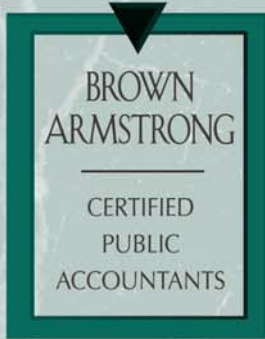


**SAN DIEGO COUNTY TREASURY**  
**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**  
**AND SPECIAL-PURPOSE STATEMENT OF NET POSITION**  
**MARCH 31, 2018**



# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Treasury Oversight Committee  
County of San Diego, California

We have reviewed the accompanying special-purpose Statement of Net Position (Statement) of the San Diego County Treasurer-Tax Collector (Treasury) as of March 31, 2018, and the related notes to the Statement. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Treasury management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the Statement as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility for the Financial Statement

Management of the Treasury is responsible for the preparation and fair presentation of the Statement in accordance with California Government Code Section 26920 as discussed in Note 2; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a special-purpose statement of net position that is free from material misstatement whether due to fraud or error.

### Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA). Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the Statement for it to be in accordance with California Government Code 26920. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying Statement in order for it to be in accordance with the basis of accounting described in Note 2.

### Special-Purpose Financial Statement

We draw attention to Note 2 of the Statement, which describes the financial statement presentation. The Statement is prepared for the purpose of complying with California Government Code Section 26920 and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

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This report is intended solely for the information and use of the management of the San Diego County Treasurer-Tax Collector and the Treasury Oversight Committee 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  
June 8, 2018

**SAN DIEGO COUNTY TREASURY  
SPECIAL-PURPOSE STATEMENT OF NET POSITION  
MARCH 31, 2018  
(Amounts Expressed in Thousands)**

	<u>San Diego County Investment Pool</u>	<u>Dedicated Portfolios</u>
<b>Assets</b>		
Cash on hand and in bank	\$ 55,804	\$ -
Investments at fair value	10,063,832	323,325
Interest receivable	43,154	3,279
<b>Total Assets</b>	<u>10,162,790</u>	<u>326,604</u>
<b>Liabilities</b>		
Distributions payable	38,162	-
Accrued expenses	1,675	51
<b>Total Liabilities</b>	<u>39,837</u>	<u>51</u>
<b>Net Position</b>	<u>\$ 10,122,953</u>	<u>\$ 326,553</u>

See Independent Accountant's Review Report and  
Accompanying Notes to the Special-Purpose Statement of Net Position.

**SAN DIEGO COUNTY TREASURY**  
**NOTES TO THE SPECIAL-PURPOSE STATEMENT OF NET POSITION**  
**MARCH 31, 2018**

**NOTE 1 – FINANCIAL REPORTING ENTITY**

The San Diego County Treasurer-Tax Collector (the Treasury) is responsible for tax collection, banking, investment, disbursement, and accountability of public funds. The Treasury maintains the San Diego County Investment Pool (the Investment Pool) and Specific Purpose Investment Portfolios, referred to as Dedicated Portfolios. As of March 31, 2018, the net position of the Investment Pool and the Dedicated Portfolios totaled approximately \$10.12 billion and \$327 million, respectively. The Investment Pool and Dedicated Portfolio participants include the County of San Diego (the County), local school districts, local community colleges, and other districts and agencies. Various participants are required by State statutes to deposit funds with the Treasury, while other participants are voluntary. The County Board of Supervisors (the Board) delegates investment authority to the Treasury in accordance with California Government Code Section 53607.

Pursuant to California Government Code Sections 27130-27137, the Board has established a Treasury Oversight Committee (the Committee) to review and monitor the Treasury's Investment Policy applied to the Investment Pool. The Committee membership includes the Treasurer-Tax Collector, Assistant Chief Administrative Officer, Deputy Chief Administrative Officer/Auditor and Controller, Assistant Superintendent of the San Diego County Office of Education, School District representative, and five non-county representatives.

The Investment Pool and Dedicated Portfolios are not registered with the Securities and Exchange Commission (SEC) as an investment company. Investments under the accountability of the Treasury do not have any legally binding guarantees of share values.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Financial Statement Presentation***

The accompanying special-purpose Statement of Net Position (the Statement) was prepared on the accrual basis of accounting and for the purpose of presenting the net position of the County Treasury pursuant to California Government Code Section 26920 and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, Treasury management has elected to omit note disclosures required by Governmental Accounting Standards Board (GASB) Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*; Statement No. 40, *Deposit and Investment Risk Disclosures-an amendment of GASB Statement No. 3*; and Statement No. 72, *Fair Value Measurement and Application*, since such disclosures are not required by California Government Code Section 26920.

The accompanying Statement differs from the Investment Pool's Comprehensive Annual Financial Report (the CAFR) for the fiscal year ended June 30, 2017. The San Diego County Investment Pool is the only financial reporting entity of the Investment Pool's CAFR, which does not include the Dedicated Portfolios. The Investment Pool's CAFR is presented to the Treasury Oversight Committee. The Investment Pool's CAFR is available at the Treasury's web site, [www.sdtreastax.com](http://www.sdtreastax.com).

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### ***Cash and Deposits***

The California Government Code requires California banks and savings and loan associations to secure government deposits not covered by federal deposit insurance by pledging government securities in an undivided collateral pool held by a depository regulated under State law. The fair value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by public agencies. The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the County's name. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

### ***Investments***

The Treasury makes investments in securities for a pooled money investment account and for individual investment accounts that are not invested in the Investment Pool. The Statement is prepared using the economic resources measurement focus and the accrual basis of accounting. Investment transactions are recorded on the trade date. Deposits and investments with the Treasury are exposed to risks such as credit risk, concentration of credit risk, and interest rate risk. Disclosures related to such risks as required under GASB Statement No. 40 and certain disclosures relating to fair value measurements, hierarchy of fair value, and valuation techniques required under GASB Statement No. 72, are not presented in this report as the Treasury does not believe that such disclosures are necessary to meet the objectives of the users of the Statement. Investments are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

## **NOTE 3 – TREASURY'S INVESTMENT STRATEGY**

The Treasury's investment strategy for the Investment Pool is to maintain principal, provide sufficient cash to meet disbursement needs of participants, and generate a yield within the parameters of prudent risk management. The cash flow needs of the Investment Pool participants are monitored daily to ensure that sufficient liquidity is maintained. The County Treasury's general investment strategy is to buy and hold high quality fixed income investments to their designated maturities.

The Dedicated Portfolios are used to account for the net position of individual investment accounts. Although at times the Dedicated Portfolios may hold a position in the Investment Pool, the related investment activity occurs separately from the Investment Pool. The individual investment strategies of the Dedicated Portfolios are customized to the needs of the requesting participant.