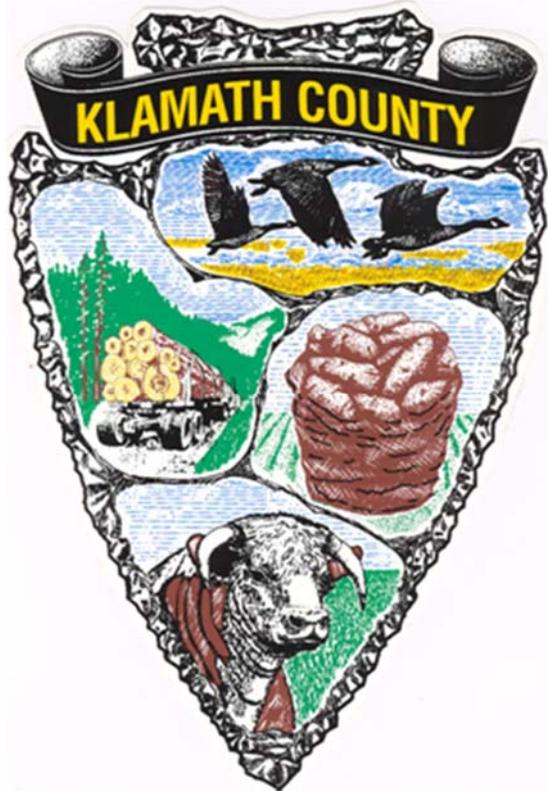


# **Klamath County Treasurer's Investment Pool**

AN INVESTMENT TRUST FUND OF KLAMATH COUNTY, OREGON



**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**

**June 30, 2015**

Prepared by:

Finance Department

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**Klamath County Treasurer's Investment Pool  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2015  
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## **INTRODUCTORY SECTION**

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**Klamath County Treasurer's Investment Pool  
List of Elected and Appointed Officials  
June 30, 2015**

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**Board of Commissioners**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Tom Mallams	Commissioner	January 3, 2017
Dennis Linthicum / Kelley Minty Morris	Commissioner	January 5, 2015 / 2019
Jim Bellet	Commissioner	January 3, 2017

**Other Elected and Appointed Officials**

Jason Link	Treasurer & Chief Financial Officer
David Groff	County Counsel

**Professional Consultants**

Todd Blickenstaff	US Bank
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**Mailing Address**

Klamath County Treasurer  
Government Center  
305 Main Street  
Klamath Falls, Oregon 97601  
Phone: (541) 851-2140 Fax: (541) 883-5165  
[www.klamathcounty.org](http://www.klamathcounty.org)

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## **FINANCIAL SECTION**

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**REPORT OF INDEPENDENT AUDITORS**

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## REPORT OF INDEPENDENT AUDITORS

Board of Commissioners  
Klamath County Treasurer's Investment Pool

### **Report on the Financial Statements**

We have audited the accompanying statement of net position and statement of changes in net position of Klamath County Treasurer's Investment Pool (the Pool), a fiduciary fund of Klamath County, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Pool as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

These financial statements present a fiduciary fund of Klamath County and do not purport to, and do not, present fairly the financial position of the Klamath County, Oregon, as of June 30, 2015, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016 on our consideration of the Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control over financial reporting and compliance.

*Moss Adams, LLP*

Eugene, Oregon  
February 29, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Klamath County Treasurer's Investment Pool**  
**Management Discussion and Analysis**  
**June 30, 2015**

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As management of Klamath County Treasurer's Investment Pool's (Pool), we offer readers of the Pool's financial statements this narrative overview and analysis of the financial activities of the Pool for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

The Pool is a pooled investment fund that invests the assets of Klamath County, Oregon (County) as well as the assets of various governmental entities in Klamath County that choose to invest in the Pool.

The investment return percentages reported in management's discussion and analysis are presented net of management fees.

**Financial Highlights**

- The net position decreased approximately \$0.6 million during the year ended June 30, 2015. Total net position was approximately \$136.4 million at June 30, 2015.
- Net investment income for fiscal year was approximately \$0.6 million. The Klamath County Treasurer's Investment Pool returned 0.5% in fiscal year 2015.
- Contributions to the Klamath County Treasurer's Investment Pool totaled approximately \$103.5 million during fiscal year.
- Distributions totaled approximately \$104.7 million during the year ended June 30, 2015.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Pool's basic financial statements. The Pool's basic financial statements are comprised of two components: 1) fund financial statements, and 2) notes to the basic financial statements.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Pool, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance and related legal requirements. The Pool uses a proprietary fund to account for its activities.

The Pool's basic financial statements are comprised of a statement of fiduciary net position and a statement of changes in fiduciary net position.

Notes to the basic financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. They are prepared in conformity with U.S. generally accepted accounting principles.

**Klamath County Treasurer's Investment Pool  
Management Discussion and Analysis  
June 30, 2015**

**Fund Financial Analysis**

The Pool began fiscal year 2015 with net position of \$137.0 million and ended the fiscal year with net position of \$136.4 million, representing a 0.4% decrease. The decrease was due to the amount distributed to participants. Net investment income for the year ended June 30, 2015 was approximately \$0.6 million. Net participant distributions (distributions less contributions) of \$1.2 million, along with net investment income of \$0.6 million caused the overall decrease in net position of \$0.6 million.

	<u>2015</u>	<u>2014</u>	<u>Amount Inc(Dec)</u>
<b>Assets</b>			
Current and other assets	\$ 139,678,696	\$ 140,957,002	\$ (1,278,306)
Total Assets	<u>139,678,696</u>	<u>140,957,002</u>	<u>(1,278,306)</u>
<b>Liabilities</b>			
Other liabilities	3,308,003	4,000,000	(691,997)
Total Liabilities	<u>3,308,003</u>	<u>4,000,000</u>	<u>(691,997)</u>
<b>Net Position</b>			
Held in trust for pool participants	<u>136,370,855</u>	<u>136,957,002</u>	<u>(586,147)</u>
Total Net Position	<u>\$ 136,370,693</u>	<u>\$ 136,957,002</u>	<u>\$ (586,309)</u>
<b>Amount Inc(Dec)</b>			
<b>2015</b>			
<b>2014</b>			
<b>Amount Inc(Dec)</b>			
<b>Additions</b>			
Contributions from participants	\$ 103,458,541	\$ 100,696,380	\$ 2,762,161
Investment income	628,581	647,197	(18,616)
Total Additions	<u>104,087,122</u>	<u>101,343,577</u>	<u>2,743,545</u>
<b>Deductions</b>			
Distribution to participants	104,673,431	105,082,344	(408,913)
Total Deductions	<u>104,673,431</u>	<u>105,082,344</u>	<u>(408,913)</u>
Increase (decrease) in net position	(586,309)	(3,738,767)	3,152,458
Net position, beginning	136,957,002	140,695,769	(3,738,767)
Net position, ending	<u>\$ 136,370,693</u>	<u>\$ 136,957,002</u>	<u>\$ (586,309)</u>

For the year ended June 30, 2015, the Pool returned 0.5%. The performance of the portfolio is measured against the policy benchmark of the Oregon Local Government Investment Pool and/or the 90 day US Treasury Bill yields. The Pool matched the Oregon Local Government Investment Pool rate and exceeded the 90 day US Treasury Bill yield by 46 basis points. The policy benchmark provides a measure of how well the Pool has implemented its asset allocation plan. It assumes the actual allocation is identical to its target allocation and that all asset classes achieve index-like returns.

**Requests for Information**

This financial report is designed to provide a general overview of the Pool's finances for all those with an interest in the Pool's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed the Office of the Chief Financial Officer, Klamath County, 305 Main Street, Klamath Falls, Oregon 97601.

## **BASIC FINANCIAL STATEMENTS**

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**Klamath County Treasurer's Investment Pool**  
**Statement of Fiduciary Net Position**  
**June 30, 2015**

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<b>Assets</b>	
Cash and cash equivalents	\$ 52,100,842
Receivables:	
Interest and dividends	246,378
Investments:	
U.S. treasury obligations	11,688,350
U.S. federal agency securities	64,995,471
Corporate debt securities	10,647,655
Total assets	<u>139,678,696</u>
<b>Liabilities</b>	
Accounts payable	<u>3,308,003</u>
Total liabilities	<u>3,308,003</u>
<b>Net Position</b>	
Held in trust for pool participants	<u>\$ 136,370,693</u>

See accompanying notes to the basic financial statements

**Klamath County Treasurer's Investment Pool  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2015**

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<b>Additions</b>	
Contributions:	
Participants	\$ 103,458,541
Total contributions	<u>103,458,541</u>
Investment Income:	
Interest and dividends	1,692,145
Net decrease in fair value of investments	(954,658)
Investment expenses	(108,906)
Total Investment Income	<u>628,581</u>
Total additions	<u>104,087,122</u>
<b>Deductions</b>	
Distribution to participants	<u>104,673,431</u>
Total deductions	<u>104,673,431</u>
Change in net position held in trust for participants	(586,309)
Net position - beginning	<u>136,957,002</u>
Net position - ending	<u>\$ 136,370,693</u>

See accompanying notes to the basic financial statements

**Klamath County Treasurer's Investment Pool**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies**

**Organization**

The accompanying financial statements present the investment trust data of the Klamath County Treasurer's Investment Pool (Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Klamath County Board of Commissioners annually adopts the investment policies used by the Pool. The investment policies are governed by Oregon Revised Statutes and approved by the Oregon Short Term Fund Board. The Klamath County Treasurer (Treasurer) is the investment officer for the Pool and is responsible for all funds entrusted to it. The Treasurer serves in a fiduciary capacity with respect to the management of the Pool and the investment of funds for the exclusive benefit of the investment portfolio; however, the Treasurer is not subject to regulatory oversight by the United States Securities and Exchange Commission or other entities. The Treasurer establishes policies, procedures, and objectives of the Pool, accepts deposits to the Investment Pool from participants, and buys/sells investments to optimize the total return of the investment portfolio. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. The Oregon Revised Statutes permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. Property tax receipts for all local governments with a property tax levy are deposited in the Pool; therefore, those governments are considered involuntary participants of the Pool.

The following is a summary of significant accounting policies utilized by the Pool in the preparation of the accompanying financial statements.

**Reporting Entity**

The Pool operates as a demand deposit account for Klamath County (County) agency participants, the portion of the Pool belonging to County (internal) participants is classified as cash and cash equivalents in the County's Annual Financial Report. The portion of the Investment Pool belonging to other state and local governments (external) participants is reported as an investment trust fund in the County's Annual Financial Report. A number of local governments in Klamath County participate in the Pool, thus it is an external investment pool as defined in Statement No. 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

The Pool is a separate accounting entity, recording all assets, liabilities, equities, revenues, and expenses related to the Pool's activities. However, expenses presented for the Pool may not reflect the total cost of the related activity. Other direct and indirect costs provided by the Treasurer are not allocated to the Pool.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resource being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flow takes place. Investment income and expenses are segregated by the Treasurer into separate investment accounts within the Investment Pool. The fair value of investments is determined annually and is equal to market price. Trade date accounting is observed, which means that purchases and sales are recorded on the day the trade takes place with a corresponding payable or receivable from the broker.

**Cash and Cash Equivalents**

Investments with original maturities of three months or less are considered cash equivalents and are reported at amortized cost, which approximates fair value. Cash and Cash Equivalents also include cash in banks.

The Pool participates in the Oregon State Treasurer's Local Government Investment Pool (LGIP), an open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895. The LGIP is administered by the State Treasurer and the Oregon Investment Council with the advice of the Oregon Short-Term Bond Fund Board. The Oregon State Treasurer's Office has calculated the fair value of the underlying investments of the LGIP and the Pool's share of fair value is the same as the reported value. The Pool recognizes the value of the LGIP as a component of cash and cash equivalents.

**Klamath County Treasurer's Investment Pool**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies** *(continued)*

**Investments**

Investments with remaining maturities of less than ninety days are carried at amortized cost, provided that the fair value of these instruments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Amortized cost approximates fair value. Investments with longer maturities are carried at fair value.

**Participants' equity; distributions of interest**

Participants' account balances in the Pool are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. The Pool has not provided or received any legally binding guarantees with regard to balances in the Pool. Interest is calculated and accrued monthly on each participant's account based on the average daily account balance. Interest is distributed monthly on the last business day of the month. If the last day of the month is a weekend or holiday, interest is accrued through the last calendar day of the month but posted on the last business day.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2 – Deposits and Investments**

**Deposits**

On June 30, 2015 the Pool held \$52,101,004 book balance in deposits. Insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Where balances exceed the Federal Deposit Insurance (FDIC) amount of \$250,000, the balances are covered by collateral held in a multiple financial institution collateral pool (ORS 295.015) administered by the Oregon State Treasury in the Public Funds Collateralization Program (PFCP). As of June 30, 2015, FDIC and PFCP coverage were determined by the County's overall coverage.

Cash and cash equivalents are comprised of the following:

Demand deposits	\$ 6,703,974
Local government investment pool	<u>45,396,868</u>
	<u>\$ 52,100,842</u>

**Custodial Credit Risk**

In the case of deposits this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Investment Pool's deposit policy is in accordance with ORS 295.

**Investments**

On June 30, 2015, the Investment Pool held \$139,678,696 in assets, \$52,100,842 of which is classified as Cash and Cash Equivalents on the Statement of Fiduciary Net Position. The Investment Policy as adopted by the County Board of Commissioners establishes the Pool's permitted investments and provide guidelines for managing the various types of risk associated with these investments. The different risks will be discussed below.

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Treasurer manages this risk by limiting the maturity of the investments held by the Pool. The portfolio rules require that at least 35 percent of the portfolio mature within 90 days; not more than 30 percent of the portfolio may mature in over a year; and no investments may mature over three years from settlement date. The June 30, 2015 holdings are shown in the schedule below.

**Klamath County Treasurer's Investment Pool**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**Note 2 – Deposits and Investments** *(continued)*

Schedule of Interest Rate Risk - Effective Duration at June 30, 2015

<u>Investment</u>	<u>Fair Value</u>	<u>Effective Weighted Duration Rate</u>
U.S. treasury obligations	\$ 11,688,350	0.36
U.S. federal agency securities	64,995,471	1.07
Corporate debt securities	11,653,615	1.15
Total Debt Securities	<u>\$ 88,337,436</u>	

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations and must exceed AA rating at the time of purchase. As of June 30, 2015, the Pool's investments in U.S. government obligations were rated AA by Standards & Poor's. The table below shows the quality rating for credit risk debt securities as of June 30, 2015.

Credit Risk Debt Securities at June 30, 2015

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 6,119,250
AA	67,303,933
A	3,225,903
Total Subject to Credit Risk	76,649,086
U.S. government guaranteed securities	11,688,350
Total Debt Securities	<u>\$ 88,337,436</u>
S&P Ratings	

**Custodial credit risk**

For an investment, this is the risk that, in the event of the failure of the counterparty, the Pool will not be able to recover that value of its investments or collateral securities that are in the possession of an outside party. The Pool's investment policy limits the percentage of the investment portfolio that may be held in safekeeping or the trust department of any financial institution, regardless of the dealer from whom the investment was purchased to 33% of the portfolio. At year-end no institutions held more than 25% of the Pool's portfolio in its safekeeping or trust departments. All investments were held by the County in its own name. Time certificates of deposit are not exposed to custodial credit risk, as they are covered by FDIC and/or PFCP collateralization.

**Concentration of credit risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. With exception of U.S. Securities or U.S. Agency Securities and authorized pools, no more than 33% of the total portfolio of the Pool is allowed to invest in a single security type or with a single financial institution.

**Note 3 – Equity of Internal and External Participants**

Net Position Held In Trust for Pool Participants

Internal participants	\$ 133,628,906
External participants	2,741,787
	<u>\$ 136,370,693</u>

**Klamath County Treasurer's Investment Pool**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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**Note 3 – Equity of Internal and External Participants** *(continued)*

Participation in the Pool by the various authorized agencies is on a voluntary basis except as presented in Note 1 for property taxes. In accordance with the trust agreement and ORS 294.035 through 294.048, ORS 294.125 through 294.155, ORS 294.810, and other applicable statutes, net position is held in trust for the Pool's participants.

**Note 4 – Investment Income**

Investment income includes dividends and realized/unrealized gains and losses on underlying securities held by the Treasurer in the Pool. The Pool experienced net investment income totaling \$628,581.

**Note 5 – Management Fees**

In accordance with the Investment Policy, the Treasurer may deduct an administrative fee for portfolio management. The fee is deducted from investment income before distribution to participants. Fees charged to the Investment Pool by the Treasurer were \$250,186 in addition to the investment expenses listed on the Statement of Changes in Fiduciary Net Position for the year ended June 30, 2015.

**Note 6 – Compliance**

The purpose of the adoption of an investment policy is to set forth the overall investment philosophy of the Pool as defined by the Board of Commissioners. For this purpose the policy of the County is identical to that of the Pool. The Pool was in compliance with the investment policy for the fiscal year ending June 30, 2015.

**GOVERNMENT AUDITING STANDARDS SECTION**

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**REPORT OF INDEPENDENT AUDITORS 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***

The Board of Commissioners  
Klamath County Treasurer's Investment Pool

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 accompanying statement of net position and statement of changes in net position of Klamath County Treasurer's Investment Pool (the Pool), a fiduciary fund of Klamath County, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Klamath County Treasurer's Investment Pool's basic financial statements, and have issued our report thereon dated February 29, 2016.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Moss Adams, LLP*

Eugene, Oregon  
February 29, 2016