



# 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 17, 2014

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: 559-636-5295

**SUBJECT:** Treasurer's Investment Pool's Comprehensive Annual Financial Report (CAFR) for fiscal year 2013.

**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, 2013.

**SUMMARY:**

The "Treasurer's Investment Pool's Comprehensive Annual Financial Report" for the year ended June 30, 2013 was prepared by 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 management's 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 Treasurer's Investment Pool as of June 30, 2013 in conformity with accounting principles generally accepted in the United States of America [page 12]. The

**SUBJECT:** Treasurer's Investment Pool's Comprehensive Annual Financial Report (CAFR)  
for fiscal year 2013.  
**DATE:** June 17, 2014

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.

**ADMINISTRATIVE SIGN-OFF:**

---

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

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

Attachment: 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 2013 )

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, 2013.



# **TULARE COUNTY TREASURER'S INVESTMENT POOL**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Issued By:

**Rita Woodard**

**Auditor-Controller /Treasurer-Tax Collector**

Under the Direction of:

Frank Vigario, Chief Accountant - Treasury

## **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 .....	9

## FINANCIAL SECTION

Independent Auditor's Report .....	11
Management's Discussion and Analysis .....	13
<u>Basic Financial Statements:</u>	
Statement of Net Position .....	18
Statement of Changes in Net Position .....	19
Notes to Basic Financial Statements .....	20

## 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> .....	29
Compliance Report.....	31

## INVESTMENT SECTION

Administrative Overview .....	33
Outline of Investment Policy .....	34
Credit Risk and Concentration of Credit Risk .....	36
Interest Rate Risk .....	38
Investment Results and Income Allocation .....	39
Investment Holdings Summary .....	40

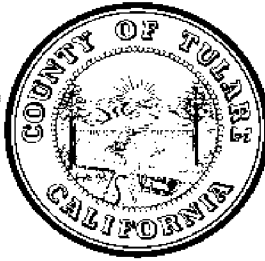
## STATISTICAL SECTION

Schedule of Additions/Deductions and Change in Net Position ....	42
Schedule of Investment Asset Allocations .....	43
Schedule of Earnings, Expenses, Average Daily Balances, and Returns .....	44

# **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/treasuretax](http://www.co.tulare.ca.us/government/treasuretax)



March 14, 2014

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, 2013. 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, 2013, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Investment Pool's financial statements for the year ended June 30, 2013, 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 \$976 million in assets as of June 30, 2013. 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, 2013, 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.

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 96% as of June 30, 2013.

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, 2013, voluntary participants accounted for approximately 4% 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 2013/2014:

- 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 implement the new deposit/cashiering system within other County departments to improve cash management and provide a higher level of customer service.
- Implement a process for departments and special districts located in outlying areas to make deposits without coming to the County Treasury to (1) provide greater efficiency; (2) reduce cost of travel; (3) improve cash management; and (4) reduce the number of vehicle miles traveled to improving air quality.

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, 2013 of 723 days. The weighted average effective yield to maturity (annualized) on investments as of June 30, 2013 was 0.967%. 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 2012/2013 fiscal year, the Investment Pool earned a 1.19% annualized earnings rate (net of fees). The Investment Pool's average rate of return (net of fees) over the last three years was 1.83% and 2.38% 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 33-40) of this CAFR for additional information on investments.

### **Market Events**

Since June 30, 2012, bond market yields were mostly range bound until May 2013 when interest rates began to significantly rise in anticipation of a change in the Federal Reserve monetary policy. In addition the economy was showing positive momentum, though we remain concerned about headwinds from rising interest rates and recent financial market volatility. Monetary policy in the United States remains very accommodative, but members of the Fed continue to debate when to begin unwinding quantitative easing (\$85 billion per month of Treasury and Mortgage backed securities purchases). The Fed has assured investors that policy changes will be data dependent and that the general thresholds are an unemployment rate of 6.5% and/or expectations of 2.5% inflation.

Rising interest rates resulted in reduced market values of securities in the Investment Pool's portfolio resulting in negative total return performance for the quarter ended June 30, 2013. For the full year ended June 30, 2013, the portfolio has benefited from positive total returns and performance in excess of the benchmarks. We expect the Fed will keep the Fed Funds target rate at 0% - 0.25 until 2015 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. We will continue to maintain the portfolio's high credit quality and ensure the portfolio is well-diversified among sectors, issuers, and maturities.

### **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, PFM Asset Management and Chandler Asset Management. 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 2012-2013. A copy of this Comprehensive Annual Financial Report, our Investment Policy, Treasury Oversight Committee Bylaws, and monthly/quarterly reports including a complete listing of our holdings can be obtained on our website at <http://www.tularecountytax.com>. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Tulare County Treasurer.

Respectfully,



Rita A. Woodard

Tulare County Auditor-Controller/Treasurer-Tax Collector

## **TREASURY OVERSIGHT COMMITTEE**

<b>John Snavelly, Chairman</b>	<b>Superintendent Porterville Unified School District</b>
<b>Stanley Bennett, Vice Chair</b>	<b>Business Owner Public Member</b>
<b>Ronald Bosetti</b>	<b>Retired Public Member</b> (resigned October 31, 2013)
<b>Eric Limas</b>	<b>Business Manager Lower Tule River Irrigation District</b>
<b>Marc Lippincott</b>	<b>Financial Advisor Public Member</b> (appointed August 27, 2013)
<b>Jean Rousseau</b>	<b>County Administrative Officer County of Tulare</b>
<b>John Wilborn</b>	<b>Director, External Business Services Tulare County Office of Education</b>
<b>Rita Woodard</b>	<b>Auditor-Controller County of Tulare</b>

## **TREASURY STAFF**

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

## **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

### MAIN OFFICE

#### 4200 TRUXTON AVENUE

SUITE 300

BAKERSFIELD, CA 93309

TEL: 661.324.4971

FAX: 661.324.4997

EMAIL: info@baepas.com

#### 560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263

TEL: 661.746.2145

FAX: 661.746.1218

#### 7673 N. INGRAM AVENUE

SUITE 101

FRESNO, CALIFORNIA 93711

TEL: 559.476.3592

FAX: 559.476.3593

#### 221 E. WALNUT STREET

SUITE 260

PASADENA, CALIFORNIA 91101

TEL: 626.204.6542

FAX: 626.204.6547

#### 5250 CLAREMONT AVENUE

SUITE 237

STOCKTON, CA 95207

TEL: 209.451.4833

### Report on the Financial Statements

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, 2013, which collectively comprise Treasurer's Investment Pool's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



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

## 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, 2013, and results of its investment activity thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which modified the current financial reporting of those elements. Our opinion is not modified with respect to the matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Treasurer's Investment Pool's basic financial statements. The introductory section, investment section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic 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.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2014, on our consideration of the County's internal control over financial reporting relating to the Treasurer's Investment Pool 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* in considering County's internal control over financial reporting and compliance relating to the Treasurer's Investment Pool.

Bakersfield, California  
March 14, 2014

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*



**Tulare County Investment Pool  
Management's Discussion and Analysis  
June 30, 2013 (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, 2013. 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, 2013.

**Fiscal Year 2012-2013 Economic Summary**

Economic growth remained moderate over the past year; U.S. GDP tracked below its potential, employment gains barely kept pace with population growth, and inflation remained tame. As a result, the Federal Reserve (Fed) continued its use of accommodative monetary policy as a means to spur growth. Since 2008 the Fed has held the Fed funds target rate at 0%-0.25% and has instituted several rounds of quantitative easing (QE), including the currently in place QE3, which comprises monthly purchases of \$85 billion of Treasuries and Federal Agency mortgage-backed securities. Interest rates remained well entrenched in their long standing ranges for most of the year. However, in May, upon comments by the Fed that the current round of QE could be tapered in 2013, interest rates with maturities greater than two years moved steadily higher through the remainder of the fiscal year. Rising interest rates resulted in reduced market values of securities in the Treasury Pool's portfolio resulting in negative total return performance for the quarter ended June 30, 2013. For the full year ended June 30, 2013, and since inception, the portfolio has benefited from positive total returns and performance in excess of the benchmark.

With expectations the Fed will keep the Fed funds target rate at 0%-0.25% until 2015, we continue to be favorable to the corporate sector and anticipate keeping the duration of the extended portion of the portfolio very close to, but short of, its benchmark. The yield curve is positively sloped and steep, meaning investors are compensated with higher yields for purchasing longer-term investments, and we will continue to look for opportunities to purchase securities with maturities out further on the curve.

However, longer-term investments are more susceptible to interest rate risk and, as the potential for higher rates is always a possibility, we will continue to evaluate the portfolio's duration to ensure it is positioned well for the current and expected interest rate environments. In the next year, safety and liquidity will continue to be the portfolio's highest priorities. We will continue to maintain the portfolio's high credit quality and ensure the portfolio is well-diversified among sectors, issuers, and maturities.

### **Financial Highlights**

- ▶ The assets of the Investment Pool held for Pool Participants at the close of the most recent fiscal year was \$976.4 million (net position).
- ▶ The Investment Pool's total net position increased by \$60.4 million. This represents a net increase of 6.6% over the last fiscal year.
- ▶ The net investment income of the Investment Pool decreased by 82.4% from \$18.2 million for the year ended June 30, 2012, to \$3.2 million for the year ended June 30, 2013 (includes market value adjustments).
- ▶ During the year, the Investment Pool distributed \$11.4 million to participants compared to the previous year's distribution of \$16.3 million. This represents a decrease of \$4.9 million (30.2%) under last fiscal year.
- ▶ The Investment Pool's expense ratio was competitive at 0.16% of the average daily balance for fiscal year 2012-13 and 0.17% for fiscal year 2011-12.
- ▶ As of June 30, 2013, the market value of the Investment Pool showed an undistributed and net unrealized gain of \$1.3 million compared to an undistributed and net unrealized gain of \$10.8 million at June 30, 2012.

### **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 Position;
- (1b) Statement of Changes in Net Position; 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 Position presents information on the Investment Pool's assets and liabilities, with the difference between the two reported as *net position*. The Investment Pool's net position increased by \$60.4 million (6.6%) for the year ended June 30, 2013, primarily due to decrease in participant spending/withdrawals.

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

STATEMENT OF NET POSITION				
	2013	2012	Increase/ (Decrease)	Percentage
<u>Assets</u>				
Cash and Receivables	\$ 129,667,379	\$ 80,852,857	\$ 48,814,522	60.4%
Investments at Fair Value	847,037,665	835,443,511	11,594,154	1.4%
<b>Total Assets:</b>	<b>976,705,044</b>	<b>916,296,368</b>	<b>60,408,676</b>	<b>6.6%</b>
<u>Liabilities</u>				
Distributions Payable	258,216	302,192	(43,976)	-14.6%
<b>Total Liabilities</b>	<b>258,216</b>	<b>302,192</b>	<b>(43,976)</b>	<b>-14.6%</b>
<b>Net Position Held in Trust for Pool Participants</b>	<b>\$ 976,446,828</b>	<b>\$ 915,994,176</b>	<b>60,452,652</b>	<b>6.6%</b>

## Changes in Net Position

The Statement of Changes in Net Position presents information on how the Investment Pool's net position 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 position is presented below.

STATEMENT OF CHANGES IN NET POSITION				
	2013	2012	Increase/ (Decrease)	Percentage
<u>Additions</u>				
Additions to Pooled Investments	\$ 6,358,379,953	\$ 6,509,498,897	\$ (151,118,944)	-2.3%
Net Investment Income	3,214,766	18,282,020	(15,067,254)	-82.4%
<b>Total Additions</b>	<b>6,361,594,719</b>	<b>6,527,780,917</b>	<b>(166,186,198)</b>	<b>-2.5%</b>
<u>Deductions</u>				
Deductions from Pooled Investments	6,288,282,930	6,491,768,912	(203,485,982)	-3.1%
Distributions to Participants	11,366,890	16,279,262	(4,912,372)	-30.2%
Treasury Operating Expenses	1,492,247	1,594,533	(102,286)	-6.4%
<b>Total Deductions</b>	<b>6,301,142,067</b>	<b>6,509,642,707</b>	<b>(208,500,640)</b>	<b>-3.2%</b>
<b>Changes in Net Position</b>	<b>60,452,652</b>	<b>18,138,210</b>	<b>42,314,442</b>	<b>233.3%</b>
<b>Net Position Beginning of Year</b>	<b>915,994,176</b>	<b>897,855,966</b>	<b>18,138,210</b>	<b>2.0%</b>
<b>Net Position End of Year</b>	<b>\$ 976,446,828</b>	<b>\$ 915,994,176</b>	<b>60,452,652</b>	<b>6.6%</b>

## **BASIC FINANCIAL STATEMENTS**

**County of Tulare  
Treasurer's Investment Pool  
Statement of Net Position  
June 30, 2013**

**ASSETS:**

Cash on Hand and Bank Deposits (Note 3)	126,384,558
Interest Receivable	3,282,821
Investments (Note 4)	847,037,665
	<hr/>
Total Assets:	<b>\$ 976,705,044</b>
	<hr/> <hr/>

**LIABILITIES AND NET ASSETS:**

**Liabilities:**

Distributions Payable (Note 7)	\$ 258,216
	<hr/>
Total Liabilities	<b>258,216</b>
	<hr/> <hr/>

**Net Position:**

Held in Trust for Treasury Pool Participants	976,446,828
	<hr/>
Total Net Position	<b>\$ 976,446,828</b>
	<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 Position  
For the Fiscal Year Ended June 30, 2013**

Additions:

Participants' Deposits		\$ 6,358,379,953
Investment Income: (Note 5)		
Interest and Dividends	\$ 9,818,282	
Gain on Sale of Investments	2,975,192	
Net Decrease in Fair Market Value	(9,578,708)	
Total Investment Income Earned		3,214,766
Total Additions		6,361,594,719

Deductions:

Participants' Withdrawals (Note 6)		6,288,282,930
Income Apportioned to Participants		11,366,890
Operating Expenditures		1,492,247
Total Deductions		6,301,142,067
Increase in Net Position		60,452,652
Beginning Net Position Held In Trust For Pool Participants		915,994,176
Ending Net Position Held in Trust for Pool Participants		\$ 976,446,828

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, 2013**

**Note 1 – Description**

The Tulare County Investment Pool (the Investment Pool) is part of the County of Tulare (the County) and is responsible for assets of approximately \$976.4 million as of June 30, 2013. 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 monthly basis to the Board of Supervisors.

**Note 2 – Summary of Significant Accounting Policies**

**A. 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).



## **B. 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.

## **C. 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 3 – Cash Deposits**

As of June 30 2013, the Treasurer's Investment Pool's bank deposits had a carrying amount of \$126,444,599. The balance per the financial institution totaled \$126,444,628. Of the balances in the financial institutions, \$505,000 was covered by Federal Depository Insurance (FDIC). The remaining \$125,939,628 was collateralized with pooled securities pursuant to California Government Code 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 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 rate "A" or better
- 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
- M. Asset Backed Securities rated "AA" or better.

#### **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, 2013, the entire portfolio is under category (1) except for investments in Money Market Funds and the Managed Pools which do not fall under any of the above categories of credit risk, as they 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. In addition, the portfolio's investment policy limits its exposure to market fluctuations due to interest rates by requiring that its portfolio maintain a dollar-weighted average maturity of not greater than 3.5 years. The weighted average maturity as of June 30, 2013 was 723 days (1.98 years).

#### 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.

As of June 30, 2013, the County invested in primarily high quality investments as shown below.

Credit Ratings	
AAA	7%
A-1 (short-term rating)	7%
AA***	66%
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.

\*\*\* 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 by Moody's and Fitch.

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	170,218,106.35	20.1%
Federal National Mortgage Association	118,603,184.22	14.0%
Federal Home Loan Mortgage Corporation	72,992,798.75	8.6%
California Asset Management Program (CAMP)	50,165,759.54	5.9%
California Local Agency Investment Fund (LAIF)	50,013,660.35	5.9%
Federal Home Loan Bank	45,890,890.00	5.4%

The Investment Pool's Investments as of June 30, 2013, are as follows:

	Carrying Value (000)	Reported/ Fair Value (000)	WAM (in days)	Stated Interest Rate	Maturity Range
U.S. Treasury Obligations	\$ 169,899	\$ 170,218	1,076	0.250% - 5.125%	01/31/2015 - 02/28/2018
Federal Agency Obligations	286,023	285,843	1,054	0.300% - 4.750%	08/01/2013 - 05/21/2018
Corporate Notes/Bonds	199,776	200,987	931	0.323% - 5.900%	08/01/2013 - 06/24/2018
Municipal Obligations	27,209	27,141	364	0.966% - 5.750%	08/31/2013 - 05/15/2017
Negotiable Time Deposits	39,999	39,972	495	0.200% - 0.230%	07/01/2013 - 12/16/2013
Commerical Paper	21,286	21,283	101	0.353% - 0.600%	03/18/2014 - 04/29/2015
	<u>744,192</u>	<u>745,444</u>			
Other investments:					
Money Market Funds	1,414	1,414	1		
LAIF Managed Pool	50,000	50,014	1		
Other Managed Pool	<u>50,166</u>	<u>50,166</u>	<u>1</u>		
Total other investments	<u>101,580</u>	<u>101,594</u>			
Total Investments	<u>\$ 845,772</u>	<u>\$ 847,038</u>			

### 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/pmia-laif/](http://www.treasurer.ca.gov/pmia-laif/).

As of June 30, 2013, the Investment Pool's investment in LAIF is \$50,013,660. The total amount recorded by all public agencies in LAIF at that date is \$21,212,245,833. Of that amount, 98.04% is invested in non-derivative financial products and 1.96% 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, 2013, 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, 2013, the investment income was comprised of the following:

<b>Investment Income</b>	
Interest and Dividends	\$ 9,818,282
Net (Decrease) in the Fair Value	(6,603,516)
Less: Investment Expenses	(1,492,247)
Total Treasury Pool Income	\$ <u>1,722,519</u>

The net decrease in the fair market value of investments during the fiscal year 2012-2013 was \$6,603,516. This amount takes into account all changes (realized and unrealized), including the net gain on sale of investments of \$2,975,192 that occurred during the year. The fair market value adjustment on investments held as of June 30, 2013, was an unrealized gain of \$1,266,041.

#### **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:

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

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. Interest income associated with variable rate investments, such as LAIF, as well as expenditure accruals are estimated at the time of the interest allocations. The recording of these corrections, for activity which occurred during the fiscal year, but which is entered to the system after the interest allocation, results in an interfund receivable/payable. The balance due to pool participants at June 30, 2013, was \$258,216.

# **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 TRUXTUN AVENUE

SUITE 300  
BAKERSFIELD, CA 93309  
TEL: 661.324.4971  
FAX: 661.323.4997  
EMAIL: info@bacpas.com

#### 560 CENTRAL AVENUE SI-AFTER, CALIFORNIA 93263

TEL: 661.746.2145  
FAX: 661.746.1218

#### 7673 N. INGRAM AVENUE

SUITE 101  
FRESNO, CALIFORNIA 93711  
TEL: 559.476.3592  
FAX: 559.476.3593

#### 221 E. WALNUT STREET

SUITE 260  
PASADENA, CALIFORNIA 91101  
TEL: 626.204.6542  
FAX: 626.204.6547

#### 5250 CLAREMONT AVENUE

SUITE 237  
STOCKTON, CA 95207  
TEL: 209.451.4833

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Treasurer's Investment Pool of the County of Tulare (the County), as of and for the year ended June 30, 2013, which collectively comprise the Treasurer's Investment Pool's basic financial statements, and have issued our report thereon dated March 14, 2014.

#### Internal Control Over Financial Reporting

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

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

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

#### Compliance and Other Matters

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



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

**Purpose of this Report**

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

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
March 14, 2014



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 14, 2014, 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, 2013. 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, 2013, 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, 2013, was issued separately.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

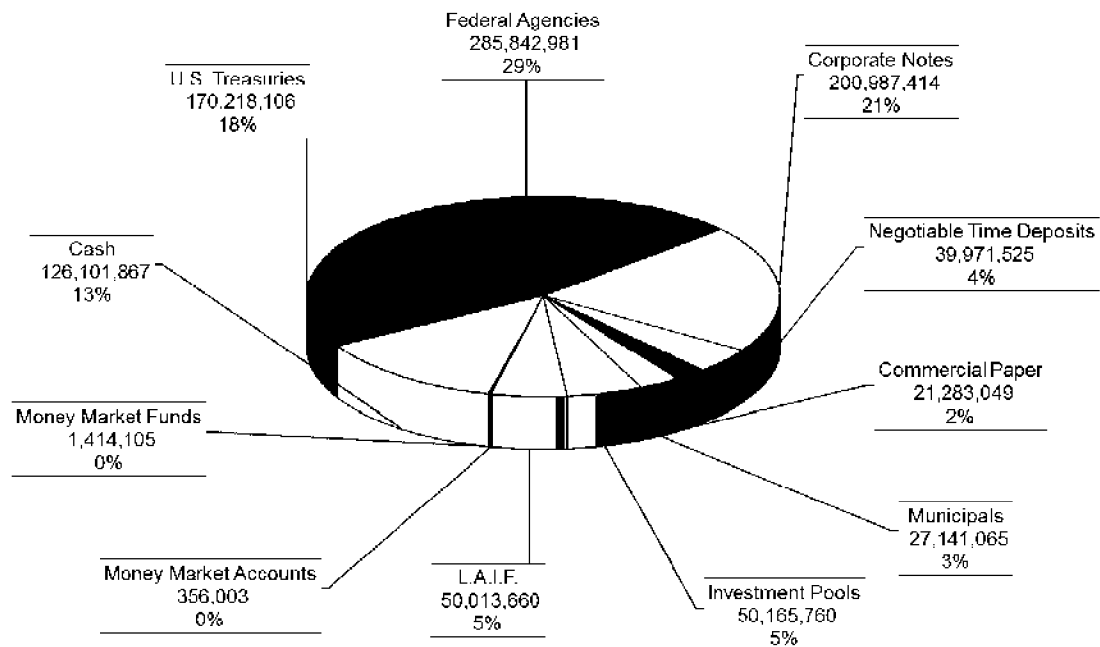
Bakersfield, California  
March 14, 2014



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, 2013



### Administrative Overview

During the fiscal year 2011-13, 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 decrease in weighted average days to maturity from 753 days at June 30, 2012, to 723 days at June 30, 2012.
- The Investment Pool's total net position increased by 6.6% from \$916 million on June 30, 2012, to \$976 million on June 30, 2013.
- The unrealized change in fair value of investments during the year decreased from a \$332 thousand gain at June 30, 2012, to a \$9.6 million loss at June 30, 2013.
- The Investment Pool's expense ratio remained competitive at 0.16% of the average daily balance for fiscal year 2012-13 and 0.17% for fiscal year 2011-12.
- The net effective or realized earnings rate of the Investment Pool decreased from 1.71% for the year ended June 30, 2012, to 1.19% for the year ended June 30, 2013.

**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 <sup>1</sup>
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
Medium Term Notes (Corporate) (\$53601(k))	30	30	5 Years	5 Years	10
Mortgage and Asset Backed Securities (\$53601(o))	20	20	5 Years	5 Years	
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

- <sup>1</sup> 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

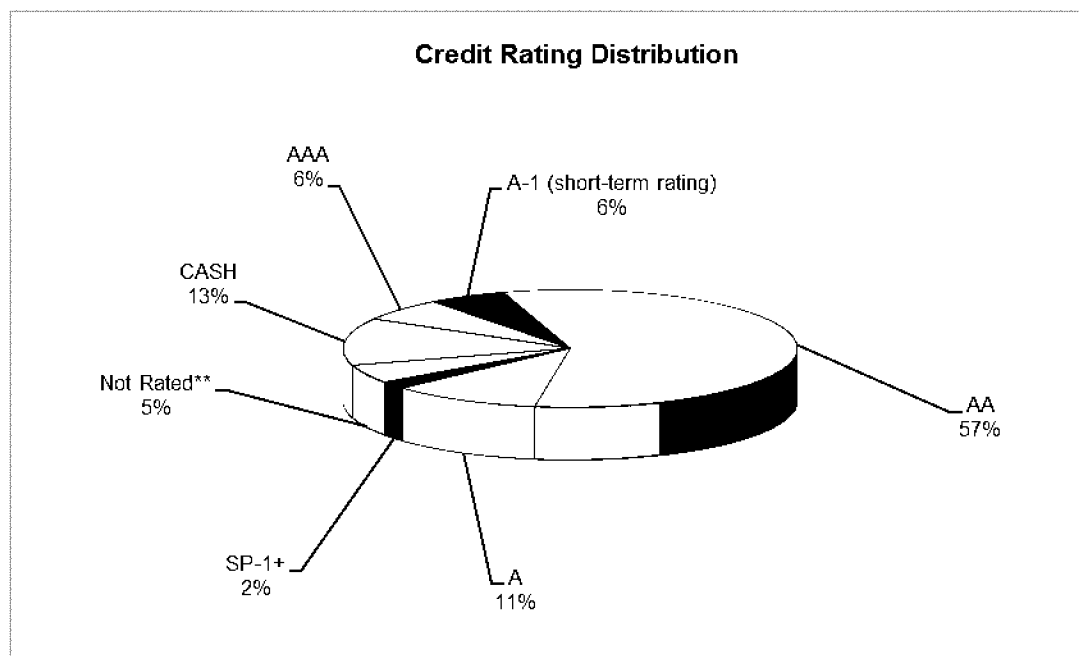
Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment(s) with a single issuer. As of June 30, 2013, the Investment Pool mitigated these risks by holding a diversified portfolio of primarily high quality investments.

Credit Ratings		
AAA		6%
A-1 (short-term rating)		6%
AA		57%
A		11%
SP-1+		2%
Not Rated**		5%
Cash***		13%
Total		100%

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

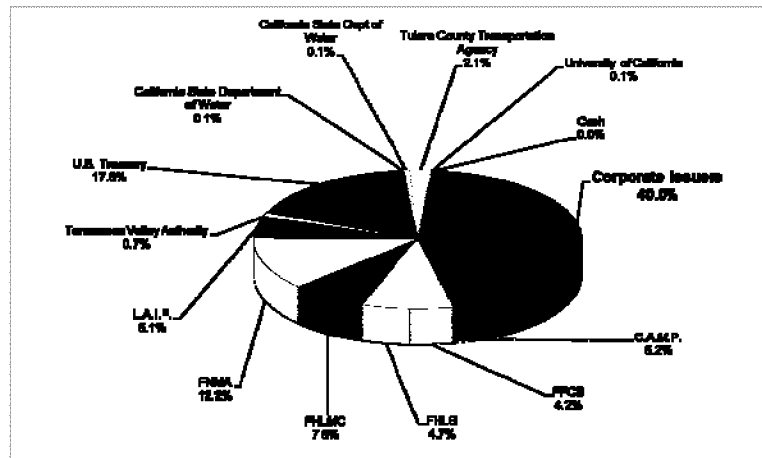
\*\* The portion of the portfolio that is not rated represents the \$50,000,000 deposit in LAIF, the State of California investment fund.

\*\*\* Bank deposits; fully collateralized in accordance with California Government Code.





## Tulare County Pool Characteristics by Issuer



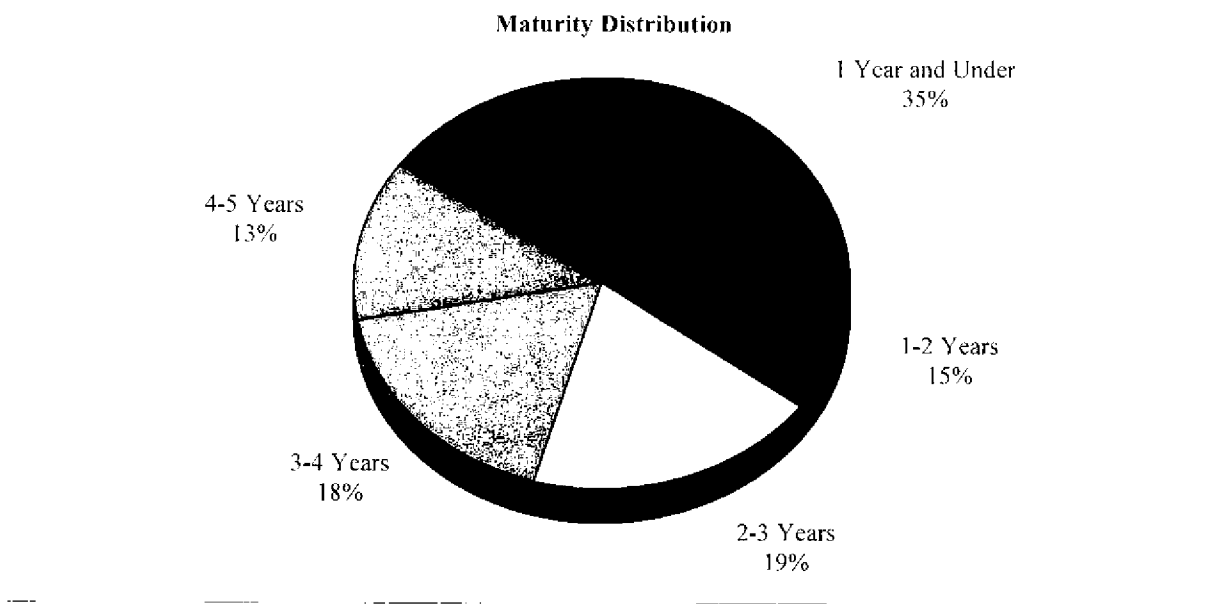
Corporate Issuer (40.0%)	Value	Value	Issuers	Rating	(in days)
3M Company	4,781,395	4,764,281	1.2%	AA-	1,326
Apple Inc.	13,450,591	12,968,852	3.5%	AA+	1,767
Bank of New York Mellon	4,673,947	4,776,106	1.2%	A	622
Bank of New York Mellon	4,597,753	4,665,228	1.2%	A+	511
Bank of Nova Scotia	18,194,760	18,198,528	4.7%	A-1	400
Bank of the Sierra <sup>1</sup>	5,000	5,000	0.0%	CASH	1
Bank of Tokyo Mitsubishi	5,995,937	5,995,560	1.5%	A-1	106
Union Bank - Highmark Funds	1,414,105	1,414,105	0.4%	A-1	1
Union Bank - Money Market <sup>1</sup>	356,003	356,003	0.1%	A-1	1
Union Bank - Checking <sup>1</sup>	126,083,597	126,083,597	32.4%	CASH	1
Berkshire Hathaway	11,513,474	11,556,675	3.0%	AA	1,181
Blackrock Inc.	5,362,178	5,461,838	1.4%	A+	527
Caterpillar	2,747,563	2,735,542	0.7%	A	824
Chevron Funding	9,197,585	9,055,851	2.4%	AA	1,731
Coca-Cola Company	4,091,266	4,109,333	1.1%	AA-	620
EBAY, Inc.	4,946,006	5,055,534	1.3%	A	836
G.E. Capital	1,698,469	1,698,062	0.4%	A-1+	141
G.E. Capital	18,503,831	19,063,221	4.8%	AA+	868
Google	3,189,697	3,172,661	0.8%	AA	1,053
HSBC Bank USA	3,570,527	3,627,674	0.9%	A+	592
IBM Corp.	1,351,472	1,353,875	0.3%	AA-	585
Intel Corp.	4,562,119	4,452,721	1.2%	A+	1,628
John Deere Capital	6,761,052	6,711,685	1.7%	A	916
Johnson & Johnson	7,985,945	8,283,680	2.1%	AAA	1,049
J.P. Morgan	1,998,620	1,998,500	0.5%	A-1	108
J.P. Morgan	22,438,626	22,547,432	5.8%	A	495
McDonalds	1,497,372	1,503,345	0.4%	A	697
Microsoft Corp.	2,198,659	2,127,642	0.6%	AAA	1,765
Northern Trust Corp.	3,506,987	3,563,474	0.9%	A+	304
Occidental Petroleum Corp.	3,658,542	3,572,140	0.9%	A	1,325
Pepsi, Inc.	7,066,143	7,152,012	1.8%	A-	696
Pfizer	3,030,774	3,072,780	0.8%	AA	229
Praxair, Inc.	3,082,445	3,153,352	0.8%	A	564
Procter & Gamble	8,134,899	8,318,583	2.1%	AA-	1,805
Rabobank	9,000,000	8,956,530	2.3%	AA-	667
Standard Charter Bank, NY	10,500,000	10,500,000	2.7%	A-1+	260
Svenska Hndl NY	9,998,718	10,008,800	2.6%	A-1+	462
Toyota Motor Credit	3,828,494	3,810,046	1.0%	AA-	1,051
United Technologies Corp	349,764	351,281	0.1%	A	1,431
US Bancorp	4,910,498	4,915,892	1.3%	A+	74
US Bancorp	2,000,000	2,000,000	0.5%	A-1+	1
Walmart	9,719,418	9,926,684	2.5%	AA	1,302
Walt Disney Company	10,258,760	10,171,281	2.6%	A	946
Wells Fargo	1,898,713	1,898,594	0.5%	A-1	106
Wells Fargo	4,808,647	4,986,718	1.2%	A+	588
	388,920,351	390,100,693	100.0%		497

### Notes:

1. The deposits with Union Bank and Bank of the Sierra are collateralized at a minimum of 110% pursuant to California government Code or are 100% FDIC insured.

**Interest Rate Risk**

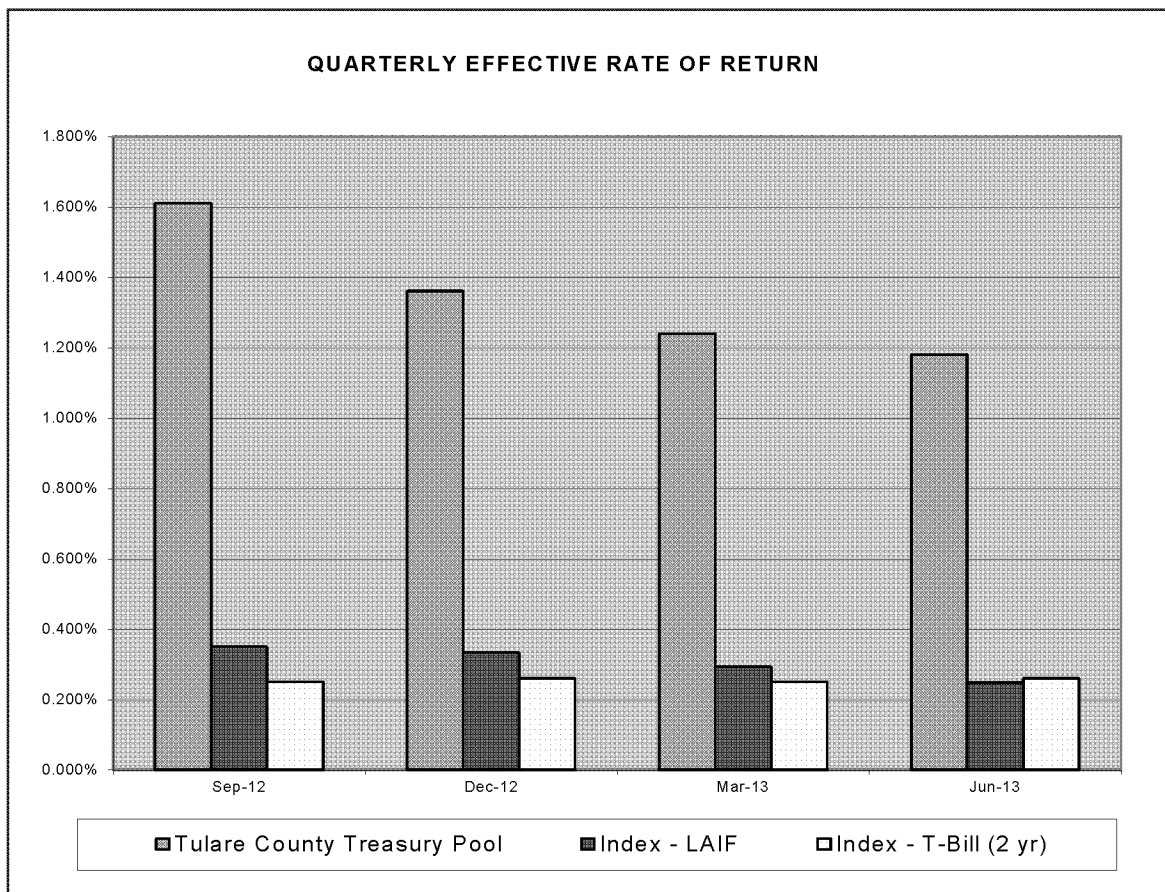
This is the risk that fluctuations in interest rates will adversely affect the fair value of an investment. The Treasury mitigates this risk by investing in longer-term securities only with funds that are not needed for current cash flow purposes. As of June 30, 2013, the investment portfolio had a high 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 2012-2013 was .16% 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	952,212,457	955,677,106	959,609,539	955,336,156	955,887,579	
Total Earnings	3,856,452	3,276,160	2,926,370	2,800,155	12,859,137	1.35%
Treasury Fees	(387,754)	(415,449)	(382,976)	(306,068)	(1,492,247)	0.16%
Earnings - Net of Fees	3,468,698	2,860,711	2,543,394	2,494,087	11,366,890	1.19%

### Investment Holdings Summary

Tulare County Treasury Investment Pool Statistics - June 30, 2013							
	PERCENT OF PORTFOLIO	MARKET VALUE	BOOK VALUE	ACCRUED INTEREST	UNREALIZED GAIN(LOSS)	YTM	DAYS TO MATURITY
Cash	12.97%	126,101,867	126,101,867	29,577	-	0.454	1
Cash in Transit	-0.01%	(73,311)	(73,311)				
Money Market Accounts	0.04%	356,003	356,003	3,317	-	0.100	1
Bank Time Deposits	0.00%				-		
Money Market Funds	0.15%	1,414,105	1,414,105	-	-	0.000	1
Repurchase Agreements	0.00%				-		
Negotiable Time Deposits	0.93%	8,956,530	9,000,000	9,300	(43,470)	0.600	667
Neg. Time Deposits - Floating	3.19%	31,014,995	30,998,718	16,288	16,277	0.465	445
Commercial Paper - Discount	2.19%	21,283,049	21,286,499	-	(3,450)	0.229	101
US Treasury Notes	17.48%	170,218,106	169,898,853	871,229	319,253	0.841	1,076
US Treasury - Discount	0.00%				-		
Federal Agency Notes	29.42%	285,842,981	286,022,582	980,173	(179,602)	1.077	1,054
Federal Agency - Step-ups	0.00%				-		
Federal Agency - Floating	0.00%				-		
Corporate Medium Term Notes	20.55%	200,987,414	199,776,429	1,106,310	1,210,986	1.737	931
Corporate MTN - Floating Rate	0.00%				-		
Corporate MTN - FDIC Insured	0.00%				-		
Municipal Notes/Bonds	2.80%	27,141,065	27,208,678	230,536	(67,614)	1.575	364
Municipal Bonds - Discount	0.00%				-		
Local Agency Investment Fund	5.14%	50,013,660	50,000,000	32,027	13,660	0.240	1
Other Investment Pools	5.16%	50,165,760	50,165,760	4,063	-	0.100	1
	<b>100%</b>	<b>973,422,223</b>	<b>972,156,182</b>	<b>3,282,821</b>	<b>1,266,041</b>	<b>0.967</b>	<b>723</b>

A complete list of the Investment Pool's Holdings is available on the internet at:  
<http://www.tularecounty.ca.gov/treasurertaxcollector/index.cfm/treasurer/reports/>

# **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 ten-year trend information to help the reader assess the changes over time.

### ***Schedule of Additions/Deductions and Changes in Position***

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

<b>SCHEDULE OF ADDITIONS/DEDUCTIONS AND CHANGES IN NET POSITION</b>					
	2013	2012	2011	2010	2009
<b><u>Additions</u></b>					
Additions to Pooled Investments	6,358,379,953	6,509,498,897	6,159,912,604	6,227,996,636	6,363,329,673
Net Investment Income	3,214,766	18,282,020	15,800,871	28,317,920	39,815,264
<b>Total Additions</b>	<b>6,361,594,719</b>	<b>6,527,780,917</b>	<b>6,175,713,475</b>	<b>6,256,314,556</b>	<b>6,403,144,937</b>
<b><u>Deductions</u></b>					
Distributions to Pooled Investments	6,288,282,930	6,491,768,912	6,083,400,493	6,334,724,473	6,226,762,483
Distributions to Participants	11,366,890	16,279,262	21,571,882	22,575,636	30,946,391
Treasury Operating Expenses	1,492,247	1,594,533	1,268,135	1,295,310	1,100,533
<b>Total Deductions</b>	<b>6,301,142,067</b>	<b>6,509,642,707</b>	<b>6,106,240,510</b>	<b>6,358,595,419</b>	<b>6,258,809,406</b>
<b>Changes in Net Position</b>	<b>60,452,652</b>	<b>18,138,210</b>	<b>69,472,965</b>	<b>(102,280,863)</b>	<b>144,335,530</b>
<b>Net Position Beginning of Year</b>	<b>915,994,176</b>	<b>897,855,966</b>	<b>828,383,001</b>	<b>930,663,864</b>	<b>786,328,334</b>
<b>Net Position End of Year</b>	<b>976,446,828</b>	<b>915,994,176</b>	<b>897,855,966</b>	<b>828,383,001</b>	<b>930,663,864</b>

<b>SCHEDULE OF ADDITIONS/DEDUCTIONS AND CHANGES IN NET POSITION</b>					
	2008	2007	2006	2005	2004
<b><u>Additions</u></b>					
Additions to Pooled Investments	5,998,926,860	5,714,827,060	1,814,966,497	1,719,308,238	1,561,144,454
Net Investment Income	43,006,565	33,144,073	15,588,237	13,673,439	3,860,120
<b>Total Additions</b>	<b>6,041,933,425</b>	<b>5,747,971,133</b>	<b>1,830,554,734</b>	<b>1,732,981,677</b>	<b>1,565,004,574</b>
<b><u>Deductions</u></b>					
Distributions to Pooled Investments	5,971,028,221	5,628,232,150	1,738,767,985	1,659,889,580	1,578,566,594
Distributions to Participants	32,195,598	29,036,998	20,226,122	13,925,749	13,950,377
Treasury Operating Expenses	1,098,411	899,810	1,081,109	962,426	915,751
<b>Total Deductions</b>	<b>6,004,322,229</b>	<b>5,658,168,958</b>	<b>1,760,075,216</b>	<b>1,674,777,755</b>	<b>1,593,432,722</b>
<b>Changes in Net Position</b>	<b>37,611,195</b>	<b>89,802,175</b>	<b>70,479,518</b>	<b>58,203,922</b>	<b>(28,428,148)</b>
<b>Net Position Beginning of Year</b>	<b>748,717,139</b>	<b>658,914,964</b>	<b>588,435,446</b>	<b>530,231,524</b>	<b>558,659,672</b>
<b>Net Position End of Year</b>	<b>786,328,334</b>	<b>748,717,139</b>	<b>658,914,964</b>	<b>588,435,446</b>	<b>530,231,524</b>

## 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)															
	6/30/2013			6/30/2012			6/30/2011			6/30/2010			6/30/2009		
	AMOUNT	%	WAM	AMOUNT	%	WAM	AMOUNT	%	WAM	AMOUNT	%	WAM	AMOUNT	%	WAM
US Treasury Notes	170,218	17.5%	1,076	138,394	14.2%	1,218	113,067	12.4%	1,010	116,731	13.1%	833	141,645	17.4%	1,012
US Treasury - Discount	-	0.0%	-	-	0.0%	-	-	0.0%	-	7,103	0.8%	49	1,283	0.2%	169
Federal Agency Notes	285,843	29.4%	1,054	301,035	30.9%	1,060	279,420	30.8%	847	320,888	35.9%	975	217,128	26.6%	985
Federal Agency - Discount	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-
Federal Agency - Step-ups	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	6,750	0.8%	338
Federal Agency - Floating Rate	-	0.0%	-	100	0.0%	96	8,308	0.9%	509	499	0.1%	827	698	0.1%	1,192
Municipal Notes/Bonds	27,141	2.8%	364	20,000	2.1%	427	20,000	2.2%	793	11,908	1.3%	1,460	28,781	3.5%	53
Municipal Bonds - Discount	-	0.0%	-	-	0.0%	-	-	0.0%	-	3,039	0.3%	45	2,945	0.4%	410
Corporate Medterm Term Notes	200,987	20.6%	931	188,262	19.3%	884	176,334	19.4%	1,081	98,681	11.0%	1,101	83,342	10.2%	701
Corporate MTN - Floating Rate	-	0.0%	-	-	0.0%	-	-	0.0%	-	5,529	0.6%	854	15,705	1.9%	551
Corporate MTN - FDIC Insured	-	0.0%	-	13,358	1.4%	175	56,844	6.3%	379	88,832	9.9%	712	58,874	7.2%	1,093
Negotiable Time Deposits	8,957	0.9%	667	22,971	2.4%	219	20,512	2.3%	285	-	0.0%	-	-	0.0%	-
Neg. Time Deposits - Floating	31,015	3.2%	445	23,789	2.4%	591	-	0.0%	-	-	0.0%	-	-	0.0%	-
Repurchase Agreements	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-
Commercial Paper - Discount	21,283	2.2%	101	24,113	2.5%	71	12,999	1.4%	12	-	0.0%	-	-	0.0%	-
Bank Time Deposits	-	0.0%	-	-	0.0%	-	20,000	2.2%	17	25,000	2.8%	78	170,000	20.8%	42
Local Agency Investment Fund	50,014	5.1%	1	50,061	5.1%	1	50,078	5.5%	1	30,049	3.4%	1	40,052	4.9%	1
Other Investment Pools	50,166	5.2%	1	40,085	4.1%	1	40,054	4.4%	1	15,542	1.7%	1	100,433	12.3%	1
Money Market Funds	1,414	0.1%	1	419	0.0%	1	2,512	0.3%	1	91,809	10.3%	1	54,795	6.7%	1
Money Market Accounts	356	0.0%	1	12,857	1.3%	1	52,856	5.8%	1	-	0.0%	-	-	0.0%	-
Cash	126,102	13.0%	1	72,804	7.5%	1	41,463	4.6%	1	-	0.0%	-	-	0.0%	-
	973,496	100.0%	753	908,248	93.3%	753	894,447	98.5%	657	815,610	91.2%	740	922,431	113.1%	539

	6/30/2008			6/30/2007			6/30/2006			6/30/2005			6/30/2004		
	AMOUNT	%	WAM	AMOUNT	%	WAM	AMOUNT	%	WAM	AMOUNT	%	WAM	AMOUNT	%	WAM
US Treasury Notes	104,345	11.3%	1,281	91,281	11.9%	933	57,667	7.9%	684	96,584	15.0%	573	73,051	12.6%	573
US Treasury - Discount	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-
Federal Agency Notes	221,855	24.1%	925	220,837	28.8%	806	237,794	32.5%	642	210,658	32.7%	743	204,377	35.2%	887
Federal Agency - Discount	-	0.0%	-	1,371	0.2%	246	-	0.0%	-	-	0.0%	-	-	0.0%	-
Federal Agency - Step-ups	27,504	3.0%	664	31,403	4.1%	905	43,606	6.0%	1,184	36,814	5.7%	1,558	23,687	4.1%	1,406
Federal Agency - Floating Rate	897	0.1%	1,557	1,097	0.1%	1,923	1,297	0.2%	2,288	1,496	0.2%	2,653	1,696	0.3%	3,018
Municipal Notes/Bonds	2,158	0.2%	1,004	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-
Municipal Bonds - Discount	2,765	0.3%	775	2,580	0.3%	1,141	-	0.0%	-	5,915	0.9%	153	5,747	1.0%	518
Corporate Medterm Term Notes	134,890	14.6%	716	117,974	15.4%	917	63,075	8.6%	615	63,753	9.9%	442	46,181	8.0%	489
Corporate MTN - Floating Rate	4,877	0.5%	727	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-
Corporate MTN - FDIC Insured	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-
Repurchase Agreements	-	0.0%	-	-	0.0%	-	81,000	11.1%	3	30,000	4.7%	1	21,000	3.6%	1
Negotiable Time Deposits	-	0.0%	-	214,000	27.9%	2	-	0.0%	-	-	0.0%	-	-	0.0%	-
Neg. Time Deposits - Floating	93,000	10.1%	1	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-
Commercial Paper - Discount	48,736	5.3%	68	-	0.0%	-	109,524	15.0%	31	104,890	16.3%	42	94,932	16.4%	45
Bank Time Deposits	50,000	5.4%	44	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-
Local Agency Investment Fund	39,998	4.3%	1	19,990	2.6%	1	19,964	2.7%	1	19,955	3.1%	1	39,935	6.9%	1
Other Investment Pools	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-
Money Market Funds	34,718	3.8%	1	30,646	4.0%	1	30,221	4.1%	1	10,000	1.6%	1	-	0.0%	-
Money Market Accounts	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-
Cash	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-
	765,743	83.0%	609	731,179	95.5%	556	644,148	88.1%	452	580,065	90.1%	530	510,606	88.0%	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.

<b>SCHEDULE OF EARNINGS, EXPENSES, AVERAGE DAILY BALANCES, AND RETURNS</b>								
<b>FISCAL YEAR</b>	<b>AVERAGE BALANCE</b>	<b>INTEREST EARNINGS</b>	<b>TREASURY FEES</b>	<b>ANNUALIZED Y-T-D</b>	<b>ANNUALIZED RATE OF RETURN</b>			
					<b>1st Qtr.</b>	<b>2nd Qtr.</b>	<b>3rd Qtr.</b>	<b>4th Qtr.</b>
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%	1.83%	1.69%	1.48%
2012 - 2013	955,887,579	12,859,137	(1,492,247)	1.19%	1.45%	1.19%	1.07%	1.19%
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.								



