

**COUNTY OF SAN JOAQUIN
TREASURER-TAX COLLECTOR**

**POOLED INVESTMENT FUND
ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

**COUNTY OF SAN JOAQUIN
TREASURER-TAX COLLECTOR
INVESTMENT TRUST FUND
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION & ANALYSIS	4
FINANCIAL STATEMENTS	
Statement of Net Position.....	8
Statement of Changes in Net Position	9
NOTES TO THE FINANCIAL STATEMENTS	10
SUPPLEMENTARY INFORMATION	
Combining Statement of Net Position	18
Combining Statement of Changes in Net Position	19
Schedule of Investments Owned as of June 30, 2018.....	20
OTHER INDEPENDENT AUDITORS' REPORT	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26
Schedule of Findings and Responses.....	28



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Supervisors
County of San Joaquin, California

Report on the Financial Statements

We have audited the accompanying financial statements of the San Joaquin County (County) Treasurer-Tax Collector's (County Treasurer) Pooled Investment Fund (Investment Trust Fund), an Investment Trust Fund of the County as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County Investment Trust Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Investment Trust Fund of the County Treasurer, as of June 30, 2018, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Individual Fund Financial Statement

The financial statements referred to above were prepared for the purpose of reporting on the Investment Trust Fund balance of the County. They do not purport to, and do not, present fairly the financial position of the County as of June 30, 2018, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Prior Period Adjustment

As described in Note 6 to the financial statements, the County Treasurer determined that non-treasury assets and liabilities were being included in the Investment Trust Fund. As a result, a prior period adjustment was required to remove the effects of these balances from the beginning net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 an opinion on financial statements taken as a whole. The combining statements and schedule of investments owned as of June 30, 2018 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Varrinck, Trine, Day & Co. LLP

Sacramento, California

April 10, 2019

Management's Discussion and Analysis

The discussion and analysis of the financial performance of the Treasurer-Tax Collector's Investment Fund of the County of San Joaquin (County) provides an overview of the investment activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the Investment Fund's financial statements and the accompanying notes to the financial statements.

Our main objective in managing the Investment Pool is to safeguard the principal of the funds under our control and to ensure the cash needs of depositors are met. Within this objective, we try to achieve the best return on the funds in our control.

As the County's Treasurer, we receive and account for all money that is deposited with us. Based on our cash flow analysis, we invest these monies in short and medium term instruments. As our main objective is to safeguard the principal, we do not take an aggressive approach in investing funds solely to maximize return. On a quarterly basis, we distribute the earnings, net of our investment expenses, to all Investment Pool participants, based on their average daily cash balance for that quarter.

Financial Highlights

- As of June 30, 2018, the Investment Pool had a net position of \$3.2 billion, a 4.3% increase from that of the prior year's balance of \$3.1 billion.
- The net investment income, excluding changes in market appreciation in investments, was \$43.7 million, an increase of 77.4% from the prior year's balance of \$24.6 million.
- The market value appreciation/(depreciation) at year-end was \$(37.2) million, which was greater by 149.3% than the \$(14.9) million depreciation for the prior year.
- The investment expense was approximately 2% of the gross investment income, versus 4% for the prior year.

Using this Annual Financial Report and Financial Statements

This annual report consists of two financial statements, the *Statement of Net Position* and the *Statement of Changes in Net Position*.

These statements present a snapshot of account balances at year-end and corresponding changes for the year on the accrual basis of accounting. The accrual basis of accounting provides information on the activities of the Investment Pool as a whole and presents a long-term view of the Investment Pool's finances. All of the current year's earnings and expenses are taken into account regardless of when cash is received or paid. All of the equity deposits and withdrawals include those commitments made on or before the end of the fiscal year.

Net Position

The net position – the difference between assets and liabilities – is one way to measure the Investment Pool’s financial health or position. Over time, increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors will also need to be considered. Those factors, among others, include the goals of the Investment Pool, economic conditions of the market, the cash needs of the depositors, etc.

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

San Joaquin County Investment Pool

CONDENSED STATEMENT OF NET POSITION

(amounts expressed in thousands, except percentages)

	As of June 30,		Variance 2018 vs. 2017	
	2018	2017 (As Restated)	Amount	Percentage
ASSETS				
Cash & Investments at Fair Value	\$3,214,085	\$3,083,696	\$130,389	4.23%
Receivables	11,360	8,183	3,177	38.83%
TOTAL ASSETS	3,225,445	3,091,879	133,567	4.32%
LIABILITIES				
Investment Expenses Payable	223	212	11	5.35%
TOTAL LIABILITIES	223	212	11	5.35%
NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS	\$3,225,222	\$3,091,667	\$133,555	4.32%

Changes in Net Position

The Statement of Changes in Net Position presents information on how the Investment Pool’s net position changed during fiscal year 2018. The increases include additions to investments, investment earnings and changes in fair value of investments. Unrealized gains or losses of securities are determined by taking the difference between amortized cost and the fair value of investments. The deductions consist of deductions from investment pool participant investments, distributions to the Investment Pool’s participants and administrative expenses.

All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, additions and deductions are reported in this statement for some items that will result in cash flows in future fiscal periods.

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

San Joaquin County Investment Pool

CONDENSED STATEMENT OF CHANGES IN NET POSITION

(amounts expressed in thousands, except percentages)

	For the Fiscal Year Ended June 30,		Variance 2018 vs. 2017	
	2018	2017 (As Restated)	Amount	Percentage
ADDITIONS				
Additions to Pooled Investments	\$10,892,131	\$8,337,085	\$2,555,046	30.65%
Net Investment Income	43,697	24,630	19,067	77.41%
Allocation of Changes in Market Value Appreciation/Depreciation	(2,277)	(17,346)	(4,931)	28.43%
TOTAL ADDITIONS	10,913,551	8,344,369	2,569,182	30.79%
DEDUCTIONS				
Deductions from Pooled Investments	10,750,702	8,010,119	2,740,583	34.21%
Investment Income Apportioned to Pool Participants	43,697	24,630	19,067	77.41%
TOTAL DEDUCTIONS	10,794,399	8,034,749	2,759,650	34.35%
Changes in Net Position	119,153	309,620	(190,468)	-61.52%
Net Position Beginning of Year (Restated)	3,106,070	2,782,047	324,023	11.65%
NET POSITION END OF YEAR	\$3,225,222	\$3,091,667	\$133,555	4.32%

Net Investment Income

Net investment income increased by \$19.1 million from the prior year. Since we held all investments to their maturity, the income from changes in market value appreciation is excluded. If we include it, the net investment income then increased by \$14.1 million from that of the prior year.

Changes in investment income and investments owned from the prior year are shown below (in \$000's):

	<u>FY 2017-18</u>	<u>FY 2016-17</u>	<u>INCREASE / (DECREASE)</u>	
			<u>Amount</u>	<u>Percentage</u>
Investment income – excluding changes in market value appreciation (depreciation)	\$ 43,697	\$ 24,630	\$ 19,067	77.4%
Investments owned at year-end – Book Value	\$ 3,251,280	\$ 3,098,613	\$ 190,143	6.1 %
Investment income – including changes in market value appreciation (depreciation)	\$ 21,420	\$ 7,284	\$ 14,136	194.1%
Investments owned at year-end – Fair Value	\$ 3,214,085	\$ 3,083,696	\$ 167,865	5.4 %

Investment Yield and Income Apportionment Factor

Based on our cash flow projections, 98% of the funds we hold are invested and the remaining cash and deposits are kept to meet the cash needs of the depositors. Hence, the investment yield is different from the income apportionment factor. The investment yield is the return on our investments, while the income apportionment factor is the actual return on total funds held by us.

	<u>FY 2017-18</u>	<u>FY 2016-17</u>
Investment yield – average	1.40%	0.83%
Income apportionment factor	1.43%	0.87%
Apportionment factor as a % of investment yield	97.91%	95.14%

Economic Factors and Next Year’s Projection

The economy held strong during the fiscal year with decreasing unemployment figures and a spending boost brought on by the tax-cut plan. The Federal Funds Rate increased from 1.25% to 2.00% whereas the prime rate increased from 4.25% to 5.00% for the period of July 2017 to June 2018. We estimate that the investment yield for the fiscal year 2018-19 should increase as we continue to maintain a balanced portfolio emphasizing safety, liquidity and yield.

Request For Information

This financial report is designed to provide a general overview of the County’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or to request additional financial information should be addressed to the Auditor-Controller’s Office, 44 N. San Joaquin Street, Suite 550, Stockton, California 95202.

BASIC FINANCIAL STATEMENTS

**COUNTY OF SAN JOAQUIN
TREASURER - TAX COLLECTOR -- POOLED INVESTMENT FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Total Treasurer's Investment Funds</u>
ASSETS	
Cash and Investments:	
Book value	\$ 3,251,280,055
Market value appreciation (depreciation)	<u>(37,194,982)</u>
Cash & investments (Fair Value)	<u>3,214,085,073</u>
Receivables:	
Investment income receivable	<u>11,359,854</u>
Total Receivables	<u>11,359,854</u>
TOTAL ASSETS	<u>3,225,444,927</u>
LIABILITIES	
Investment expenses payable	<u>222,917</u>
TOTAL LIABILITIES	<u>222,917</u>
NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS	<u>\$ 3,225,222,010</u>

The accompanying notes are an integral part of the financial statements.

**COUNTY OF SAN JOAQUIN
TREASURER - TAX COLLECTOR -- POOLED INVESTMENT FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Total Treasurer's Investment Funds</u>
ADDITIONS	
Additions to funds managed by the Treasurer	\$ 10,892,131,286
Net investment income	43,697,343
Allocation of changes in market value appreciation/(depreciation)	<u>(22,277,155)</u>
Total Additions	<u>10,913,551,474</u>
DEDUCTIONS	
Deductions from funds managed by the Treasurer	10,750,701,579
Investment income apportioned to pool participants	<u>43,697,343</u>
Total Deductions	<u>10,794,398,922</u>
CHANGES IN NET POSITION	<u>119,152,552</u>
NET POSITION - BEGINNING OF YEAR, (AS RESTATED)	<u>3,106,069,458</u>
NET POSITION - ENDING	<u><u>\$ 3,225,222,010</u></u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**COUNTY OF SAN JOAQUIN
TREASURER - TAX COLLECTOR -- POOLED INVESTMENT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In accordance with Government Code (GC) §27000, the Treasurer of the County of San Joaquin (County) has the fiduciary responsibility of receiving and keeping safely "all money belonging to the County and all other money directed by law to be paid to him and apply and pay it out, rendering the account as required by law". Pursuant to GC §53607, the County Treasurer, as delegated by the Board of Supervisors and the legislative body of other agencies, has the authority and responsibility to invest or reinvest funds so deposited with the County Treasury. This authority and responsibility are renewable annually and were first formalized by County Ordinance §2-2951 in March 1996. The most recent renewal was made on April 24, 2018 (Board Order B-18-235).

The County Treasurer manages the investments on a "pool" basis, unless special agreements call for an "individual" or "direct" investment. There were no such special agreements for FY 2017-18.

a. Basis of Accounting

The County Treasurer maintains the accounting records of the investment income and distribution on the accrual basis of accounting, which provides that revenues be recognized when earned and expenses, mainly the distribution of investment earnings, be recorded when the related liability is incurred.

b. Investment Participants' Equity Transactions

The additions and reductions to the fund managed by the Treasurer represents the participants' deposits, disbursements, and withdrawals made in FY 2017-18. The deposits, disbursements, and withdrawals include all outstanding deposits and payables at year-end.

c. Investment Pool Participants

The Investment Pool participants are classified into two major groups: (1) Superior Court, Schools and Local Board Districts; and (2) County Funds. The Superior Court is governed by the State's Administrative Office of the Courts and the Schools and Local Board Districts represent all school districts and special districts governed by local boards within the County of San Joaquin. These entities are either required by law or have chosen to maintain funds with the County Treasurer.

County Funds include all of the County's operating and trust funds, the County's clearing (holding) accounts, and special districts' funds controlled by the County Board of Supervisors. The *Un-apportioned Interest Earnings Trust Fund*, a County holding fund, is presented separately on the financial statements to provide the accounting of the operational results of the pool investment.

d. Comparative Data

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the Hospital's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation

**COUNTY OF SAN JOAQUIN
 TREASURER - TAX COLLECTOR -- POOLED INVESTMENT FUNDS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR YEAR ENDED JUNE 30, 2018**

NOTE 2: INVESTMENT POLICY

Pursuant to Government Code §27000.3(c) and §53600.3, the County Treasurer operates its temporary pooled surplus money investment program under the "Prudent Investor Standard." As required by Government Code §27000.5 and §53600.5 regarding funds controlled by the County Treasury, the Treasurer's investment policy sets three objectives in their order of priority as follows:

- Safety – safeguard the principal of the funds
- Liquidity – meet the cash needs of the depositor
- Yield – achieve a return on the funds

On average, the Treasurer invested approximately 98.90 percent of the total funds deposited in the Treasury during the audited period, a 0.08 percent increase from the prior year's 98.82 percent. The remaining funds were held in the bank as a compensated balance requirement. The Treasurer generally holds all investments to maturity.

Government Code §53601 and §53635 restrict the types of investments in which the County Treasurer can invest. Based on these statutes, the County Treasurer investment policy lists the authorized investments as follows:

- US Treasury bills, notes, and bonds
- Federal Agency issues of FNMA, FHLMC, FFCB, and FHLB
- Medium Term Notes
- Time Deposits
- Commercial Paper
- Banker's Acceptances
- Repurchase Agreements
- Mutual Funds
- Registered California State Warrants or Bonds
- Local Agency Investment Fund (LAIF)
- Government Code §53601(m) Specific Securities
- Bank Deposit

The investment policy also places certain restrictions on the structure of the Treasurer's investment portfolio. For example: (a) banker's acceptances are limited to 40 percent of the investment portfolio and 30 percent of the banker's acceptances of one commercial bank; (b) commercial paper is limited to 30 percent of the investment portfolio and maximum maturity of 270 days; and (c) certificates of deposit are limited to 30 percent of investments and maximum maturity of one year. Assuming all callable investments are held to maturity, the maturity structure of pooled investments as of June 30, 2017 and 2018 is as follows:

	1 day - 30	31 days - 180	181 days - 1 year	More than one year
6/30/2017	19%	27%	16%	38%
6/30/2018	14%	30%	8%	48%

**COUNTY OF SAN JOAQUIN
TREASURER - TAX COLLECTOR -- POOLED INVESTMENT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2018**

NOTE 3: CASH AND INVESTMENTS

The investment pool includes both voluntary and involuntary participation from external entities. Interest earned on investments is credited to individual funds based on their average daily cash balances and current year secured tax charges and direct assessments where applicable. The Revolving Loan Fund Trusts, and restricted Certificates of Participation proceeds are invested and managed separately from the pooled cash and investments.

As of June 30, 2018, the County’s cash, deposits and investments were as follows:

	<u>Investment Pool</u>
Cash on hand	\$ 65,310
Imprest cash	332,344
Deposits with financial institutions	38,681,513
Outstanding warrants	(93,011,388)
Investments	<u>3,268,017,294</u>
Total	<u>\$ 3,214,085,073</u>

Investment Pool

The County Treasurer’s Pool is not SEC-registered, but is invested in accordance with California State Government Code and the County Treasurer’s Investment Policy. The California statutes and the County’s investment policy authorize the County to invest in obligations of the U.S. Treasury, certain Federal agencies, bankers’ acceptances, “prime” commercial paper, certificates of deposit, swaps and trades, State Treasurer’s Local Agency Investment Fund, and repurchase agreements. All of the County Treasurer’s investments are of a mid-term and short-term nature. California State Government Code provides for the formation of an Investment Oversight Committee, which is charged with overseeing activity in the pool for compliance to policy and code requirements. To this end, the Oversight Committee annually reviews the County’s investment policy and causes an audit of investments to occur.

The table below identifies the investment types that are authorized for public funds of the County by the California Government Code and the Investment Pool’s investment policy, whichever is more restrictive. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Investment Types Authorized by State Law</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Maturity</u>	<u>Maximum Investment in One Issuer</u>
United States (U.S.) Treasury Obligations	None	5 years	None
U.S. Government Sponsored Enterprise Securities	None	5 years	None
Medium Term Notes	30%	3 years	None
Time Deposits	30%	1 year	None
Commercial Paper	30%	90 days	10%
Banker's Acceptances	40%	180 days	30%
Repurchase Agreements	None	1 year	None
Mutual Funds and Money Market Mutual Funds	20%	N/A	None
California State Warrants or Bonds	None	N/A	None
Negotiable Certificates of Deposit	30%	5 years	10%
Bank Deposits	None	N/A	\$100,000,000
Local Agency Investment Fund (LAIF)	None	N/A	\$65,000,000 / account

**COUNTY OF SAN JOAQUIN
TREASURER - TAX COLLECTOR -- POOLED INVESTMENT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2018**

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

Deposits

At year-end, the carrying amount of the County's cash on hand and authorized deposits at various financial institutions for the Investment Trust Fund was \$38.6 million. Of the total deposits, the first \$250,000 is insured by the Federal Depository Insurance Corporation. The remaining was uninsured but secured by the pledging banks and, therefore, was exposed to custodial credit risk. The custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it.

Statutes and County investment policy allow the pool deposits be covered by Federal depository insurance or by a multiple financial institution collateral pool, which is maintained at a minimum of 110 percent of the uninsured deposits with the pledging institution's agent in the institution's name. The County has made no exceptions to this requirement during the current year.

Investments

As of June 30, 2018, the County had the following pool investments:

	Fair Value	Weighted Average Maturities (in days)	Fair Value as % of the Pool Investments	Credit Rating S&P/MIS
Commercial Paper	\$ 465,951,134	58	14.3%	A1 / P1
Money Market Account - Bank of the West	50,037,356	-	1.5%	* A- / * A3
Money Market Sweep Account - Bank of the West	89,358,841	-	2.7%	** AA+ / ** AAA
Federal Farm Credit Bank	465,769,753	724	14.3%	AA+ / AAA
Federal Home Loan Banks	1,021,163,209	427	31.2%	AA+ / AAA
Federal Home Loan Mortgage Corporation	430,606,619	985	13.2%	AA+ / AAA
Federal National Mortgage Association	359,362,851	858	11.0%	AA+ / AAA
Medium Term Note - Microsoft Corporation	9,987,580	160	0.3%	AAA / AAA
Medium Term Note - IBM	9,755,702	686	0.3%	A1+ / A1
General Obligation Bonds - California	39,103,970	187	1.2%	AA- / AA3
General Obligation Bonds - Los Angeles	10,256,178	428	0.3%	AA- / AA3
US T-Bill	236,920,069	160	7.2%	AA+ / AAA
US T-Strips	14,744,032	46	0.5%	AA+ / AAA
State Local Agency Investment Fund (LAIF)	65,000,000	-	2.0%	Not rated
Total	<u>\$ 3,268,017,294</u>	482	<u>100.0%</u>	

* The Money Market Account held at Bank of the West has no rating; however, we have listed the rating for the entire financial institution.

** The Sweep (Dreyfus) Account has no rating; however, its portfolio consists only of US Treasury and US Agency holdings, which are rated AA+ by S&P and AAA by Moody's.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the County investment policy, the County Treasurer manages the exposure to declines in fair values by limiting the weighted average maturity of the investment portfolio to three years or less. As of June 30, 2018, the weighted average maturity of the pool investments was 482 days.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. California statutes and the County's Investment Policy limit the County investments to obligations of the U.S.

**COUNTY OF SAN JOAQUIN
 TREASURER - TAX COLLECTOR -- POOLED INVESTMENT FUNDS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR YEAR ENDED JUNE 30, 2018**

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Treasury, certain Federal agencies, bankers’ acceptances, “prime” commercial paper, certificates of deposit, swaps and trades, State Treasurer’s Local Agency Investment Fund (LAIF), and repurchase agreements. Credit ratings as of June 30, 2018, of the pool investments are presented above.

Concentration of Credit Risk – Concentration of credit risk is the loss risk attributed to the magnitude of a government’s investment in a single issuer. The County’s investment policy places certain maximum percentage limitations of investments by investment type and the Treasurer has adhered to this policy with no exception. As of June 30, 2018, the County’s investments by investment type as the percentage of the pool investments are shown above.

Investments in the securities of any individual issuer, other than U.S. Treasury securities, mutual funds, and external investment funds that represent 5 percent or more of pooled investments are as follows at June 30, 2018:

<u>Issuer</u>	<u>Amount</u>	<u>Percent of Investments</u>
Federal Home Loan Bank	\$1,021,163,209	31.2%
Federal Farm Credit Bank	465,769,753	14.3%
Federal Home Loan Mortgage Corporation	430,606,619	13.2%
Federal National Mortgage Association	359,362,851	11.0%

The County is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Each entity may invest up to \$65,000,000 per account without limitation in special bond proceeds amounts. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The County withdraws money on a cost basis. The pool is not registered with the SEC. The County’s investments with LAIF at June 30, 2018 included a portion of the pool funds invested in structured notes and asset-back securities:

Structured Notes – Debt securities (other than asset-back securities) whose cash flow characteristics (coupon rate, redemption amounts, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities – Generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, collateralized mortgage obligations) or credit card receivables.

**COUNTY OF SAN JOAQUIN
TREASURER - TAX COLLECTOR -- POOLED INVESTMENT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2018**

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the County has the ability to access.

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means, such as matrix pricing.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the County's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the County's own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of what constitutes observable requires judgment by the County's management. County management considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to County management's perceived risk of that investment.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The County's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals in governmental investment pools, such as LAIF are made on the basis of \$1 and not fair value. Accordingly, the County's proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

**COUNTY OF SAN JOAQUIN
TREASURER - TAX COLLECTOR -- POOLED INVESTMENT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2018**

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Fair Value Measurements (Continued)

The following is a description of the valuation methods and assumptions used by the County to estimate the fair value of its investments. There have been no changes in the methods and assumptions used at June 30, 2018. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. County management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The County's treasury pools asset market prices are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data, Bloomberg or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated. Non-negotiable FDIC-insured bank certificates of deposit are priced at par.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy.

For investments classified within Level 2 of the fair value hierarchy, the County's custodians generally uses a multi-dimensional relational model. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others. The County does not have any investments that are measured using Level 3 inputs.

The County has the following recurring fair value measurements as of June 30, 2018:

	Fair Value at June 30, 2018	Fair value measurements using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Commercial paper	\$ 465,951,134	\$ -	\$ 465,951,134	\$ -
Federal Farm Credit Bank	465,769,753	-	465,769,753	-
Federal Home Loan Banks	1,021,163,209	-	1,021,163,209	-
Federal Home Loan Mortgage Corporation	430,606,619	-	430,606,619	-
Federal National Mortgage Association	359,362,851	-	359,362,851	-
Medium Term Note - Microsoft Corporation	9,987,580	-	9,987,580	-
Medium Term Note - IBM	9,755,702	-	9,755,702	-
General Obligation Bonds	49,360,148	-	49,360,148	-
US T-Bill	236,920,069	-	236,920,069	-
US T-Strips	14,744,032	-	14,744,032	-
Total Investments measured at Fair Value Level	<u>3,063,621,097</u>	<u>\$ 251,664,101</u>	<u>\$ 2,811,956,996</u>	<u>\$ -</u>
Investments not required to be leveled according to the hierarchy				
Money Market Account - Bank of the West	50,037,356			
State Local Agency Investment Fund (LAIF)	65,000,000			
Money Market Sweep Account - Bank of the West	89,358,841			
Total Investments	<u>\$ 3,268,017,294</u>			

**COUNTY OF SAN JOAQUIN
 TREASURER - TAX COLLECTOR -- POOLED INVESTMENT FUNDS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR YEAR ENDED JUNE 30, 2018**

NOTE 4: INTEREST EARNINGS

Tracker investment software is used by the County Treasurer to record all Investment Pool interest earned, including amortization of discounts and premiums, for the month regardless of whether the interest has been received or not (accrual basis of accounting). At the end of each quarter, the monthly interest earned is compiled to determine the quarter’s interest earnings that will be apportioned to the Investment Pool participants.

With regard to direct investments, the interest income is directly credited to the investing entities upon receipt of the interest income. There were no direct investments for FY 2017-18.

NOTE 5: DISTRIBUTION OF NET INVESTMENT INCOME

The distribution or apportionment of net investment income to eligible funds in the Investment Pool is done quarterly pursuant to Government Code § 53647. It is computed by multiplying the average daily cash balance by the interest apportionment factor for the quarter.

The interest apportionment factor for a quarter is determined by dividing the investment earnings for the quarter by the average daily cash balances of all funds deposited with the County Treasurer for the quarter.

All funds are entitled to interest earnings with the exception of County clearing funds and funds specified by the Board of Supervisors or the Courts as non-interest bearing.

After all funds entitled to interest earnings have been apportioned their share, the remainder of the quarterly interest earned is credited to the County General Fund.

Interest apportioned to property tax funds is reallocated to all applicable agencies that receive property tax allocations based on a combined tax apportionment factor, which includes the 1 percent secured property tax, special assessments, and unsecured property taxes apportioned to each agency

NOTE 6: PRIOR PERIOD ADJUSTMENT

The Treasurer Tax-Collector determined that certain asset and liability accounts presented in the prior year Statement of Net Position were unrelated to the Investment Trust Fund and were incorrectly reported in the prior year. As such, an adjustment was made to the beginning net position for FY 17 to correct the error as the financial report is reported comparatively.

The correction of FY 17’s beginning net position is summarized as follows:

	Previously Presented Balance at June 30, 2017	Net Adjustment	Restated Balance at July 1, 2017
Net Position	\$ 3,124,111,453	\$ (18,041,995)	\$ 3,106,069,458

SUPPLEMENTAL INFORMATION

**COUNTY OF SAN JOAQUIN
TREASURER-TAX COLLECTOR -- POOLED INVESTMENT FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)**

	Pool Investment			Total Treasurer's Investment Funds
	Superior Court, School/Local Board Districts	Unapportioned Interest Earnings Trust	County Funds	2018
ASSETS				
Cash and Investments:				
Book value	\$ 1,638,653,445	\$ 2,536,699	\$ 1,610,089,911	\$ 3,251,280,055
Market value appreciation (depreciation)	(18,747,828)	-	(18,447,154)	(37,194,982)
Cash & investments (Fair Value)	<u>1,619,905,617</u>	<u>2,536,699</u>	<u>1,591,642,757</u>	<u>3,214,085,073</u>
Receivables:				
Investment income receivable	-	11,359,854	-	11,359,854
Investment income apportionment receivable (payable)	<u>6,624,076</u>	<u>(14,160,620)</u>	<u>7,536,544</u>	<u>-</u>
Total Receivables	<u>6,624,076</u>	<u>(2,800,766)</u>	<u>7,536,544</u>	<u>11,359,854</u>
TOTAL ASSETS	<u>1,626,529,693</u>	<u>(264,067)</u>	<u>1,599,179,301</u>	<u>3,225,444,927</u>
LIABILITIES				
Investment expenses payable	<u>-</u>	<u>222,917</u>	<u>-</u>	<u>222,917</u>
TOTAL LIABILITIES	<u>-</u>	<u>222,917</u>	<u>-</u>	<u>222,917</u>
NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS				
	<u>\$ 1,626,529,693</u>	<u>\$ (486,984)</u>	<u>\$ 1,599,179,301</u>	<u>\$ 3,225,222,010</u>

**COUNTY OF SAN JOAQUIN
TREASURER-TAX COLLECTOR -- POOLED INVESTMENT FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Pool Investment			Total Treasurer's Investment Funds
	Superior Court, School/Local Board Districts	Unapportioned Interest Earnings Trust	County Funds	2018
ADDITIONS				
Additions to funds managed by the Treasurer	\$ 5,241,452,719	\$ (509,293)	\$ 5,651,187,860	\$ 10,892,131,286
Net investment income	25,887,819	-	17,809,524	43,697,343
Allocation of changes in market value appreciation/(depreciation)	(11,577,220)	-	(10,699,935)	(22,277,155)
Total Additions	<u>5,255,763,318</u>	<u>(509,293)</u>	<u>5,658,297,449</u>	<u>10,913,551,474</u>
DEDUCTIONS				
Deductions from funds managed by the Treasurer	5,089,053,887	-	5,661,647,692	10,750,701,579
Investment income apportioned to pool participants	25,887,819	-	17,809,524	43,697,343
Total Deductions	<u>5,114,941,706</u>	<u>-</u>	<u>5,679,457,216</u>	<u>10,794,398,922</u>
CHANGES IN NET POSITION	<u>140,821,612</u>	<u>(509,293)</u>	<u>(21,159,767)</u>	<u>119,152,552</u>
NET POSITION - BEGINNING:				
Reserved for unrealized market value appreciation	(7,170,608)	-	(7,747,219)	(14,917,827)
Unrestricted	1,492,878,689	22,309	1,613,683,580	3,106,584,578
Adjustments to Beginning Net Position	-	-	14,402,707	14,402,707
NET POSITION - BEGINNING OF YEAR, (AS RESTATED)	<u>1,485,708,081</u>	<u>22,309</u>	<u>1,620,339,068</u>	<u>3,106,069,458</u>
NET POSITION - ENDING:				
Reserved for unrealized market value appreciation	(18,747,828)	(29,358)	(18,417,796)	(37,194,982)
Unreserved	1,645,277,521	(457,626)	1,617,597,097	3,262,416,992
NET POSITION - ENDING	<u>\$ 1,626,529,693</u>	<u>\$ (486,984)</u>	<u>\$ 1,599,179,301</u>	<u>\$ 3,225,222,010</u>

**COUNTY OF SAN JOAQUIN
TREASURER - TAX COLLECTOR -- POOLED INVESTMENT FUNDS
SCHEDULE OF INVESTMENTS
FOR YEAR ENDED JUNE 30, 2018**

Par Value	DATE		Description	Cost	Fair Value	% of Total Investments at Fair Value
	Settlement	Maturity				
COMMERCIAL PAPER:						
25,000,000.00	06/05/18	07/02/18	MERCK	24,967,187.50	24,965,700.56	0.76%
9,000,000.00	06/06/18	07/02/18	WALMART	8,988,300.00	8,987,789.70	0.28%
15,000,000.00	04/03/18	07/03/18	PFIZER INC	14,927,958.33	14,927,199.83	0.46%
15,000,000.00	06/05/18	07/05/18	MERCK	14,977,750.00	14,976,757.33	0.46%
20,000,000.00	06/07/18	07/09/18	ELI LILLY	19,968,355.56	19,966,809.56	0.61%
5,000,000.00	05/16/18	07/16/18	METLIFE	4,983,479.17	4,983,074.00	0.15%
10,000,000.00	06/18/18	07/16/18	ELI LILLY	9,985,611.11	9,984,955.33	0.31%
10,000,000.00	05/25/18	07/18/18	APPLE	9,971,950.00	9,971,056.00	0.31%
10,000,000.00	05/16/18	07/19/18	TOYOTA	9,963,911.11	9,963,825.00	0.30%
10,000,000.00	05/21/18	07/24/18	PROCTER & GAMBLE	9,967,275.00	9,966,490.88	0.30%
10,000,000.00	04/25/18	07/25/18	COCACOLA	9,951,972.22	9,950,288.67	0.30%
10,000,000.00	04/30/18	08/01/18	APPLE	9,950,916.67	9,949,692.56	0.30%
10,000,000.00	06/12/18	08/07/18	METLIFE	9,969,666.67	9,969,623.00	0.31%
10,000,000.00	05/01/18	08/09/18	COCACOLA	9,941,388.89	9,940,996.33	0.30%
10,000,000.00	06/01/18	08/13/18	METLIFE	9,957,416.67	9,959,083.33	0.30%
25,000,000.00	06/18/18	08/13/18	METLIFE	24,925,520.83	24,924,040.18	0.76%
15,000,000.00	06/04/18	08/16/18	APPLE	14,940,687.50	14,940,314.50	0.46%
10,000,000.00	05/31/18	08/20/18	PFIZER INC	9,957,250.00	9,954,483.67	0.30%
15,000,000.00	04/24/18	08/20/18	DISNEY	14,899,208.33	14,898,700.83	0.46%
10,000,000.00	04/30/18	08/20/18	DISNEY	9,934,666.67	9,935,036.67	0.30%
10,000,000.00	05/21/18	08/21/18	PFIZER INC	9,951,444.44	9,948,634.89	0.30%
20,000,000.00	06/26/18	08/24/18	EXXON MOBIL	19,936,083.33	19,935,020.67	0.61%
25,000,000.00	05/01/18	08/27/18	DISNEY	24,827,916.67	24,828,590.00	0.76%
30,000,000.00	06/27/18	08/27/18	EXXON MOBIL	29,898,333.33	29,898,763.00	0.91%
15,000,000.00	03/14/18	09/10/18	APPLE	14,850,833.33	14,849,433.50	0.45%
15,000,000.00	06/01/18	09/10/18	PFIZER INC	14,917,937.50	14,915,371.00	0.46%
40,000,000.00	02/16/18	11/09/18	TOYOTA	39,361,600.00	39,353,880.00	1.20%
10,000,000.00	03/12/18	11/14/18	COCACOLA	9,855,916.67	9,845,903.33	0.30%
40,000,000.00	02/23/18	11/20/18	NESTLE CAPITAL	39,415,000.00	39,369,953.33	1.20%
10,000,000.00	06/22/18	12/06/18	COCACOLA	9,895,625.00	9,889,666.00	0.30%
\$ 469,000,000.00	Total Commercial Paper			\$ 466,041,162.50	\$ 465,951,133.65	14.26%

**COUNTY OF SAN JOAQUIN
TREASURER - TAX COLLECTOR -- POOLED INVESTMENT FUNDS
SCHEDULE OF INVESTMENTS
FOR YEAR ENDED JUNE 30, 2018**

Par Value	DATE		Description	Cost	Fair Value	% of Total Investments at Fair Value
	Settlement	Maturity				
U.S. GOVERNMENT AGENCY OBLIGATIONS:						
10,000,000.00	11/19/15	11/19/18	FFCB-B	10,000,000.00	9,970,900.00	0.31%
20,000,000.00	12/05/16	12/05/18	FFCB-B	19,990,850.00	19,899,430.41	0.61%
25,000,000.00	12/05/16	12/05/18	FFCB-B	24,985,687.50	24,872,035.27	0.76%
25,000,000.00	09/27/17	03/27/19	FFCB-B	24,976,375.00	24,822,057.69	0.76%
25,000,000.00	11/29/17	09/05/19	FFCB-B	25,000,000.00	24,806,250.00	0.76%
10,000,000.00	11/05/15	11/05/19	FFCB-B	9,992,734.02	9,847,885.85	0.30%
10,000,000.00	06/05/18	12/05/19	FFCB-B	9,995,000.00	9,983,571.90	0.31%
10,000,000.00	12/12/17	12/12/19	FFCB-B	9,998,125.00	9,909,986.30	0.30%
25,000,000.00	04/06/17	04/06/20	FFCB-B	25,030,166.68	24,600,885.95	0.75%
10,000,000.00	06/11/18	06/11/20	FFCB-B	9,996,300.00	9,992,203.83	0.31%
10,000,000.00	06/15/15	06/15/20	FFCB-B	9,998,000.00	9,848,783.80	0.30%
25,000,000.00	12/28/16	12/28/20	FFCB-B	25,011,875.00	24,549,712.27	0.75%
20,000,000.00	05/02/18	05/10/21	FFCB-B	19,976,000.00	19,992,117.39	0.61%
10,000,000.00	11/01/17	11/02/21	FFCB-B	10,011,725.00	9,750,832.78	0.30%
25,000,000.00	11/01/17	11/01/22	FFCB-B	25,021,150.00	24,278,791.43	0.74%
10,000,000.00	02/15/17	08/15/19	FFCB-C	9,948,880.00	9,817,142.92	0.30%
20,000,000.00	09/06/16	09/06/19	FFCB-C	19,986,999.99	19,683,740.63	0.60%
10,000,000.00	01/06/17	01/06/20	FFCB-C	10,000,000.00	9,865,500.00	0.30%
23,000,000.00	01/06/17	01/06/20	FFCB-C	23,000,000.00	22,690,650.00	0.69%
10,000,000.00	02/10/17	02/10/20	FFCB-C	9,998,666.66	9,849,485.08	0.30%
20,000,000.00	05/02/18	08/03/20	FFCB-C	19,985,000.00	19,978,525.97	0.61%
10,000,000.00	05/02/18	11/02/20	FFCB-C	9,992,400.00	9,974,509.95	0.31%
15,000,000.00	12/14/17	12/14/20	FFCB-C	15,000,000.00	14,760,000.00	0.45%
10,000,000.00	08/17/16	02/17/21	FFCB-C	10,000,000.00	9,664,000.00	0.30%
15,000,000.00	07/26/16	07/26/21	FFCB-C	14,992,020.00	14,434,873.37	0.44%
10,000,000.00	11/01/17	11/01/21	FFCB-C	10,000,000.00	9,758,600.00	0.30%
9,550,000.00	12/06/17	12/06/21	FFCB-C	9,476,882.81	9,297,311.53	0.28%
25,000,000.00	11/01/17	11/01/22	FFCB-C	25,000,000.00	24,290,000.00	0.74%
25,000,000.00	09/26/16	09/26/19	FFCB-DN	24,993,124.98	24,579,969.17	0.75%
472,550,000.00	Total Federal Farm Credit Bank (FFCB)			472,357,962.64	465,769,753.50	14.25%

**COUNTY OF SAN JOAQUIN
TREASURER - TAX COLLECTOR -- POOLED INVESTMENT FUNDS
SCHEDULE OF INVESTMENTS
FOR YEAR ENDED JUNE 30, 2018**

Par Value	DATE		Description	Cost	Fair Value	% of Total Investments at Fair Value
	Settlement	Maturity				
20,000,000.00	11/02/16	11/02/18	FHLB	20,000,000.00	19,928,600.00	0.61%
10,000,000.00	03/18/16	03/18/19	FHLB	10,009,533.36	9,930,261.02	0.30%
15,000,000.00	11/01/16	11/01/19	FHLB	14,992,500.00	14,719,249.32	0.45%
15,000,000.00	11/01/16	11/01/19	FHLB	14,992,500.00	14,719,249.32	0.45%
20,000,000.00	09/30/16	09/30/21	FHLB	20,003,500.00	19,217,422.89	0.59%
25,000,000.00	10/02/17	09/28/18	FHLB-B	24,987,237.50	24,943,419.29	0.76%
10,000,000.00	11/28/17	11/29/18	FHLB-B	10,000,000.00	9,979,600.00	0.31%
10,000,000.00	11/29/17	11/29/18	FHLB-B	9,998,750.00	9,978,870.55	0.31%
15,000,000.00	12/08/16	01/16/19	FHLB-B	15,003,840.00	14,924,691.30	0.46%
10,000,000.00	02/08/17	02/08/19	FHLB-B	10,005,310.00	9,945,987.90	0.30%
10,000,000.00	02/21/17	02/21/19	FHLB-B	9,999,200.00	9,939,358.63	0.30%
25,000,000.00	02/28/17	02/28/19	FHLB-B	24,978,300.00	24,813,273.42	0.76%
5,000,000.00	04/03/18	04/04/19	FHLB-B	5,000,000.00	4,994,700.00	0.15%
25,000,000.00	12/14/17	06/14/19	FHLB-B	24,957,000.00	24,802,935.10	0.76%
15,000,000.00	03/27/17	06/27/19	FHLB-B	14,995,333.30	14,852,188.46	0.45%
25,000,000.00	04/06/17	07/15/19	FHLB-B	24,995,650.00	24,739,891.57	0.76%
20,000,000.00	01/29/18	01/29/20	FHLB-B	19,949,360.00	19,854,255.78	0.61%
10,000,000.00	11/29/17	05/29/20	FHLB-B	9,957,200.00	9,807,603.95	0.30%
10,000,000.00	12/12/17	06/12/20	FHLB-B	10,280,000.00	10,200,136.25	0.31%
25,000,000.00	04/03/18	07/15/20	FHLB-B	25,000,000.00	24,872,750.00	0.76%
15,500,000.00	04/04/18	08/07/20	FHLB-B	15,498,481.00	15,420,950.62	0.47%
25,000,000.00	12/07/17	12/11/20	FHLB-B	24,947,916.66	24,478,793.56	0.75%
25,000,000.00	09/27/17	09/27/19	FHLB-C	24,979,375.00	24,710,952.05	0.76%
10,000,000.00	10/29/15	04/29/20	FHLB-C	10,000,000.00	9,823,900.00	0.30%
25,000,000.00	10/30/17	05/15/20	FHLB-C	24,978,000.00	24,567,489.22	0.75%
10,000,000.00	12/07/17	12/29/20	FHLB-C	10,000,000.00	9,860,400.00	0.30%
25,000,000.00	09/01/16	09/01/21	FHLB-C	24,991,250.00	23,983,053.81	0.73%
25,000,000.00	11/23/16	11/23/21	FHLB-C	25,000,000.00	24,132,500.00	0.74%
25,000,000.00	11/30/16	11/24/21	FHLB-C	25,000,000.00	24,333,250.00	0.74%
8,000,000.00	11/30/17	11/30/21	FHLB-C	7,989,500.00	7,825,756.39	0.24%
25,000,000.00	12/15/17	12/15/21	FHLB-C	25,000,000.00	24,586,750.00	0.75%
15,000,000.00	12/13/17	12/13/22	FHLB-C	14,993,250.00	14,682,164.38	0.45%
10,000,000.00	06/29/18	06/29/23	FHLB-C	10,000,000.00	9,985,070.00	0.31%
10,000,000.00	05/07/18	07/02/18	FHLB-DN	9,973,711.11	9,974,650.00	0.31%
25,000,000.00	05/29/18	07/03/18	FHLB-DN	24,957,708.33	24,960,083.33	0.76%
20,000,000.00	05/16/18	07/09/18	FHLB-DN	19,945,100.00	19,947,050.00	0.61%
10,000,000.00	06/06/18	07/12/18	FHLB-DN	9,982,100.00	9,982,866.67	0.31%
40,000,000.00	03/23/18	07/27/18	FHLB-DN	39,752,200.00	39,753,300.00	1.22%
25,000,000.00	02/28/18	08/03/18	FHLB-DN	24,809,333.33	24,808,138.89	0.76%
20,000,000.00	06/05/18	08/06/18	FHLB-DN	19,935,588.89	19,936,627.78	0.61%
25,000,000.00	06/29/18	08/17/18	FHLB-DN	24,936,538.19	24,937,454.86	0.76%
20,000,000.00	06/26/18	08/20/18	FHLB-DN	19,942,861.11	19,943,644.44	0.61%
25,000,000.00	06/28/18	08/22/18	FHLB-DN	24,929,340.28	24,929,430.56	0.76%
20,000,000.00	05/01/18	08/27/18	FHLB-DN	19,878,066.67	19,878,200.00	0.61%
25,000,000.00	06/29/18	08/28/18	FHLB-DN	24,921,666.67	24,922,694.44	0.76%
10,000,000.00	01/30/18	08/29/18	FHLB-DN	9,906,222.22	9,901,988.89	0.30%
25,000,000.00	12/28/17	09/07/18	FHLB-DN	24,731,187.50	24,714,250.00	0.76%
25,000,000.00	12/28/17	09/21/18	FHLB-DN	24,716,312.50	24,695,500.00	0.76%
25,000,000.00	04/03/18	10/05/18	FHLB-DN	24,761,041.67	24,755,833.33	0.76%
25,000,000.00	12/28/17	12/14/18	FHLB-DN	24,573,437.50	24,539,138.89	0.75%
20,000,000.00	03/28/18	12/27/18	FHLB-DN	19,697,077.78	19,691,477.78	0.60%
25,000,000.00	04/03/18	01/31/19	FHLB-DN	24,570,750.00	24,564,833.33	0.75%
25,000,000.00	04/04/18	02/01/19	FHLB-DN	24,570,750.00	24,558,750.00	0.75%
15,000,000.00	10/26/16	10/26/20	FHLB-DN	15,000,000.00	14,547,750.00	0.45%
10,000,000.00	09/27/16	09/27/21	FHLB-DN	9,996,500.00	9,664,071.36	0.30%
1,033,500,000.00	Total Federal Home Loan Bank (FHLB)			1,029,970,480.57	1,021,163,209.32	31.25%

**COUNTY OF SAN JOAQUIN
TREASURER - TAX COLLECTOR -- POOLED INVESTMENT FUNDS
SCHEDULE OF INVESTMENTS
FOR YEAR ENDED JUNE 30, 2018**

Par Value	DATE		Description	Cost	Fair Value	% of Total Investments at Fair Value
	Settlement	Maturity				
20,000,000.00	02/01/17	08/01/19	FHLMC-B	19,970,000.00	19,732,473.55	0.60%
25,000,000.00	10/31/17	05/01/20	FHLMC-B	24,880,000.00	24,453,692.77	0.75%
15,000,000.00	03/29/18	09/29/20	FHLMC-B	14,728,200.00	14,645,974.43	0.45%
10,000,000.00	12/14/16	12/14/18	FHLMC-C	9,999,750.00	9,965,607.19	0.30%
15,000,000.00	12/30/16	06/28/19	FHLMC-C	15,000,000.00	14,860,950.00	0.45%
10,000,000.00	11/28/16	08/28/19	FHLMC-C	9,972,727.25	9,810,356.31	0.30%
10,000,000.00	10/30/17	10/30/19	FHLMC-C	9,998,050.00	9,890,950.89	0.30%
10,000,000.00	11/28/16	11/27/19	FHLMC-C	9,994,949.99	9,834,627.28	0.30%
25,000,000.00	09/27/17	09/29/20	FHLMC-C	25,000,000.00	24,466,250.00	0.75%
10,000,000.00	12/08/17	12/18/20	FHLMC-C	9,997,083.33	9,843,462.02	0.30%
15,000,000.00	12/18/17	03/18/21	FHLMC-C	15,000,000.00	14,752,350.00	0.45%
10,000,000.00	06/28/18	06/28/21	FHLMC-C	10,000,000.00	9,987,200.00	0.31%
9,950,000.00	08/25/16	08/25/21	FHLMC-C	9,950,000.00	9,581,253.00	0.29%
25,000,000.00	08/30/16	08/27/21	FHLMC-C	24,995,732.45	23,884,933.91	0.73%
25,000,000.00	10/12/16	10/12/21	FHLMC-C	25,000,000.00	23,888,000.00	0.73%
20,000,000.00	10/18/16	10/18/21	FHLMC-C	20,000,000.00	19,196,200.00	0.59%
25,000,000.00	10/21/16	10/21/21	FHLMC-C	25,000,000.00	24,018,250.00	0.73%
25,000,000.00	11/15/16	11/15/21	FHLMC-C	25,000,000.00	23,852,750.00	0.73%
25,000,000.00	11/15/16	11/15/21	FHLMC-C	25,000,000.00	23,852,750.00	0.73%
10,000,000.00	12/13/17	12/28/21	FHLMC-C	10,000,000.00	9,823,300.00	0.30%
25,000,000.00	09/27/17	09/29/22	FHLMC-C	24,977,500.00	24,242,602.84	0.74%
8,000,000.00	12/13/17	12/13/22	FHLMC-C	7,992,800.00	7,845,295.33	0.24%
10,000,000.00	06/05/18	06/28/23	FHLMC-C	9,995,000.00	9,991,632.40	0.31%
25,000,000.00	09/14/16	09/14/20	FHLMC-DN	25,000,000.00	24,102,000.00	0.74%
25,000,000.00	08/02/16	08/02/21	FHLMC-STP	25,000,000.00	24,167,750.00	0.74%
10,140,000.00	08/18/16	02/21/20	FHLMC-ZERO	10,140,000.00	9,916,007.40	0.30%
\$ 443,090,000.00	Total Federal Home Loan Mortgage Corporation (FHLMC)			442,591,793.02	430,606,619.32	13.18%
20,000,000.00	02/02/17	08/02/19	FNMA-B	19,854,440.00	19,585,632.62	0.60%
25,000,000.00	02/28/17	02/28/20	FNMA-B	24,978,333.32	24,567,863.77	0.75%
20,000,000.00	12/22/17	06/22/20	FNMA-B	19,824,000.00	19,557,973.49	0.60%
25,000,000.00	12/28/17	12/28/20	FNMA-B	24,915,500.00	24,524,313.87	0.75%
20,000,000.00	04/04/18	04/05/22	FNMA-B	19,490,000.00	19,359,251.16	0.59%
10,000,000.00	10/30/15	10/26/18	FNMA-C	9,995,585.60	9,962,362.61	0.30%
10,000,000.00	10/29/15	10/29/18	FNMA-C	10,000,000.00	9,968,900.00	0.31%
10,000,000.00	10/30/15	10/29/19	FNMA-C	10,000,000.00	9,861,800.00	0.30%
15,000,000.00	11/29/16	11/29/19	FNMA-C	14,927,250.00	14,686,498.63	0.45%
15,000,000.00	11/29/16	11/29/19	FNMA-C	14,927,250.00	14,686,498.63	0.45%
25,000,000.00	09/28/17	09/28/20	FNMA-C	24,995,833.33	24,522,954.53	0.75%
25,000,000.00	07/27/16	07/27/21	FNMA-C	25,000,000.00	24,168,000.00	0.74%
25,000,000.00	09/15/16	09/15/21	FNMA-C	24,982,500.00	23,821,991.79	0.73%
25,000,000.00	09/30/16	09/30/21	FNMA-C	25,000,000.00	23,757,000.00	0.73%
25,000,000.00	10/12/16	10/12/21	FNMA-C	25,000,000.00	23,810,500.00	0.73%
25,000,000.00	11/08/16	11/08/19	FNMA-DN	24,998,125.00	24,594,724.32	0.75%
25,000,000.00	08/24/16	08/24/21	FNMA-DN	24,991,250.00	24,027,015.47	0.74%
25,000,000.00	09/30/16	09/30/21	FNMA-DN	24,990,900.00	23,899,570.48	0.73%
370,000,000.00	Total Federal National Mortgage Association (FNMA)			368,870,967.25	359,362,851.38	11.00%
\$ 2,319,140,000.00	Total US Government Agency Obligations			\$ 2,313,791,203.48	\$ 2,276,902,433.52	69.67%

**COUNTY OF SAN JOAQUIN
TREASURER - TAX COLLECTOR -- POOLED INVESTMENT FUNDS
SCHEDULE OF INVESTMENTS
FOR YEAR ENDED JUNE 30, 2018**

Par Value	DATE		Description	Cost	Fair Value	% of Total Investments at Fair Value
	Settlement	Maturity				
US TREASURY SECURITIES:						
10,000,000.00	11/28/17	07/19/18	US T-BILL	9,906,800.00	9,906,200.00	0.30%
20,000,000.00	03/29/18	08/02/18	US T-BILL	19,879,600.00	19,879,933.33	0.61%
15,000,000.00	02/16/17	08/15/18	T-SLGS	14,758,935.00	14,744,031.77	0.45%
10,000,000.00	11/28/17	08/16/18	US T-BILL	9,894,150.00	9,890,411.11	0.30%
10,000,000.00	12/08/17	08/16/18	US T-BILL	9,896,811.11	9,893,333.33	0.30%
25,000,000.00	06/22/18	08/23/18	US T-BILL	24,921,208.33	24,924,083.33	0.76%
10,000,000.00	12/11/17	09/13/18	US T-BILL	9,884,233.33	9,877,591.66	0.30%
25,000,000.00	03/29/18	09/20/18	US T-BILL	24,777,604.17	24,777,562.50	0.76%
10,000,000.00	05/16/18	10/25/18	US T-BILL	9,912,880.00	9,913,800.00	0.30%
20,000,000.00	12/27/17	11/08/18	US T-BILL	19,712,527.78	19,689,301.39	0.60%
25,000,000.00	06/29/18	12/27/18	US T-BILL	24,745,468.75	24,743,843.75	0.76%
15,000,000.00	03/29/18	03/28/19	US T-BILL	14,702,733.33	14,680,000.00	0.45%
15,000,000.00	06/22/18	05/23/19	US T-BILL	14,692,916.67	14,691,316.67	0.45%
25,000,000.00	06/28/18	05/23/19	US T-BILL	24,501,930.56	24,494,722.22	0.75%
20,000,000.00	06/29/18	06/20/19	US T-BILL	19,561,922.22	19,557,969.44	0.60%
\$ 255,000,000.00	Total US Treasury Securities			\$ 251,749,721.25	\$ 251,664,100.52	7.70%
MEDIUM TERM NOTES:						
10,000,000.00	12/06/16	12/06/18	MSFT	10,018,255.95	9,987,579.65	0.31%
10,000,000.00	05/10/18	05/15/20	MTN-IBM	9,785,000.00	9,755,701.90	0.30%
\$ 20,000,000.00	Total Medium Term Notes			\$ 19,803,255.95	\$ 19,743,281.56	0.60%
GENERAL OBLIGATION (GO) REFUNDING BONDS:						
20,000,000.00	11/03/16	11/01/18	GO BONDS - CA	20,000,000.00	19,926,200.00	0.61%
19,250,000.00	11/03/16	11/01/18	GO BONDS - CA	19,248,556.25	19,177,769.66	0.59%
10,385,000.00	12/21/16	09/01/19	GO BONDS - LA	10,350,729.50	10,256,177.87	0.31%
\$ 49,635,000.00	Total General Obligation Bonds			\$ 49,599,285.75	\$ 49,360,147.54	1.51%
MONEY MARKET ACCOUNTS:						
50,000,000.00			BOW MMP	50,000,000.00	50,037,356.16	1.53%
89,227,646.86			BOW Sweep Dreyfus	89,227,646.86	89,358,840.56	2.73%
\$ 139,227,646.86	Total Money Market Accounts			\$ 139,227,646.86	\$ 139,396,196.72	4.27%
LOCAL AGENCY INVESTMENT FUND (LAIF):						
\$ 65,000,000.00	N/A	N/A	LAIF	\$ 65,000,000.00	\$ 65,000,000.00	1.99%
\$3,317,002,646.86	TOTAL INVESTMENTS			\$3,305,212,275.79	\$3,268,017,293.50	100.00%
Cash on Hand					39,079,167.57	
Less: Net Deposits in Transit and Outstanding Warrants					(93,011,387.92)	
Cash and Investments (Fair Value)					\$ 3,214,085,073.15	

**COUNTY OF SAN JOAQUIN
TREASURER - TAX COLLECTOR -- POOLED INVESTMENT FUNDS
SCHEDULE OF INVESTMENTS
FOR YEAR ENDED JUNE 30, 2018**

Abbreviation	Description
BOW	Bank of the West
BOW MMP	Bank of the West - Money Market Plus
FFCB	Federal Farm Credit Bank
FFCB-B	Federal Farm Credit Bank - Bullet Note
FFCB-DN	Federal Farm Credit Bank - Discount Note
FHLB	Federal Home Loan Bank
FHLB-DN	Federal Home Loan Bank - Discount Note
FHLMC	Federal Home Loan Mortgage Corporation
FHLMC-C	Federal Home Loan Mortgage Corporation - Callable/Coupon
FHLMC-DN	Federal Home Loan Mortgage Corporation - Discount Note
FHLMC-STP	Federal Home Loan Mortgage Corporation - Step Note
FNMA	Federal National Mortgage Association
FNMA-C	Federal National Mortgage Association-Callable/Coupon
FNMA-DN	Federal National Mortgage Association-Discount Note
GE CO.	General Electric Company
GECC	General Electric Capital Corporation
US T-BILL	U.S. Treasury Bill
T-SLGS	U.S. Treasury Strips (Separate Trading of Registered Interest and Principal of Securities)

OTHER INDEPENDENT AUDITORS' REPORT



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

To the Honorable Board of Supervisors
County of San Joaquin, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Joaquin County (County) Treasurer-Tax Collector's (County Treasurer) Pooled Investment Fund (Investment Trust Fund), an Investment Trust Fund of the County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated April 10, 2019. Our report includes an emphasis of matter regarding prior period adjustments for the correction of errors.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as item 2018-001, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County Treasurer's 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*.

Response to Findings

The County Treasurer's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The County Treasurer's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Vavrinik, Trine, Day & Co. LLP

Sacramento, California

April 10, 2019

**COUNTY OF SAN JOAQUIN
TREASURER - TAX COLLECTOR -- POOLED INVESTMENT FUNDS
SCHEDULE OF FINDINGS AND RESPONSES
FOR YEAR ENDED JUNE 30, 2018**

Finding 2018-001

SEGREGATION OF INITIATION AND APPROVAL OF TREASURY DEPOSIT RECEIPTS

Criteria:

Internal controls should be established to ensure segregation of duties between the initiation and approval functions over Treasury Deposit Receipts (TDR's).

Condition Found:

Significant Deficiency – We identified three instances in which the TDR's were initiated and approved by the same individuals.

Context:

Through our observation of the internal controls over the County Treasurer's process for recording and approving TDR's, we identified that there is no segregation of the ability to initiate and approve a TDR by the same individual in the treasury department.

Cause:

The TDR's were initiated and approved by the same individuals.

Effect:

There is an increased risk of error or fraud if the critical functions over the TDR process are not properly segregated.

Recommendation:

We recommend that management implement policies and procedures to segregate the initiation and approval of TDR's.

Views of Responsible Officials and Planned Corrective Actions:

The Treasurer-Tax Collector acknowledges this observation. Recording of the deposit receipt entry and approval of the entry are segregated for all depositors with the exception of the Solid Waste Division due to the absence of county network connectivity and CAPS at the landfill sites. Although the deposit entry for the Solid Waste Division is performed by the Treasury staff, any misappropriation or differences will be detected by either the Treasury or the Solid Waste Division due to the discrepancy in the deposit. Fund activity reports are made available each month to all departments by the Auditor-Controller's Office and should be reconciled to internal records.

Although deposits from the Solid Waste Division, on the average, represent less than one percent of total deposits processed through the treasury, we recognize the importance of protecting all funds. Therefore, we are continuing to explore possible solutions or workarounds to allow the Solid Waste Division to initiate their own deposit entries in PeopleSoft.