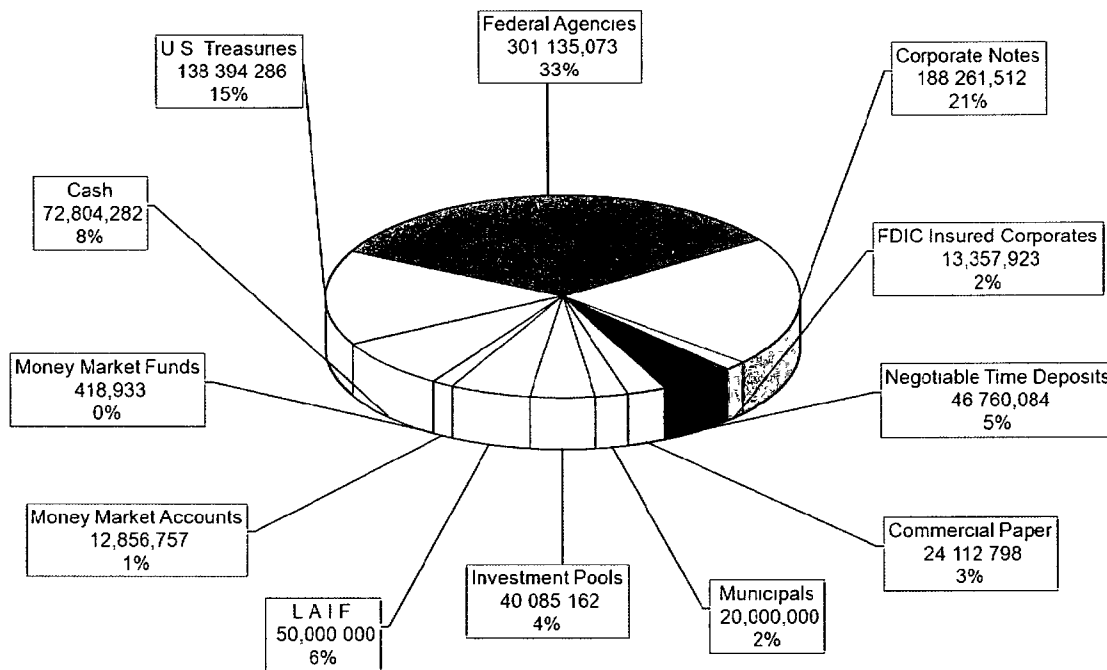
Bakersfield, California
March 5, 2013



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

INVESTMENT SECTION

Treasury Pool Investment Portfolio Composition as of June 30, 2012



Administrative Overview

During the fiscal year 2011-12, the Tulare County Treasurer's Investment Pool's activities included the following:

- During the year, the Investment Pool structure has remained in compliance with the Investment Policy.
- The Investment Pool's investments had a increase in weighted average days to maturity from 657 days at June 30, 2011, to 753 days at June 30, 2012.
- The Investment Pool's total net assets increased by 2.0% from \$898 million on June 30, 2011, to \$916 million on June 30, 2012.
- The unrealized change in fair value of investments increased from a \$7.1 million loss at June 30, 2011, to a \$330 thousand gain at June 30, 2012.
- The Investment Pool's expense ratio remained competitive at 0.17% of the average daily balance for fiscal year 2011-12 and 0.15% for fiscal year 2010-2011.
- The net investment income of the Investment Pool increased by 15.7% from \$15.8 million for the year ended June 30, 2011, to \$18.3 million for the year ended June 30, 2012.

Outline of the Investment Policy

The Tulare County Treasurer's Investment Pool is managed in accordance with prudent money management principles and California Code Sections 27000.1-27000.5, 27130-27137, and 53600-53686.

The objectives of the Investment Pool, in order of priority, are:

1. **Safety** – The investment portfolio shall safeguard capital through the selection of investments and investing procedures to best protect against loss arising from default, fraud, or error.
2. **Liquidity** – The investment portfolio shall remain sufficiently liquid to enable the Treasury Pool to meet the operating requirements of its participants.
3. **Yield** – The investment portfolio shall achieve a competitive rate of return within the parameters of prudent risk management and the other primary goals of Safety and Liquidity.

The investment portfolio is managed in accordance with the parameters specified within the Investment Policy. The investment performance objective for the portfolio shall be to earn a total rate of return which is approximately equal to or greater than the return on a portfolio/index of securities with commensurate risk. These will include the Local Agency Investment Fund (LAIF) and the average two-year Treasury Note.

On an annual basis, the Treasury Oversight Committee (TOC) reviews and approves the Investment Policy. Once the TOC has recommended approval, the Board of Supervisors reviews and adopts the Investment Policy in a public forum. The Investment Policy focuses on risk management by setting limits on principal exposure by type of security, by issuer of debt, by minimum credit ratings and by placing return as the least important objective compared to safety and liquidity.

No investment shall be made in any security with a maturity greater than five years and the dollar-weighted average maturity of the portfolio shall not exceed 3.5 years. Some investments are restricted to terms less than five years. These maturity limitations are described in the following table.

Tulare County Treasurer's Pool

Investment Report

Allowable Instruments	County Maximum % of Portfolio	Code Maximum % of Portfolio	County Maximum Maturity	Code Maximum Maturity	County % per Issuer ¹
U S Treasury Obligations (\$53601(b))	100	100	5 Years	5 Years	100
U.S. Agency Obligations or U.S Government Sponsored Enterprises (\$53601(f))	75	100	5 Years	5 Years	100
FDIC - Guaranteed Corporate Debt under the Temporary Liquidity Guarantee Program (TLGP)	35	100	5 Years	5 Years	10
Medium Term Notes (Corporate) (\$53601(k))	30	30	5 Years	5 Years	10
Bankers' Acceptances (\$53601(g))	40	40	180 Days	180 Days	10
Negotiable Certificates of Deposit (\$53601(i))	30	30	5 Years	5 Years	10
Repurchase Agreement (\$53601(j))	50	None	30 Days	1 Year	N/A
Reverse Repurchase Agreements (\$53601(j))	20	20	92 Days	92 Days	10
Bank Time Deposits (\$53650 et seq.)	30	None	3 Years	None	25
Bank Time Deposits - Through deposit placement service (\$53601 8)	30	30	3 Years	None	25
Money Market Accounts (\$53630 et seq.)	50	None	N/A	None	25
Commercial Paper (\$53601(h) and (\$53635(a))	40	40	270 Days	270 days	10
Money Market Funds (\$53601(l))	15	20	N/A	N/A	10
Obligations issued by a State or local agencies within California or any of the other 49 States (\$53601(d)(e))	30	100	5 Years	5 Years	10
Tulare County (\$53601(a))	15	100	5 Years	5 Years	10
L A.I.F (\$16429.1)	Maximum Allowed	Per State Treasury Policy	N/A	N/A	N/A
Managed Investment Pool pursuant to \$53601(p)	50	None	N/A	N/A	N/A

- 1** With the exception of overnight repurchase agreements, U.S. Government securities, including its agencies and instrumentalities, and authorized pools, no more than 10% of the County's aggregate investment portfolio may be invested in securities of a single issuer. Commercial paper is further limited to 5% of the outstanding paper of the issuing corporation.

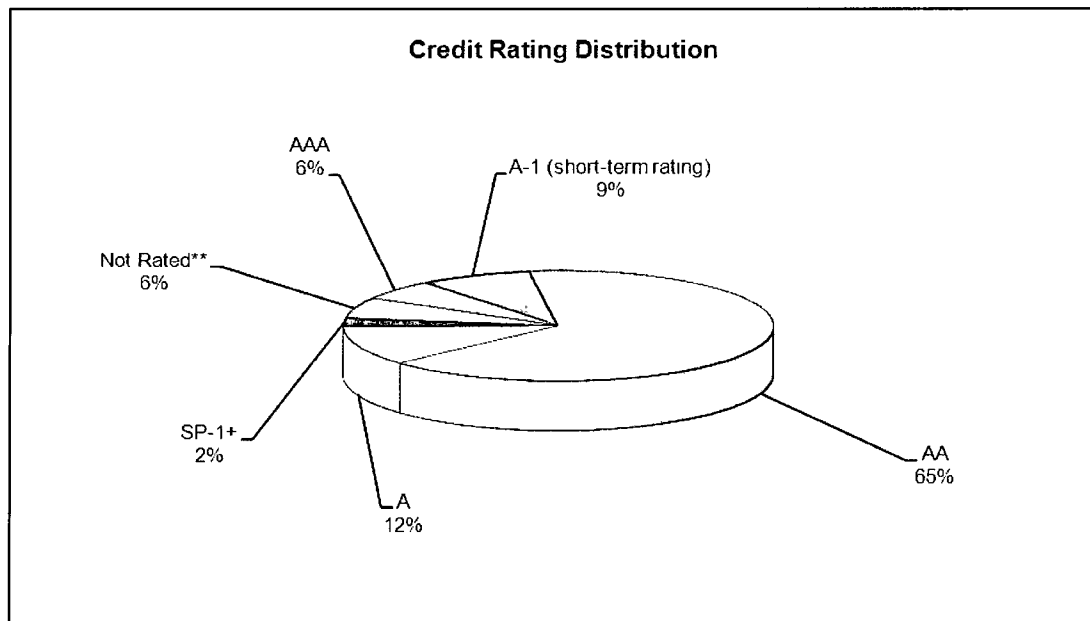
Credit Risk and Concentration of Credit Risk

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(s) with a single issuer. As of June 30, 2012, the Investment Pool mitigated these risks by holding a diversified portfolio of primarily high quality investments.

Credit Ratings	
AAA	6%
A-1 (short-term rating)	9%
AA	65%
A	12%
SP-1+	2%
Not Rated**	6%
Total	100%

Standard & Poors Ratings [includes all ratings in this category (e.g., A-, A, A+)]

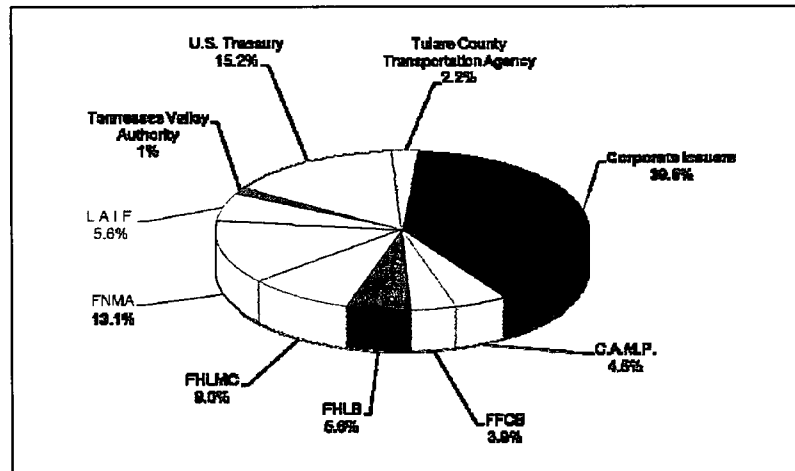
** The portion of the portfolio that is not rated represents the \$50,000,000 deposit in LAIF, the State of California investment fund



Tulare County Treasurer's Pool

Investment Report

Tulare County Pool Characteristics by Issuer



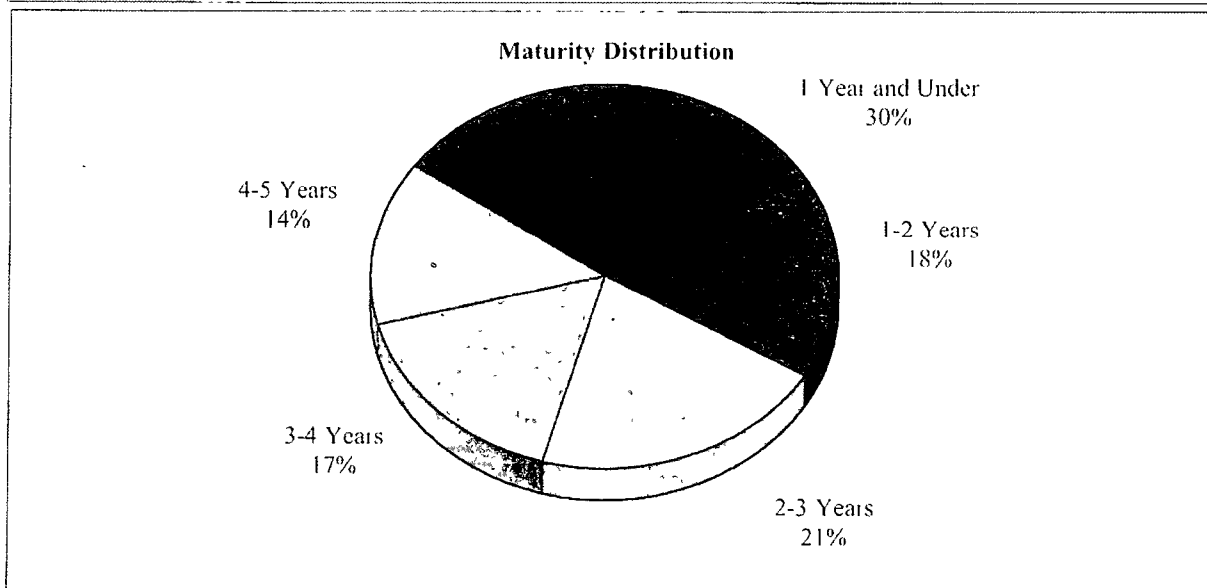
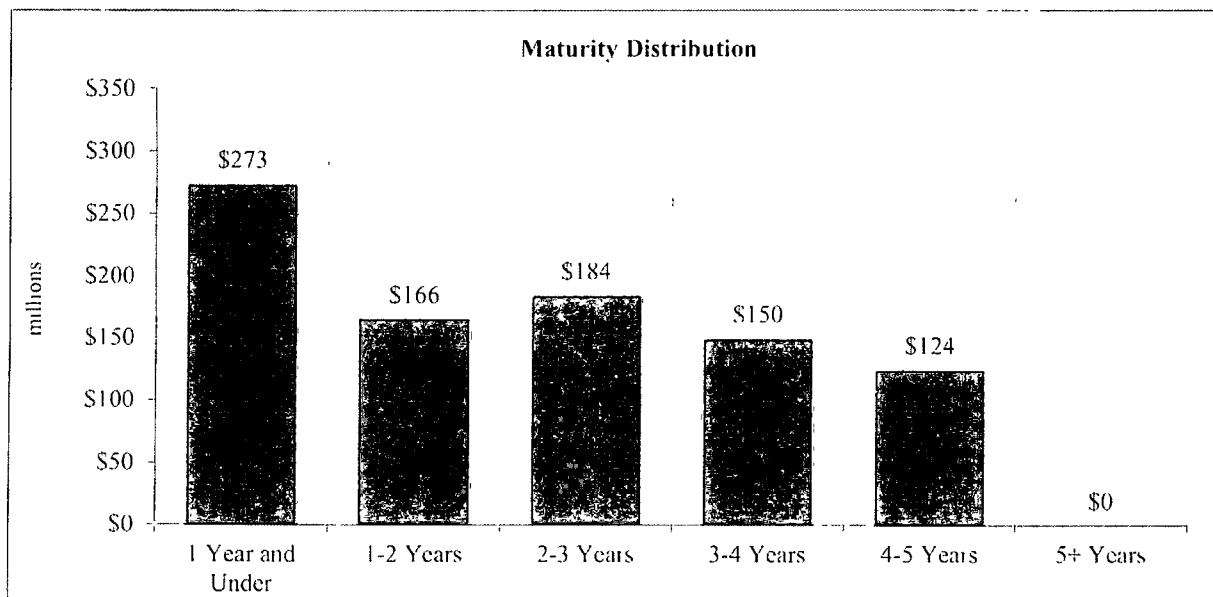
Corporate Issuer (39.5%)	Book Value	Market Value	% of Corporate Issuers	S&P Rating	WAM (in days)
3M Company	4,776,213	4,833,465	1.3%	AA-	1,691
Bank of New York Mellon	12,258,199	12,419,178	3.5%	A+	816
Bank of Nova Scotia	10,500,000	10,500,546	3.0%	AA-	589
Bank of Nova Scotia	6,896,254	6,894,264	1.9%	4.9% A-1+	63
Berkshire Hathaway	4,670,692	4,947,941	1.3%	AA+	955
Blackrock Inc	5,439,989	5,568,780	1.5%	A+	892
Caterpillar	6,768,105	6,717,490	1.9%	A	604
Caterpillar	1,599,640	1,599,136	0.5%	2.4% A-1	54
Chevron Funding	4,728,881	4,873,091	1.3%	AA	610
Coca-Cola Company	4,089,155	4,103,272	1.2%	A+	985
EBAY, Inc	4,944,261	5,064,989	1.4%	A	1,201
G E Capital	18,620,143	19,256,754	5.3%	AA+	1,230
G E Capital ²	6,812,044	6,868,702	1.9%	7.2% AA+	173
HSBC Bank USA	5,599,577	5,588,330	1.6%	A+	645
IBM	15,310,652	15,463,901	4.3%	AA-	657
John Deere Capital	1,644,070	1,658,457	0.5%	A	821
Johnson & Johnson	7,981,051	8,372,080	2.3%	AAA	1,414
J P Morgan	14,952,262	15,191,466	4.2%	A	720
J P Morgan ²	6,433,814	6,489,220	1.8%	6.0% AA+	178
McDonalds	1,495,997	1,499,820	0.4%	A	1,062
National Australia Bank, NY	8,349,320	8,341,112	2.4%	A-1+	447
Northern Trust Corp	3,581,370	3,686,391	1.0%	A+	669
Pepsi, Inc	4,788,563	4,918,491	1.4%	A	928
Pfizer	3,080,232	3,190,500	0.9%	AA	594
PNC Bank	6,998,056	6,996,500	2.0%	A-1	50
Praxair, Inc	3,164,421	3,261,950	0.9%	A	929
Procter & Gamble	8,220,140	8,465,065	2.3%	AA-	1,049
Rabobank ¹	10,000,000	10,000,000	2.8%	A-1+	1
Royal Bank of Canada, NY	10,500,000	10,517,535	3.0%	A-1+	222
Toronto Dominion	7,400,000	7,400,891	2.1%	A-1+	124
Toyota Motor Credit	6,628,203	6,625,038	1.9%	A-1+	99
UBOC - Highmark Funds	418,933	418,933	0.1%	A	1
Union Bank ¹	75,645,440	75,645,440	21.3%	21.5% A	1
United Technologies Corp	349,704	357,434	0.1%	A	1,796
US Bancorp	14,907,826	15,036,735	4.2%	A	439
Walmart	12,202,168	12,694,199	3.4%	AA	820
Walt Disney Company	10,038,306	10,045,698	2.8%	A	1,307
Wells Fargo / Wachovia	4,860,745	5,063,735	1.4%	AA-	953
Wells Fargo / Wachovia	7,862,074	7,980,159	2.2%	3.6% A+	273
Westpac Banking Corp, NY	10,000,000	10,000,000	2.8%	A-1+	593
	354,516,501	358,556,691	100.0%		525

Notes:

- 1 The deposits with Union Bank and Rabobank are collateralized at a minimum of 110% pursuant to California government Code or are 100% FDIC insured
- 2 These obligations are FDIC insured under the Federal Government's Temporary Liquidity Guarantee Program (TLGP) and carries the full faith and credit of the U S Government

Interest Rate Risk

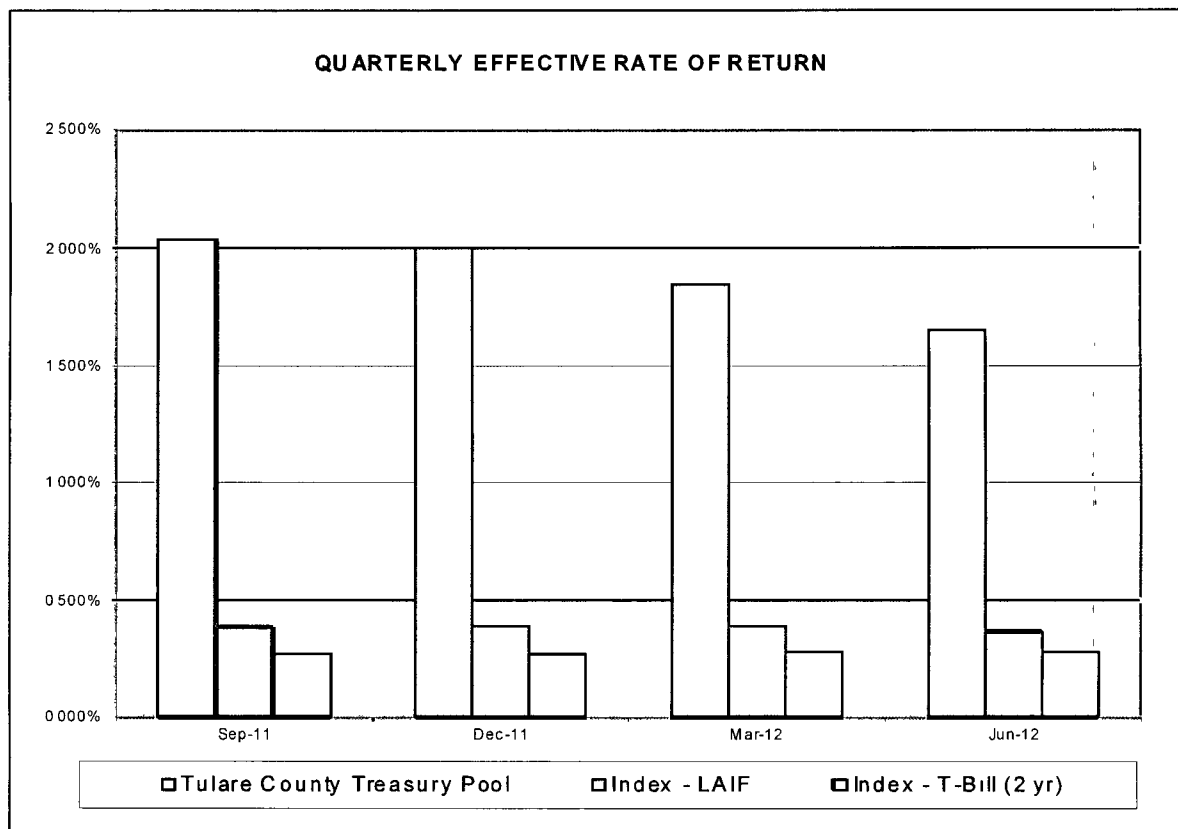
This is the risk that fluctuations in interest rates will adversely affect the fair value of an investment. The Treasury mitigates this risk by investing in longer-term securities only with funds that are not needed for current cash flow purposes. As of June 30, 2012, the investment portfolio had a high degree of liquidity.



* Maturity Distribution values represent Book Valuation

Investment Results and Income Allocation

The investment portfolio was managed in accordance with the parameters specified within the investment policy. The investment performance objective for the portfolio shall be to earn a total rate of return which is approximately equal to or greater than the return on a portfolio/index of securities with commensurate risk. These benchmarks include the Local Agency Investment Fund (LAIF) and the average two-year Treasury Note. A chart of the Investment Portfolio versus the identified benchmarks is shown below.



The interest earned by each Investment Pool participant is proportionate to the quarterly average daily balance of the participant. Prior to distribution, expenses incurred by the County Treasury are deducted from the realized earnings. The Investment Pool's expense ratio for fiscal year 2010-2012 was .17% of the average daily balance. Apportionments are not paid out by warrants; all earnings are reinvested in the Investment Pool.

Tulare County Treasurer's Pool**Investment Report**

	QTR 1	QTR 2	QTR 3	QTR 4	ANNUALIZED	
Average Daily Balance	885,520,918	926,296,982	992,549,133	995,437,942	949,951,244	
Total Earnings	4,562,735	4,675,362	4,541,756	4,093,944	17,873,797	1.88%
Treasury Fees	(410,677)	(397,947)	(367,183)	(418,727)	(1,594,534)	0.17%
Earnings - Net of Fees	4,152,058	4,277,415	4,174,573	3,675,217	16,279,263	1.71%

Investment Holdings Summary

Tulare County Treasury Investment Pool Statistics - June 30, 2012							
	PERCENT OF PORTFOLIO	MARKET VALUE	BOOK VALUE	ACCRUED INTEREST	UNREALIZED GAIN(LOSS)	YTM	DAYS TO MATURITY
Cash	8.11%	72,804,282	72,804,282	4,660	-	0.454	1
Money Market Accounts	1.43%	12,856,757	12,856,757	6,004	-	0.238	1
US Treasury Notes	15.23%	138,394,286	136,660,544	744,000	1,733,742	0.930	1,218
Federal Agency Notes	32.99%	301,035,323	296,025,238	1,198,723	5,010,085	1.320	1,060
Federal Agency - Floating Rate	0.01%	99,750	100,000	(4,481)	(250)	6.007	96
Municipal Notes/Bonds	2.23%	20,000,000	20,000,000	116,679	-	2.340	427
Corporate Medium Term Notes	20.54%	188,261,512	184,336,165	1,330,791	3,925,347	2.016	884
Corporate MTN - FDIC Insured	1.47%	13,357,923	13,245,858	5,917	112,065	2.030	175
Negotiable Time Deposits	2.56%	22,971,406	22,950,000	24,385	21,406	0.444	219
Neg. Time Deposits - Floating	2.65%	23,788,679	23,799,320	40,297	(10,641)	1.194	591
Commercial Paper - Discount	2.69%	24,112,798	24,120,784	-	(7,986)	0.286	71
Local Agency Investment Fund	5.57%	50,060,982	50,000,000	40,060	60,982	0.350	1
Other Investment Pools	4.47%	40,085,162	40,085,162	6,521	-	0.240	1
Money Market Funds	0.05%	418,933	418,933	(181)	-	-	1
	100.00%	908,247,793	897,403,043	3,513,375	10,844,750	1.195	753

A complete list of the Investment Pool's Holdings is available on the internet at:
http://www.co.tulare.ca.us/government/treasurertax/treasurer_information/



STATISTICAL SECTION

Objectives

This section presents detailed information on the Investment Pool with historical perspective as a context for understanding and using the information in the financial statements, note disclosures, and required supplementary information. The following schedules contain nine-year trend information to help the reader assess the changes over time.

Schedule of Additions/Deductions and Changes in Net Assets

This table allows the reader to evaluate the movements of increases and decreases in net assets.

SCHEDULE OF ADDITIONS/DEDUCTIONS AND CHANGES IN NET ASSETS					
	2012	2011	2010	2009	2008
Additions					
Additions to Pooled Investments	6,509,498,897	6,159,912,604	6,227,996,636	6,363,329,673	5,998,926,860
Net Investment Income	18,282,020	15,800,871	28,317,920	39,815,264	43,006,565
Total Additions	6,527,780,917	6,175,713,475	6,256,314,556	6,403,144,937	6,041,933,425
Deductions					
Distributions to Pooled Investments	6,491,768,912	6,083,400,493	6,334,724,473	6,226,762,483	5,971,028,221
Distributions to Participants	16,279,262	21,571,882	22,575,636	30,946,391	32,195,598
Treasury Operating Expenses	1,594,533	1,268,135	1,295,310	1,100,533	1,098,411
Total Deductions	6,509,642,707	6,106,240,510	6,358,595,419	6,258,809,406	6,004,322,229
Changes in Net Assets	18,138,210	69,472,965	(102,280,863)	144,335,530	37,611,195
Net Assets Beginning of Year	897,855,966	828,383,001	930,663,864	786,328,334	748,717,139
Net Assets End of Year	915,994,176	897,855,966	828,383,001	930,663,864	786,328,334

SCHEDULE OF ADDITIONS/DEDUCTIONS AND CHANGES IN NET ASSETS

	2007	2006	2005	2004
Additions				
Additions to Pooled Investments	5,714,827,060	1,814,966,497	1,719,308,238	1,561,144,454
Net Investment Income	33,144,073	15,588,237	13,673,439	3,860,120
Total Additions	5,747,971,133	1,830,554,734	1,732,981,677	1,565,004,574
Deductions				
Distributions to Pooled Investments	5,628,232,150	1,738,767,985	1,659,889,580	1,578,566,594
Distributions to Participants	29,036,998	20,226,122	13,925,749	13,950,377
Treasury Operating Expenses	899,810	1,081,109	962,426	915,751
Total Deductions	5,658,168,958	1,760,075,216	1,674,777,755	1,593,432,722
Changes in Net Assets	89,802,175	70,479,518	58,203,922	(28,428,148)
Net Assets Beginning of Year	658,914,964	588,435,446	530,231,524	558,659,672
Net Assets End of Year	748,717,139	658,914,964	588,435,446	530,231,524

Schedule of Investment Asset Allocation

This table presents historical changes in asset allocation to help the reader evaluate portfolio diversity and risk.

Investment Pool Asset Allocation - Fair Value (dollar amount in thousands)															
	6/30/2012			6/30/2011			6/30/2010			6/30/2009			6/30/2008		
	AMOUNT	%	WAM	AMOUNT	%	WAM	AMOUNT	%	WAM	AMOUNT	%	WAM	AMOUNT	%	WAM
US Treasury Notes	138,394	15.2%	1,218	113,067	12.6%	1,010	116,731	14.3%	833	141,645	15.4%	1,012	104,345	13.6%	1,281
US Treasury - Discount	-	0.0%	-	-	0.0%	-	7,103	0.9%	49	1,283	0.1%	169	-	0.0%	-
Federal Agency Notes	301,035	33.1%	1,060	279,420	31.2%	847	320,888	39.3%	975	217,128	23.5%	985	221,855	29.0%	925
Federal Agency - Discount	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-
Federal Agency - Step-ups	-	0.0%	-	-	0.0%	-	-	0.0%	-	6,750	0.7%	338	27,504	3.6%	664
Federal Agency - Floating Rate	100	0.0%	96	8,308	0.9%	509	499	0.1%	827	698	0.1%	1,192	897	0.1%	1,557
Municipal Notes/Bonds	20,000	2.2%	427	20,000	2.2%	793	11,908	1.5%	1,460	28,781	3.1%	53	2,158	0.3%	1,004
Municipal Bonds - Discount	-	0.0%	-	-	0.0%	-	3,039	0.4%	45	2,945	0.3%	410	2,765	0.4%	775
Corporate Medium Term Notes	188,262	20.7%	884	176,334	19.7%	1,081	98,681	12.1%	1,101	83,342	9.0%	701	134,890	17.6%	716
Corporate MTN - Floating Rate	-	0.0%	-	-	0.0%	-	5,529	0.7%	854	15,705	1.7%	551	4,877	0.6%	727
Corporate MTN - FDIC Insured	13,358	1.5%	175	56,844	6.4%	379	88,832	10.9%	712	58,874	6.4%	1,093	-	0.0%	-
Negotiable Time Deposits	22,971	2.5%	219	20,512	2.3%	285	-	0.0%	-	-	0.0%	-	-	0.0%	-
Neg. Time Deposits - Floating	23,789	2.6%	591	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-
Repurchase Agreements	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	93,000	12.1%	1
Commercial Paper - Discount	24,113	2.7%	71	12,999	1.5%	12	-	0.0%	-	-	0.0%	-	48,736	6.4%	68
Bank Time Deposits	-	0.0%	-	20,000	2.2%	17	25,000	3.1%	78	170,000	18.4%	42	50,000	6.5%	44
Local Agency Investment Fund	50,061	5.5%	1	50,078	5.6%	1	30,049	3.7%	1	40,052	4.3%	1	39,998	5.2%	1
Other Investment Pools	40,085	4.4%	1	40,054	4.5%	1	15,542	1.9%	1	100,433	10.9%	1	-	0.0%	-
Money Market Funds	419	0.0%	1	2,512	0.3%	1	91,809	11.3%	1	54,795	5.9%	1	34,718	4.5%	1
Money Market Accounts	12,857	1.4%	1	52,856	5.9%	1	-	0.0%	-	-	0.0%	-	-	0.0%	-
Cash	72,804	8.0%	1	41,463	4.6%	1	-	0.0%	-	-	0.0%	-	-	0.0%	-
	908,248	100.0%	753	894,447	100.0%	657	815,610	100.0%	740	922,431	100.0%	539	765,743	100.0%	609

	6/30/2007			6/30/2006			6/30/2005			6/30/2004			
	AMOUNT	%	WAM	AMOUNT	%	WAM	AMOUNT	%	WAM	AMOUNT	%	WAM	
US Treasury Notes	91,281	12.5%	933	57,667	9.0%	684	96,584	16.7%	573	73,051	14.3%	573	
US Treasury - Discount	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	
Federal Agency Notes	220,837	30.2%	806	237,794	36.9%	642	210,658	36.3%	743	204,377	40.0%	887	
Federal Agency - Discount	1,371	0.2%	246	-	0.0%	-	-	0.0%	-	-	0.0%	-	
Federal Agency - Step-ups	31,403	4.3%	905	43,606	6.8%	1,184	36,814	6.3%	1,558	23,687	4.6%	1,406	
Federal Agency - Floating Rate	1,097	0.2%	1,923	1,297	0.2%	2,288	1,496	0.3%	2,653	1,696	0.3%	3,018	
Municipal Notes/Bonds	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	
Municipal Bonds - Discount	2,580	0.4%	1,141	-	0.0%	-	5,915	1.0%	153	5,747	1.1%	518	
Corporate Medium Term Notes	117,974	16.1%	917	63,075	9.8%	615	63,753	11.0%	442	46,181	9.0%	489	
Corporate MTN - Floating Rate	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	
Corporate MTN - FDIC Insured	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	
Repurchase Agreements	-	0.0%	-	81,000	12.6%	3	30,000	5.2%	1	21,000	4.1%	1	
Negotiable Time Deposits	214,000	29.3%	2	-	0.0%	-	-	0.0%	-	-	0.0%	-	
Neg. Time Deposits - Floating	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	
Commercial Paper - Discount	-	0.0%	-	109,524	17.0%	31	104,890	18.1%	42	94,932	18.6%	45	
Bank Time Deposits	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	
Local Agency Investment Fund	19,990	2.7%	1	19,964	3.1%	1	19,955	3.4%	1	39,935	7.8%	1	
Other Investment Pools	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	
Money Market Funds	30,646	4.2%	1	30,221	4.7%	1	10,000	1.7%	1	-	0.0%	-	
Money Market Accounts	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	
Cash	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	
	731,179	100.0%	556	644,148	100.0%	452	580,065	100.0%	530	510,606	100.0%	572	

Schedule of Earnings, Expenses, Average Daily Balances, and Returns

This table contains information to help the reader assess the Investment Pool's performance. It also presents the related expenses and its impact on returns.

SCHEDULE OF EARNINGS, EXPENSES, AVERAGE DAILY BALANCES, AND RETURNS								
FISCAL YEAR	AVERAGE BALANCE	INTEREST EARNINGS	TREASURY FEES	ANNUALIZED Y-T-D	ANNUALIZED RATE OF RETURN			
					1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2003 - 2004	n/a	n/a	n/a	2 77%	3 21%	3 21%	2 42%	2 23%
2004 - 2005	n/a	n/a	n/a	2 45%	2 19%	2 37%	2 12%	3 04%
2005 - 2006	n/a	n/a	n/a	3 42%	3 08%	3 12%	2 96%	4 02%
2006 - 2007	656,766,972	29,936,808	(899,810)	4 42%	4 16%	4 13%	4 58%	4 74%
2007 - 2008	728,941,097	33,294,010	(1,098,411)	4 42%	4 68%	4 77%	4 42%	3 85%
2008 - 2009	803,188,191	32,046,924	(1,100,533)	3 85%	4 08%	5 71%	2 99%	3 01%
2009 - 2010	874,196,417	23,875,989	(1,300,354)	2 58%	2 73%	2 18%	2 71%	2 71%
2010 - 2011	834,528,999	22,840,017	(1,268,135)	2 58%	3 72%	2.88%	1 65%	2 28%
2011 - 2012	949,951,244	17,873,796	(1,594,533)	1 71%	1 86%	1 85%	1 69%	1 48%
n/a - Accounting data used in the preparation of this table was not archived in such a manner to enable a retroactive restatement of the previous accounting years								

