



San Diego County Investment Pool
An Investment Trust Fund of the County of San Diego, CA



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**ISSUED BY DAN McALLISTER, SAN DIEGO COUNTY
TREASURER-TAX COLLECTOR**



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San Diego County Treasurer-Tax Collector

San Diego County Investment Pool
AN INVESTMENT TRUST FUND OF THE COUNTY OF SAN DIEGO, CA

San Diego, California

Annual Comprehensive Financial Report

For the Year Ended June 30, 2023

ISSUED BY DAN MCALLISTER, SAN DIEGO COUNTY
TREASURER-TAX COLLECTOR



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San Diego County Investment Pool

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County of San Diego Treasurer-Tax Collector

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INTRODUCTORY SECTION

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TREASURER-TAX COLLECTOR SAN DIEGO COUNTY

www.sdttc.com

Dan McAllister
Treasurer-Tax Collector



San Diego County Administration Center
1600 Pacific Highway
Room 112
San Diego, CA 92101

November 3, 2023

To the San Diego County Board of Supervisors, San Diego County Investment Pool Participants, and Treasury Oversight Committee:

I am pleased to submit the Annual Comprehensive Financial Report (ACFR) of the San Diego County Investment Pool (Pool) for the fiscal year ended June 30, 2023. This report and the annual audit are presented to demonstrate compliance with the San Diego County Treasurer's Pooled Money Fund Investment Policy (Investment Policy) dated January 1, 2023.



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 County of San Diego (County) Treasurer's Office (Treasury Division). A framework of internal controls has been established by management for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects, and are reported in a manner designed to present fairly the financial position and changes in financial position of the Pool in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America. All disclosures necessary to enable the reader to gain an understanding of the Pool's financial activities have been included.

The Pool's financial statements have been audited by Brown Armstrong Accountancy Corporation, an independent firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the Pool's financial statements as of and for the fiscal year ended June 30, 2023, are fairly stated in accordance with GAAP. The independent audit involves performing procedures to obtain evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was a reasonable basis for rendering an unmodified ("clean") opinion that the Pool's financial statements as of and for the fiscal year ended June 30, 2023, are fairly presented in accordance 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 complement the MD&A and should be read in conjunction with it. The Pool's MD&A can be found after the independent auditor's report.

PROFILE OF THE SAN DIEGO COUNTY INVESTMENT POOL

The Pool was created when the State Legislature established the five-member County Board of Supervisors in 1853. It is a local government pool with an investment market value of \$15.6 billion as of June 30, 2023. The Pool is headed by the San Diego County Treasurer-Tax Collector, an elected official who is responsible for tax collection, banking, investment, disbursement, and accountability of public funds. The Pool is managed by the Treasury Division on

behalf of Pool participants. The County portion of the Pool investments as of June 30, 2023, is \$5.1 billion while the external, non-County portion is approximately \$10.5 billion. Depositors in the Pool include both mandatory and voluntary participants located within the County.

Mandatory participants include the County, K-12 school districts, community college districts, certain special districts and accounts controlled by the County Board of Supervisors. Mandatory participants are defined as those agencies required by State law to deposit their funds with the Treasury Division. Mandatory participants comprise the majority of the Pool, which is approximately 95.91% as of June 30, 2023. Please refer to the Pool Participant List in the Investment Section on page 35.

Voluntary participants are those agencies that are not required to place their funds in the Pool and do so only as an investment option. Voluntary participants include some cities, fire districts, special districts, and other municipal entities in the countywide area. As of June 30, 2023, voluntary participants accounted for approximately 6.90% of the Pool. Please refer to the Pool Participant List in the Investment Section on page 35.

In addition to investment management, the Treasury Division also provides banking services to all mandatory participants. These services include, but are not limited to, warrant redemption, electronic fund transfers, acceptance of deposits, and fund accounting.

INVESTMENT POLICIES AND PRACTICES

The primary objectives of the Pool, as set forth in the Investment Policy, in order of importance, are safety, liquidity, and yield. The following goals have been set for fiscal year 2024:

- Promote fiscal stability by maintaining a 'AAAf/S1' rating from Fitch Ratings, Inc.;
- Review established investment and reporting processes with the goal of improving efficiency;
- Selection of an operating bank through the County procurement process; and
- Obtain a certificate of achievement for excellence in financial reporting by the Government Finance Officers Association.

The Treasury Division reviews the Investment Policy on an annual basis and updates it as necessary to ensure the integrity of the Pool and to provide guidelines for its operation, in accordance with the California Government Code. Upon completion of the Investment Policy by the Treasury Division, 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 Pool is limited by the Investment Policy, which places restrictions on the securities that may be purchased. Cash in excess of short-term liquidity needs was invested in negotiable certificates of deposit, obligations of the U.S. Treasury, U.S. government agencies, supranationals, commercial paper, pass-through securities, municipal bonds and medium-term notes. The maturities of the investments range from one day to five years, with an average weighted maturity of 450 days at June 30, 2023. The yield to maturity (annualized) on investments as of June 30, 2023, was 3.50%.

To safeguard the investments, a custodian is employed to safekeep, settle, and accept interest payments on investments held by the Pool. To facilitate internal security and safeguards, the Investment Policy requires an annual audit and the establishment and maintenance of internal controls and procedures.

For fiscal year 2023, investments provided an average 2.63% apportionment rate, which is the rate used in allocating the net earnings to the Pool participants. The Pool's average apportionment rate over the last three and five fiscal years was 1.44% and 1.71%, respectively.

The Treasury Division has implemented a system of internal controls designed to ensure the reliability of reported investment information. The Treasury Division provides monthly investment reports on the Treasurer-Tax Collector website, for interested users, including the Treasury Oversight Committee, County Board of Supervisors and

members of the public. Please refer to the Investment Section of this ACFR for additional information on investments.

SIGNIFICANT EVENTS

The Pool's rating was affirmed at 'AAAf/S1' on August 25, 2022, by Fitch Ratings, Inc. 'AAAf' is the top rating possible for a local government investment pool and indicates the Pool's portfolio contains securities of the highest underlying credit quality. The 'S1' volatility rating signifies the Pool possesses very low sensitivity to market risk, given its conservative investment policies. Rating considerations include:

- High quality credit portfolio
- Liquidity management as a key objective
- Oversight that decreases operational risk
- Stable investor base
- Low sensitivity to market risk
- Industry-standard administration and systems

The rates market experienced a significant upward move during the fiscal year. The federal funds rate began fiscal year 2023 at an upper limit target of 1.75%. In response to higher inflation and strong economic data, the Federal Reserve continued its tightening bias throughout the year. During the fiscal year, the federal funds rate increased seven times with the upper limit at 5.25% as of June 30, 2023. Subsequently, the Federal Reserve raised interest rates by an additional 0.25% to an upper limit of 5.50% on July 26, 2023, which is the highest level since 2001. During this period, inflation remained volatile after the peak of 9.1% in June 2022, and the Consumer Price Index (CPI) contracted each subsequent month during the fiscal year, reaching 3.0% as of June 2023.

This resulted in significantly higher rates for short-term securities in the latter part of fiscal year 2023 and contributed to an increase in the Pool's yield. The Pool's yield to maturity increased by 2.25% during fiscal year 2023, with the yield at 3.50% as of June 30, 2023. The weighted average maturity for investments decreased from 552 days to 450 days. The attractive short-term interest rate environment contributed to this reduction in maturity. The Pool reached a record high balance of \$17.2 billion in mid-April 2023. Growth in assets under management was due to higher assessed property values with strong property tax collections, proceeds from bond issuances by schools and other local agencies, and new deposits from voluntary participants.

In this rising-rate environment, the Treasury Division was able to make opportunistic investments in asset-backed securities (ABS), as well as credit products such as negotiable Certificates of Deposit (CDs), commercial paper and medium-term notes. This was accomplished while maintaining the Pool's allocation to U.S. Treasuries and other government securities. The Pool continues to be managed conservatively with the following measures:

- Investing in U.S. Treasuries, government agencies, AAA-rated supranationals, AAA-rated pass-through securities, and municipal bonds for maturities beyond three years;
- Selective purchase of high-quality medium-term notes (corporate) securities out to three years using a maturity tiering strategy; and
- Maintaining extensive liquidity buffers consisting of top-tier securities with laddered maturities between one day and one year.

NATIONAL ECONOMIC ENVIRONMENT

The national economy achieved modest growth in fiscal year 2023 and the U.S. Gross Domestic Product (GDP) grew by 2.4% on average during the 4 quarters ending June 30, 2023. The moderate growth was affected by high inflation and interest rate increases. Consumer spending has been a key driver of growth, but a recent decline in consumer confidence will impact growth going forward. Businesses continue to face rising costs for most goods and services as well. According to the Institute of Supply Management Purchasing Managers Index (PMI), the outlook from businesses continues to be weak with the index reading below the key 50 level since November 2022.

Although inflation is below cycle peak levels of 9.1%, it is still high with the latest reading of 3.7% in August 2023. During fiscal year 2023, the U.S. unemployment rate remained stable with the June 2023 reading at 3.6%. Wage growth remained strong with average hourly earnings increasing by 4.4% year-over-year in June 2023. The national housing market remained resilient while the level of price growth moderated significantly. According to the S&P CoreLogic Case-Shiller U.S. National Home Price Index (Case-Shiller Index), the market reported 0.0% annual change in June 2023 compared to 18.0% growth in June 2022. The conflicting forces of a reduction in available housing supply and higher mortgage rates interest rates caused a significant slowdown in transaction volume and a slight reduction in prices over the year.

SAN DIEGO COUNTY ECONOMIC CONDITION

Economic conditions in the San Diego region were resilient during fiscal year 2023, generally following the national trend. In June 2023, San Diego's unemployment rate of 4.0% was below the State's rate of 4.6% but above the national rate of 3.6%. Tourism rebounded in 2022 as total visitor spending surpassed pre-COVID-19 levels during the year. The San Diego housing market contracted slightly over fiscal year 2023 compared to the peak level seen in May 2022. According to the Case-Shiller Index, the housing market declined by 2.5% year-over-year in June 2023, and the California Association of Realtors report that the median sale price of a single-family home rose 0.9% year-over-year in June 2023 to a level of \$958,250. While supply remains limited, higher mortgage interest rates could reduce demand and limit further price increases.

The County has maintained fiscal stability within the discipline of the General Management System (GMS) that establishes strong fiscal management practices. The GMS is the County's business model that guides operations and service delivery to residents, businesses, and visitors. This fiscal discipline has allowed the County to commit to maintaining a portion of Unassigned Fund Balance as a reserve that equals a minimum of two months (16.7%) of audited General Fund expenses to protect the County against expenditure and revenue volatility, natural disasters, economic downturns, or other unforeseen emergencies. Appropriation of the Reserve minimum balance requires a 4/5th vote of the Board of Supervisors (Board). In response to the COVID-19 local emergency declaration, the Board suspended the Reserve requirement from May 2020 until March 2023; during that time, Staff continued to manage as though it were in effect and will continue to do so now that the suspension has been lifted.

AWARDS AND ACKNOWLEDGMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Pool for its ACFR for fiscal year 2022. This was the twenty-fifth consecutive year that the Pool has achieved this prestigious award. To be awarded a Certificate of Achievement, the Treasury Division must publish an easily readable and efficiently organized ACFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe this ACFR continues to meet the Certificate of Achievement Program's requirements and will be submitted to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of many individuals in the Treasury Division. 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 stewardship of the funds in the Pool.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Pool's activities during fiscal year 2023. Questions concerning any of the information provided in this report, should be addressed to the Office of San Diego County Treasurer-Tax Collector, 1600 Pacific Highway, Room 112, San Diego, California 92101. The ACFR and monthly Pool Treasury Investment reports, which include a complete list of the Pool's current holdings, are available at www.sdttc.com.

Respectfully,

Dan McAllister

Dan McAllister
SAN DIEGO COUNTY TREASURER-TAX COLLECTOR

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**San Diego County Investment Pool
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

Treasury Oversight Committee



Dan McAllister
Treasurer-Tax Collector
County of San Diego



Ebony Shelton
Deputy Chief
Administrative Officer/
Chief Financial Officer
County of San Diego



Tracy Drager
Auditor & Controller
County of San Diego



Michael Simonson
County Superintendent of
Schools Representative



Bonnie Ann Dowd, Ed.D.
Public Member
(School/Community College
District Representative)



André Douzdjian
Public Member
(Special District
Representative)



Colleen Harvey
Public Member
(Public Finance Expertise)

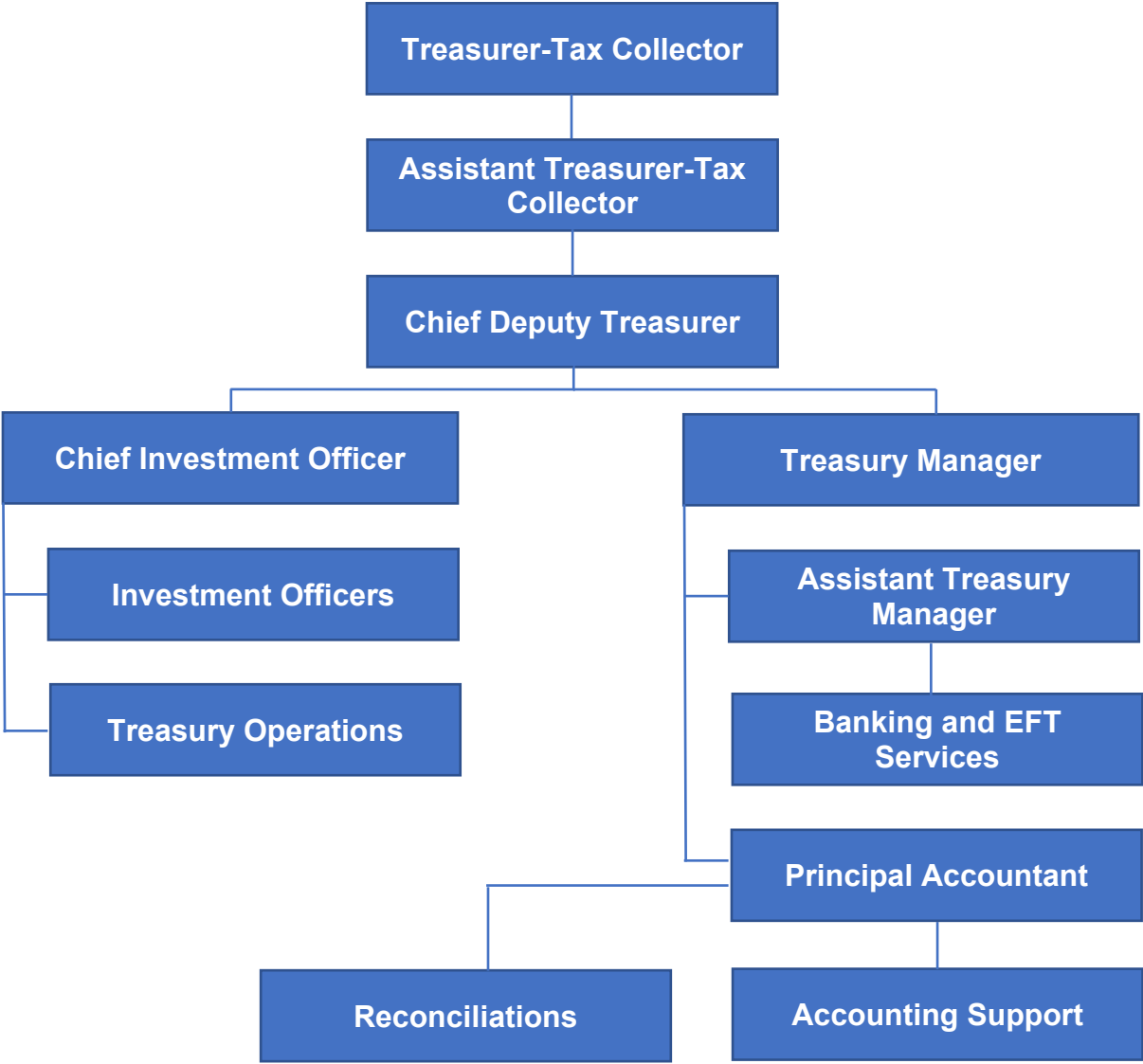


Maria Kachadoorian
Public Member
(City Representative)



Gabriel Wisdom
Public Member
(Public Finance Expertise)

San Diego County Treasury Division Organization Chart



Treasury and Investments Division

As of June 30, 2023

Vacant
Chief Deputy Treasurer

Chris Herrera
Chief Investment Officer

Kevin Foley, CFA
Investment Officer

Vacant
Investment Officer

R.C. Kinzly
Investment Officer

Kristine Gachalian
Investment Analyst

Lisa Kondrat-Dauphin, CGFM
Treasury Manager

Liliana Montes
Assistant Treasury Manager

Sander Franken
Principal Accountant

Tim Henry
Principal Accountant

Ricardo Aquino
Reconciliations Senior Accountant

Ling Chu Hung
Accounting Support Senior Accountant

Gregg Rosner
Banking and EFT Services Senior
Accountant

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the County of San Diego Audit Committee
and Treasury Oversight Committee
County of San Diego, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the San Diego County Investment Pool (the Investment Pool) of the County of San Diego (the County), California, as of and for the fiscal year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise the Investment Pool's basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the net position of the Investment Pool, as of June 30, 2023, and the changes in net position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Investment Pool's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County Treasurer Tax Collector's (TTC's) internal control relating to the Investment Pool. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Investment Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory, investment, and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2023, on our consideration of the County TTC's internal control over financial reporting relating to the 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 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 TTC's internal control over financial reporting or on compliance relating to the Investment Pool. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the TTC's internal control over financial reporting and compliance relating to the Investment Pool.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California
November 3, 2023

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Management's Discussion and Analysis

As management of the San Diego County Investment Pool (Pool), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Pool for fiscal year 2023.

The following analysis primarily focuses on the Pool's current year results in comparison with the prior year. The information presented here should be considered in conjunction with the information provided in the Letter of Transmittal.

Financial Highlights

- The assets of the Pool exceeded its liabilities at the close of fiscal year 2023 by \$15.6 billion (net position).
- The Pool's total net position increased by \$2.0 billion, representing a net increase of 14.7% over fiscal year 2022.
- The Pool's net investment income/(loss), which includes the change in fair value from the prior year, increased from a net loss of \$296.9 million in fiscal year 2022 to a net increase of \$286.9 million in fiscal year 2023.
- During fiscal year 2023, the Pool distributed earnings of \$373.2 million to participants compared to the previous year's distribution of \$90.9 million. This represents an increase of \$282.3 million, or 310.6% more than fiscal year 2022.
- The Pool's expense ratio was 0.052% of the average daily balance for fiscal year 2023 and 0.057% for fiscal year 2022.
- The fair value of the Pool included an undistributed and net unrealized loss of \$436.6 million (2.81% of the portfolio fair value) as of June 30, 2023, compared to an undistributed and net unrealized loss of \$343.4 million (2.54% of the portfolio fair value) as of June 30, 2022.

Overview of the Financial Statements

The Pool's annual financial report consists of four parts: (1) management's discussion and analysis; (2) basic financial statements; (3) an investment section; and (4) a statistical section, which furnishes relevant statistical data of the Pool.

Management's discussion and analysis provided here is intended to serve as an introduction to the Pool's basic financial statements. The Pool's basic financial statements consist of two components: (1) basic financial statements; and (2) the notes to the basic financial statements.

Basic financial statements. The Pool provides a statement of net position and a statement of changes in net position.

The *statement of net position* presents financial information on all Pool assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Pool is improving or deteriorating.

The *statement of changes in net position* presents information showing changes in the Pool's net position during the most recent fiscal year. All changes in net position are reported when the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

Notes to the basic financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 15 to 24 of this report.

Other information. In addition to the basic financial statements, detailed investment information can be found on pages 27 to 36 of this report, and statistical data for the past ten years can be found on pages 39 to 43 of this report.

Overall Financial Analysis

San Diego County Investment Pool Condensed Statement of Net Position (In Thousands)

	2023	2022	Increase/(Decrease)	
			Amount	Percentage
Assets				
Investments at Fair Value	\$ 15,205,001	\$ 13,542,905	\$ 1,662,096	12.3%
Other Assets	495,670	54,864	440,806	803.5%
Total Assets	15,700,671	13,597,769	2,102,902	15.5%
Liabilities				
Distributions Payable and Accrued Expenses	139,846	34,854	104,992	301.2%
Total Liabilities	139,846	34,854	104,992	301.2%
Net Position Held in Trust for Pool Participants	\$ 15,560,825	\$ 13,562,915	\$ 1,997,910	14.7%

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Pool, assets exceeded liabilities by \$15,560,825 at the close of the most recent fiscal year.

In fiscal year 2023 there was a 12.3% growth of investments at fair value resulting from an increase in Pool participants' deposits plus strong property tax collections coupled with a rise in property tax assessments. The 803.5% increase to other assets is due to two factors: (1) accrued interest was \$76.2 million over the prior year because of higher earnings in 2023 for investments maturing after June 30, 2023; and (2) cash in the Pool's banks increased \$364.6 million at June 30, 2023. The bank balance increase was primarily to Cash with Fiscal Agents with the addition of US Bank, as paying agent for school districts' bond principal and interest payments. As of June 30, 2023, the balance with the paying agent bank was \$352.5 million. Please refer to the Investment Section on pages 27 to 36 for further details on investments.

The rising interest rate environment during the fiscal year was the primary driver for the 301.2% increase in liabilities. Interest earned on the Pool is distributed to Pool participants on a quarterly basis and the 4th quarter equated to approximately \$105.0 million more than the same quarter in fiscal year 2022. The 4th quarter interest is accrued at year-end and distributed in the next fiscal year's subsequent quarters.

**San Diego County Investment Pool
Statement of Changes in Net Position
(In Thousands)**

	2023	2022	Increase/(Decrease)	
			Amount	Percentage
Additions:				
Additions to Pool Investments	\$ 24,470,363	\$ 23,021,354	\$ 1,449,009	6.3%
Net Investment Income/(Loss)	286,924	(296,888)	583,812	196.6%
Total Additions	24,757,287	22,724,466	2,032,821	8.9%
Deductions:				
Deductions from Pool Investments	22,379,556	21,327,360	1,052,196	4.9%
Distributions to Participants	373,230	90,905	282,325	310.6%
Administrative Expenses	6,591	6,536	55	0.8%
Total Deductions	22,759,377	21,424,801	1,334,576	6.2%
Change in Net Position	1,997,910	1,299,665	698,245	53.7%
Net Position, Beginning of Year	13,562,915	12,263,250	1,299,665	10.6%
Net Position, End of Year	\$ 15,560,825	\$ 13,562,915	\$ 1,997,910	14.7%

The Statement of Changes in Net Position presents information on how the Pool's net position changed during fiscal year 2023. Key elements of the change between fiscal years 2023 and 2022 are as follows:

- Comparing fiscal year 2023 to fiscal year 2022, there was a higher rate of additions (inflows) than deductions (outflows) to the Pool. This resulted in an overall increase to Net Position of \$2.0 billion or 14.7% at June 30, 2023.
- The Pool experienced an 8.9% growth of \$2.03 billion in total additions over fiscal year 2022.
 - Approximately 76.0% of the Additions to Pool Investments were from new monies deposited primarily by County departments. A portion of this increase is due to property tax collections, which experienced growth of \$533 million over fiscal year 2022.
 - Both Pool voluntary participants and schools experienced fewer deposits to the Pool in fiscal year 2023, of \$305 million and \$658 million, respectively, over the prior year.
 - The \$584 million net investment income is comprised of the change in the fair value of investments of \$301 million and \$283 million of investment earnings and expenses. Unrealized gains and losses of securities are determined by taking the difference between amortized cost and the fair value of investments that resulted in in the \$301 million net increase in fair value of investments.
- The Pool experienced an increase in total deductions of \$1.33 billion which is a 6.2% increase over fiscal year 2022.
 - Deductions from Pool Investments, which are the withdrawals of invested funds by Pool participants, realized the largest growth over fiscal year 2022 of \$1.1 billion, or 4.9%.
 - Schools' deductions, primarily K thru 12, grew by \$727 million, which is approximately 76% of the Deductions from Pool Investments. This includes approximately \$76 million fewer debt service payments over fiscal year 2022.
 - Voluntary participants experienced fewer deductions of approximately 35%, or \$335 million, in fiscal year 2023.

- Deductions from County departments increased approximately 5% from 2022, which includes a 7% increase in tax-related withdrawals.
- Interest earned on investments experienced an increase in fiscal year 2023 due to the rise in interest rates and the subsequent distribution of these earnings to Pool participants was approximately \$282.3 million more than in fiscal year 2022.

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

The Pool is managed for the sole benefit of its participants. All income is accrued quarterly after deducting investment and administrative costs. Distributions to participants reflect the realized interest income accrued during the fiscal year. The Pool, in practice, holds investments to maturity, based on a detailed cash flow analysis. Therefore, any unrealized gains or losses as a result of fair value fluctuations are not reflected in the distributions to participants.

Requests for Information

This financial report was designed to provide a general overview of the Pool finances for all those interested. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the San Diego County Treasurer-Tax Collector, 1600 Pacific Highway, Room 112, San Diego, California 92101.

BASIC FINANCIAL STATEMENTS

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San Diego County Investment Pool
Statement of Net Position
June 30, 2023
(In Thousands)

ASSETS

Investments at Fair Value:	
Pass-Through Securities	\$ 815,820
U.S. Government Agencies:	
Federal Agricultural Mortgage Corporation	221,033
Federal Farm Credit Bank Notes	730,860
Federal Home Loan Bank Notes	905,701
Federal Home Loan Mortgage Corporation Notes	611,424
Federal National Mortgage Association Notes	657,171
Tennessee Valley Authority	24,597
U.S. Treasury Notes	1,349,779
Supranationals	900,394
Commercial Paper	3,237,962
Medium-Term Notes	398,668
Local Agency Investment Fund	2
Local Government Investment Pools	535,392
Money Market Mutual Funds	79,500
Municipal Bonds	509,722
Negotiable Certificates of Deposit	4,226,976
Total Investments at Fair Value	<u>15,205,001</u>
Other Assets:	
Cash on Hand and in Banks	388,736
Receivables	106,934
Total Assets	<u><u>15,700,671</u></u>

LIABILITIES

Distributions Payable	137,740
Accrued Expenses	2,106
Total Liabilities	<u>139,846</u>
Net Position Held in Trust for Pool Participants	<u><u>\$ 15,560,825</u></u>

See accompanying Notes to the Basic Financial Statements.

San Diego County Investment Pool
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2023
(In Thousands)

ADDITIONS

Additions to Pooled Investments	\$ 24,470,363
Investment Income:	
Net Decrease in Fair Value of Investments	(93,233)
Investment Earnings	380,928
Less Investment Expenses	(771)
Net Investment Income	286,924
Total Additions	24,757,287

DEDUCTIONS

Deductions from Pooled Investments	22,379,556
Distributions to Participants	373,230
Administrative Expenses	6,591
Total Deductions	22,759,377
Change in Net Position	1,997,910
Net Position Held in Trust for Pool Participants:	
Beginning of Year	13,562,915
End of Year	\$ 15,560,825

See accompanying Notes to the Basic Financial Statements.

**San Diego County Investment Pool
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the San Diego County Investment Pool (Pool) have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body of establishing governmental accounting and financial reporting principles. The more significant of the Pool accounting policies are described below.

A. Reporting entity

The Pool was originally formed in 1853 by the County Board of Supervisors (Board) to invest the assets of the County of San Diego (County) and other external parties. The Pool is a part of the County and is responsible for approximately \$15.6 billion in investments as of June 30, 2023. The Pool is administered by the Treasurer-Tax Collector, an elected office that is responsible for tax collection, banking, investment, disbursement, and accountability of public funds and is managed by the County Treasurer's Office (Treasury) on behalf of the Pool participants.

Participants of the Pool include the County, local school districts, local community colleges, other special districts and cities. The school districts are required by State statute to deposit their funds with the Treasury. Mandatory participants in the Pool comprise the majority of the Pool's assets, at 95.91%. Please refer to the Pool Participant List in the Investment Section on page 35. All participants comply with the same requirements per the Treasurer's Pooled Money Investment Policy (Investment Policy). The State of California gives the Board the ability to delegate the investment authority to the Treasury in accordance with Section 53607 of the California Government Code (Government Code).

Pursuant to Sections 27130-27137 of the Government Code, the Board has established the Treasury Oversight Committee (TOC) which monitors and reviews the Investment Policy. The TOC consists of three Ex-officio positions of the County, a Board representative, and five members of the public, representing a City Official, a Special District Official, a School Official, and two members of the public having expertise in public finance per the Government Code. The Investment Policy requires a financial audit to be conducted annually on a fiscal year basis, which includes limited tests of compliance with laws and regulations, with the duty of the TOC to review the audit. The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The Pool does not have any legally binding guarantees of share values.

B. Pool basic financial statements

The basic financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all activities of the Pool.

C. Measurement focus, basis of accounting, and basic financial statements presentation

The accompanying basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The accompanying basic financial statements present only the statement of net position and statement of changes in net position of the Pool and are not intended to present fairly the financial position and changes in financial position of the County as a whole in conformity with accounting principles generally accepted in the United States (GAAP).

San Diego County Investment Pool
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2023

Contributions from Pool participants are recognized as contributions in the period in which they are received and distributions to Pool participants are recognized in the period in which they are allocated.

Earnings on investments are recognized as revenue in the period in which they are earned, and administrative costs are recognized as expenses when incurred, regardless of the timing of the related cash flows. In accordance with GAAP, the Pool records investment purchases and sales on the trade settlement date. Pool participants' cash balances and withdrawals are based on the cost on the trade settlement date, while 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* (GASB Statement No. 31) and GASB Statement No. 72, *Fair Value Measurement and Application* (GASB Statement No. 72), the accompanying basic financial statements reflect the fair value of investments. Specific disclosures related to GASB Statement No. 31 and GASB Statement No. 72 appear in Note II.C. Pool participants' cash balances and withdrawals are based on cost. Pool revenue/loss distribution is shared on a pro-rata basis with Pool participants. Pool revenue/loss distribution is performed quarterly, net of administrative costs authorized by Government Code Section 27013. This method used to determine participants' shares sold and redeemed differs from the method used to report investments.

D. Distributions payable

The Treasury calculates and records all interest earned, received, and accrued for the Pool on a monthly basis. Gains or losses as a result of fair value fluctuations are not reflected in the apportionment to Pool participants unless a security is actually sold. Income earned on the pooled investments is apportioned quarterly based on the average daily balance of each Pool participant. Accrued expenses represent the administrative fees for the last quarter of fiscal year 2023.

E. Use of estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ from the estimates.

II. CASH AND INVESTMENTS

Cash and investments consisted as follows on June 30, 2023 (in thousands):

Investment Type	Fair Value
Cash - demand deposits	\$ 388,736
Investments	15,205,001
Total cash deposits and investments	<u>\$ 15,593,737</u>

A. Cash deposits

As of June 30, 2023, the Pool maintained accounts in JP Morgan Bank and US Bank. The table on the next page includes the carrying amount of the Pool's total deposits and the bank balance. The difference between the carrying amount and the bank balance includes temporary reconciling items such as outstanding checks and deposits in transit.

San Diego County Investment Pool
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2023

Cash Deposits		
	Carrying Amount	Bank Balance
JP Morgan Bank	\$ 36,232,675	\$ 29,784,175
US Bank	352,503,747	352,503,747
	\$ 388,736,422	\$ 382,287,922

Government Code Section 53652 et. seq. and the Investment Policy prescribe the amount of collateral that is required to secure the deposit of public funds. Federal Deposit Insurance Corporation (FDIC) insurance is available for funds deposited at any one insured depository institution for up to a maximum of \$250,000 for demand deposits and up to a maximum of \$250,000 for time and savings deposits. The aforementioned Government Code and Investment Policy require that depositories collateralize public funds with securities having a fair value of at least 10% in excess of the total amount of the deposits. These securities shall be placed in the institution's pooled collateral account and monitored by the State Treasurer of California or a mutually agreed upon third party custodian bank. At June 30, 2023, \$381,787,922 was collateralized with securities held by a depository agent on behalf of the Pool, or held in trust at US Bank.

Deposits held at US Bank represent funds held for school district debt service payments. These funds are held in trust by US Bank, as Paying Agent for school district debt, and are not required to be collateralized nor insured. Under the terms of the Paying Agent Agreement, transfer of debt services funds to US Bank is required one business day before bond principal and/or interest is paid to bondholders.

B. Investments

The Pool's cash and investments are invested pursuant to Investment Policy guidelines established by the County Treasurer. As permitted by the Government Code, the Treasury developed, and the Board adopted, an Investment Policy that further defines and restricts the limits within which the Treasury may invest. The investments are managed by the Treasury, which publicly posts investment activity for the Board on a monthly basis. Government Code Sections 53601 and 53635 authorize the Treasury to invest the Pool funds (Note I) in obligations further defined in Note II.D.

C. Fair value measurements

Investments are stated at fair value and are valued on a monthly basis. The Treasury categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. This pronouncement establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement.

The GASB Statement No. 72 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

San Diego County Investment Pool
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2023

unobservable inputs (Level 3 measurements). The three levels of 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.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies including:

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

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

The Treasury does not value any of its investments using Level 1 or Level 3 inputs. Money market mutual funds and local government investment pool (LGIP) funds are not subject to the fair value hierarchy.

The Treasury uses the market approach as a valuation technique in the application of GASB Statement No. 72. This method uses prices and other relevant information generated by market transactions involving identical or comparable assets or groups of assets.

The following table summarizes the Pool recurring fair value measurements and fair value hierarchy as of June 30, 2023 (in thousands):

	June 30, 2023	Fair Value Measurements		
		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				
Pass-Through Securities	\$ 815,820	\$ -	\$ 815,820	\$ -
U.S. Government Agencies	3,150,786	-	3,150,786	-
U.S. Treasury Notes	1,349,779	-	1,349,779	-
Supranationals	900,394	-	900,394	-
Commercial Paper	3,237,962	-	3,237,962	-
Medium-Term Notes	398,668	-	398,668	-
Municipal Bonds	509,722	-	509,722	-
Negotiable Certificates of Deposit	4,226,976	-	4,226,976	-
Total investments by fair value level	14,590,107	\$ -	\$ 14,590,107	\$ -
Investments not subject to the fair value hierarchy				
Money Market Mutual Funds	79,500			
Local Government Investment Pools	535,392			
Local Agency Investment Fund	2			
Total investments	\$ 15,205,001			

San Diego County Investment Pool
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2023

Investment securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

D. Risk Disclosures

In conjunction with the discussion below concerning investment risks, please refer to the Investment Statistics Table in the Investment Section on page 34.

1. Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

To mitigate the effect of interest rate risk, the Pool maintains a laddered portfolio in compliance with the Investment Policy, which requires at least 15% of securities to mature within 90 days and at least 35% of securities to mature within one year. In addition, the Pool limits the maximum effective duration of the portfolio to 2 years. As of June 30, 2023, the Pool was in full compliance with all provisions of the Investment Policy.

Actual weighted average days to maturity (WAM) by investment type is presented in the table below (in thousands):

Investment Type	Fair Value	Maturity Range	WAM	% of Portfolio
Investments:				
Pass-Through Securities	\$ 815,820	04/22/2024 - 03/15/2028	1300	5.37%
U.S. Government Agencies:				
Federal Agricultural Mortgage Corporation (FAMC)	221,033	07/30/2027 - 05/26/2028	1573	1.45%
Federal Farm Credit Bank (FFCB)	730,860	10/02/2023 - 05/30/2028	846	4.81%
Federal Home Loan Bank (FHLB)	905,701	02/13/2024 - 06/28/2027	981	5.96%
Federal Home Loan Mortgage Corporation (FHLMC)	611,424	08/24/2023 - 12/01/2025	445	4.02%
Federal National Mortgage Association (FNMA)	657,171	09/12/2023 - 12/17/2025	688	4.32%
Tennessee Valley Authority (TVA)	24,597	03/15/2028 - 03/15/2028	1720	0.16%
U.S. Treasury Notes	1,349,779	07/31/2023 - 06/30/2027	785	8.88%
Supranationals	900,394	09/27/2023 - 06/30/2027	568	5.92%
Commercial Paper	3,237,962	07/10/2023 - 01/03/2024	117	21.30%
Medium-Term Notes	398,668	04/13/2024 - 11/30/2025	560	2.62%
Local Agency Investment Fund	2	N/A	0	0.00%
Local Government Investment Pools	535,392	N/A	0	3.52%
Money Market Mutual Funds	79,500	N/A	0	0.52%
Municipal Bonds	509,722	08/01/2023 - 05/15/2028	780	3.35%
Negotiable Certificates of Deposit	4,226,976	07/03/2023 - 07/17/2024	138	27.80%
Total Investments	\$ 15,205,001		450	100.00%

San Diego County Investment Pool
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2023

Government Code Section 53601 indicates that when there is no specific limitation on the term or remaining maturity at the time of the investment, then no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

2. Custodial credit risk

Custodial credit risk for investments is the risk that the Treasury, in the event of the failure of the counterparty to a transaction, will not be able to recover the value of investment securities or collateral securities that are in the possession of another party. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Treasury and are held by either the counterparty, or the counterparty's trust department or agent. At June 30, 2023, all Pool securities were either held by the Treasury or by the custodian bank in the name of the Treasury.

The Investment Policy requires that securities purchased from any bank or dealer including appropriate collateral (as defined by California State Law), not insured by FDIC, shall be placed with an independent third party for custodial safekeeping. Securities purchased by the Pool are held by a third-party custodian, The Northern Trust Company, in its trust department to mitigate custodial credit risk.

For sweep (deposit) accounts, the Treasury utilizes national or state-chartered banks where amounts exceeding the FDIC insurance limit are invested in repurchase agreements that are collateralized by U.S. Treasury and Federal Agency securities equal to or greater than the deposit amount in accordance with Government Code.

As of June 30, 2023, the Treasury invested in primarily high-quality investments as shown below:

Credit Ratings	% of Total Investments
AAA	12.66%
AA+	26.79%
AA	0.63%
AA-	0.64%
A-1+	15.01%
A-1	32.93%
A-	2.07%
NR(1)	9.27%
Total	100.00%

Standard and Poor's (S&P) Ratings [includes all ratings in this category (e.g., AAA, A, A+)].

Note 1: There are instances when Inter-American Development Bank (IADB) issues a security with no rating but the security will have all of the protections of a rated security.

**San Diego County Investment Pool
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2023**

3. Credit risk

Investments are subject to credit risk when there is the possibility that the issuer, or other counterparty to an investment, will not fulfill its obligations, or that negative perceptions of the issuer's ability to make these payments will cause the price to decline.

The Investment Policy, which is more restrictive than the Government Code, places a minimum standard on the ratings of investments held in the Pool. Investments in securities other than those guaranteed by the U.S. Treasury or Government Sponsored Enterprises must have a credit rating of no less than "A" for long-term or "F1" for short-term. Nonrated securities include sweep accounts and repurchase agreements. Sweep accounts and collateralized certificates of deposit must be FDIC insured and collateralized with securities held by a named agent of the depository. Repurchase agreements are collateralized by securities, authorized by Government Code Section 53601, having a fair value of at least 102% of the amount of the repurchase agreement. The Pool did not have any repurchase agreements in its portfolio as of June 30, 2023.

The Pool's rating was affirmed at 'AAAf/S1' by Fitch Ratings, Inc. (Fitch) 'AAAf' is the top rating possible for a local government investment pool and indicates the Pool's portfolio contains securities of the highest underlying credit quality. The 'S1' volatility rating signifies the Pool possesses very low sensitivity to market risk, given its conservative investment policies.

Credit quality based on Fitch's Fund Credit Quality Rating is presented below and in detail in the Investment Section on page 34:

	<u>Pool Rating at June 30, 2023</u>	<u>Minimum Investment Policy Ratings at Time of Purchase</u>
Overall credit rating	AAAf/S1	
Short-term		F1
Long-term		A

4. Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. This occurs when there is a lack of diversification or having too much invested in a few individual issuers. As disclosed in the table on the next page, the Treasury maintains an Investment Policy that establishes thresholds for holdings of individual securities. The Pool did not have any holdings meeting nor exceeding the allowable threshold levels as of June 30, 2023.

San Diego County Investment Pool
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2023

Investment Type	Maximum Maturity		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating	
	Gov. Code	Invest. Policy	Gov. Code	Invest. Policy	Gov. Code	Invest. Policy	Gov. Code	Invest. Policy
U.S. Treasury Obligations	5 years	5 years	None	None	None	None	None	None
Agency Obligations	5 years	5 years	None	None	None	35%	None	None
Local Agency and State Obligations ¹	5 years	5 years	None	30%	None	10%	None	A
Bankers' Acceptances	180 days	180 days	40%	40%	30%	5%	None	A-1
Commercial Paper ^{2,3}	270 days	270 days	40%	40%	10%	10%	A-1	A-1
Negotiable Certificates of Deposit ^{1,3}	5 years	5 years	30%	30%	30%	10%	None	A
Repurchase Agreements ⁴	1 year	1 year	None	40%	None	Note	None	None
Reverse Repurchase Agreements	92 days	92 days	20%	20%	20%	10%	None	None
Securities Lending	92 days	92 days	20%	20%	20%	10%	None	None
Medium-Term Notes ^{1,3}	5 years	5 years	30%	30%	30%	10%	A	A
Collateralized Certificates of Deposits ⁵	N/A	13 months	None	5%	None	5%	None	None
FDIC & NCUA Insured Deposit Accounts	N/A	13 months	None	5%	None	5%	None	None
Covered Call Option/Put Option	N/A	90 days	None	10%	None	None	None	None
Money Market Mutual Funds ⁶	N/A	N/A	20%	20%	10%	10%	AAAm	AAAm
Local Government Investment Pools (LGIP)	N/A	N/A	None	5%	None	None	AAAm	AAAm
Local Agency Investment Fund (LAIF) ⁷	N/A	N/A	None	5%	None	None	None	None
Pass-Through Securities	5 years	5 years	20%	20%	20%	10%	AA	AA
Supranationals ⁸	5 years	5 years	30%	30%	30%	10%	AA	AA

¹For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one Nationally Recognized Statistical Rating Organization (NRSRO). For securities with maturities greater than 13 months, the rating must be "A" or higher by at least one NRSRO.

²Government Code Section 53635(a)(1-2) specifies percentage limitations for this security type for county investment pools.

³Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 10% of the fund value, inclusive of any other non-Commercial Paper, Medium-Term Notes, or Negotiable CD Investments.

⁴Maximum Exposure Per Broker/Dealer - The maximum exposure to a single Repurchase Agreement (RP) broker/dealer shall be 10% of the portfolio value when the dollar-weighted average maturity is greater than five days or 15% of the portfolio when the dollar-weighted maturity is five days or less.

⁵Institutions at or above the highest short-term rating category (without regard to qualifications of such rating symbol such as "+" or "-") by at least one NRSRO may pledge mortgage-based collateral for County deposits.

⁶Money Market Mutual Fund ratings must be in the highest rating category by at least two NRSROs.

⁷Local Agency Investment Fund (LAIF) is an unrated fund.

⁸The following institutions are considered "Supranationals": International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC) and Inter-American Development Bank (IADB).

As of June 30, 2023, with the exception of investments that are explicitly guaranteed by the U.S. Government and investments in mutual funds, the Pool did not have any investments with more than 5 percent of the total investments under one issuer except for the following securities (in thousands):

San Diego County Investment Pool
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2023

<u>Investment</u>	<u>Fair Value</u>	<u>% of Pool</u>
Toronto Dominion Bank	\$ 1,006,313	6.61%
Bank of Nova Scotia Houston	971,794	6.39%
Federal Home Loan Bank (FHLB)	905,700	5.95%
Bank of Montreal Chicago	864,122	5.68%
Natixis NY Branch	840,741	5.52%

The Pool's holdings of Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) securities are issued by agencies that remain under conservatorship by the Director of the Federal Housing Agency. The U.S. Government does not guarantee, directly or indirectly, the securities of the Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), nor the Tennessee Valley Authority (TVA).

5. Foreign currency risk

The Pool does not have foreign currency risk as all investments in the Pool are in U.S. dollar-denominated assets.

E. Investment income

Pool investments are accounted for in accordance with the provisions of GASB Statement No. 31 which requires governmental entities to report certain investments at fair value in the Statement of Net Position and the change in value in the year in which the change occurred. The fair value fluctuates with interest rates and increasing rates could cause the value of investments to decline below the original cost. Treasury management believes the liquidity in the portfolio is more than adequate to meet cash flow requirements and to preclude the Treasury from having to sell investments below the original cost for that purpose.

Pool Income	
(In Thousands)	
Investment Earnings	\$ 380,928
Net Decrease in Fair Value	(93,233)
Less: Investment Expenses	(771)
Total Pool Income/(Loss)	\$ 286,924

For fiscal year 2023, the Pool's investment earnings totaled \$380.9 million. During the same period, the net decrease in the value of investments was \$93.2 million, which includes all changes (realized and unrealized) during the fiscal year. The GASB Statement No. 31 fair value adjustment on investments held as of June 30, 2023, was an unrealized loss of \$436.6 million.

Government Code Section 27013 authorizes the Treasury to deduct operational costs related to investments. All income is distributed quarterly to Pool participants after deducting these operational costs. Unrealized gains or losses as a result of fair value fluctuations are not reflected in the earnings distribution to participants.

**San Diego County Investment Pool
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2023**

III. INTEREST RECEIVABLE

Interest receivable consists of interest accrued on investments including interest purchased with certain securities. At June 30, 2023, the Pool had \$106.9 million of interest receivable.

IV. INTEREST APPORTIONMENT

Earnings realized on investments based on amortized cost are distributed to Pool participants on a cash basis and are reported using the accrual basis of accounting. Section 27013 of the Government Code authorizes the Treasury and the Auditor and Controller's Office to deduct administrative fees related to investments. Please refer to the Schedule of Expenses in the Statistical Section on page 41. The net realized earnings on investments are apportioned to Pool participants quarterly, based on the participants' average daily balances. During fiscal year 2023, the Pool recognized \$373.2 million of investment earnings for distribution, compared to the previous year's amount of \$90.9 million. These investment earnings, net of deducted administrative fees and accrued interest, are classified as distributions to participants on the Statement of Changes in Net Position and are reinvested in the Pool.

V. POOL COMPOSITION

As of June 30, 2023, the Pool participants by percentage of net position consist of:

Participant	% of Pool
County Funds	32.50%
K-12 School Districts	52.37%
Community Colleges	11.04%
Voluntary Depositors	6.90%
Undistributed and Unrealized Loss	-2.81%
Total	100.00%

VI. RELATED PARTY

The County portion of the Pool's net position as of June 30, 2023, was \$5.1 billion. Certain costs allocated by the County to the Pool include salaries and benefits, services and supplies, and overhead and equipment totaling \$7.4 million for fiscal year 2023.

VII. SUBSEQUENT EVENT

The County Treasurer-Tax Collector has evaluated the Pool's net position and changes in net position through November 3, 2023, the date on which the Pool's financial statements were available to be issued. On October 4, 2023, the Pool's rating was affirmed at 'AAAf/S1' by Fitch Ratings, Inc. 'AAAf' is the top rating possible for a local government investment pool and indicates the Pool's portfolio contains securities of the highest underlying credit quality. The 'S1' volatility rating signifies the Pool possesses very low sensitivity to market risk, given its conservative investment policies.

INVESTMENT SECTION

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I. REPORT ON INVESTMENT ACTIVITIES

During fiscal year 2023, the San Diego County Investment Pool's (Pool) investment activities included the following:

- The Pool maturity structure has remained in compliance with the San Diego County (County) Treasurer's Pooled Money Investment Policy (Investment Policy), which requires 15% of securities to mature within 90 days and no less than 35% to mature within one year. As of June 30, 2023, the Pool had 55.41% of investments maturing in less than one year;
- The Pool had a decrease in weighted average days to maturity from 552 days at June 30, 2022 to 450 days at June 30, 2023;
- The Pool's total net position increased by 14.7% from \$13.6 billion on June 30, 2022 to \$15.6 billion on June 30, 2023;
- Undistributed and unrealized losses were \$343.4 million at June 30, 2022, compared to an undistributed and unrealized loss of \$436.6 million at June 30, 2023;
- The weighted average effective yield to maturity (annualized) of the Pool increased from 1.25% at June 30, 2022 to 3.50% on June 30, 2023;
- The Pool's expense ratio decreased from 0.057% of the average daily balance in fiscal year 2022 to 0.052% for fiscal year 2023; and
- The Pool maintained an 'AAAf/S1' rating by Fitch Ratings, Inc., a nationally recognized statistical rating organization (NRSRO).

II. OUTLINE OF THE INVESTMENT POLICY

The Pool is managed in accordance with prudent money management principles and California Government Code Sections 27000.1 – 27000.5, 27130 – 27137, and 53600 – 53686.

The primary objectives, in priority order, of the Pool investment activities are:

1. **Safety:** Safeguard the principal of the funds under the control of the Treasurer's Office (Treasury), with the goal of mitigating credit risk and interest rate risk;
2. **Liquidity:** The portfolio shall remain sufficiently liquid to meet the needs of participants; and
3. **Return on investments:** The 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.

On an annual basis, the County Treasury Oversight Committee (TOC) reviews the Investment Policy. 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 liquidity. The Investment Policy includes a detailed section on terms and conditions for voluntary participants' deposits and withdrawal of funds from the Pool.

The investment staff actively manage the Pool and serve as fiduciaries and are subject to the prudent investor standard. Authority to execute investment transactions is limited to the following:

- Treasurer-Tax Collector
- Assistant Treasurer-Tax Collector
- Chief Deputy Treasurer
- Chief Investment Officer
- Investment Officers

Major components of the Investment Policy are as follows:

General Strategy: The Investment Policy authorizes the use of a buy and hold investment strategy, where securities are purchased with the intent of holding them to maturity. The investment staff will update the TOC on its asset allocation and investment strategy at its regularly scheduled meetings. Securities may be sold prior to maturity when deemed prudent.

Credit Ratings: Minimum credit ratings are set forth in the Investment Policy for each type of security. These credit limits apply to the initial purchase of a security and do not automatically force the sale of a security if the credit ratings of the security fall below the Investment Policy limits. The Investment Policy also sets forth procedures to monitor credit ratings. To ensure the Pool maintains the highest overall credit rating with the contracted NRSRO, the asset allocation and portfolio holdings will be provided to the contracted NRSRO on a monthly basis.

Internal Controls: The Chief Deputy Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the Pool assets are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

Reporting: The Investment Policy requires an independent audit to be conducted annually by an external auditor to determine if the Treasury is in compliance with the Investment Policy, other internal policies and procedures, and the California Government Code. In addition, a monthly investment report is required to be posted on the County Treasurer-Tax Collector's website.

Permissible Investments: California Government Code Sections 53601, 53601.1, 53601.2, 53601.8, 53635, 53635.8, 53637, 53638, 53651, 53652, and 53653 address permissible investments. The Investment Policy addresses individual investment categories.

Qualified Brokers and Dealers: In order to minimize risk in executing security transactions under the Investment Policy, security transactions will be made only through qualified dealers. Money market mutual fund, Local Government Investment Pool (LGIP) and Local Agency Investment Fund (LAIF) transactions will be executed directly with the issuing entity.

Delegation of Investment Authority to the County Treasurer: The Board of Supervisors (Board) has the ability to delegate investment authority to the County Treasurer for a one-year period and requires annual renewal.

Safekeeping Authority: Board Resolution 109, adopted September 29, 1959, delegated the deposit for safekeeping authority to the County Treasurer. In exercising this function, the County Treasurer has prescribed requirements on depositories and the County Treasurer's Continuity of Operations Plan (COOP) addresses contingency plans in the event of a disaster.

External Oversight: The Investment Policy requires an independent third-party investment advisor to provide oversight and compliance monitoring. The Treasury utilized Chandler Asset Management for this purpose. Additionally, Fitch Ratings, Inc. has been retained to fulfill the NRSRO requirement to provide a rating for the Pool.

Cost and Earnings Apportionment: The Investment Policy provides detail of the manner in which Pool participants will be allocated interest.

Terms and Conditions for Depositing Funds by Voluntary Participants: California Government Code Section 53684 allows local agencies, upon adoption of a resolution by a governing body, the option of depositing excess funds in the Pool.

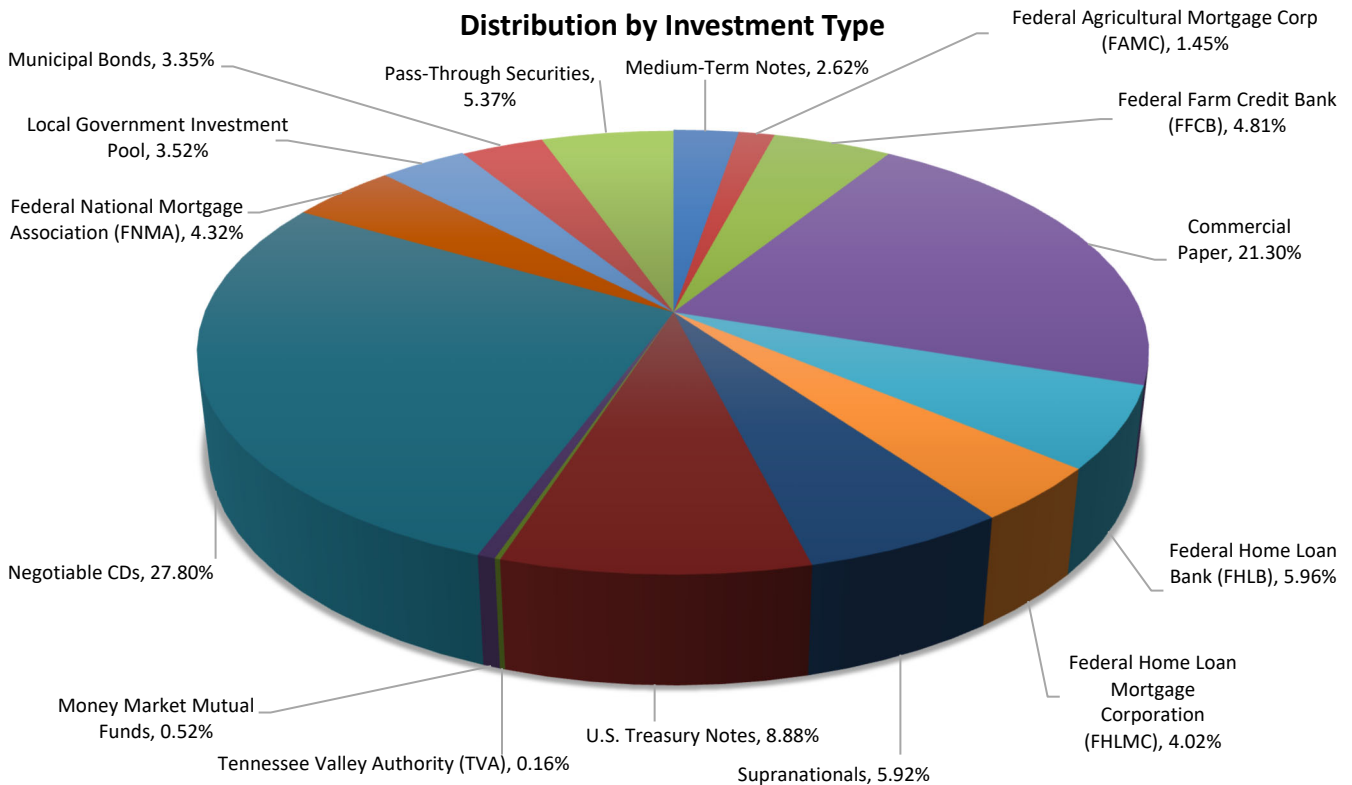
III. RISK PROFILE

The three main risk factors for the Pool are credit, liquidity and interest rate exposure. The credit limits of investments held by the Pool meet the requirements of the Investment Policy and the California Government Code. See the Notes to the Basic Financial Statements for more detail on risks of the Pool.

IV. INVESTMENT RESULTS

The objective of the Pool is to preserve capital, maintain liquidity and earn income. The County Treasury Investment Group (Investment Group) maintains a conservative approach to managing the Pool’s credit risk. Specifically, the Pool invests in high quality credits and utilizes a maturity-tiering strategy that limits counterparty exposure. For maturities greater than three years, the Pool primarily invests in U.S. treasury notes, U.S. government agency securities, supranationals and other AAA-rated securities.

The investment distribution at June 30, 2023, is provided in the chart below:

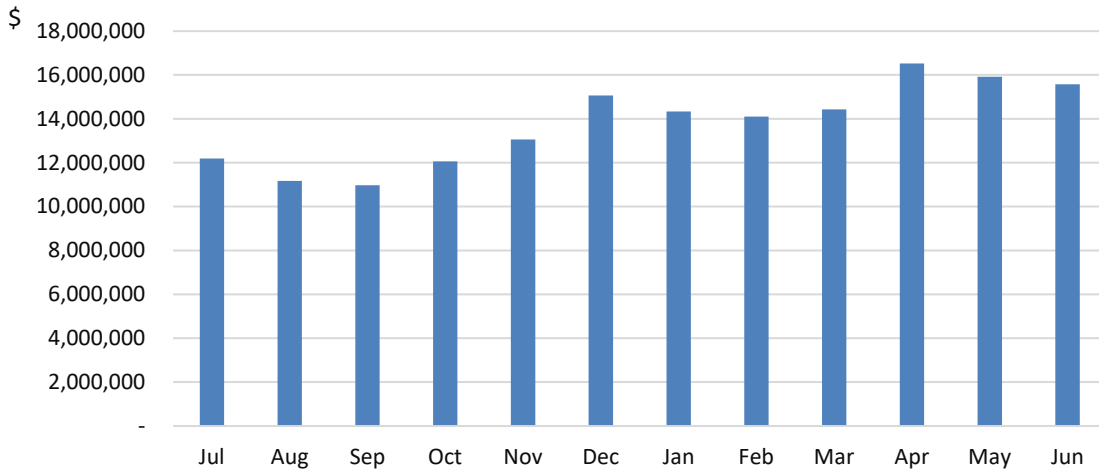


Note: LAIF is less than .01% and not presented in this chart.

A complete list of current and historical Pool holdings is available on the Treasurer-Tax Collector’s website at www.sdttc.com.

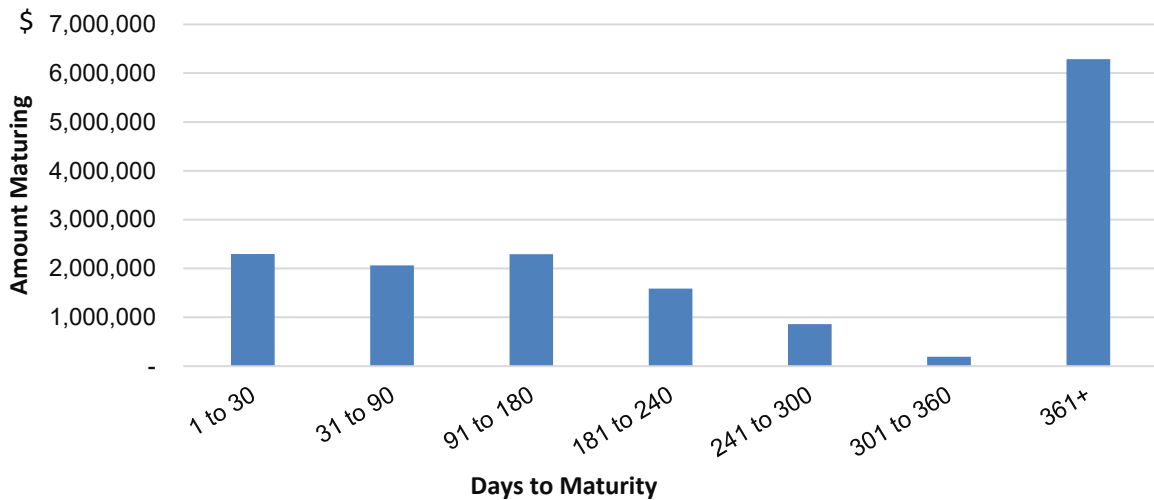
Balances fluctuated from a month-end low of \$11.0 billion in September 2022 to a month-end peak of \$16.5 billion in April 2023 as shown in the table below:

Fiscal Year 2023 Investment Balances (in thousands)



The Treasury uses a ladder approach for Pool maturity to maintain adequate cash balances and generally reinvests unspent liquidity in money markets to cover liquidity needs over the next few days. When there is a large unspent balance, the Treasury will invest in a security for future liquidity needs. The table below provides a snapshot at June 30, 2023 of investments maturing within the next 30 days, in 60-day increments through 360 days, and 361 days through 5 years:

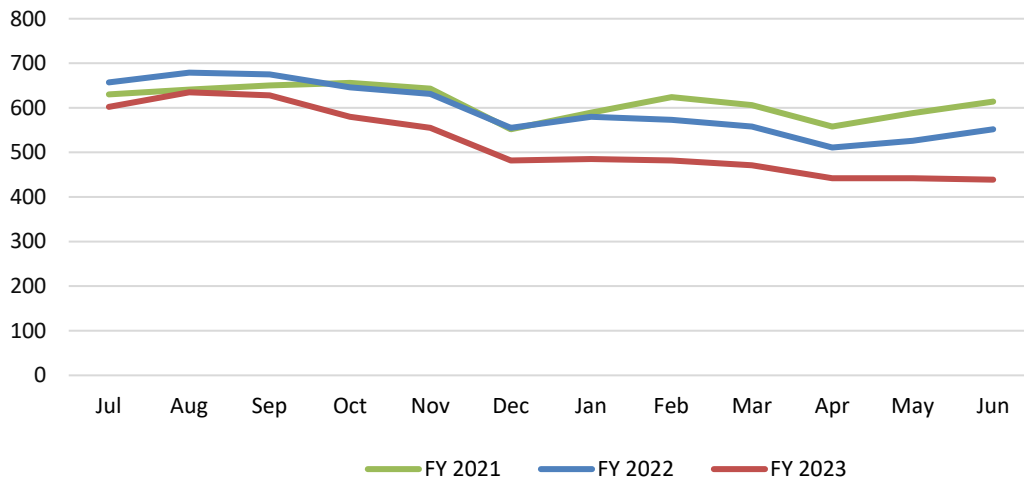
Maturity Analysis (in thousands)



The apportionment rate during fiscal year 2023 was 2.63%. The apportionment 3-year average return was 1.44%, and the apportionment 5-year average return was 1.71%.

The monthly average days to maturity fluctuated from 439 days to 635 days in fiscal year 2023. The three-year average days to maturity by month are shown in the chart below:

Average Days to Maturity FY 2021-2023



During fiscal year 2023, the Federal Reserve (Fed) raised the target range for the federal funds rate to 5.00% - 5.25%. As a result of the rising interest rate environment, the yield on the Pool increased in fiscal year 2023. The Pool's yield to maturity increased by 225 basis point (bps) during the year, with the yield at 3.50% as of June 30, 2023.

The table below reflects the effective yield of the Pool over the past five fiscal years versus the benchmark indices.

Effective Yields For the Last Five Fiscal Years

Fiscal Year	Effective Yield	Change From Previous Year
2023	2.69%	1.92%
2022	0.77%	-0.21%
2021	0.98%	-1.04%
2020	2.02%	-0.24%
2019	2.26%	0.68%
3-year average	1.48%	N/A
5-year average	1.74%	N/A

Investment Benchmarks	1 Year	3 Year	5 Year
<i>Local Agency Investment Fund Benchmark</i>	2.17%	1.01%	1.45%
<i>0-2 Yr U.S. Treasury Index</i>	1.83%	0.16%	1.27%

The following schedule of investment results presents the weighted average effective yields for each major category of investments.

Investment Type	Weighted Average Effective Yields ^{1,2,3,4}		
	1 Year	3 Years	5 Years
Pass-Through Securities	3.41%	2.17%	2.23%
U.S. Government Agencies	1.40%	1.17%	1.47%
U.S. Treasury Notes	1.14%	1.09%	1.31%
Supranationals	1.51%	0.71%	0.85%
Commercial Paper	5.42%	2.33%	2.18%
Medium-Term Notes	2.16%	1.92%	2.23%
Negotiable Certificates of Deposit	5.32%	2.22%	2.46%
Local Agency Investment Fund (LAIF)	3.26%	1.24%	0.75%
Local Government Investment Pools (LGIP)	5.20%	1.98%	1.30%
Municipal Bonds	2.05%	1.47%	1.26%
Money Market Mutual Funds	5.02%	2.15%	1.77%
Total Pool	3.50%	1.83%	1.89%

¹ Excluding bank balances

² Before Administrative Expense

³ LGIPs were combined with Money Market Mutual Funds prior to fiscal year 2020.

⁴ The Pool did not invest in Municipal Bonds during fiscal years 2015 - 2019.

LIST OF LARGEST ASSETS HELD:

Schedule of Top Ten Holdings June 30, 2023 (In thousands)

Security Name	Type	CUSIP No.	Par Value	Fair Value
California Asset Mgmt Program	Local Gov Investment Pool	90CAMP\$00	\$ 535,392	\$ 535,392
Bank of America Securities	Commercial Paper	06054PZF6	295,000	287,945
Svenska Handelsbanken NY	Negotiable CD	86959RZ60	270,000	269,384
Bank of Nova Scotia Houston	Negotiable CD	06417MP66	250,000	250,006
BNP Paribas Discount CP	Commercial Paper	09659CWV6	216,000	213,181
Bank of Nova Scotia Houston	Negotiable CD	06417MM69	210,000	210,001
Toronto Dominion Bank Yankee	Negotiable CD	89115BLB4	200,000	199,999
Canadian Imperial Bank Yankee	Negotiable CD	13606KNR3	200,000	199,986
Bank of Montreal Chicago	Negotiable CD	06367D5N1	175,000	174,341
Toronto Dominion Bank Yankee	Negotiable CD	89115BH86	167,000	166,929

A complete list of current and historical Pool holdings is available on the Treasurer-Tax Collector's website at www.sdttc.com.

SCHEDULE OF EXPENSES:

Fees charged to the Pool include both investment and administrative costs as shown below:

Schedule of Expenses by Category (In thousands)

<u>Category</u>	<u>6/30/2023</u>
Investment Expenses	
Banking Expenses	\$ 302
Custodial Expenses	114
Application Expenses	355
Total Investment Expenses	<u>771</u>
Administrative Expenses	
Computer Related Expenses	188
Salaries and Benefits	4,891
Services and Supplies	501
Department Overhead	422
External Overhead	369
Auditor & Controller Allocated Cost	220
Total Administrative Expenses	<u>6,591</u>
Total Expenses	<u>\$ 7,362</u>

Expenses are charged to Pool participants net of interest earnings and allocated on a quarterly basis. Total expenses were less than one percent of the Pool's investment balance at June 30, 2023. The interest earned by each Pool participant is proportionate to their average daily balance. Prior to distribution, expenses incurred by the County are deducted from the realized earnings of the Pool. The Pool's expense ratio for fiscal year 2023 was 0.052% of the average daily balance. The apportionment rate is calculated approximately two weeks following the end of each calendar quarter. Apportionments are not paid out by warrant; instead, all earnings are reinvested in the Pool and allocated to each participant for the benefit of all Pool participants.

V. LEVERAGE EXPOSURE

The Pool is authorized to leverage exposure up to 20% of the portfolio value through the use of Reverse Repurchase Agreements (RRP) and securities lending. There were no RRP's or securities lending transactions in fiscal year 2023.

The Investment Statistics table on the next page provides a detailed listing of the Pool diversification, yields by type of securities, and weighted average maturities as of June 30, 2023.

Investment Statistics
June 30, 2023
(In thousands)

Investment Type ¹	% of Portfolio	Book Value	Par Value	Market Price	Fair Value	WAM ²	YTM ³	Accrued Interest	Unrealized Gain/(Loss)	NRSRO Rating
Investments:										
Pass-Through Securities	5.37%	\$ 836,383	\$ 837,413	97.421%	\$ 815,820	1300	3.41%	\$ 1,181	\$ (20,563)	AAA
U.S. Government Agencies:										
Federal Agricultural Mortgage Corp (FAMC)	1.45%	225,000	\$ 225,000	98.237%	221,033	1573	3.98%	2,520	(13,187)	AAA
Federal Farm Credit Bank (FFCB)	4.81%	771,746	771,800	94.696%	730,860	846	1.87%	2,291	(54,069)	AAA
Federal Home Loan Bank (FHLB)	5.96%	984,931	986,155	91.842%	905,701	981	1.45%	2,939	(63,486)	AAA
Federal Home Loan Mortgage Corp. (FHLMC)	4.02%	645,676	646,000	94.648%	611,424	445	0.48%	556	(34,604)	AAA
Federal National Mortgage Association (FNMA)	4.32%	711,815	711,855	92.318%	657,171	688	0.74%	1,572	(47,633)	AAA
Tennessee Valley Authority (TVA)	0.16%	24,807	25,000	98.388%	24,597	1720	4.06%	245	(210)	AAA
Total U.S. Govmnt Agencies	20.72%	3,363,975	3,365,810	93.611%	3,150,786	832	1.40%	10,123	(213,189)	AAA
U.S. Treasury Notes	8.88%	1,453,675	1,463,000	92.261%	1,349,779	785	1.14%	2,939	(103,896)	AAA
Supranationals	5.92%	948,271	947,258	95.053%	900,394	568	1.51%	4,529	(47,877)	AAA
Commercial Paper	21.30%	3,237,962	3,294,000	98.299%	3,237,962	117	5.42%	-	-	F-1 to F-1+
Medium-Term Notes	2.62%	419,710	418,834	95.185%	398,668	560	2.16%	2,485	(21,042)	AA- to AA
Local Agency Inv. Fund	0.00%	2	2	100.000%	2	0	3.26%	-	-	NR
Local Government Inv. Pool	3.52%	535,392	535,392	100.000%	535,392	0	5.20%	-	-	AAA _m
Money Market Mutual Funds	0.52%	79,500	79,500	100.000%	79,500	0	5.02%	-	-	AAA
Municipal Bonds	3.34%	535,735	536,010	95.096%	509,722	780	2.05%	2,706	(26,013)	AA- to AAA
Negotiable Certificates of Deposit	27.80%	4,231,000	4,231,000	99.905%	4,226,976	138	5.32%	82,971	(4,023)	F-1+
Total Investments	100.00%	\$ 15,641,605	\$ 15,708,219	96.796%	\$ 15,205,001	450	3.50%	\$ 106,934	\$ (436,603)	

¹ Excluding bank balances

² Weighted Average Maturity (in days)

³ Yield to Maturity (365 days)

Participants required to invest in the Pool ended the year with a majority of the holdings at 95.91% while voluntary participant holdings were 6.90% of the total Pool at fiscal year-end. The remaining 2.81% deficit was made up of undistributed unrealized loss. Detail of participation is shown below.

Pool Participant List

Required Participants (95.91%):			
County:			32.50%
School Districts (K thru 12):			52.37%
Alpine Union	Fallbrook Union Elementary	San Diego Unified	
Autistic Pupils Minor High	Fallbrook Union High	San Dieguito Union High	
Autistic Pupils Minor Elementary	Grossmont Union High	San Marcos Unified	
Bonsall Union	Jamul-Dulzura Union	San Pasqual Union	
Borrego Springs Unified	Julian Union	San Ysidro	
Cajon Valley Union	Julian Union High	Santee	
Cardiff	La Mesa-Spring Valley	Solana Beach	
Carlsbad Unified	Lakeside Union	South Bay Union	
Chula Vista Elementary	Lemon Grove	Spencer Valley	
Coronado Unified	Mountain Empire Unified	Sweetwater Union High	
Dehesa	National	Vallecitos	
Del Mar Union	Oceanside Unified	Valley Center Union	
Encinitas Union	Poway Unified	Various Charter Schools	
Escondido Union	Ramona Unified	Vista Unified	
Escondido Union High	Rancho Santa Fe	Warner Unified	
Community College Districts:			11.04%
San Diego	MiraCosta	Southwestern	
Grossmont-Cuyamaca	Palomar		
Voluntary Participants (6.90%):			
Cities:			1.11%
Chula Vista	Encinitas	Solana Beach	
Coronado	National City	Vista	
Del Mar	Oceanside		
Fire Protection Districts (FPD):			0.72%
Alpine	Lakeside	San Marcos	
Bonita-Sunnyside	Lower Sweetwater	San Miguel	
Borrego Springs	North County Fire	Valley Center	
Deer Springs	Rancho Santa Fe	Vista	
Water Districts:			0.37%
Canebrake County Water District	Rincon del Diablo Municipal Water District	Vallecitos Water District	
Otay Water District	Santa Fe Irrigation District	Valley Center Water District	
Cemetery District:			0.09%
North County Cemetery District	Ramona Cemetery District		
Pomerado Cemetery District	Valley Center Cemetery District		
Other Agencies:			4.61%
Air Pollution Control District	North County Transit District	San Diego Housing Commission	
First 5 Commission	Palomar Pomerado Health Care District	San Diego Law Library	
Grossmont Healthcare District	Palomar Resource Conservation District	San Diego Local Agency Formation Comm (LAFCO)	
Lake Cuyamaca Rec & Park District	Public Agencies Self Insurance System	San Diego Regional Training Center	
Leucadia Wastewater District	SANDAG	San Dieguito River Park	
Metropolitan Transit System	SDCERA	Upper San Luis Rey Resource Conservation District	
Mission Resource Conservation District	SD County Regional Airport Authority		
North County Dispatch	San Diego Geographic Information Source (SanGIS)		
Undistributed and Unrealized Loss:			-2.81%
Total			100.00%

VI. OUTLOOK FOR FISCAL YEAR 2024

The national economy achieved modest growth in fiscal year 2023 and the U.S. Gross Domestic Product (GDP) grew by 2.4% on average during the 4 quarters ending June 30, 2023. Economic growth was affected by high inflation and interest rate increases. During the fiscal year, the U.S. unemployment rate remained stable with the June 2023 reading at 3.6%. In addition, the weekly initial jobless claims reports have shown a relatively stable employment environment. Inflation remained elevated but has contracted each subsequent month in the fiscal year after reaching 9.1% in June 2022. The Consumer Price Index reached 3.0% in June 2023, which remains above the Federal Reserve target of 2.0%. The combination of elevated inflation and moderate growth has influenced the Federal Reserve to continue increasing interest rates. During the fiscal year, the Federal Funds rate increased seven times with the upper limit at 5.25% as of June 30, 2023. The Federal Reserve raised rates by an additional 25 bps to 5.50% on July 26, 2023, and has been on hold since.

Against this backdrop, the yield on the Pool is expected to increase throughout fiscal year 2024 given the rising interest rate environment. The objectives of the Pool are to remain invested in securities of the highest quality and to establish enough liquidity to meet the cash flow needs of the Pool participants.

STATISTICAL SECTION

This section presents detailed information on the San Diego County Investment Pool (the Pool) with historical perspective as a context for understanding and using the information in the Financial and Investment Sections of this report.

The following tables contain ten-year trend information to help the reader assess changes over time.

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Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

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Table 1
San Diego County Investment Pool
Schedule of Additions to Pool Investments, Deductions from Pool Investments,
and Changes in Net Position
Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2014	2015	2016	2017	2018
Net Position, Beginning of Year	\$ 6,694,713	\$ 7,303,046	\$ 7,533,245	\$ 8,707,978	\$ 8,948,614
Additions					
Additions to Pool Investments	14,276,347	15,275,295	16,410,088	16,270,794	17,620,889
Net Increase/(Decrease) in Fair Value of Investments	7,139	3,057	6,548	(40,842)	(34,326)
Investment Earnings, Net	32,257	35,136	51,265	92,685	146,596
Total Additions	14,315,743	15,313,488	16,467,901	16,322,637	17,733,159
Deductions					
Deductions from Pool Investments	13,677,452	15,049,716	15,243,483	15,989,801	16,575,184
Distributions to Participants	24,592	27,927	44,261	86,384	140,155
Administrative Expenses	5,366	5,646	5,424	5,816	5,570
Total Deductions	13,707,410	15,083,289	15,293,168	16,082,001	16,720,909
Change in Net Position	608,333	230,199	1,174,733	240,636	1,012,250
Net Position, End of Year	\$ 7,303,046	\$ 7,533,245	\$ 8,707,978	\$ 8,948,614	\$ 9,960,864

	Fiscal Year				
	2019	2020	2021	2022	2023
Net Position, Beginning of Year	\$ 9,960,864	\$ 10,128,655	\$ 10,342,084	\$ 12,263,250	\$ 13,562,915
Additions					
Additions to Pool Investments	17,708,087	18,477,596	21,171,067	23,021,354	24,470,363
Net Increase/(Decrease) in Fair Value of Investments	89,044	117,750	(91,147)	(394,253)	(93,233)
Investment Earnings, Net	209,510	202,836	107,230	97,365	380,157
Total Additions	18,006,641	18,798,182	21,187,150	22,724,466	24,757,287
Deductions					
Deductions from Pool Investments	17,626,265	18,385,346	19,158,765	21,327,360	22,379,556
Distributions to Participants	206,812	194,094	100,747	90,905	373,230
Administrative Expenses	5,773	5,313	6,472	6,536	6,591
Total Deductions	17,838,850	18,584,753	19,265,984	21,424,801	22,759,377
Change in Net Position	167,791	213,429	1,921,166	1,299,665	1,997,910
Net Position, End of Year	\$ 10,128,655	\$ 10,342,084	\$ 12,263,250	\$ 13,562,915	\$ 15,560,825

Table 2
San Diego County Investment Pool
Schedule of Earnings, Yields, Expenses, Apportionment Rate,
Average Daily Balances (ADB), and Ratio of Fees/ADB
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Investment Earnings	Effective Yield	Expenses	Net Distributed	Apportionment Rate	Avg. Daily Balances	Ratio of Fees/ADB
2014	\$ 33,762	0.46%	\$ 6,871	\$ 26,891	0.35%	\$ 7,294,330	0.094%
2015	36,650	0.51%	7,160	29,490	0.40%	7,144,495	0.100%
2016	52,836	0.67%	6,995	45,841	0.58%	7,907,115	0.088%
2017	94,058	1.10%	7,190	86,868	1.02%	8,552,771	0.084%
2018	147,837	1.58%	6,811	141,026	1.51%	9,375,547	0.073%
2019	213,624	2.26%	6,812	206,812	2.23%	9,458,543	0.072%
2020	200,722	2.02%	6,628	194,094	2.02%	9,955,356	0.067%
2021	108,020	0.98%	7,272	100,748	0.96%	11,035,993	0.066%
2022	98,177	0.77%	7,272	90,905	0.72%	12,684,212	0.057%
2023	380,592	2.69%	7,362	373,230	2.63%	14,130,923	0.052%

Table 3
San Diego County Investment Pool
Schedule of Expenses (Investment and Administrative Costs)
Last Ten Fiscal Years
(In Thousands)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Investment expenses:										
Allocated costs by County:										
Banking	\$ 813	\$ 794	\$ 799	\$ 825	\$ 805	\$ 744	\$ 820	\$ 376	\$ 306	\$ 302
Custodial	120	149	164	145	141	107	140	144	102	114
Portfolio order management system	378	341	355	340	278	168	337	274	279	299
Treasury management system	195	230	253	63	17	20	18	6	49	56
Total investment expenses:	1,506	1,514	1,571	1,373	1,241	1,039	1,315	800	736	771
Administrative expenses:										
Allocated costs by County:										
Computer related expenses:										
Software services	30	-	-	-	-	-	-	-	-	-
WAUSAU financial systems	4	39	86	115	90	72	56	61	55	99
Computer leases and data	121	137	156	137	111	132	132	157	161	89
Salaries and benefits	3,423	3,269	3,476	3,666	3,692	4,031	3,598	4,818	5,098	4,891
Services and supplies	814	1,229	609	881	565	332	453	449	218	501
Department overhead	409	420	446	383	411	296	360	400	415	422
External overhead	344	332	431	415	481	690	494	367	369	369
Auditor & Controller allocated cost	220	220	220	220	220	220	220	220	220	220
Total administrative expenses:	5,365	5,646	5,424	5,817	5,570	5,773	5,313	6,472	6,536	6,591
Total expenses:	\$ 6,871	\$ 7,160	\$ 6,995	\$ 7,190	\$ 6,811	\$ 6,812	\$ 6,628	\$ 7,272	\$ 7,272	\$ 7,362

Table 4
San Diego County Investment Pool
Asset Allocation at Fair Value
Last Ten Fiscal Years
(In Thousands)

Investment Type	Fiscal Year									
	2014		2015		2016		2017		2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Pass-through securities	\$ -	0.00%	\$ -	0.00%	\$ 48,142	0.56%	\$ 182,056	2.04%	\$ 210,808	2.12%
U.S. government agencies	2,879,158	39.99%	2,571,792	34.52%	2,099,147	24.29%	2,433,324	27.33%	2,458,821	24.71%
U.S. treasury notes	430,300	5.98%	456,320	6.12%	904,536	10.47%	768,213	8.63%	474,142	4.77%
Supranationals	-	0.00%	174,995	2.35%	400,145	4.63%	631,434	7.09%	668,215	6.72%
Commercial paper	1,371,990	19.06%	1,867,577	25.06%	2,134,985	24.70%	2,355,747	26.46%	2,994,041	30.09%
Medium-term notes	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Repurchase agreements	807	0.01%	8,999	0.12%	2,302	0.03%	-	0.00%	-	0.00%
Local agency investment fund	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Local government investment pools	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Money market mutual funds	551,740	7.67%	277,360	3.72%	478,157	5.53%	365,300	4.10%	348,802	3.50%
Municipal bonds	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Negotiable certificates of deposit	1,964,007	27.29%	2,094,701	28.11%	2,575,000	29.79%	2,168,500	24.35%	2,794,513	28.09%
Total investments at fair value	\$ 7,198,002	100.00%	\$ 7,451,744	100.00%	\$ 8,642,414	100.00%	\$ 8,904,574	100.00%	\$ 9,949,342	100.00%

Investment Type	Fiscal Year									
	2019		2020		2021		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Pass-through securities	\$ 733,814	7.24%	\$ 841,701	8.14%	\$ 487,985	4.10%	\$ 553,284	4.09%	\$ 815,820	5.37%
U.S. government agencies	2,810,388	27.72%	1,906,248	18.45%	3,051,088	25.61%	3,164,265	23.36%	3,150,786	20.72%
U.S. treasury notes	484,451	4.78%	519,792	5.03%	1,088,906	9.14%	1,450,664	10.71%	1,349,779	8.88%
Supranationals	1,018,299	10.04%	1,101,661	10.66%	1,116,426	9.37%	995,797	7.35%	900,394	5.92%
Commercial paper	2,239,962	22.09%	2,029,638	19.64%	2,318,756	19.47%	2,386,111	17.62%	3,237,962	21.30%
Medium-term notes	594,535	5.86%	1,038,249	10.05%	697,476	5.86%	529,392	3.91%	398,668	2.62%
Repurchase agreements	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Local agency investment fund	-	0.00%	-	0.00%	-	0.00%	2	0.00%	2	0.00%
Local government investment pools	-	0.00%	250,292	2.42%	200,708	1.68%	1,573	0.01%	535,392	3.52%
Money market mutual funds	409,093	4.03%	352,925	3.42%	3,800	0.03%	618,500	4.57%	79,500	0.52%
Municipal bonds	-	0.00%	79,189	0.77%	241,362	2.03%	444,548	3.28%	509,722	3.35%
Negotiable certificates of deposit	1,849,607	18.24%	2,213,173	21.42%	2,705,093	22.71%	3,398,769	25.10%	4,226,976	27.80%
Total investments at fair value	\$ 10,140,149	100.00%	\$ 10,332,868	100.00%	\$ 11,911,600	100.00%	\$ 13,542,905	100.00%	\$ 15,205,001	100.00%

Table 5
San Diego County Investment Pool
Net Position by Major Participant
Last Ten Fiscal Years
(In Thousands)

Participant	Fiscal Year									
	2014		2015		2016		2017		2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
County	\$ 2,921,096	40.00%	\$ 3,175,889	42.16%	\$ 3,398,594	39.03%	\$ 3,581,507	40.02%	\$ 3,768,251	37.83%
K-12 schools	2,952,217	40.42%	2,942,221	39.06%	3,915,184	44.96%	3,865,844	43.20%	4,407,465	44.25%
Community colleges	811,136	11.11%	896,613	11.90%	973,058	11.17%	1,068,047	11.94%	1,061,914	10.66%
Voluntary deposits	617,800	8.46%	514,666	6.83%	410,737	4.72%	463,654	5.18%	787,998	7.91%
Undistributed and unrealized gains/(losses)	798	0.01%	3,856	0.05%	10,404	0.12%	(30,438)	-0.34%	(64,764)	-0.65%
Total net position	\$ 7,303,047	100.00%	\$ 7,533,245	100.00%	\$ 8,707,977	100.00%	\$ 8,948,614	100.00%	\$ 9,960,864	100.00%

Participant	Fiscal Year									
	2019		2020		2021		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
County	\$ 3,915,445	38.66%	\$ 4,229,268	40.89%	\$ 4,282,877	34.92%	\$ 4,725,356	34.84%	\$ 5,056,787	32.50%
K-12 schools	4,498,468	44.41%	4,367,527	42.23%	5,443,052	44.39%	6,524,828	48.11%	8,149,090	52.37%
Community colleges	1,005,385	9.93%	825,424	7.98%	1,217,573	9.93%	1,535,254	11.32%	1,718,124	11.04%
Voluntary deposits	685,077	6.76%	895,585	8.67%	1,268,865	10.35%	1,120,847	8.26%	1,073,427	6.90%
Undistributed and unrealized gains/(losses)	24,280	0.24%	24,280	0.23%	50,883	0.41%	(343,370)	-2.53%	(436,603)	-2.81%
Total net position	\$ 10,128,655	100.00%	\$ 10,342,084	100.00%	\$ 12,263,250	100.00%	\$ 13,562,915	100.00%	\$ 15,560,825	100.00%

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OTHER INDEPENDENT AUDITOR'S REPORTS

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**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 County of San Diego Audit Committee
and Treasury Oversight Committee
County of San Diego, 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 Diego County Investment Pool (the Investment Pool) of the County of San Diego (the County), California, as of and for the fiscal year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise the Investment Pool's basic financial statements, and have issued our report thereon dated November 3, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County Treasurer-Tax Collector's (TTC) internal control over financial reporting (internal control) relating to the Investment Pool as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the TTC's internal control relating to the Investment Pool. Accordingly, we do not express an opinion on the effectiveness of the TTC's internal control relating to the 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 or significant deficiencies may exist that were not identified.

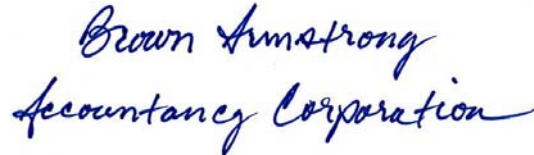
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Investment Pool's basic financial statements are free from material misstatement, we performed tests of the TTC's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

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 TTC's internal control or on compliance relating to the Investment Pool. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the TTC's internal control and compliance relating to the Investment Pool. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
November 3, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
CALIFORNIA GOVERNMENT CODE SECTIONS 27134, 53601, AND 53635**

To the County of San Diego Audit Committee
and Treasury Oversight Committee
County of San Diego, California

Report on Compliance with California Government Code

Opinion

We have audited the San Diego County Treasurer-Tax Collector's (TTC) assertion that the San Diego County Investment Pool (the Investment Pool) of the County of San Diego (the County), California, is in compliance with the applicable provisions contained in Sections 27134, 53601, and 53635 of the California Government Code (Government Code) that could have a direct and material effect on the Investment Pool for the fiscal year ended June 30, 2023. Compliance with the requirements referred to above is the responsibility of the TTC's management. Our responsibility is to express an opinion on the TTC's compliance based on our audit.

In our opinion, the TTC complied, in all material respects, with the provisions contained in Sections 27134, 53601, and 53635 of the Government Code referred to above that could have a direct and material effect on the Investment Pool for the fiscal year ended June 30, 2023.

Basis for Opinion on Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Government Code. Our responsibilities under those standards and the Government Code are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the TTC's compliance with provisions contained in Sections 27134, 53601, and 53635 of the Government Code. Our audit does not provide a legal determination of the TTC's compliance with those requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to the Investment Pool.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the TTC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Government Code will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the TTC's compliance with the requirements of Sections 27134, 53601, and 53635 of the Government Code as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Government Code, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the TTC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the TTC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Sections 27134, 53601, and 53635 of the Government Code, but not for the purpose of expressing an opinion on the effectiveness of the TTC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Sections 27134, 53601, and 53635 of the Government Code. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
November 3, 2023