

Treasurer's Monthly
INVESTMENT
AUGUST 2017 **REPORT**

From the Office of
SHARI L. FREIDENRICH, CPA, CCMT, CPFA, ACPFIM
Orange County Treasurer



COUNTY OF ORANGE

**TREASURER'S INVESTMENT REPORT
For August 31, 2017**

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OFFICE OF THE TREASURER-TAX COLLECTOR
SHARI L. FREIDENRICH, CPA, CCMT, CPFA, ACPFIM



INTERDEPARTMENTAL COMMUNICATION

Date: September 18, 2017
To: Supervisor Michelle Steel, Chairwoman
Supervisor Andrew Do, Vice-Chair
Supervisor Todd Spitzer
Supervisor Shawn Nelson
Supervisor Lisa Bartlett
From: Shari L. Freidenrich, CPA, CCMT, CPFA, ACPFIM *SLF*
Subject: Treasurer's Investment Report for the Month Ended August 31, 2017

Attached please find the Treasurer's Investment Report for the County of Orange for the month ended August 31, 2017. The County Treasurer provides this report in compliance with California Government Code Sections 53607, 53646, and 27134 and the County's Investment Policy Statement (IPS). We have included some charts and other data for your information including charts on fund composition and the top ten pool participants. This report is also publicly available on our website at ocgov.com/ocinvestments.

INVESTMENT POOL COMPOSITION

The investments contained within this report are as of August 31, 2017. The Investment Pool Statistics summary shows the total investment responsibility of the County Treasurer as delegated by the Board of Supervisors: the Orange County Investment Pool (OCIP) that includes the Voluntary Participants' funds, the Orange County Educational Investment Pool (OCEIP), the John Wayne Airport Investment Fund and various other non-Pooled investment funds. The investment practices and policies of the Treasurer are based on compliance with State law and prudent money management. The primary goal is to invest public funds in a manner which will provide maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

The County Treasurer established three Money Market Funds, the Orange County Money Market Fund, the Orange County Educational Money Market Fund, and the John Wayne Airport Investment Fund, which all are invested in cash-equivalent securities and provide liquidity for immediate cash needs. Standard & Poor's, on March 6, 2017, reaffirmed their highest rating of AAAM on the Orange County and the Educational Money Market Funds. The County Treasurer also established the Extended Fund that is invested to meet cash needs between one and five years out. The Orange County Investment Pool is comprised of the Orange County Money Market Fund and portions of the Extended Fund. The Orange County Educational Investment Pool is comprised of the Orange County Educational Money Market Fund and portions of the Extended Fund.

The maximum maturity of investments for the Orange County and Educational Money Market Funds is 13 months, with a maximum weighted average maturity (WAM) of 60 days, and they have a current WAM of 57 and 57, respectively. The maximum maturity of investments for the John Wayne Investment Fund is 15 months, with a maximum WAM of 90 days, and a current WAM of 79. The maximum maturity of the Extended Fund is five years, with duration not to exceed the Merrill Lynch 1-3 Year index +25% (2.36), and the duration is currently at 1.23. The investments in all of the funds are marked to market daily to determine the value of the funds. To further maintain safety, adherence to an investment strategy of only purchasing top-rated securities and diversification of instrument types and maturities is required.

ECONOMIC UPDATE

In August, the job market added 156,000 new jobs, and July's job numbers were revised downward by 20,000 to 189,000. The U.S. unemployment rate for August rose to 4.4%, up from 4.3% in July. U.S. gross domestic product

(GDP) rose at a 3.0% annualized rate in the second quarter of 2017, an increase from the July's rate of 2.6%. The Empire State Manufacturing Index rose to 25.2 from 9.8 in August, while the Philadelphia Fed Index decreased to 18.9 from 19.5 in August. The Federal Reserve uses these indexes as regional economic gauges, and a reading above zero signals economic expansion. With respect to housing, S&P/CaseShiller reported that housing prices continue to show positive momentum as year-over-year prices increased for the sixty-second consecutive month in June, up 5.77% from a year ago. The index for pending home sales decreased 0.5% on a year-over-year basis in July. The 10-year Treasury rate declined from 2.30% in July to 2.12% in August.

The short-term 90-day T-bill ended the month at 1.01%, down from 1.07% in July. The rate on the 2-year Treasury note was 1.33% at the end of August, down from 1.34% in July.

INVESTMENT INTEREST YIELDS AND FORECAST

The current gross interest yield year-to-date for fiscal year 2017/2018 is 1.10% for the OCIP and 1.09% for the OCEIP. The current net yield for fiscal year 2017/2018 is 1.04% and 1.03% respectively. The forecasted net yield for fiscal year 2017/2018 for both OCIP and OCEIP is 1.08%.

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

Each month, the County Treasurer apportions the accrued interest earnings to each pool participant. As of the first business day of the following month accrued, but unpaid, interest earnings are added to pool participants' average balances in determining a participant's relative share of the pool's monthly earnings. The actual cash distribution will generally be paid in the month following. The August 2017 interest apportionment is expected to be paid by September 30, 2017. The investment administrative fee for fiscal year 2017/2018 is estimated at 6.0 basis points.

TEMPORARY TRANSFERS

The County Treasurer, as required by Constitution Article XVI, Section 6, and per the Board of Supervisor's Resolution 15-016, is authorized to make temporary transfers to school districts to address their short-term cash flow needs. The loans are secured by tax receipts to be received by the County Treasurer, as the banker for the school districts. There were no temporary transfers outstanding as of August 31, 2017.

PORTFOLIO HOLDINGS OF DEBT ISSUED BY POOL PARTICIPANTS

Under guidelines outlined in the current IPS, the County Treasurer may invest in "A" or above rated securities issued by municipalities. Municipal debt issued by the County of Orange is exempt from this credit rating requirement. The Investment Pools may invest no more than 5% of pool assets in any one issuer, with the exception of the County of Orange which has a 10% limit. The Investment Pools have a total market value of \$363.2 million in County of Orange debt, which represents approximately 4.4% of pooled assets. Prior to purchasing any pool participant debt, a standardized credit analysis is performed.

COMPLIANCE SUMMARY

The investment portfolios had no compliance exceptions for the month of August 2017. The Auditor-Controller issued their report on Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended June 30, 2017, which stated that no instances of noncompliance were identified.

CREDIT UPDATE

During August, there were two changes to the Treasurer's Approved Issuer List. S&P removed Berkshire Hathaway Inc. and Berkshire Hathaway Finance from CreditWatch Negative and placed them on Stable Outlook. An ongoing credit analysis of all issuers owned in the Investment Pools is reviewed on a daily, monthly, quarterly, and annual basis.

I certify that this report includes all pooled and non-pooled investments as of August 31, 2017 and is in conformity with all State laws and the IPS approved by the Board of Supervisors on November 22, 2016. The investments herein shown provide adequate liquidity to meet the next six months of projected cash flow requirements. I am available if you have any questions on this Investment Report at (714) 834-7625.

Enclosures

cc: Distribution List

ORANGE COUNTY TREASURER-TAX COLLECTOR
SUMMARY OF INVESTMENT DATA
INVESTMENT TRENDS

	AUGUST 2017	JULY 2017	INCREASE (DECREASE)	NET CHANGE %	AUGUST 2016	INCREASE (DECREASE)	NET CHANGE %
Orange County Investment Pool (OCIP)							
End Of Month Market Value ¹	\$ 3,887,687,886	\$ 3,747,344,022	\$ 140,343,864	3.75%	\$ 3,628,306,397	\$ 259,381,489	7.15%
End Of Month Book Value ¹	\$ 3,893,180,097	\$ 3,753,831,847	\$ 139,348,250	3.71%	\$ 3,623,106,533	\$ 270,073,564	7.45%
Monthly Average Balance ²	\$ 3,811,920,907	\$ 3,959,368,022	\$ (147,447,115)	-3.72%	\$ 3,443,493,857	\$ 368,427,050	10.70%
Year-To-Date Average Balance ²	\$ 3,885,644,464	\$ 3,959,368,022	\$ (73,723,556)	-1.86%	\$ 3,511,655,710	\$ 373,988,754	10.65%
Monthly Accrued Earnings ³	\$ 3,597,928	\$ 3,646,310	\$ (48,383)	-1.33%	\$ 2,366,400	\$ 1,231,528	52.04%
Monthly Net Yield ³	1.05%	1.02%	0.03%	2.93%	0.75%	0.31%	41.22%
Year-To-Date Net Yield ³	1.04%	1.02%	0.01%	1.46%	0.73%	0.31%	41.75%
Annual Estimated Gross Yield ⁴	1.14%	1.14%	0.00%	0.00%	0.87%	0.27%	31.03%
Weighted Average Maturity (WAM)	361	364	(3)	-0.82%	389	(28)	-7.20%
Orange County Educational Investment Pool (OCEIP)							
End Of Month Market Value ^{1,2}	\$ 4,343,104,770	\$ 4,624,742,969	\$ (281,638,199)	-6.09%	\$ 3,852,524,559	\$ 490,580,211	12.73%
End Of Month Book Value ^{1,2}	\$ 4,348,573,992	\$ 4,631,366,007	\$ (282,792,015)	-6.11%	\$ 3,847,579,575	\$ 500,994,417	13.02%
Monthly Average Balance ²	\$ 4,502,682,483	\$ 4,739,317,357	\$ (236,634,874)	-4.99%	\$ 3,976,523,684	\$ 526,158,799	13.23%
Year-To-Date Average Balance ²	\$ 4,620,999,920	\$ 4,739,317,357	\$ (118,317,437)	-2.50%	\$ 4,054,976,858	\$ 566,023,061	13.96%
Monthly Accrued Earnings ³	\$ 4,225,782	\$ 4,335,290	\$ (109,507)	-2.53%	\$ 2,520,633	\$ 1,705,149	67.65%
Monthly Net Yield ³	1.04%	1.02%	0.03%	2.76%	0.68%	0.36%	52.62%
Year-To-Date Net Yield ³	1.03%	1.02%	0.01%	1.28%	0.66%	0.37%	55.52%
Annual Estimated Gross Yield ⁴	1.14%	1.14%	0.00%	0.00%	0.87%	0.27%	31.03%
Weighted Average Maturity (WAM)	332	321	11	3.43%	349	(17)	-4.87%

¹ Market values provided by Bloomberg and Northern Trust. The OCIP and OCEIP market values in July and August 2017 are slightly lower than book values due to the recent Federal Reserve short-term rate increases, but both have a net asset value of 1.00 and have sufficient liquidity to meet projected cash flow needs.

² In August 2017, OCIP monthly and year-to-date average balances increased from the prior year primarily due to higher secured property tax receipts. OCEIP market value, book value, monthly and year-to-date average balances were higher than the prior year due to higher secured property tax receipts and a significant number of school and community college districts issuing bonds in 2017.

³ In August 2017, OCIP and OCEIP monthly accrued earnings, monthly and year-to-date net yields were higher than the prior year primarily due to increases in the Federal Reserve short-term rate of 0.75 percent and higher average pool balances.

⁴ The OCIP and OCEIP annual estimated gross yields for August 2016 are reported at the actual annual gross yields for FY 16/17, and their annual estimated gross yields for July 2017 are reported at the original forecasted gross yields of 1.14%. The OCIP and OCEIP annual estimated gross yields for FY 17/18 are higher than FY 16/17 primarily due to increases in the Federal Reserve short-term rate of 0.75 percent.

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
FOR THE MONTH ENDED: August 31, 2017

INVESTMENT STATISTICS - By Investment Pool*

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 08/31/17	MONTHLY Gross Yield	Current NAV
COMBINED POOL BALANCES (includes the Extended Fund)					
Orange County Investment Pool (OCIP)	MARKET Value \$	3,887,687,886	361	1.13%	1.11%
	COST (Capital) \$	3,899,745,848			
	MONTHLY AVG Balance \$	3,811,920,907			
	BOOK Value \$	3,893,180,097			
Orange County Educational Investment Pool (OCEIP)	MARKET Value \$	4,343,104,770	332	1.12%	1.10%
	COST (Capital) \$	4,355,019,114			
	MONTHLY AVG Balance \$	4,502,682,483			
	BOOK Value \$	4,348,573,992			

INVESTMENT STATISTICS - Non Pooled Investments **

DESCRIPTION	CURRENT BALANCE	INVESTMENT BALANCES AT COST
Specific Investment Funds:		
100, 283, 505, 650 FVSD	MARKET Value \$ 86,539,582	John Wayne Airport Investment Fund \$ 50,502,414
	COST (Capital) \$ 86,432,564	Fountain Valley School District Fund 40 34,848,650
	MONTHLY AVG Balance \$ 106,033,880	Repurchase Agreement 1,081,500
	BOOK Value \$ 86,433,258	
		\$ 86,432,564

MONTH END TOTALS

INVESTMENTS & CASH		INVESTMENTS & CASH	
COUNTY MONEY MARKET FUND (OCMMF)			
County Money Market Fund	\$ 912,219,933	OCIP	\$ 3,907,214,218
County Cash	7,468,370	OCEIP	4,355,982,934
EXTENDED FUND	6,001,065,915	Specific Investment Funds	86,432,564
EDUCATIONAL MONEY MARKET FUND (OCEMMF)			
Educational Money Market Fund	1,341,479,114	Non-Pooled Cash	13,309,100
Educational Cash	963,820		
NON-POOLED INVESTMENTS & CASH			
Non-Pooled Investments	86,432,564		
Non-Pooled Cash	13,309,100		
	\$ 8,362,938,816		\$ 8,362,938,816

KEY POOL STATISTICS

INTEREST RATE YIELD		WEIGHTED AVERAGE MATURITY (WAM)	
OCMMF - MONTHLY GROSS YIELD	1.03%	OCMMF	57
OCEMMF - MONTHLY GROSS YIELD	1.04%	OCEMMF	57
JOHN WAYNE AIRPORT - MONTHLY GROSS YIELD	1.03%	JOHN WAYNE AIRPORT WAM	79
OCIP - YTD NET YIELD***	1.04%	LGIP WAM (Standard & Poors)	42
OCEIP - YTD NET YIELD***	1.03%		
90-DAY T-BILL YIELD - MONTHLY AVERAGE	1.03%		

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
FOR THE MONTH ENDED: August 31, 2017

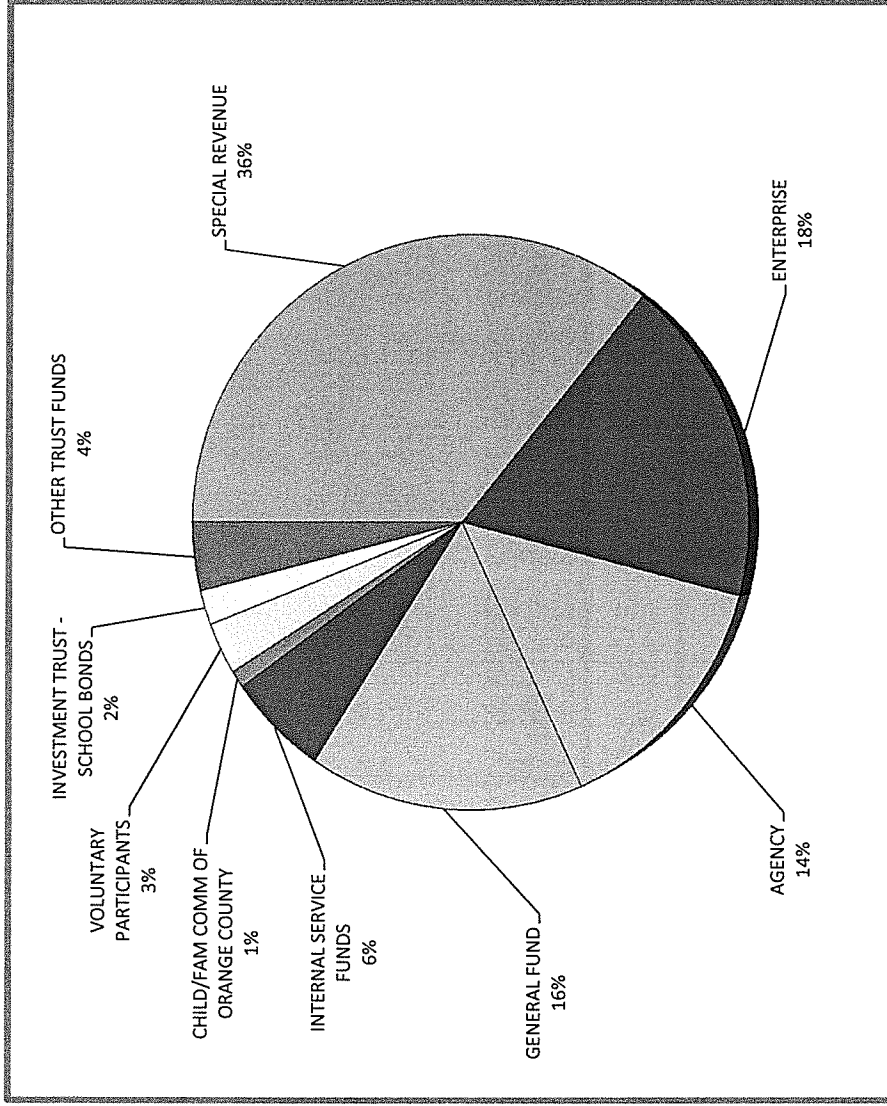
INVESTMENT STATISTICS - By Investment Fund****

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 08/31/17	MONTHLY Gross Yield	Current NAV
<u>County Money Market Fund (OCMMF)</u>	MARKET Value \$ 912,746,691	57	1.03%	1.03%	1.00
	COST (Capital) \$ 912,219,933				
	MONTHLY AVG Balance \$ 855,300,237				
	BOOK Value \$ 912,768,459				
<u>Educational Money Market Fund (OCEMMF)</u>	MARKET Value \$ 1,342,259,072	57	1.04%	1.04%	1.00
	COST (Capital) \$ 1,341,479,114				
	MONTHLY AVG Balance \$ 1,489,142,483				
	BOOK Value \$ 1,342,210,217				
<u>Extended Fund</u>	MARKET Value \$ 5,975,786,893	454	1.16%	1.13%	1.00
	COST (Capital) \$ 6,001,065,915				
	MONTHLY AVG Balance \$ 5,970,160,670				
	BOOK Value \$ 5,986,775,413				
ALLOCATION OF EXTENDED FUND					
<u>Extended Fund</u> <i>OCIP Share</i>	MARKET Value \$ 2,974,941,195	454	1.16%	1.13%	1.00
	COST (Capital) \$ 2,987,525,915				
	MONTHLY AVG Balance \$ 2,956,620,670				
	BOOK Value \$ 2,980,411,638				
<i>OCEIP Share</i>	MARKET Value \$ 3,000,845,698	454	1.16%	1.14%	1.00
	COST (Capital) \$ 3,013,540,000				
	MONTHLY AVG Balance \$ 3,013,540,000				
	BOOK Value \$ 3,006,363,775				
<i>Modified Duration</i>	1.23				

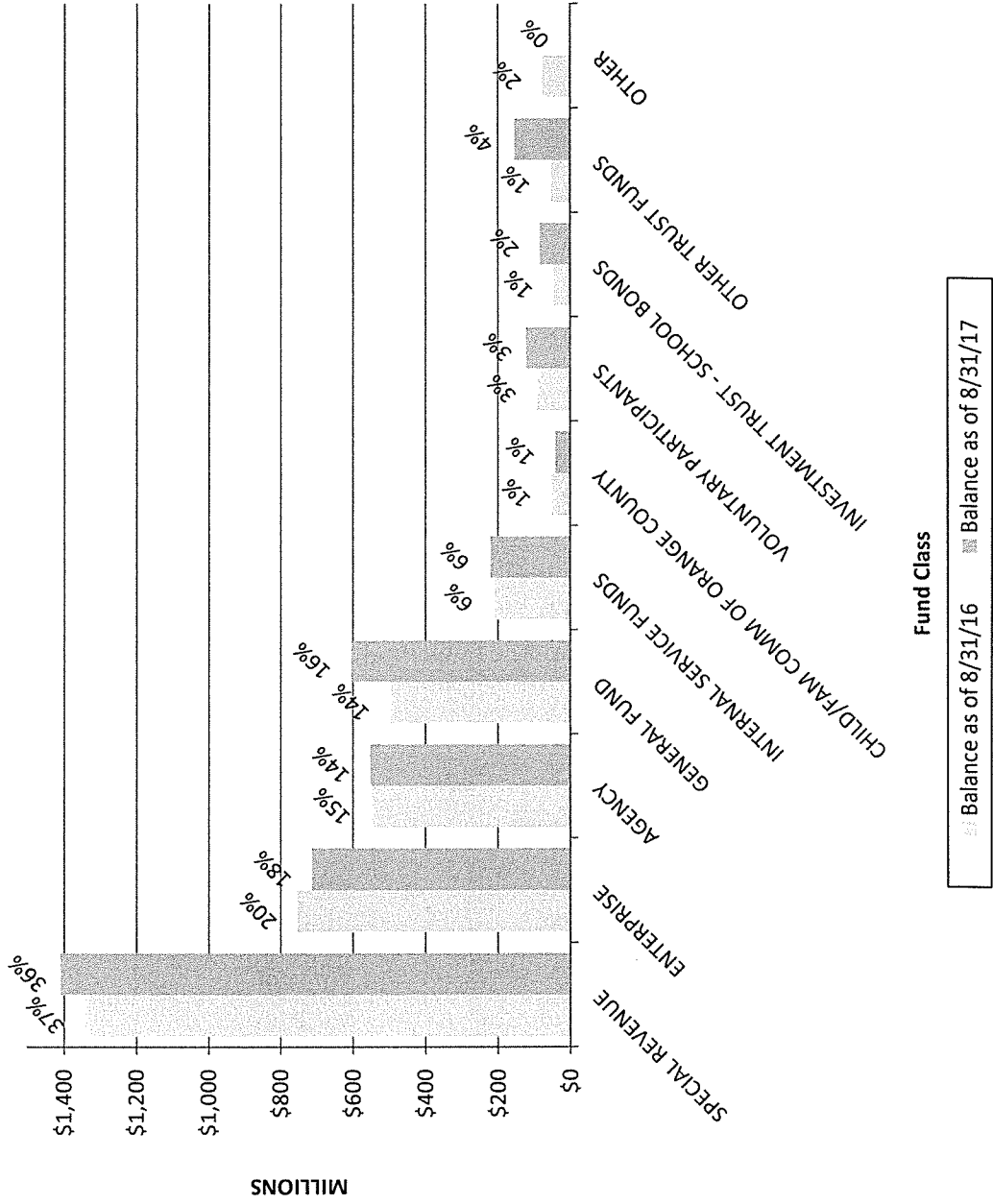
- * The Combined Pool Balances include the County and Educational Money Market Funds and their respective portions of the Extended Fund.
- ** Specific non pooled investments are reported in compliance with Government Code Section 53646 (b)(1). Detailed descriptions are included in the inventory listing in Section VII of this report.
- *** The Net Yield differs from the monthly average yield as it includes the Treasury administrative fees.
- **** Book Value is computed as Cost reduced by amortization of premium and increased by the accretion of discount of the Investment Portfolio. Net Asset Value (NAV) is equal to Market Value divided by Book Value.

**ORANGE COUNTY INVESTMENT POOL
COMPOSITION BY FUND
AS OF AUGUST 31, 2017**

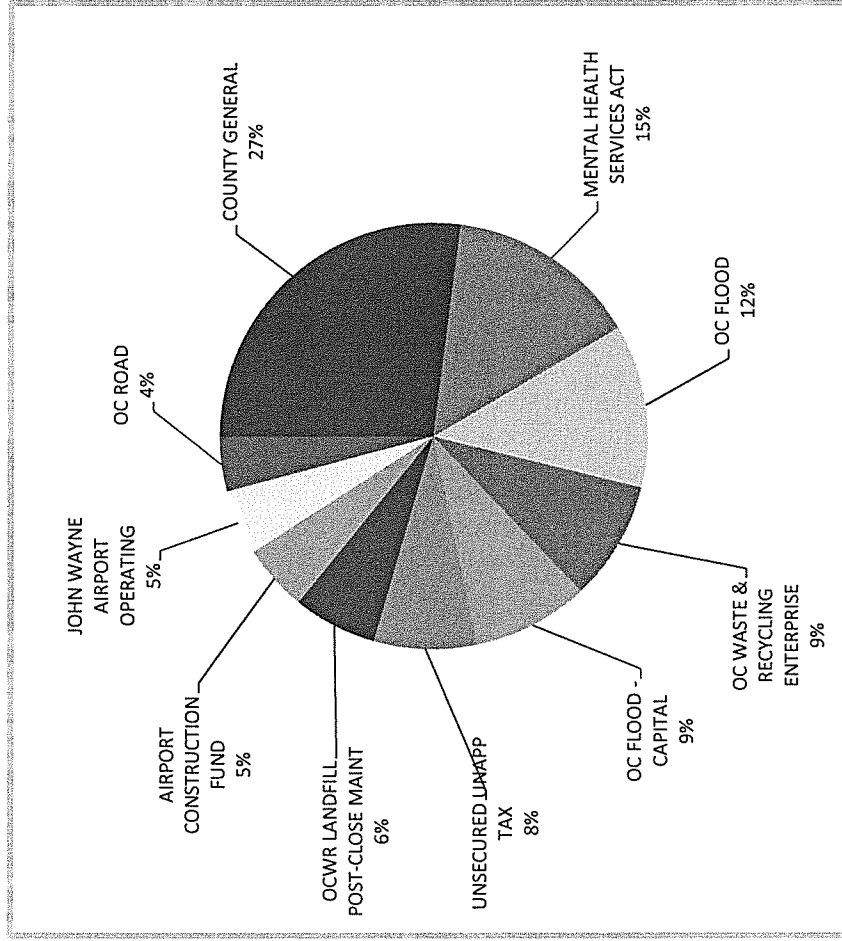
FUNDS	BALANCE
SPECIAL REVENUE	1,410,381,609
ENTERPRISE	713,427,105
GENERAL FUND	605,164,394
AGENCY	552,683,113
INTERNAL SERVICE FUNDS	221,521,124
VOLUNTARY PARTICIPANTS	122,445,842
INVESTMENT TRUST - SCHOOL BONDS	84,599,442
CHILD/FAM COMM OF ORANGE COUNTY	41,763,234
OTHER TRUST FUNDS	155,228,355
TOTAL	\$ 3,907,214,218



ORANGE COUNTY INVESTMENT POOL
 COMPOSITION BY FUND
 AS OF AUGUST 31



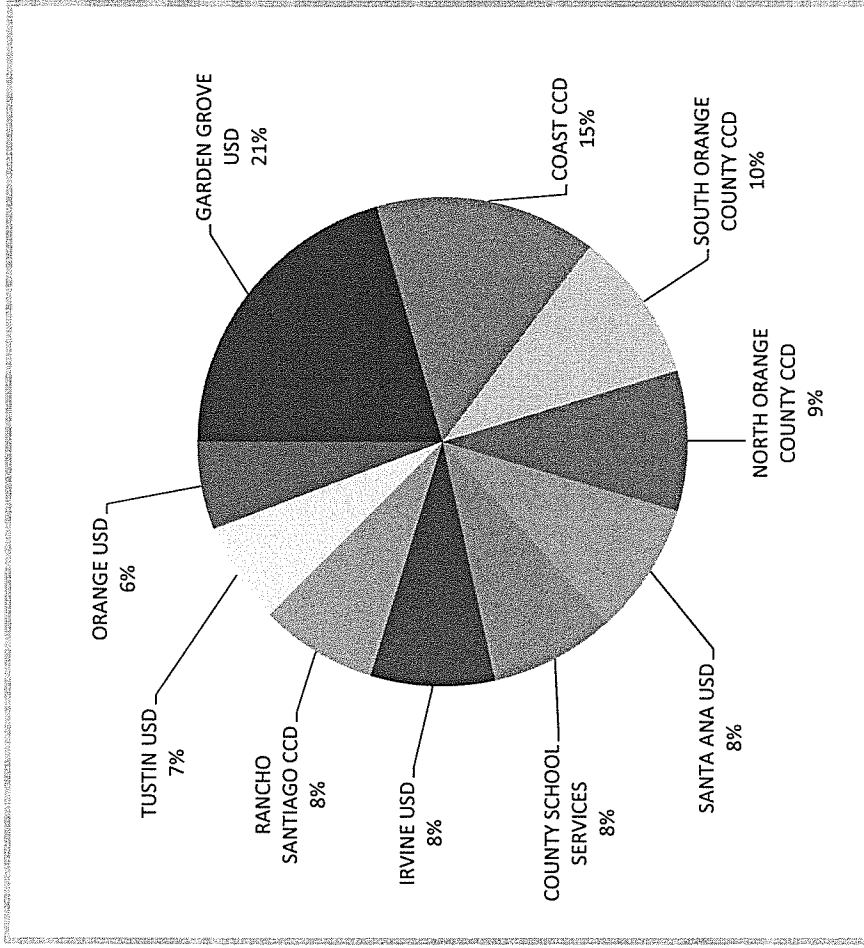
**ORANGE COUNTY INVESTMENT POOL
TOP TEN POOL PARTICIPANTS
AS OF AUGUST 31, 2017**



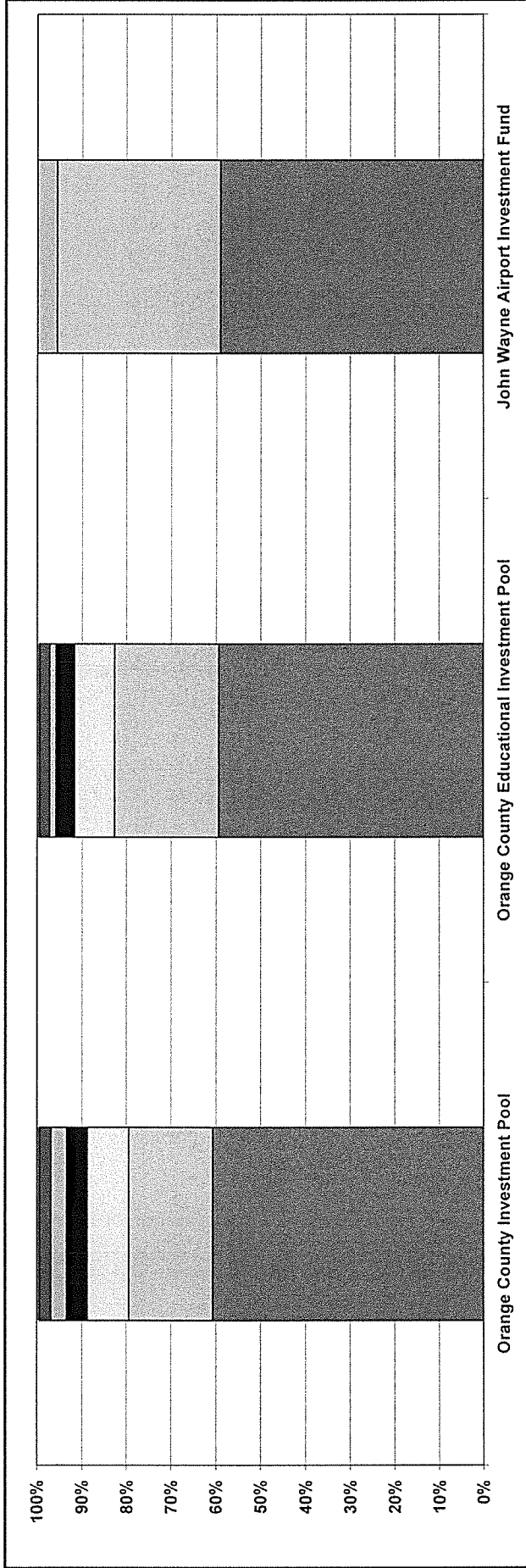
FUND #	FUND NAME	BALANCE
100	COUNTY GENERAL	\$ 559,589,084
13Y	MENTAL HEALTH SERVICES ACT	299,357,710
400	OC FLOOD	255,529,451
299	OC WASTE & RECYCLING ENTERPRISE	187,055,101
404	OC FLOOD - CAPITAL	181,772,795
674	UNSECURED UNAPP TAX	159,804,807
279	OCWR LANDFILL POST-CLOSE MAINT	132,611,883
281	AIRPORT CONSTRUCTION FUND	104,746,704
280	JOHN WAYNE AIRPORT OPERATING	101,970,974
115	OC ROAD	86,313,993
	TOTAL	\$ 2,068,752,502

**ORANGE COUNTY EDUCATIONAL INVESTMENT POOL
TOP TEN POOL PARTICIPANTS
AS OF AUGUST 31, 2017**

DISTRICT #	SCHOOL DISTRICT	BALANCE
72	GARDEN GROVE USD	\$ 577,638,573
90	COAST CCD	411,004,002
96	SOUTH ORANGE COUNTY CCD	279,995,608
88	NORTH ORANGE COUNTY CCD	260,952,041
84	SANTA ANA USD	241,035,765
94	COUNTY SCHOOL SERVICES	232,835,368
75	IRVINE USD	230,977,267
92	RANCHO SANTIAGO CCD	217,758,379
87	TUSTIN USD	186,971,221
80	ORANGE USD	163,276,034
	TOTAL	\$ 2,802,444,258



ORANGE COUNTY TREASURER - TAX COLLECTOR
BY INVESTMENT TYPE - By Percentage Holdings
August 31, 2017



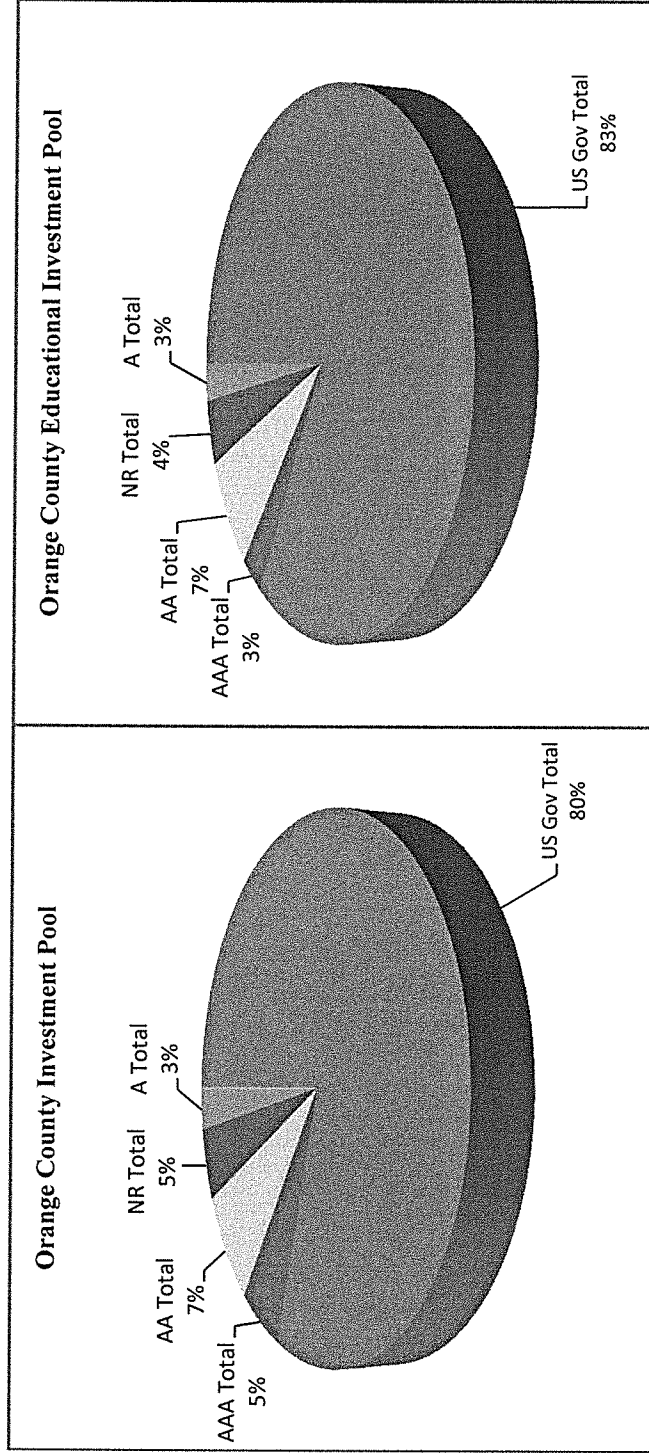
Orange County Investment Pool	
	In Thousands
U. S. GOVERNMENT AGENCIES	\$ 2,358,391
U. S. TREASURIES	729,590
MEDIUM - TERM NOTES	361,012
MUNICIPAL DEBT	180,793
MONEY MARKET MUTUAL FUNDS	134,786
CERTIFICATES OF DEPOSIT	100,752
LOCAL AGENCY INVESTMENT FUND	22,364
Total	\$ 3,887,688

Orange County Educational Investment Pool	
	In Thousands
U. S. GOVERNMENT AGENCIES	\$ 2,580,338
U. S. TREASURIES	1,010,173
MEDIUM-TERM NOTES	389,475
MUNICIPAL DEBT	182,367
CERTIFICATES OF DEPOSIT	100,015
MONEY MARKET MUTUAL FUNDS	58,178
LOCAL AGENCY INVESTMENT FUND	22,559
Total	\$ 4,343,105

John Wayne Airport Investment Fund	
	In Thousands
U. S. GOVERNMENT AGENCIES	\$ 29,879
U. S. TREASURIES	18,481
MONEY MARKET MUTUAL FUNDS	2,199
Total	\$ 50,559

Calculated Using Market Value at 8/31/17

ORANGE COUNTY TREASURER - TAX COLLECTOR
CREDIT QUALITY BY MARKET VALUE
 August 31, 2017



US GOV Includes Agency & Treasury Debt

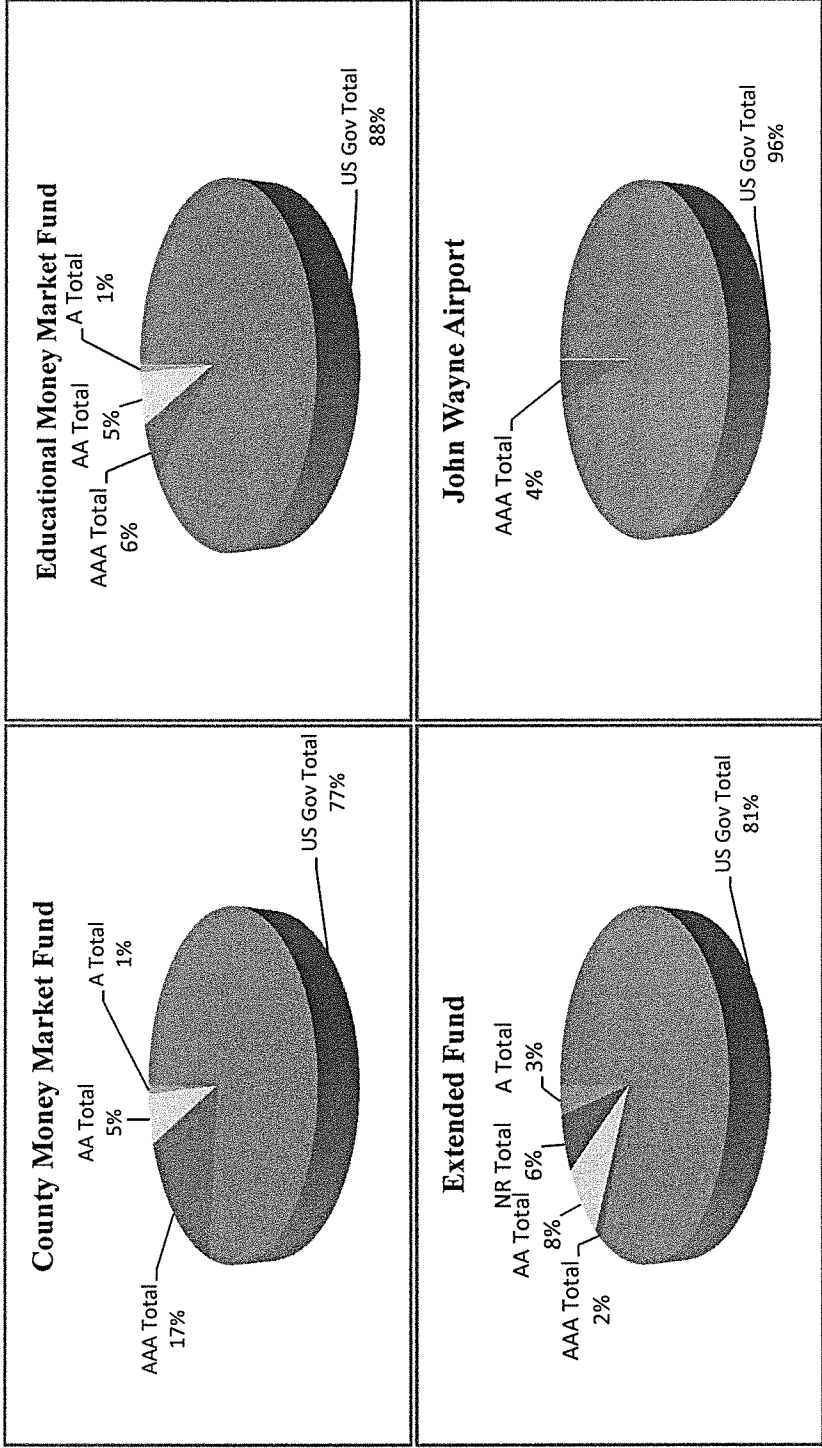
AA includes AA+, AA-, & AA

A includes A+, A-, & A

NR Includes LAIF and Orange County Pension Obligation Bonds Series 2017A

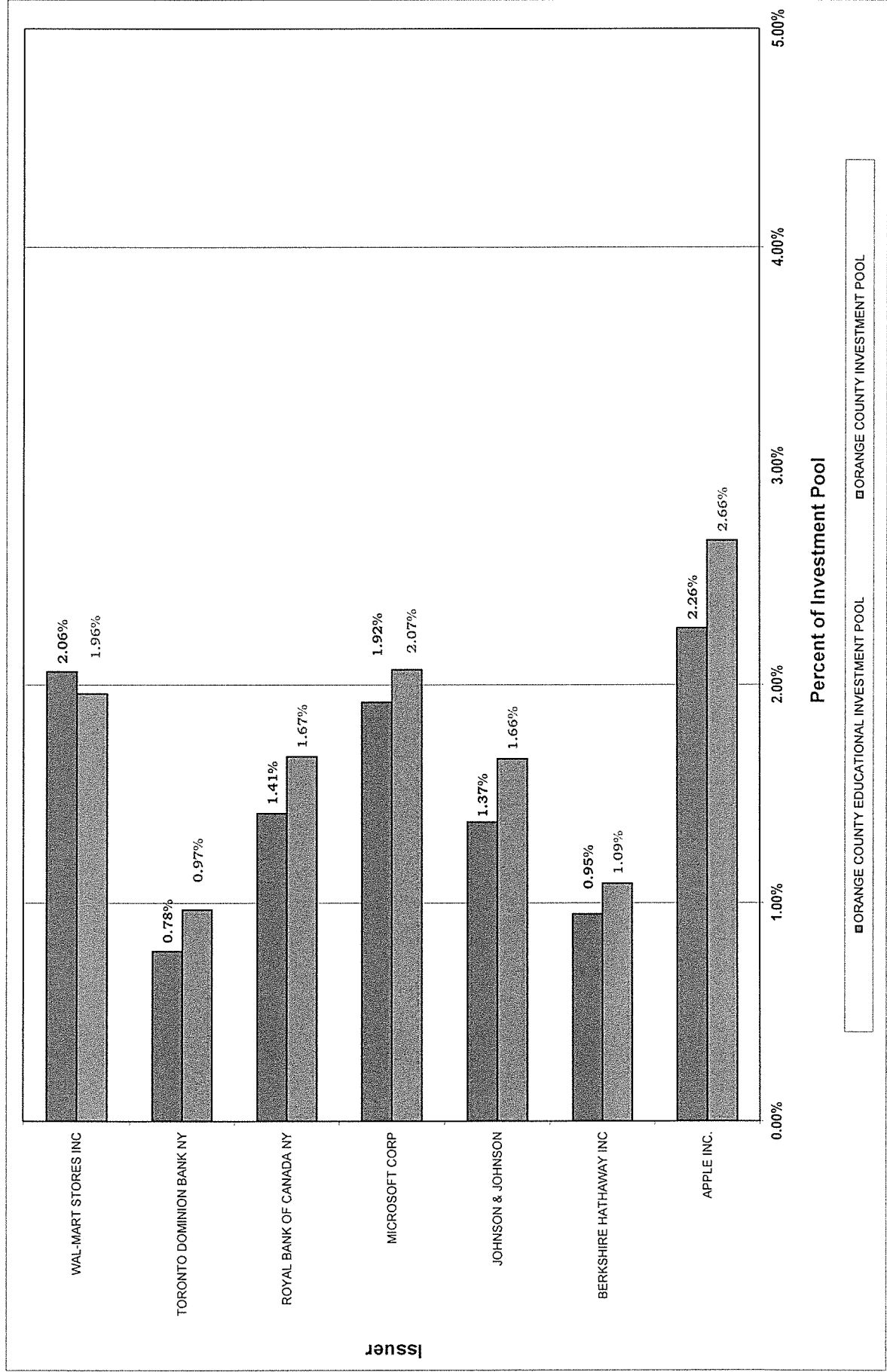
ORANGE COUNTY TREASURER - TAX COLLECTOR
CREDIT QUALITY BY MARKET VALUE

August 31, 2017



US GOV Includes Agency & Treasury Debt
 AA includes AA+, AA-, & AA
 A includes A+, A-, & A
 NR Includes LAIF and Orange County Pension Obligation Bonds Series 2017A

ORANGE COUNTY TREASURER - TAX COLLECTOR
ISSUER CONCENTRATION-By Investment Pool
 August 31, 2017



**ORANGE COUNTY TREASURER-TAX COLLECTOR
APPROVED ISSUER LIST - OCIP, OCEIP, and JWA**

August 31, 2017

ISSUER	S/T RATINGS			L/T RATINGS		
	S&P	Moody's	Fitch	S&P	Moody's	Fitch
U.S. TREASURY SECURITIES						
U.S. GOVERNMENT	A-1+	P-1	F1+	AA+	Aaa	AAA
U.S. GOVERNMENT AGENCY SECURITIES						
FEDERAL NATIONAL MORTGAGE ASSOCIATION	A-1+	P-1	F1+	AA+	Aaa	AAA
FEDERAL HOME LOAN MORTGAGE CORPORATION	A-1+	P-1	F1+	AA+	Aaa	AAA
FEDERAL HOME LOAN BANKS	A-1+	P-1	NR	AA+	Aaa	NR
FEDERAL FARM CREDIT BANKS	A-1+	P-1	F1+	AA+	Aaa	AAA
MEDIUM-TERM NOTES						
APPLE INC	A-1+	P-1	NR	AA+	Aa1	NR
JOHNSON & JOHNSON	A-1+	P-1	F1+	AAA	Aaa	AAA
MICROSOFT CORPORATION *	A-1+	P-1	F1+	AAA	Aaa	AA+
WAL-MART STORES INC	A-1+	P-1	F1+	AA	Aa2	AA
ISSUERS ON HOLD						
ROYAL BANK OF CANADA NY (JULY, 2016) **	A-1+	P-1	F1+	AA-	A1	AA
TORONTO DOMINION BANK NY (MARCH, 2017) ***	A-1+	P-1	F1+	AA-	Aa2	AA-
BERKSHIRE HATHAWAY INC (JULY, 2017) ****	A-1+	P-1	NR	AA	Aa2	A+
<i>BERKSHIRE HATHAWAY FINANCE (JULY, 2017) ****</i>	NR	NR	NR	NR	Aa2	A+
MUNICIPAL BONDS						
ORANGE CNTY CA PENSION OBLG 2017 A	NR	NR	NR	NR	NR	NR
STATE POOL - LOCAL AGENCY INVESTMENT FUND						
LOCAL AGENCY INVESTMENT FUND	NR	NR	NR	NR	NR	NR
MONEY MARKET MUTUAL FUNDS ⁽¹⁻¹⁻²⁰¹⁷⁾						
NAME OF FUND	S & P	Moody's	Fitch			
INVESCO GOVERNMENT & AGENCY SHORT-TERM INVESTMENTS TRUST (AIM)	AAAm	Aaa-mf	AAAmmf			
GOLDMAN SACHS FINANCIAL SQUARE GOVT FUND	AAAm	Aaa-mf	NR			
MORGAN STANLEY INSTITUTIONAL LIQUIDITY FUNDS - GOVT	AAAm	Aaa-mf	NR			
NORTHERN INSTITUTIONAL TREASURY PORTFOLIO	AAAm	NR	NR			

- * On Negative Outlook (Moody's L/T rating - July 25, 2016).
- ** Moody's downgraded its L/T Rating from Aa3 to A1 on May 10, 2017 and kept the issuer rating Outlook on Negative. On Negative Outlook (S&P - June 6, 2016; Fitch - January 25, 2016, Moody's - June 11, 2014).
- *** Moody's downgraded its L/T Rating from Aa1 to Aa2 on May 10, 2017 and kept the issuer rating Outlook on Negative. On Negative Outlook (Moody's - June 11, 2014).
- **** S&P removed its CreditWatch Negative from its L/T Rating and was placed on Stable Outlook on August 22, 2017. The issuer will remain on hold until reviewed by the Credit Investment Committee.
- ***** All money market funds are institutional money market funds investing in debt issued or guaranteed by the U.S. Government and its agencies.

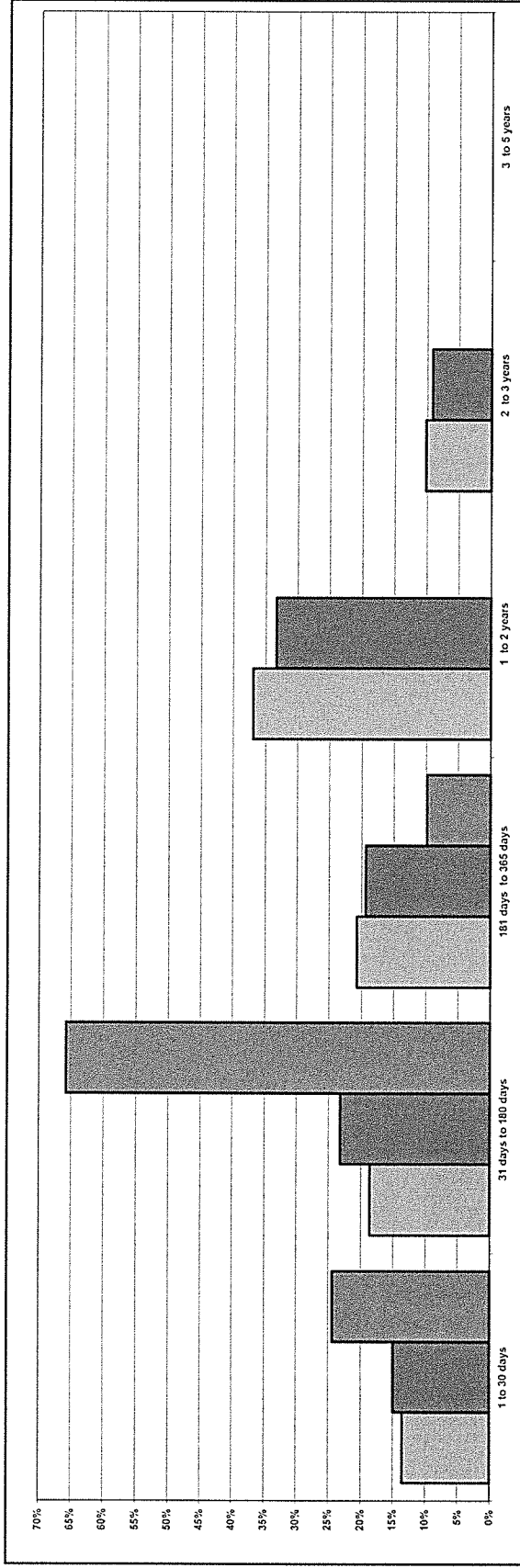
**Orange County Treasurer-Tax Collector
Changes in Approved Issuer's List
For the Month Ended August 31, 2017**

During August, there were two changes to the Treasurer's Approved Issuer List:

- On August 22, 2017, the L/T issuer credit rating of both Berkshire Hathaway Inc. and Berkshire Hathaway Finance were removed from CreditWatch Negative and placed on Stable Outlook by Standard & Poor's. The two issuers will remain on hold until reviewed by the Credit Investment Committee.

An ongoing credit analysis of all issuers owned in the Investment Pools is reviewed on a daily, monthly, quarterly, and annual basis.

**ORANGE COUNTY TREASURER - TAX COLLECTOR
MATURITIES DISTRIBUTION
August 31, 2017**



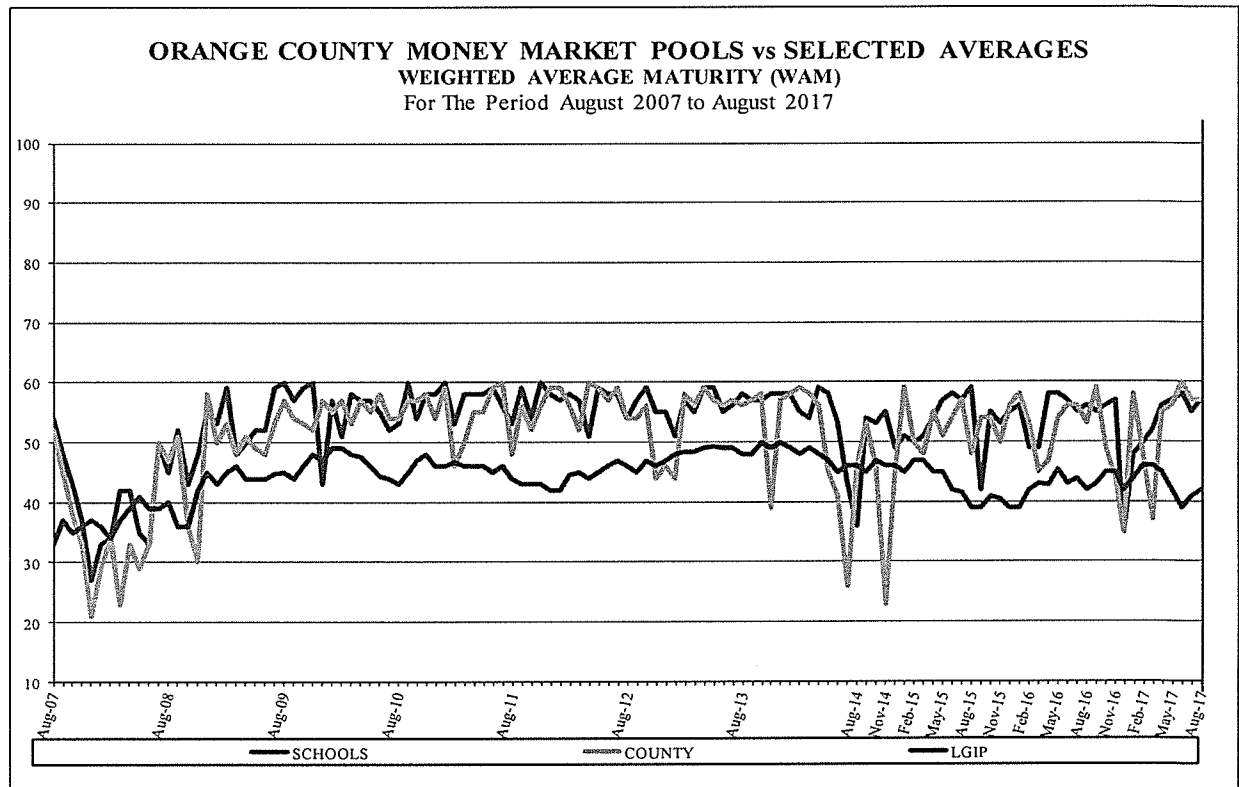
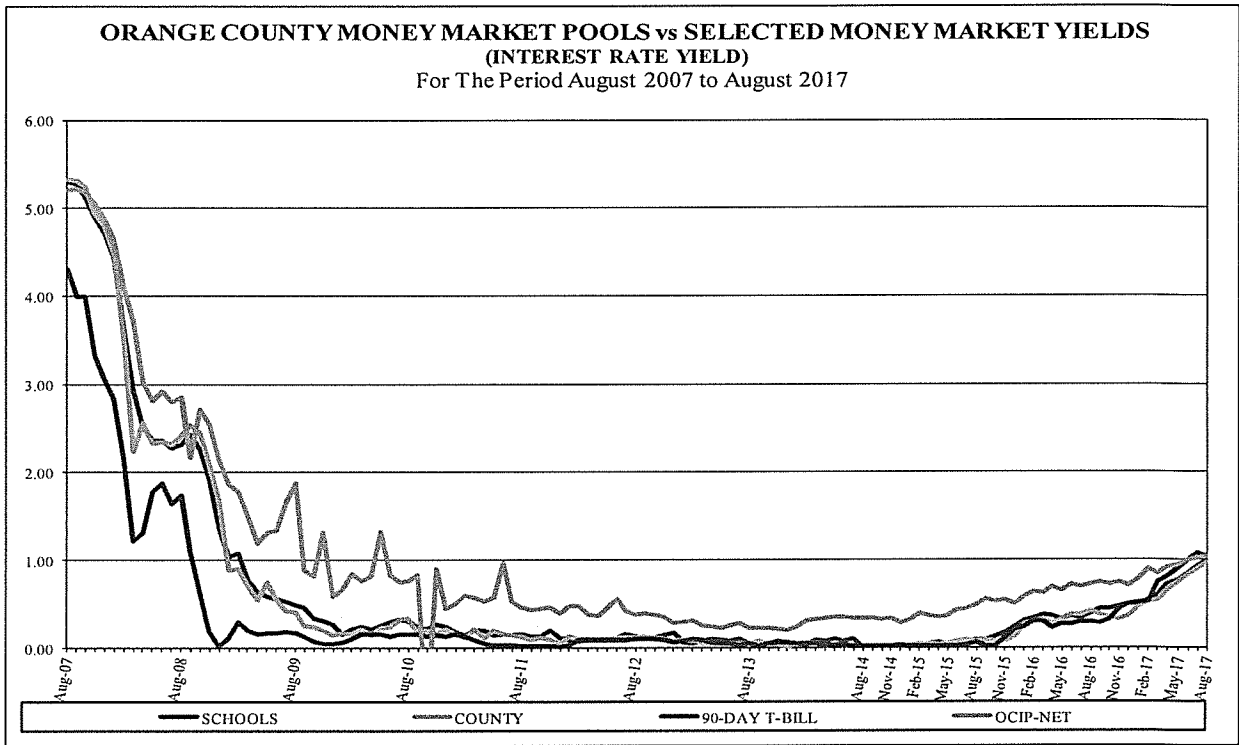
ORANGE COUNTY INVESTMENT POOL		
	In Thousands ^{1,2}	%
1 TO 30 DAYS	\$ 527,443	13.56%
31 TO 180 DAYS	724,382	18.61%
181 TO 365 DAYS	806,043	20.72%
1 YEAR TO 2 YEARS	1,436,904	36.93%
2 YEARS TO 3 YEARS	395,923	10.18%
3 YEARS TO 5 YEARS	-	0.00%
TOTAL	\$ 3,890,695	100.00%

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL		
	In Thousands ^{1,2}	%
1 TO 30 DAYS	\$ 650,030	14.96%
31 TO 180 DAYS	1,007,078	23.18%
181 TO 365 DAYS	839,630	19.32%
1 YEAR TO 2 YEARS	1,449,415	33.35%
2 YEARS TO 3 YEARS	399,371	9.19%
3 YEARS TO 5 YEARS	-	0.00%
TOTAL	\$ 4,345,524	100.00%

JOHN WAYNE AIRPORT INVESTMENT FUND		
	In Thousands ^{1,2}	%
1 TO 30 DAYS	\$ 12,324	24.34%
31 TO 180 DAYS	33,300	65.78%
181 TO 365 DAYS	5,000	9.88%
1 YEAR TO 2 YEARS	-	0.00%
TOTAL	\$ 50,624	100.00%

¹ Maturity Limits are calculated using face value. All final maturities are in compliance with the IPS during August.

² Floating Rate Notes are deemed to have a maturity date equal to their next interest reset date. At 8/31/2017, Floating Rate Notes comprise 0.00%, 0.02%, and 0.00% of the Orange County Investment Pool, Orange County Educational Investment Pool, and JWA Investment Fund respectively.



•As of August 31, 2017, S&P LGIP – 1.00; S&P LGIP WAM -42; 90-Day T-Bill – 1.03; OCIP – Net – 1.039

ORANGE COUNTY TREASURER-TAX COLLECTOR

INVESTMENT POOL YIELDS

September 1, 2016 - August 31, 2017

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET VALUE	EARNINGS FOR MONTH	GROSS AVERAGE YIELD FOR MONTH	MONTH END WAM
<i>Current Month - August 2017</i>				
County Pool - Money Market Fund	\$ 912,746,691	\$ 748,603	1.03%	57
Educational Pool - Money Market Fund	\$ 1,342,259,072	\$ 1,320,805	1.04%	57
Extended Fund	\$ 5,975,786,893	\$ 5,754,302	1.13%	454
<i>July 2017</i>				
County Pool - Money Market Fund	\$ 925,588,577	\$ 869,951	0.96%	57
Educational Pool - Money Market Fund	\$ 1,625,874,675	\$ 1,449,778	0.99%	55
Extended Fund	\$ 5,820,623,739	\$ 5,661,871	1.13%	464
<i>June 2017</i>				
County Pool - Money Market Fund	\$ 1,127,901,842	\$ 1,015,069	0.90%	60
Educational Pool - Money Market Fund	\$ 1,821,324,948	\$ 1,188,057	0.91%	58
Extended Fund	\$ 5,876,238,402	\$ 5,545,780	1.14%	487
<i>May 2017</i>				
County Pool - Money Market Fund	\$ 1,559,912,721	\$ 1,190,993	0.81%	56
Educational Pool - Money Market Fund	\$ 1,631,429,543	\$ 1,157,267	0.82%	57
Extended Fund	\$ 5,888,812,000	\$ 5,545,463	1.10%	494
<i>April 2017</i>				
County Pool - Money Market Fund	\$ 1,928,898,078	\$ 1,427,058	0.72%	56
Educational Pool - Money Market Fund	\$ 1,810,058,617	\$ 946,118	0.78%	56
Extended Fund	\$ 5,884,169,552	\$ 5,396,950	1.11%	488
<i>March 2017</i>				
County Pool - Money Market Fund	\$ 1,742,756,895	\$ 707,012	0.60%	37
Educational Pool - Money Market Fund	\$ 1,278,498,097	\$ 590,948	0.66%	52
Extended Fund	\$ 5,874,437,878	\$ 5,301,507	1.06%	511
<i>February 2017</i>				
County Pool - Money Market Fund	\$ 1,420,356,645	\$ 588,259	0.58%	48
Educational Pool - Money Market Fund	\$ 1,036,250,434	\$ 539,611	0.60%	50
Extended Fund	\$ 5,876,196,444	\$ 5,010,710	1.11%	511
<i>January 2017</i>				
County Pool - Money Market Fund	\$ 1,243,000,623	\$ 626,367	0.53%	58
Educational Pool - Money Market Fund	\$ 1,309,895,173	\$ 772,307	0.57%	48
Extended Fund	\$ 5,872,382,548	\$ 4,846,757	0.99%	496
<i>December 2016</i>				
County Pool - Money Market Fund	\$ 1,787,873,393	\$ 656,440	0.43%	35
Educational Pool - Money Market Fund	\$ 1,995,546,428	\$ 627,945	0.56%	35
Extended Fund	\$ 5,491,524,471	\$ 4,550,093	0.96%	510
<i>November 2016</i>				
County Pool - Money Market Fund	\$ 1,263,748,930	\$ 397,303	0.38%	44
Educational Pool - Money Market Fund	\$ 1,123,417,366	\$ 433,001	0.53%	57
Extended Fund	\$ 5,538,702,888	\$ 4,384,832	0.96%	515
<i>October 2016</i>				
County Pool - Money Market Fund	\$ 1,262,431,238	\$ 351,585	0.41%	49
Educational Pool - Money Market Fund	\$ 978,305,500	\$ 469,767	0.51%	56
Extended Fund	\$ 5,497,309,348	\$ 4,298,117	0.92%	504
<i>September 2016</i>				
County Pool - Money Market Fund	\$ 751,801,815	\$ 278,284	0.46%	59
Educational Pool - Money Market Fund	\$ 1,220,526,096	\$ 498,234	0.46%	55
Extended Fund	\$ 5,494,463,600	\$ 4,191,758	0.93%	501
Fiscal Year July 1, 2017 - June 30, 2018				
	Average Month End Market Value Balance	YTD Interest Income	YTD Gross Yield	YTD Average
Orange County Investment Pool	\$ 3,817,515,954	\$ 7,244,238	1.10%	363
Orange County Educational Investment Pool	\$ 4,483,923,870	\$ 8,561,072	1.09%	326

**ORANGE COUNTY TREASURER-TAX COLLECTOR
CASH AVAILABILITY PROJECTION
FOR THE SIX MONTHS ENDING FEBRUARY 28, 2018**

Government Code Section 53646 (b) (3), effective on January 1, 1996, requires the Treasurer-Tax Collector to include a statement in the investment report, denoting the ability of the Orange County Investment Pool (OCIP) and the Orange County Educational Investment Pool (OCEIP) to meet their expenditure requirements for the next six months.

The OCIP and OCEIP consist of funds in the treasury deposited by various entities required to do so by statute, as well as those entities voluntarily depositing monies in accordance with Government Code Section 53684.

The Treasurer-Tax Collector is required to disburse monies placed in the treasury as directed by the Auditor-Controller and the Department of Education, except for the making of legal investments, to the extent funds are transferred to one or more clearing funds in accordance with Government Code Section 29808.

The Treasurer-Tax Collector, in her projection of cash availability to disburse funds as directed by the Auditor-Controller and the Department of Education, is primarily relying on historical trends involving deposits and withdrawals and known future cash flows. No representation is made as to an individual depositor's ability to meet their anticipated expenditures with anticipated revenues.

The Cash Availability Projection for the six months ending February 28, 2018, indicates the ability of the pools to meet projected cash flow requirements. However, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected and those differences may be material.

ORANGE COUNTY INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
August 2017 - Ending Cash				\$ 7,468,370
September	\$ 488,175,021	\$ 341,913,353	\$ 368,560,473	468,996,271
October	205,442,239	921,680,990	384,165,392	1,211,954,108
November	197,118,974	918,740,434	1,099,912,526	1,227,900,990
December	156,792,055	2,223,658,160	1,672,830,549	1,935,520,656
January	99,429,102	409,231,020	1,080,818,764	1,363,362,014
February 2018	154,718,614	404,572,553	273,332,807	1,649,320,374

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
August 2017 - Ending Cash				\$ 963,820
September	\$ 630,506,743	\$ 524,884,626	\$ 644,160,531	512,194,658
October	535,811,050	349,436,683	653,162,723	744,279,668
November	134,952,969	768,547,291	645,643,117	1,002,136,811
December	150,070,257	1,207,991,791	424,426,346	1,935,772,513
January	100,377,163	517,250,344	880,037,502	1,673,362,518
February 2018	152,063,531	250,602,011	646,872,842	1,429,155,218

ORANGE COUNTY TREASURER-TAX COLLECTOR
STATEMENT OF ACCOUNTABILITY
For the Month Ended August 31, 2017

	<u>Month</u>
Treasurer's Accountability at the Beginning of the Period:	<u>\$8,574,140,707</u>
Cash Receipts:	
County	576,026,918
School and Community College Districts	279,031,110
Total Cash Receipts	<u>855,058,028</u>
Cash Disbursements:	
County	432,611,774
School and Community College Districts	563,205,139
Total Cash Disbursements	<u>995,816,913</u>
Net Change in Cost Value of Pooled Assets	<u>(140,758,885)</u>
Net (Decrease) in Non-Pooled Investments	(67,545,371)
Net (Decrease) in Non-Pooled Cash	<u>(2,897,635)</u>
Treasurer's Accountability at the End of the Period:	<u>\$8,362,938,816</u>
Assets in the Treasury at the End of the Period (at Cost Value):	
Pooled Investments:	
O.C. Investment Pool	\$ 3,899,745,848
O.C. Educational Investment Pool	4,355,019,114
Total Orange County Investment Pools	<u>8,254,764,962</u>
Non Pooled Investments:	
Non-Pooled Investments - John Wayne Airport	50,502,414
Non-Pooled Investments - Fountain Valley School District Fund 40	34,848,650
Non-Pooled Investments - Other	1,081,500
Total Non Pooled Investments	<u>86,432,564</u>
Cash:	
Cash in banks - County	7,416,028
Cash in banks - Schools	963,820
Cash in banks - OC Sheriff	12,461,105
Cash in banks - John Wayne Airport	847,995
Cash - Other	52,342
Total Cash	<u>21,741,290</u>
Total Assets in the Treasury at the End of the Period:	<u>\$ 8,362,938,816</u>

**ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POLICY (IPS) COMPLIANCE SUMMARY
August 31, 2017**

Investment Policy (IPS) Guidelines	Investment Type	County Money Market Fund		Extended Fund		Educational Money Market Fund		John Wayne Airport (JWA) Investment Fund	
		Market Value of Investments (1)	Percent of Portfolio	Market Value of Investments (1)	Percent of Portfolio	Market Value of Investments (1)	Percent of Portfolio	Market Value of Investments (1)	Percent of Portfolio
Diversification Limit									
30%	Negotiable Certificates of Deposit	\$ 1,600,232	0.18%	\$ 199,166,885	3.33%	\$ -	0.00%	\$ -	0.00%
40%	Commercial Paper	-	0.00%	-	0.00%	-	0.00%	-	0.00%
100%	U.S. Government Agencies	619,137,604	67.83%	3,493,650,775	58.46%	825,940,340	61.53%	29,878,583	59.10%
\$50MM	LAIF	-	0.00%	44,923,138	0.75%	-	0.00%	-	0.00%
30%	Medium-Term Notes	77,291,499	8.47%	569,911,776	9.54%	103,284,244	7.69%	-	0.00%
20%	Money Market Mutual Funds	134,785,673	14.77%	363,159,791	0.00%	58,177,672	4.33%	2,198,755	4.35%
30%	Municipal Debt	-	0.00%	-	0.00%	-	0.00%	-	0.00%
20%	Repurchase Agreement	-	0.00%	-	0.00%	-	0.00%	-	0.00%
30%	Supranationals	79,931,683	8.75%	1,304,974,528	21.84%	354,856,816	26.45%	18,480,934	36.55%
100%	U.S. Treasuries	\$ 912,746,691	100.00%	\$ 5,975,786,893	100.00%	\$ 1,342,259,072	100.00%	\$ 50,558,272	100.00%

Investment Policy (IPS) Guidelines	Compliance Category (Yes/No)	County Money Market Fund		Extended Fund		Educational Money Market Fund		John Wayne Airport (JWA) Investment Fund	
		Market Value of Investments (1)	Percent of Portfolio	Market Value of Investments (1)	Percent of Portfolio	Market Value of Investments (1)	Percent of Portfolio	Market Value of Investments (1)	Percent of Portfolio
5%	Percentage Limits								
20%	Issuer Limit	Yes		Yes		Yes		Yes	
50%	Money Market Mutual Fund Issuer Government Agencies Issuer	Yes (2)		N/A		Yes (2)		Yes (4)	
See Above	Diversification Limit	Yes		Yes		Yes		Yes	
60 Days	Maturity/Duration Limits	Yes/57.09		N/A		Yes/57.46		N/A	
90 Days	Weighted Average Maturity - Money Market Fund	N/A		N/A		N/A		Yes/78.86	
>Merrill 1-3 Year Index+25% (2.36)	Weighted Average Maturity - JWA Investment Fund	N/A		Yes/1.23		N/A		N/A	
13 Months/397 days	Duration (3)	N/A		N/A		Yes/318		N/A	
15 Months/456 days	Final Maturity - Money Market Fund	Yes/318		N/A		N/A		Yes/323	
5 Years/7826 days	Final Maturity - John Wayne Airport Investment Fund	N/A		Yes/1064		N/A		N/A	
A-1/≥ A	Quality Limits	Yes		N/A		Yes		Yes	
≥ A-1/P-1/F2	MMF Short Term/Long Term	Yes		N/A		Yes		Yes	
A-1/≥ AA (2)	Short Term Debt/No Split Ratings	Yes		N/A		Yes		Yes	
Approved Issuer List	Extended Fund Short Term/Long Term	N/A		Yes (6)		N/A		N/A	
Broker/Dealer List	Authorized Issuer	Yes		Yes		Yes		Yes	
0.995 - 1.005	Authorized Financial Dealer/Institution	Yes		Yes		Yes		Yes	
	Net Asset Value - Money Market Fund and JWA	Yes/1.0000		N/A		Yes/1.0000		Yes/1.0003	

(1) All investments are marked to market in compliance with the narrow valuation range prescribed by the IPS and market values are provided by Bloomberg Professional Services and Northern Trust.
(2) Excludes US Government Debt per IPS policy approved by the Board of Supervisors on November 22, 2016.
(3) Rating Agency requirements limit investment in each Money Market Mutual Fund to 10%.
(4) GSE issuers rated 'AA-' or higher with final maturities of 30 days or less are excluded from the calculation of the 50% limit per IPS for the Extended Fund and the JWA Investment Fund and from the Rating Agency limit of 33% for the two Money Market Funds.
(5) IPS states all pools, except short-term pools, shall have an effective duration not to exceed a leading 1-3 year index +25%. Duration provided above (1,23) is a modified duration which does not take into consideration all embedded options such as callable bonds or mortgage backed bonds. This presentation is not considered materially different from the effective duration requirement specified in IPS.
(6) Securities issued by Royal Bank of Canada NY were rated above 'AA' at the time of purchase and are in compliance with IPS.
NA Not applicable

Note: Compliance exceptions, if any, are noted by red shading for the specific IPS guideline and investment pool.

**ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POLICY (IPS) AND TREASURY OVERSIGHT COMMITTEE (TOC) COMPLIANCE SUMMARY
August 31, 2017**

COMPLIANCE CATEGORY	PERFORMED BY	REGULATORY/POLICY GUIDELINES	CURRENT STATUS
Annual Compliance Audit	ACIA	Performance Evaluation-Cal Govt. Code 27134	Annual audit of calendar year 2015 completed.
Quarterly Schedule of Assets Review	ACIA	Performance Evaluation-Cal Govt. Code 26920(a)	March 31, 2017 completed.
Annual Schedule of Assets Audit	ACIA	Performance Evaluation-Cal Govt. Code 26920(b)	Annual audit as of June 30, 2016 completed.
Quarterly Continuous Compliance Auditing	ACIA	TOC Directive	June 30, 2017 completed.
Treasury Administrative Fee	TTC	Compensation Agreement-Cal Govt. Code 27013	Annual review of fees for FY 14/15, FY 15/16 and FY 16/17 in progress.
Annual Broker/Dealer Review	TTC	Authorized Financial Dealers and Qualified Institutions	Annual review of calendar year 2016 in progress.
Annual Broker/Dealer IPS Certification	TTC	Authorized Financial Dealers and Qualified Institutions	All 2017 IPS certifications received for active approved brokers (one broker removed).
IPS Compliance Deficiencies	TTC	Investment/Diversification/Maturity Restrictions/Form 700	FY 17/18 identified zero compliance incidents as of August 31, 2017.
TOC Bylaw Changes	BOS	TOC Review and BOS Annual Approval	The TOC reviewed Bylaws and made one change at the October 19, 2016 meeting. The BOS approved on November 22, 2016.
Annual IPS Approval	BOS	TOC Review and BOS Annual Approval	The TOC reviewed proposed IPS changes at the October 19, 2016 meeting and did not make any additional changes. The BOS approved on November 22, 2016.
TOC Annual Report	BOS	TOC Bylaws Rule 30 - Oral and Written Report	The TOC 2016 Annual Report was presented to BOS on February 28, 2017.
Broker/Financial Institution List	TTC	OC Gift Ban Ordinance and Form 700	The TOC members were provided a list of active TTC Broker/Dealers and Financial Institutions at the TOC meeting on October 19, 2016.
Certificates of Compliance	TTC	TOC Bylaws Rule 34 - Annual	The TOC members are in compliance for calendar year 2017.
Ethics Training	TTC	TOC Bylaws Rule 34 - Every Two Years	The TOC members are in compliance for calendar year 2016 (one submitted in January 2017).
Conflict of Interest Form 700 Filing	TTC	TOC Bylaws Rule 34 / IPS - Every Year	All TOC members and designated employees are in compliance for calendar year 2016. A designated employee submitted an Assuming Office Statement in calendar year 2017 late.

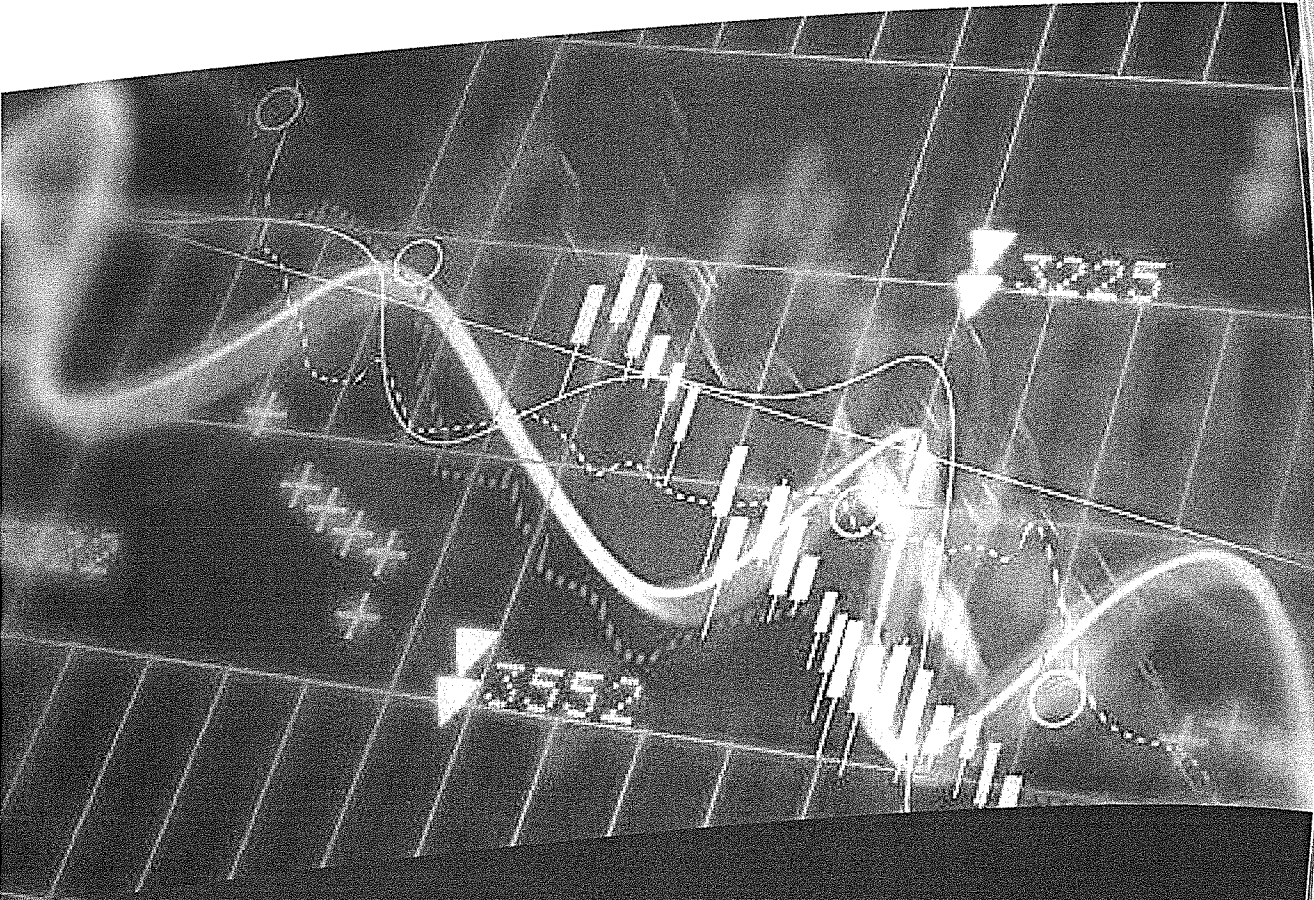
LEGEND	
Auditor-Controller Internal Audit	ACIA
Board of Supervisors	BOS
Treasury Oversight Committee	TOC
Office of Treasurer-Tax Collector	TTC

**Orange County Treasurer-Tax Collector
Noncompliance Detail
For the Month Ended August 31, 2017**

During August, the Orange County Investment Pool (OCIP), the Orange County Educational Investment Pool (OCEIP), and the John Wayne Airport Investment Fund were all free of noncompliance incidents.

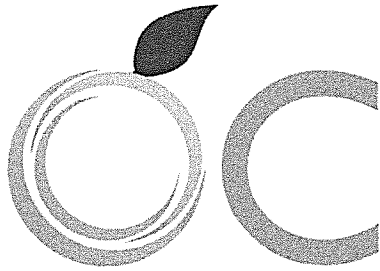


Orange County Auditor-Controller Internal Audit



Compliance Monitoring of the
Treasurer's Investment Portfolio for the
Quarter Ended June 30, 2017

Audit Number 1618
Report Date: August 8, 2017



O R A N G E C O U N T Y
AUDITOR-CONTROLLER
I N T E R N A L A U D I T

Eric H. Woolery, CPA
Orange County Auditor-Controller

Toni Smart, CPA	Director, Internal Audit
Scott Suzuki, CPA, CIA, CISA	Assistant Director
Carol Swe, CPA, CIA, CISA	Senior Audit Manager II
Michael Steinhaus, CPA, CGMA	Audit Manager I
Raquel Zubi, CPA	Auditor II

12 Civic Center Plaza, Room 200
Santa Ana, CA 92701

Auditor-Controller Website
www.ac.ocgov.com



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



Transmittal Letter

Audit No. 1618

August 8, 2017

TO: Members, Treasury Oversight Committee

SUBJECT: Compliance Monitoring of the Treasurer's Investment Portfolio
For the Quarter Ended June 30, 2017

At the request of the Treasury Oversight Committee, we have completed the Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended June 30, 2017.

I submit an **Audit Status Report** quarterly to the Audit Oversight Committee (AOC) and a quarterly report to the Board of Supervisors (BOS) where I detail any critical or significant findings released in reports during the prior quarter and the implementation status of recommendations as disclosed by our Follow-Up Audits. Although there were no findings noted during this engagement, the results will be included in future status reports to the AOC and BOS.

Please feel free to call me should you wish to discuss any aspect of our report. Additionally, we request the department to complete a **Customer Survey** of Audit Services that will be sent shortly after the distribution of our final report.

Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division

Attachment

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Shari L. Freidenrich, Treasurer-Tax Collector
- Eric H. Woolery, Auditor-Controller
- Frank Kim, County Executive Officer
- Mark Malbon, Assistant Treasurer-Tax Collector
- Gary Nguyen, Director of Investments, Treasurer-Tax Collector – Treasury
- JC Squires, Financial Manager, Treasurer-Tax Collector – Treasury
- Jennifer Han, Accounting/Compliance Manager, Treasurer-Tax Collector – Treasury
- Robin Stieler, Clerk of the Board of Supervisors
- Foreperson, Grand Jury
- Macias Gini & O'Connell LLP, County External Auditor



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Treasurer's Investment Portfolio
For the Quarter Ended June 30, 2017
Audit No. 1618*

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Internal Auditor's Report

Audit No. 1618

August 8, 2017

Gary G. Capata, CPA, Chair, Public Member
Treasury Oversight Committee
625 North Ross Street, Building 11
Santa Ana, California 92701

We have completed the compliance monitoring of the Treasurer's Investment Portfolio for the Quarter Ended June 30, 2017. The purpose of our engagement was to determine whether the Orange County Investment Pool (OCIP), Orange County Educational Investment Pool (OCEIP), and various other non-pooled investments managed by the Treasurer, such as John Wayne Airport Investment Fund, were in compliance with the applicable provisions of its Investment Policy Statement (IPS) and that instances of noncompliance, including technical incidents, were properly reported in the Treasurer's Monthly Investment Report. It is important to note that the Treasurer further invests pooled funds from the OCIP and OCEIP into three funds: the Orange County Money Market Fund (OCMMF), the Orange County Educational Money Market Fund (OCEMMF) (collectively referred to as Money Market Funds), and the Extended Fund.

We perform the compliance monitoring of the Treasurer's investment portfolio at the request of the Treasury Oversight Committee. The monitoring is designed to provide limited assurance to the Treasury Oversight Committee and the Office of the Treasurer-Tax Collector that the Treasurer's investment portfolio is in compliance with specific provisions of the IPS, and that instances of noncompliance, technical incidents, and required disclosures are properly reported.

Our compliance procedures included judgmentally selecting five business days for testing from each month and importing the selected electronic downloads from the Treasurer's Quantum system into ACL, a computer-assisted audit technique software, to perform calculations and determine whether investment purchases were in compliance with the IPS.

Based on the procedures performed, **no instances of noncompliance were identified**. When applicable, our report also includes information regarding the Treasurer's reporting of technical incidents in the Treasurer's Monthly Investment Reports. The Treasurer defines a technical incident as an event, other than the purchase of a security, which causes an IPS limit to be exceeded. The most common cause of a technical incident is when the total investment pool holdings decrease causing the relative percentage of holdings to increase.



Internal Auditor's Report

The following lists the procedures performed and results achieved:

1. **Authorized Investments (IPS Section VI, VII, VIII, IX, XI):** We judgmentally selected a sample of 15 investments purchased during the quarter (one investment for each of the 15 business days selected for testing). For the samples selected, we confirmed that the investments conform to authorized investment requirements in accordance with the IPS. We also confirmed that the investments were purchased from issuers or brokers on the Treasurer's authorized lists.

Results: We found no exceptions.

2. **Diversification Compliance (IPS Section VIII.1):** We performed calculations to determine that the Money Market and Extended Fund portfolios met the diversification limits for investment types in accordance with the IPS, and that the John Wayne Airport Investment Fund met those diversification limits as well.

Results: We found no exceptions.

3. **Weighted Average Maturity (WAM) Limitations (IPS Section VIII.2):** We performed calculations to determine that WAM did not exceed 60 days for the Money Market Funds in accordance with the IPS and that WAM did not exceed 90 days for the John Wayne Airport Investment Fund.

Results: We found no exceptions.

4. **Maximum Maturity Limitations (IPS Section VIII.2):** We confirmed that the maximum maturity of any portfolio instrument purchased did not exceed 13 months (397 days) for the Money Market Funds, 5 years (1,826 days) for US treasury, government sponsored enterprise, and municipal debt securities, and 3 years (1,095 days) for medium-term notes and negotiable certificates of deposits for the Extended Fund, in accordance with the IPS, and that the maximum maturity did not exceed 15 months (456 days) for the John Wayne Airport Investment Fund.

Results: We found no exceptions.

5. **Investment Type Maximum Maturity Limitations (IPS Section VIII.1):** We confirmed that the maximum maturity of investments purchased for commercial paper, bankers' acceptances, and repurchase agreements did not exceed 270 days for commercial paper, 180 days for bankers' acceptances, or one year (365 days) for repurchase agreements in accordance with the IPS.

Results: We found no exceptions.

6. **Issuer Limitations (IPS Section VIII.1):** We performed calculations to determine that the Money Market and Extended Fund portfolios did not exceed the investment limits for issuers in accordance with the IPS, and that the John Wayne Airport Investment Fund did not exceed those investment limits.

Results: We found no exceptions.



Internal Auditor's Report

7. **Financial Reporting (IPS Section XXI):** We reviewed the investment portfolio for a sample of 15 business days to determine that any instances of non-compliance or technical incidents were properly reported in the Treasurer's Monthly Investment Report in accordance with the IPS.

Results: We found no exceptions.

This report is intended solely for the information and use of the Treasury Oversight Committee and the Office of the Treasurer-Tax Collector; however, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Toni Smart", is positioned above the printed name.

Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division

MONTHLY TREASURER'S INVESTMENT REPORT

Distribution List

County of Orange Elected Officials

Honorable Sandra Hutchens, Sheriff-Coroner
Honorable Hugh Nguyen, Clerk-Recorder
Honorable Claude Parrish, Assessor
Honorable Anthony J. Rackauckas, Jr., District
Attorney/Public Administrator
Honorable Eric Woolery, Auditor-Controller

Treasury Oversight Committee

Gary Capata
William "Andy" Dunn
Frank Kim
Al Mijares
Laura Parisi
Richard Rohm
Eric Woolery

County of Orange Departments

Assessor
Auditor-Controller
Child Support Services
Clerk of the Board
Clerk-Recorder
County Counsel
County Executive Office
District Attorney/Public Administrator
Health Care Agency
Human Resources Services
John Wayne Airport
OC Community Resources
OC Dana Point Harbor
OC Public Works
OC Waste & Recycling
Independent Review
Performance Audit
Probation
Public Defender
Registrar of Voters
Sheriff-Coroner
Social Services Agency

County Agencies

Children & Families Commission
Civic Center Commission
Law Library
Orange County Employees Retirement System
Orange County Cemetery District
Orange County Fire Authority
Orange County Transportation Authority
Transportation Corridor Agencies

State of California

CDIAC
Superior Court

Orange County School Districts

Orange County Department of Education
Anaheim City School District
Anaheim Union High School District

Brea-Olinda Unified School District
Buena Park School District
Capistrano Unified School District
Centralia School District
Cypress School District
Fountain Valley School District
Fullerton School District
Fullerton Joint Union High School District
Garden Grove Unified School District
Huntington Beach City School District
Huntington Beach Union High School District
Irvine Unified School District
Laguna Beach Unified School District
La Habra City School District
Los Alamitos Unified School District
Lowell Joint School District
Magnolia School District
Newport-Mesa Unified School District
Ocean View School District
Orange Unified School District
Placentia-Yorba Linda Unified School District
Saddleback Valley Unified School District
Santa Ana Unified School District
Savanna School District
Tustin Unified School District
Westminster School District

Orange County Community College Districts (CCD)

Coast Community CCD
North Orange County CCD
Rancho-Santiago CCD
South Orange County CCD

Orange County Regional Occupational Programs (ROP)

Capistrano-Laguna Beach ROP
Coastline ROP
North Orange County ROP

Voluntary Pool Participants (date approved)

Serrano Water District (6-22-99)
City of Villa Park (10-2-01)
City of Tustin (5-21-02)
Mesa Water District (8-9-02)
Orange County Water District (3-30-04)
Municipal Water District of OC (7-27-04)
Orange County Mosquito and Vector Control District (11-14-06)
Buena Park Library District (2-9-10)
Local Agency Formation Commission (10-5-10)
Villa Park Community Services Foundation (4-5-11)
City of Laguna Niguel (3-13-14)
City of Lake Forest (12-16-15)
Foothill/Eastern TCA (10-14-16)
San Joaquin Hills TCA (10-14-16)
Foothill/Eastern TCA/RCC (11-17-16)
City of Laguna Woods (5-10-17)