

Treasurer's Monthly **INVESTMENT** OCTOBER 2016 **REPORT**

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



COUNTY OF ORANGE

TREASURER'S INVESTMENT REPORT
For October 31, 2016

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



INTERDEPARTMENTAL COMMUNICATION

Date: November 15, 2016

To: Supervisor Lisa Bartlett, Chairwoman
Supervisor Michelle Steel, Vice-Chair
Supervisor Andrew Do
Supervisor Todd Spitzer
Supervisor Shawn Nelson

From: Shari L. Freidenrich, CPA, CCMT, CPFA, ACPFIM *SLF*

Subject: Treasurer's Investment Report for the Month Ended October 31, 2016

Attached, please find the Treasurer's Investment Report for the County of Orange for the month ended October 31, 2016. 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 October 31, 2016. 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 June 16, 2016, 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 49 and 56 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 66. The maximum maturity of the Extended Fund is five years, with duration not to exceed the Merrill Lynch 1-3 Year index +25% (2.35). The duration is currently at 1.31. 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 October, the job market added 161,000 new jobs, and September's job numbers were revised upwards by 35,000 to 191,000. The U.S. unemployment rate for October dropped to 4.5% from 5.0%. U.S. gross domestic product (GDP) rose at a 2.9% annualized rate in the third quarter of 2016, an increase from the revised quarter's rate of 1.4%. The Empire State Manufacturing Index decreased to -6.8, while the Philadelphia Fed Index decreased to 9.7. The Federal Reserve uses these indexes as regional economic gauges, and a reading above zero signals economic expansion. With respect to housing, the S&P/CaseShiller Index reported that housing prices continue to show positive momentum as year-over-year prices increased for the fifty-second consecutive month in August, up 5.3% from a year ago. The index for pending home sales increased 2.0% on a year-over-year basis in September. The 10-year Treasury rate increased twenty four basis points in October to 1.84%.

The short-term 90-day T-bill ended the month at 0.34%, up from 0.29% in September, and the rate on the 2-year Treasury note was 0.86% at the end of October, up from 0.77% in September.

INVESTMENT INTEREST YIELDS AND FORECAST

The current gross interest yield year-to-date for fiscal year 2016/2017 is 0.80% for the Orange County Investment Pool and 0.75% for the Orange County Educational Investment Pool. The current net yield for fiscal year 2016/2017 is 0.74% and 0.69% respectively. The forecasted net yield for fiscal year 2016/2017 for both OCIP and OCEIP is expected to be 0.77%.

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 months following. The October 2016 interest apportionment is expected to be paid by November 30, 2016. The investment administrative fee for fiscal year 2016/2017 is estimated at 6.5 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. Temporary transfers from the OCEIP totaled \$75 million and will be repaid by January 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 \$148.1 million in AA rated County of Orange debt, which represents approximately 1.87% of 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 October 2016. The Auditor-Controller Internal Audit Division (ACIA) issued their Office of the Orange County Treasurer Compliance Audit for the year ended December 31, 2015. In ACIA's opinion, the Treasurer complied, in all material respects, with the noted California Government Code and Investment Policy Statement requirements.

CREDIT UPDATE

During October, there were no changes to the Treasurer's Approved Issuer List. 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 pool and non-pooled investments as of October 31, 2016 and is in conformity with all State laws and the IPS approved by the Board of Supervisors on December 15, 2015. 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

	OCTOBER 2016	SEPTEMBER 2016	INCREASE (DECREASE)	NET CHANGE %	OCTOBER 2015	INCREASE (DECREASE)	NET CHANGE %
<u>Orange County Investment Pool (OCIP)</u>							
End Of Month Market Value ^{1,2}	\$ 4,129,118,364	\$ 3,614,805,346	\$ 514,313,018	14.23%	\$ 3,662,323,410	\$ 466,794,954	12.75%
End Of Month Book Value ²	\$ 4,125,753,976	\$ 3,609,366,041	\$ 516,387,935	14.31%	\$ 3,658,212,609	\$ 467,541,367	12.78%
Monthly Average Balance ²	\$ 3,887,875,905	\$ 3,617,672,358	\$ 270,203,547	7.47%	\$ 3,492,683,929	\$ 395,191,976	11.31%
Year-To-Date Average Balance	\$ 3,632,214,921	\$ 3,546,994,593	\$ 85,220,328	2.40%	\$ 3,346,646,734	\$ 285,568,187	8.53%
Monthly Accrued Earnings ³	\$ 2,594,847	\$ 2,460,768	\$ 134,080	5.45%	\$ 1,773,229	\$ 821,618	46.33%
Monthly Net Yield ³	0.72%	0.76%	-0.05%	-6.16%	0.53%	0.19%	35.09%
Year-To-Date Net Yield ³	0.74%	0.74%	-0.01%	-0.94%	0.64%	0.10%	15.00%
Annual Estimated Gross Yield ⁴	0.84%	0.84%	0.00%	0.00%	0.64%	0.20%	31.25%
Weighted Average Maturity (WAM) ⁵	365	409	(44)	-10.76%	371	(6)	-1.62%
<u>Orange County Educational Investment Pool (OCEIP)</u>							
End Of Month Market Value ^{1,2}	\$ 3,608,927,721	\$ 3,851,986,165	\$ (243,058,444)	-6.31%	\$ 3,216,914,185	\$ 392,013,536	12.19%
End Of Month Book Value ²	\$ 3,605,787,286	\$ 3,846,913,962	\$ (241,126,676)	-6.27%	\$ 3,212,686,394	\$ 393,100,892	12.24%
Monthly Average Balance ²	\$ 3,718,332,896	\$ 3,834,201,403	\$ (115,868,707)	-3.02%	\$ 3,336,923,368	\$ 381,409,328	11.43%
Year-To-Date Average Balance ²	\$ 3,915,621,954	\$ 3,981,385,040	\$ (65,763,086)	-1.65%	\$ 3,527,746,804	\$ 387,875,150	10.99%
Monthly Accrued Earnings ³	\$ 2,524,622	\$ 2,507,509	\$ 17,113	0.68%	\$ 1,755,730	\$ 768,892	43.79%
Monthly Net Yield ³	0.72%	0.72%	0.00%	0.42%	0.55%	0.17%	30.55%
Year-To-Date Net Yield ³	0.69%	0.68%	0.01%	1.47%	0.49%	0.20%	40.41%
Annual Estimated Gross Yield ⁴	0.84%	0.84%	0.00%	0.00%	0.65%	0.19%	29.23%
Weighted Average Maturity (WAM) ⁵	383	360	23	6.39%	424	(41)	-9.67%

¹ Market values provided by Bloomberg and Northern Trust.

² In October 2016, OCIP End of Month Market and Book Values and Monthly Average Balance increased from October 2015 and September 2016 primarily due to a transfer from the General Fund - Non AMT Restricted Account to the County General Fund as directed by the Chief Financial Officer related to Board Resolution 05-179 and to higher incoming secured property tax receipts due to tax bills being mailed earlier than the prior year. Over 66% of the secured property tax receipts will be paid out to County Agencies and School and Community College Districts in early November. In October 2016, OCEIP End of Month Market and Book Values and Monthly and Year-To-Date Average Balances increased from October 2015 primarily due to higher State Local Educational Agency (LEA) funding and higher ERAF receipts.

³ In October 2016, OCIP and OCEIP Monthly Accrued Earnings and Monthly and Year-To-Date Net Yield were higher than October 2015 primarily due to slightly higher short-term interest rates and higher average pool balances.

⁴ The OCIP and OCEIP Annual Estimated Gross Yield for October 2015 is reported at the actual annual gross yield for FY15/16, and their Annual Estimated Gross Yield for October 2016 is reported at the latest forecasted gross yields of 0.84%. Their Annual Estimated Gross Yield for FY 16/17 is higher than FY 15/16 due to reductions in excess liquidity and improved cash management while maintaining the same high credit quality of securities.

⁵ In October 2016, OCIP WAM decreased as incoming secured property tax receipts were invested in short-term maturities. In addition, OCEIP WAM was lower than in October 2015 primarily due to higher liquidity needs than in 2015.

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
FOR THE MONTH ENDED: OCTOBER 31, 2016

INVESTMENT STATISTICS - By Investment Pool*

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 10/31/16	MONTHLY Gross Yield	Current NAV
<u>COMBINED POOL BALANCES</u> <u>(includes the Extended Fund)</u>					
Orange County Investment Pool (OCIP)	MARKET Value \$ 4,129,118,364 COST (Capital) \$ 4,137,242,005 MONTHLY AVG Balance \$ 3,887,875,905 BOOK Value \$ 4,125,753,976	365	0.80%	0.79%	1.00
Orange County Educational Investment Pool (OCEIP)	MARKET Value \$ 3,608,927,721 COST (Capital) \$ 3,616,741,199 MONTHLY AVG Balance \$ 3,718,332,696 BOOK Value \$ 3,605,787,286	383	0.81%	0.80%	1.00

INVESTMENT STATISTICS - Non Pooled Investments **

DESCRIPTION	CURRENT BALANCE	INVESTMENT BALANCES AT COST
Specific Investment Funds: 100, 283, 505, 650 FVSD	MARKET Value \$ 153,726,852 COST (Capital) \$ 153,636,521 MONTHLY AVG Balance \$ 153,617,149 BOOK Value \$ 153,470,840	General Fund - Non AMT Restricted \$ 67,361,904 John Wayne Airport Investment Fund 50,283,751 Repurchase Agreement 1,081,500 Fountain Valley School District Fund 40 34,909,367 \$ 153,636,522

MONTH END TOTALS

INVESTMENTS & CASH		FUND ACCOUNTING, SPECIFIC INVESTMENTS & NON POOLED CASH	
<u>COUNTY MONEY MARKET FUND (OCMMF)</u>			
County Money Market Fund	\$ 1,262,515,038	County Funds	\$ 4,160,026,859
County Cash	22,784,854	Educational Funds	3,620,798,393
<u>EXTENDED FUND</u>	5,512,726,967	Specific Investment Funds	153,636,521
<u>EDUCATIONAL MONEY MARKET FUND (OCEMMF)</u>		Non Pooled Cash	17,089,435
Educational Money Market Fund	978,741,199		
Educational Cash	4,057,194		
<u>NON POOLED INVESTMENTS & CASH</u>			
Non Pooled Investments	153,636,521		
Non Pooled Cash	17,089,435		
	\$ 7,951,551,208		\$ 7,951,551,208

KEY POOL STATISTICS

INTEREST RATE YIELD		WEIGHTED AVERAGE MATURITY (WAM)	
OCMMF - MONTHLY GROSS YIELD	0.41%	OCMMF	49
OCEMMF - MONTHLY GROSS YIELD	0.51%	OCEMMF	56
JOHN WAYNE AIRPORT - MONTHLY GROSS YIELD	0.42%	JOHN WAYNE AIRPORT WAM	66
OCIP - YTD NET YIELD***	0.74%	LGIP WAM (Standard & Poors)	45
OCEIP - YTD NET YIELD***	0.69%		
90-DAY T-BILL YIELD - MONTHLY AVERAGE	0.32%		

ORANGE COUNTY TREASURER-TAX COLLECTOR

INVESTMENT POOL STATISTICS FOR THE MONTH ENDED: OCTOBER 31, 2016

INVESTMENT STATISTICS - By Investment Fund****

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 10/31/16	MONTHLY Gross Yield	Current NAV
<u>County Money Market Fund (OCMMF)</u>	MARKET Value \$ 1,262,431,238 COST (Capital) \$ 1,262,515,038 MONTHLY AVG Balance \$ 1,007,809,161 BOOK Value \$ 1,262,265,272	49	0.37%	0.41%	1.00
<u>Educational Money Market Fund (OCEMMF)</u>	MARKET Value \$ 978,305,500 COST (Capital) \$ 978,741,199 MONTHLY AVG Balance \$ 1,080,332,696 BOOK Value \$ 978,100,104	56	0.45%	0.51%	1.00
<u>Extended Fund</u>	MARKET Value \$ 5,497,309,348 COST (Capital) \$ 5,512,726,967 MONTHLY AVG Balance \$ 5,518,066,744 BOOK Value \$ 5,491,175,887	504	0.95%	0.92%	1.00
ALLOCATION OF EXTENDED FUND					
<u>Extended Fund</u> <u>OCIP Share</u>	MARKET Value \$ 2,866,687,126 COST (Capital) \$ 2,874,726,967 MONTHLY AVG Balance \$ 2,880,066,744 BOOK Value \$ 2,863,488,704	504	0.95%	0.92%	1.00
<u>OCEIP Share</u>	MARKET Value \$ 2,630,622,221 COST (Capital) \$ 2,638,000,000 MONTHLY AVG Balance \$ 2,638,000,000 BOOK Value \$ 2,627,687,182	504	0.95%	0.92%	1.00
<u>Effective Duration</u>	1.31				

* The Combined Pool Balances include the County and Educational Money Market Funds and their respective portions of the Extended Fund.

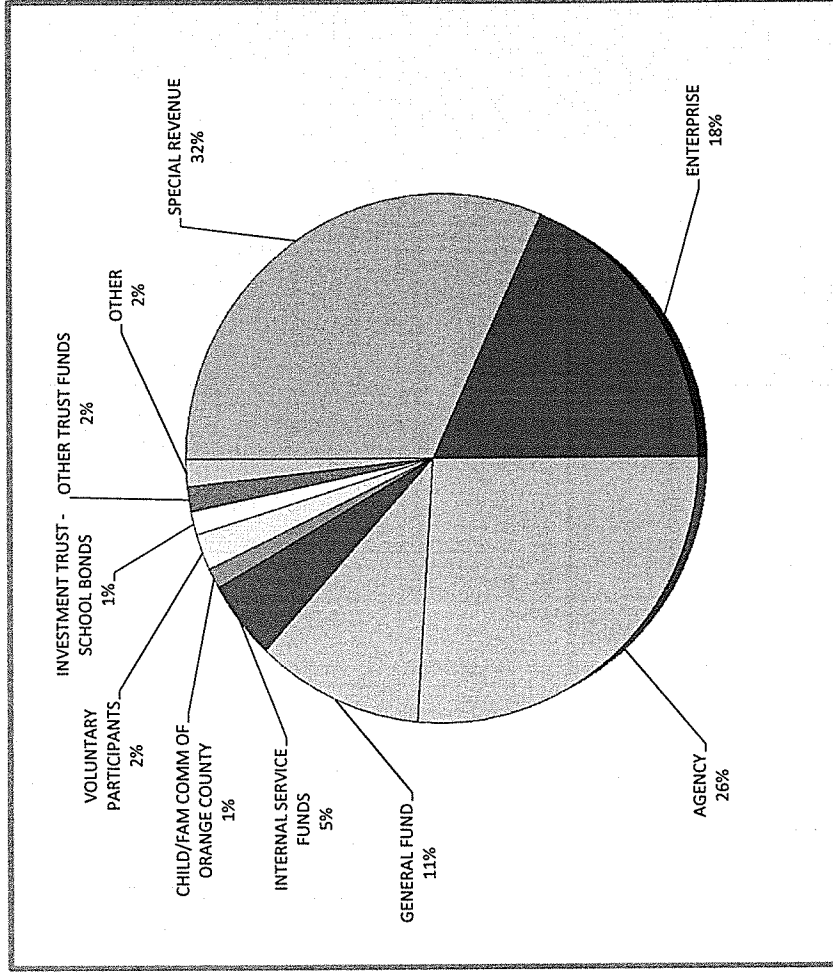
** Specific non pooled investments are reported in compliance with Government Code Section 53646 (b)(1). Detailed descriptions are included in the inventory listing in Section VII of this report.

*** The Net Yield differs from the monthly average yield as it includes the Treasury administrative fees.

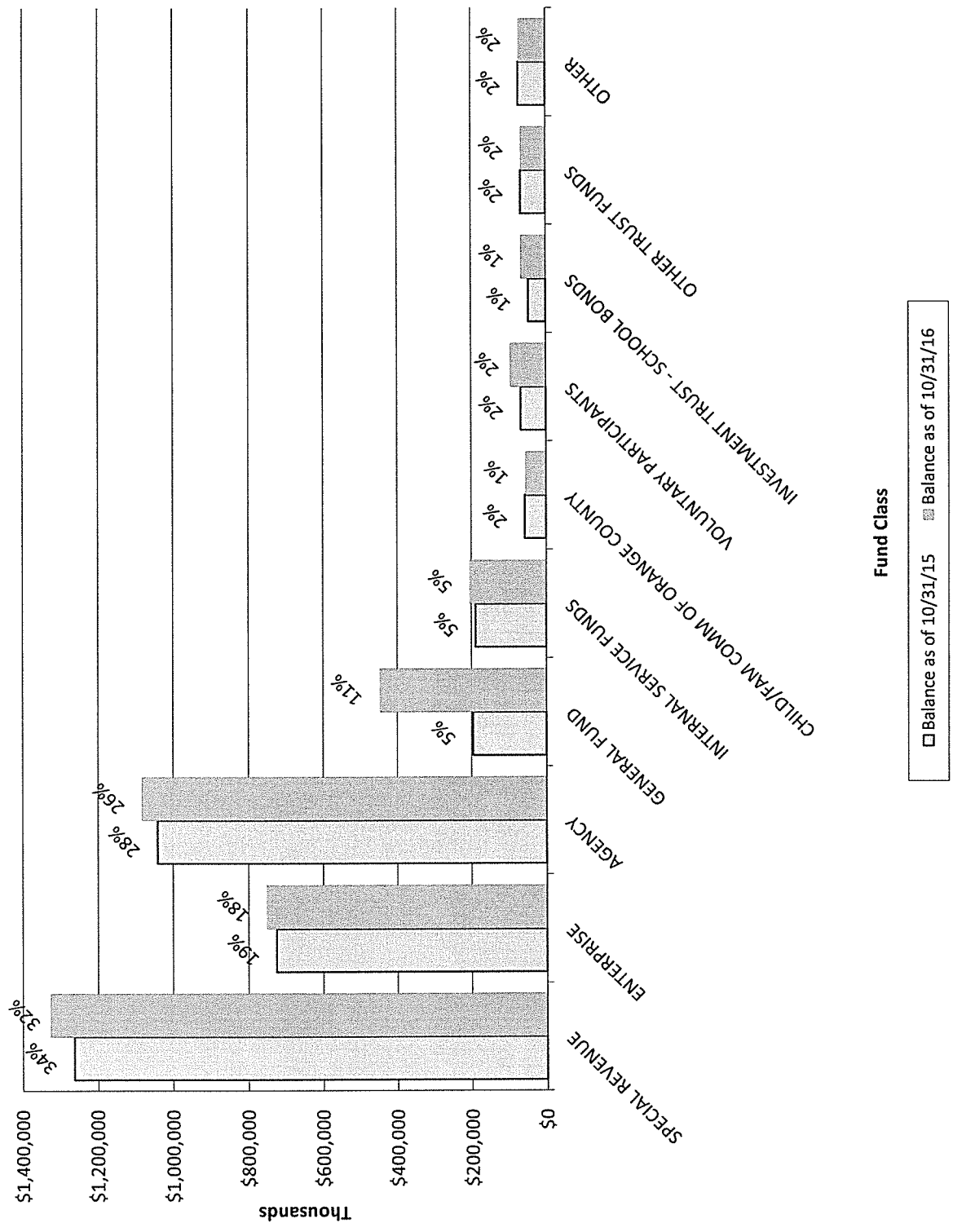
**** Book Value is computed as Cost reduced by amortization of premium and increased by the accretion of discount of the Investment Portfolio. Net Asset Value (NAV) is equal to Market Value divided by Book Value.

ORANGE COUNTY INVESTMENT POOL
COMPOSITION BY FUND
AS OF OCTOBER 31, 2016

FUNDS	BALANCE
SPECIAL REVENUE	\$ 1,326,166,502
ENTERPRISE	752,237,033
AGENCY	1,081,947,817
GENERAL FUND	446,985,951
INVESTMENT TRUST - SCHOOL BONDS	65,249,844
INTERNAL SERVICE FUNDS	204,503,338
CHILD/FAM COMM OF ORANGE COUNTY	53,863,826
VOLUNTARY PARTICIPANTS	94,283,990
OTHER TRUST FUNDS	65,485,406
OTHER	70,536,694
TOTAL	\$ 4,161,260,401

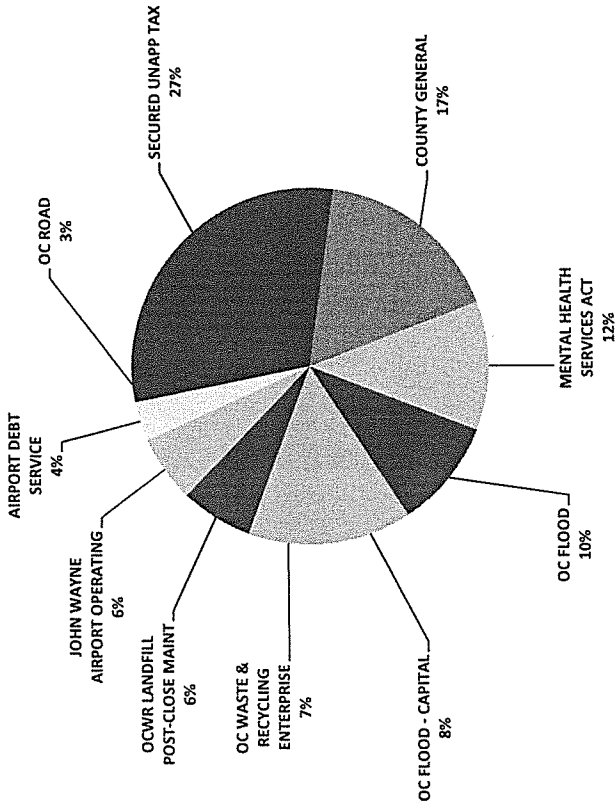


ORANGE COUNTY INVESTMENT POOL COMPOSITION BY FUND AS OF OCTOBER 31



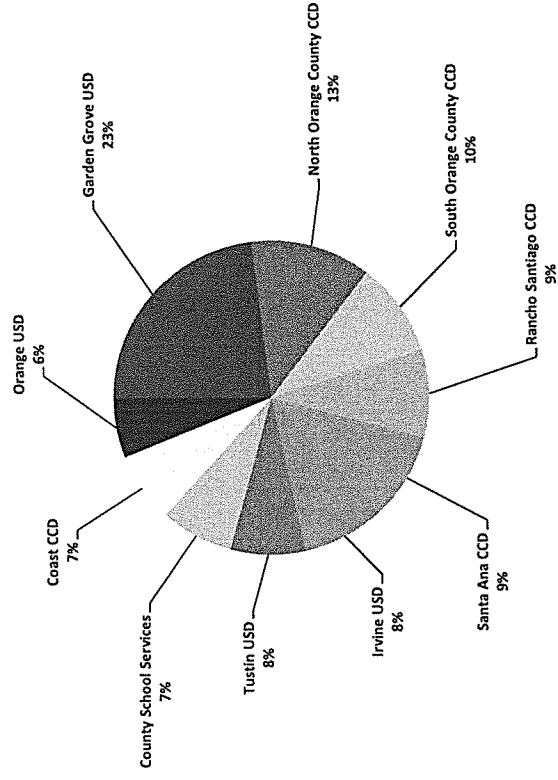
ORANGE COUNTY INVESTMENT POOL TOP TEN POOL PARTICIPANTS AS OF OCTOBER 31, 2016

FUND #	FUND NAME	BALANCE
673	SECURED UNAPP TAX	\$ 655,969,248
100	COUNTY GENERAL	411,708,334
13Y	MENTAL HEALTH SERVICES ACT	281,872,809
400	OC FLOOD	238,837,456
404	OC FLOOD - CAPITAL	182,364,627
299	OC WASTE & RECYCLING ENTERPRISE	178,098,599
279	OCWR LANDFILL POST-CLOSE MAINT	157,868,103
280	JOHN WAYNE AIRPORT OPERATING	146,338,092
283	AIRPORT DEBT SERVICE	86,386,281
115	OC ROAD	76,243,207
	TOTAL	\$ 2,415,686,756



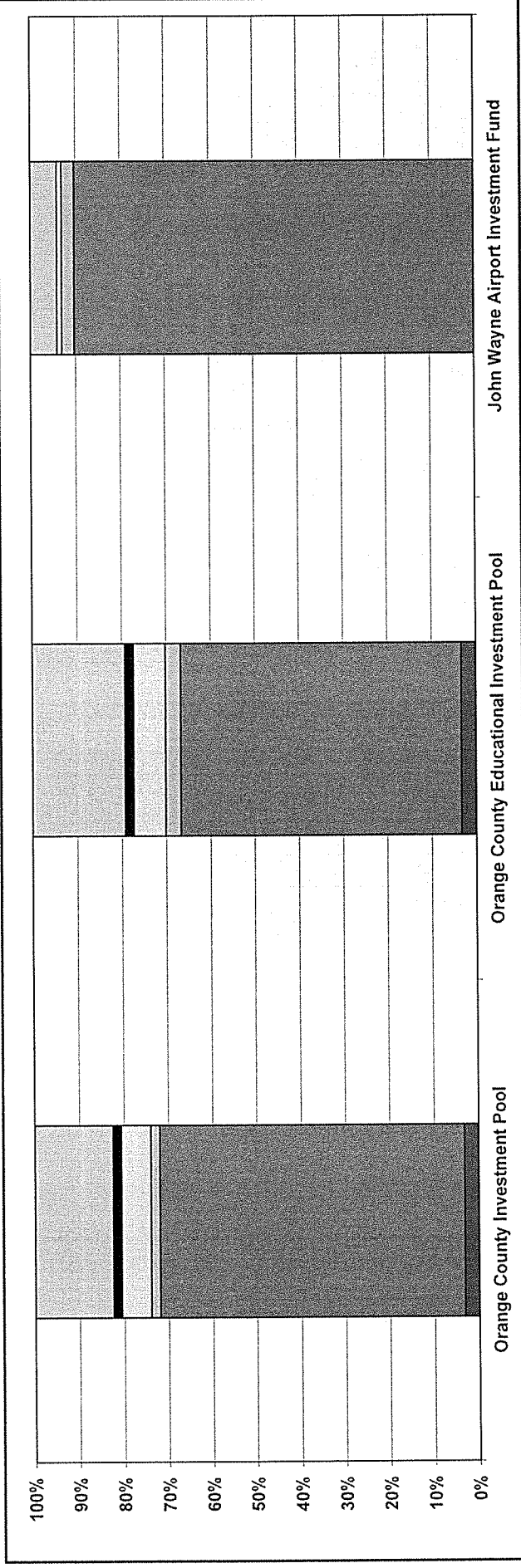
ORANGE COUNTY EDUCATIONAL INVESTMENT POOL TOP TEN POOL PARTICIPANTS AS OF OCTOBER 31, 2016

DISTRICT #	SCHOOL DISTRICT	BALANCE
72	Garden Grove USD	\$ 583,094,045
88	North Orange County CCD	313,501,638
96	South Orange County CCD	246,419,570
92	Rancho Santiago CCD	230,429,896
84	Santa Ana USD	224,893,672
75	Irvine USD	212,593,196
87	Tustin USD	195,233,496
94	County School Services	189,187,200
90	Coast CCD	180,639,539
80	Orange USD	156,876,925
TOTAL		<u>\$ 2,532,869,177</u>



ORANGE COUNTY TREASURER - TAX COLLECTOR BY INVESTMENT TYPE - By Percentage Holdings

October 31, 2016



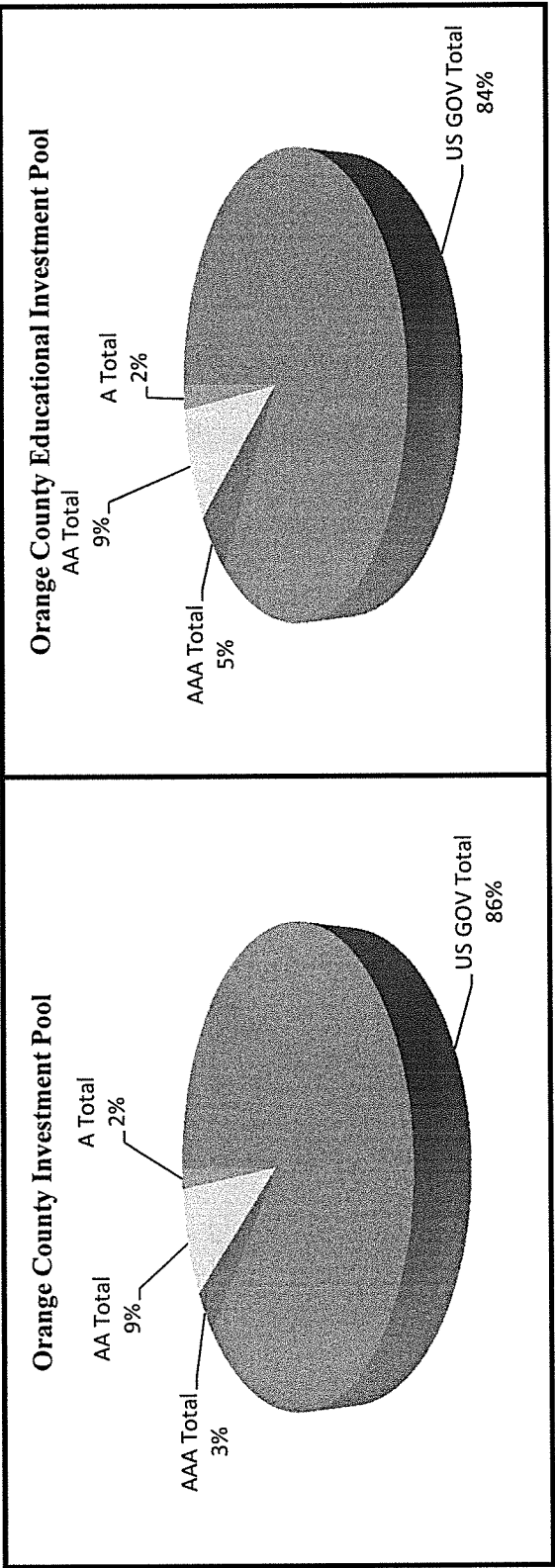
Orange County Investment Pool			
	In Thousands		%
U.S. GOVERNMENT AGENCIES	\$ 2,835,050		68.68%
U.S. TREASURIES	726,492		17.59%
MEDIUM - TERM NOTES	270,820		6.56%
MONEY MARKET MUTUAL FUNDS	86,383		2.09%
MUNICIPAL DEBT	76,345		1.85%
CERTIFICATES OF DEPOSIT	133,028		3.22%
	<u>\$ 4,129,118</u>		<u>100.00%</u>

Orange County Educational Investment Pool			
	In Thousands		%
U.S. GOVERNMENT AGENCIES	\$ 2,286,471		63.36%
U.S. TREASURIES	749,168		20.76%
MEDIUM - TERM NOTES	258,062		7.15%
MONEY MARKET MUTUAL FUNDS	122,594		3.40%
MUNICIPAL DEBT	71,801		1.99%
CERTIFICATES OF DEPOSIT	120,832		3.35%
	<u>\$ 3,608,928</u>		<u>100.00%</u>

John Wayne Airport Investment Fund			
	In Thousands		%
U.S. GOVERNMENT AGENCIES	\$ 45,311		90.30%
MEDIUM - TERM NOTES	501		1.00%
MONEY MARKET MUTUAL FUNDS	1,368		2.73%
U.S. TREASURIES	2,999		5.98%
	<u>\$ 50,179</u>		<u>100.00%</u>

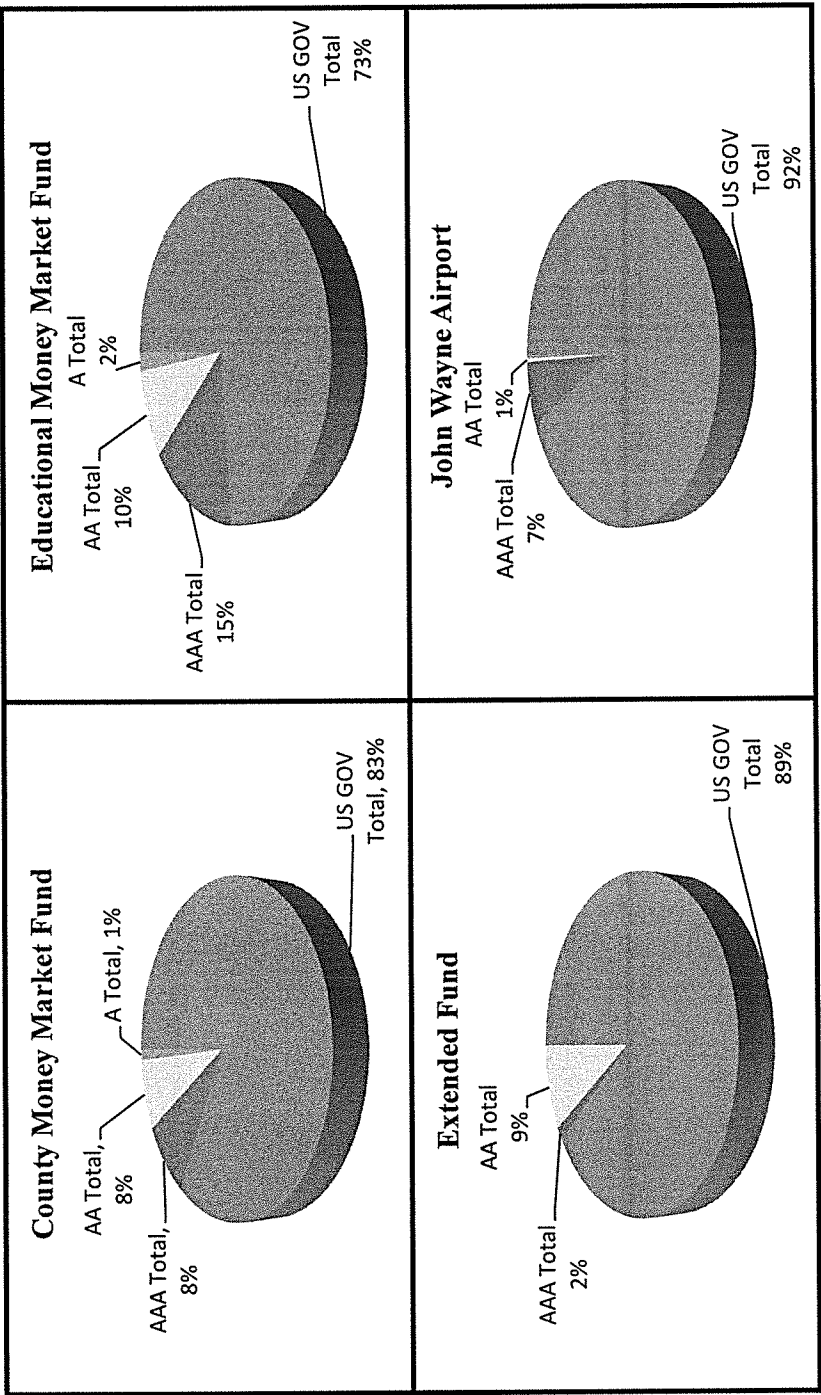
Calculated Using Market Value at 10/31/2016

ORANGE COUNTY TREASURER - TAX COLLECTOR CREDIT QUALITY BY MARKET VALUE October 31, 2016



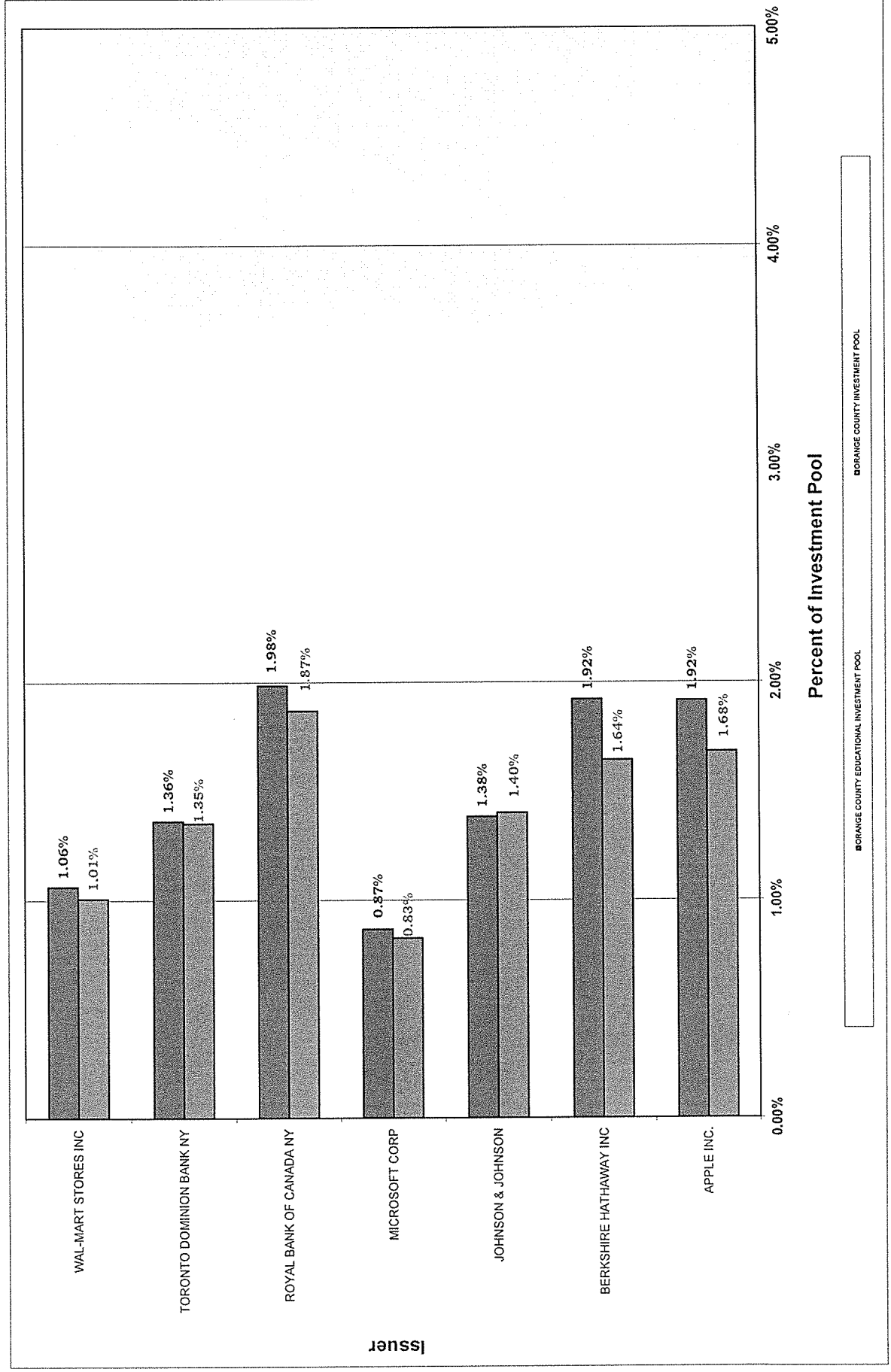
US GOV Includes Agency & Treasury Debt
 AA Includes AA+, AA- & AA
 A Includes A+,A- & A
 A-1 Includes A-1+, F-1+, P-1, A-1 & F-1

ORANGE COUNTY TREASURER - TAX COLLECTOR CREDIT QUALITY BY MARKET VALUE October 31, 2016

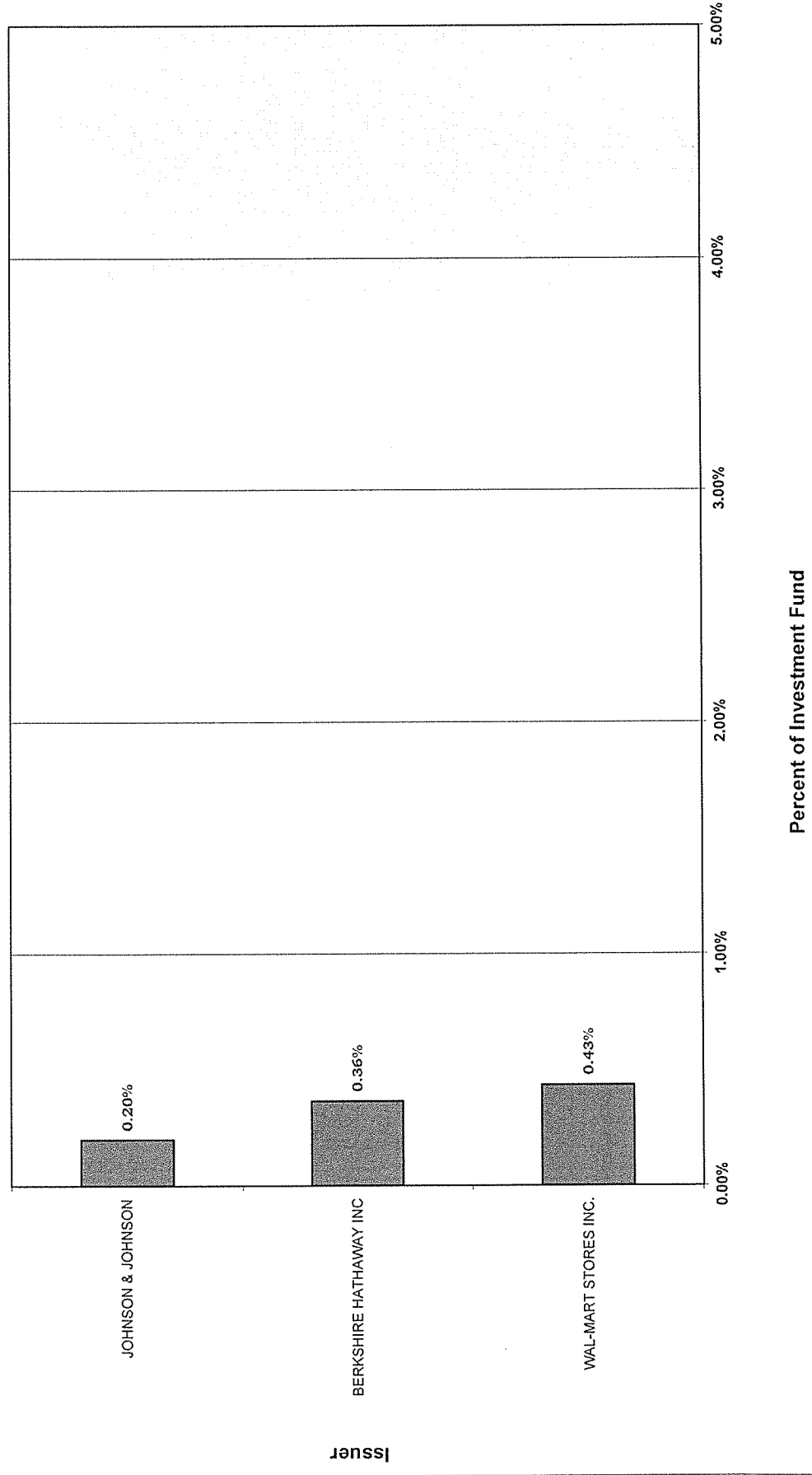


US GOV Includes Agency & Treasury Debt
 AA Includes AA+, AA- & AA
 A Includes A+, A- & A
 A-1 Includes A-1+, F-1+, P-1, A-1 & F-1

ORANGE COUNTY TREASURER - TAX COLLECTOR **ISSUER CONCENTRATION-By Investment Pool** October 31, 2016



ORANGE COUNTY TREASURER - TAX COLLECTOR
ISSUER CONCENTRATION - JOHN WAYNE AIRPORT INVESTMENT FUND
October 31, 2016



ORANGE COUNTY TREASURER-TAX COLLECTOR
APPROVED ISSUER LIST - OCIP, OCEIP, and JWA
October 31, 2016

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
BERKSHIRE HATHAWAY INC	A-1+	P-1	NR	AA	Aa2	A+
BERKSHIRE HATHAWAY FINANCE	NR	P-1	NR	NR	Aa2	A+
JOHNSON & JOHNSON	A-1+	P-1	F1+	AAA	Aaa	AAA
WAL-MART STORES INC	A-1+	P-1	F1+	AA	Aa2	AA
ISSUERS ON HOLD						
MICROSOFT CORPORATION ***	A-1+	P-1	F1+	AAA	Aaa	AA+
ROYAL BANK OF CANADA NY *****	A-1+	P-1	F1+	AA-	Aa3	AA
STATE OR NATIONALLY CHARTERED BANKS *						
TORONTO DOMINION BANK NY *****	A-1+	P-1	F1+	AA-	Aa1	AA-
MUNICIPAL BONDS						
ORANGE CNTY CA PENSION OBLG 2016 A	NR	NR	F1+	AA	NR	AA
MONEY MARKET MUTUAL FUNDS **						
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	

* Further purchase restrictions apply due to additional trading limits.

** All money market funds are institutional money market funds investing in debt issued or guaranteed by the U.S. Government and its agencies.

*** On Negative Outlook (Moody's L/T rating - July 25, 2016); on Negative Watch (Fitch L/T rating - June 15, 2016)

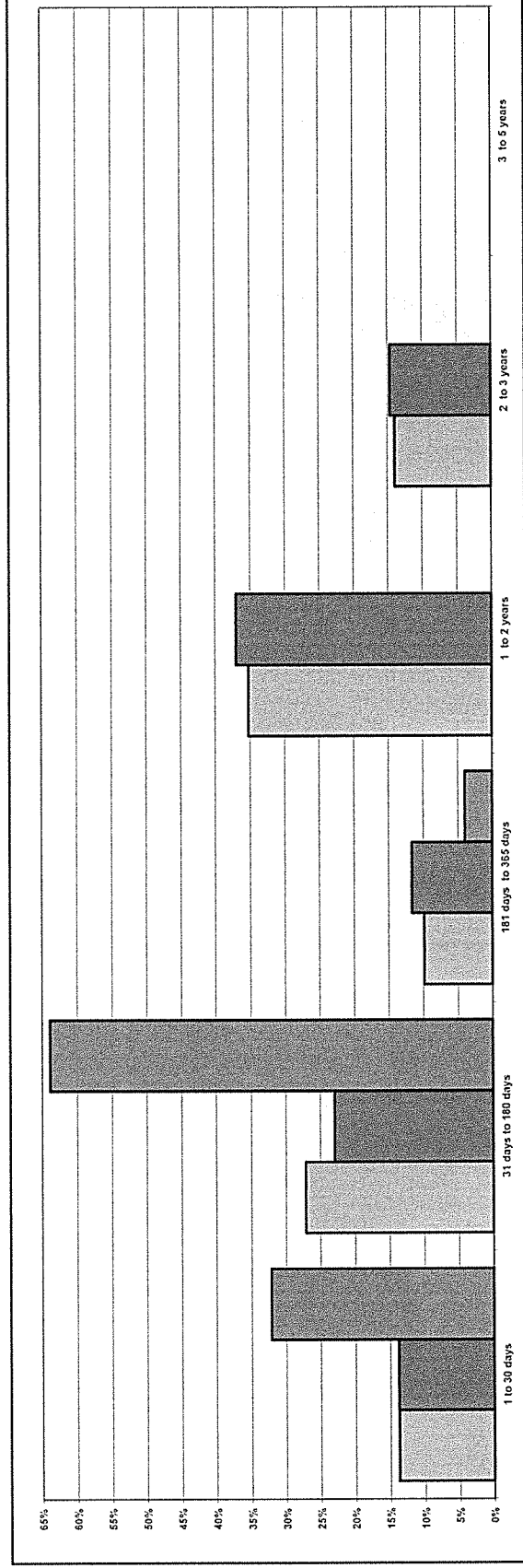
**** On Negative Outlook (S&P - June 6, 2016; Fitch - January 25, 2016; Moody's - June 11, 2014)

***** On Negative Outlook (Moody's - June 11, 2014)

**Orange County Treasurer-Tax Collector
Changes in Approved Issuer's List
For the Month Ended October 31, 2016**

During October, there were no changes to the Treasurer's Approved Issuer List.

ORANGE COUNTY TREASURER - TAX COLLECTOR MATURITIES DISTRIBUTION October 31, 2016



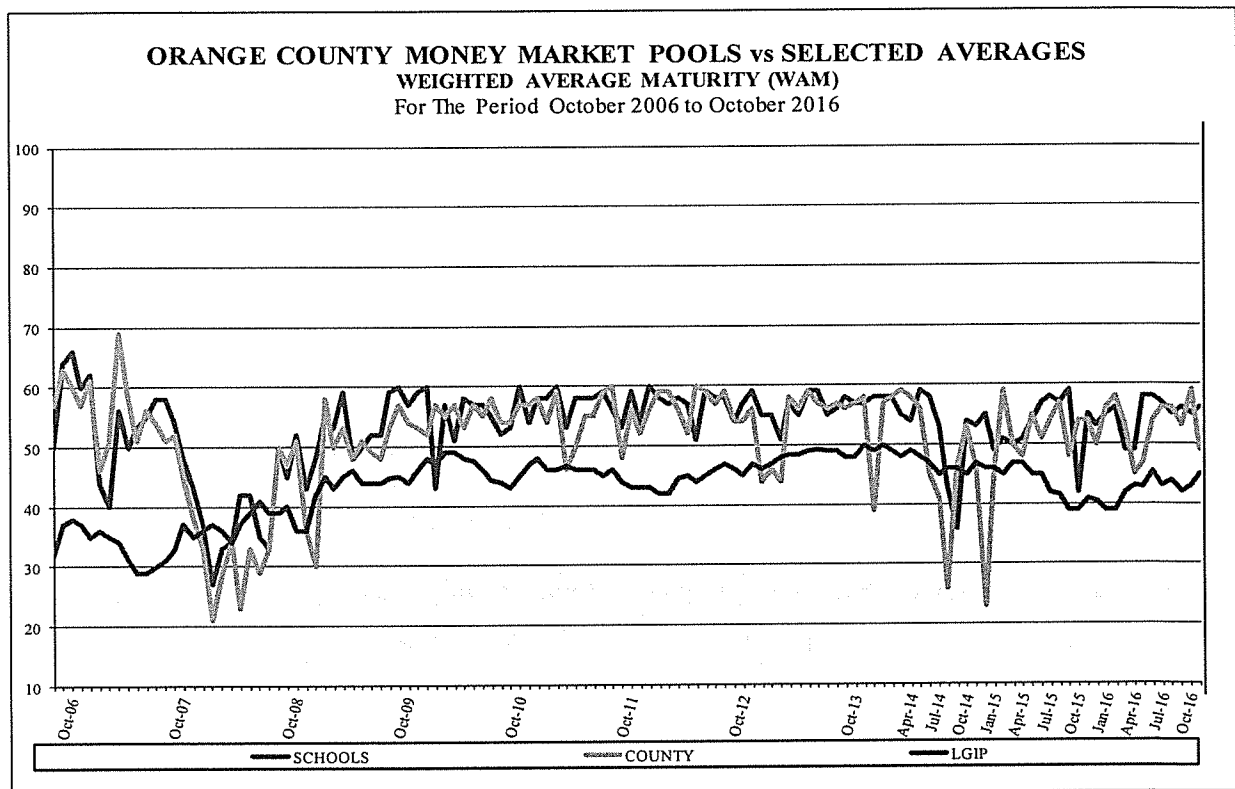
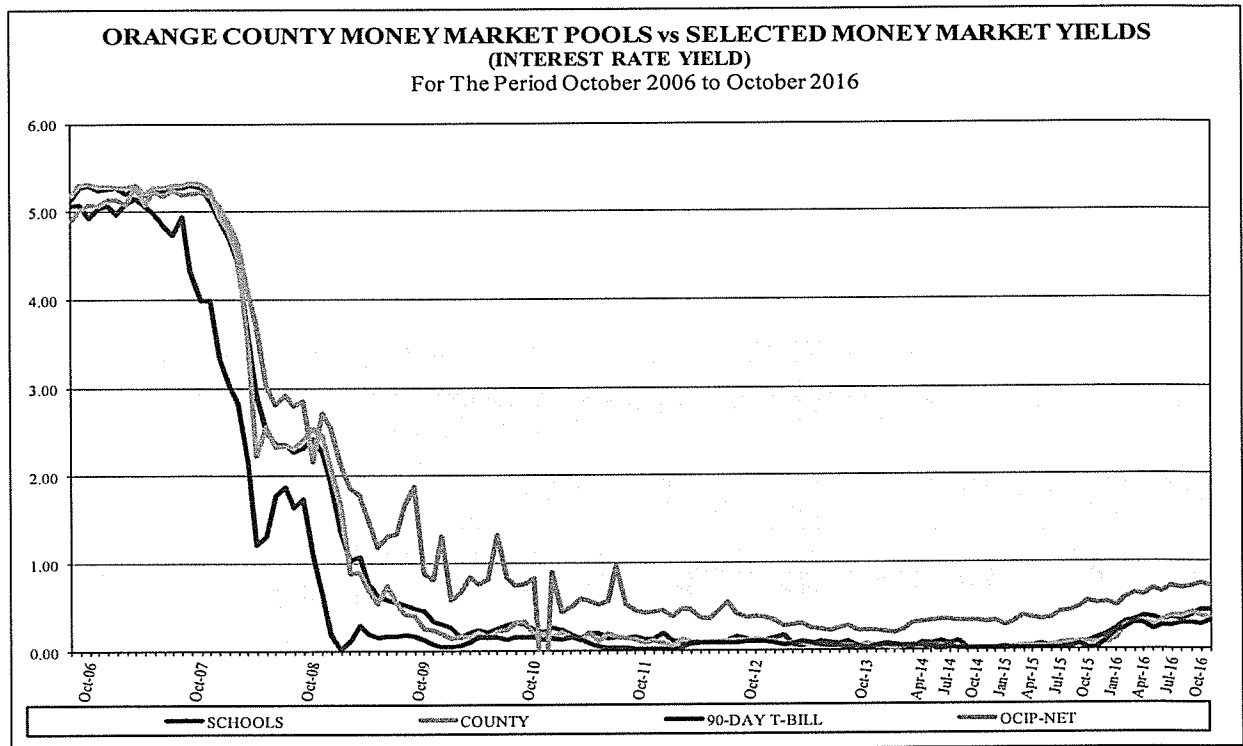
ORANGE COUNTY INVESTMENT POOL			
	In Thousands		%
1 TO 30 DAYS	\$ 567,491		13.79%
31 TO 180 DAYS	1,118,747		27.16%
181 TO 365 DAYS	407,557		9.90%
1 YEAR TO 2 YEARS	1,451,060		35.23%
2 YEARS TO 3 YEARS	573,631		13.93%
3 YEARS TO 5 YEARS	-		0.00%
TOTAL	\$ 4,118,486		100.00%

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL			
	In Thousands		%
1 TO 30 DAYS	\$ 497,366		13.82%
31 TO 180 DAYS	825,198		22.93%
181 TO 365 DAYS	418,181		11.62%
1 YEAR TO 2 YEARS	1,331,568		37.00%
2 YEARS TO 3 YEARS	526,394		14.63%
3 YEARS TO 5 YEARS	-		0.00%
TOTAL	\$ 3,598,708		100.00%

JOHN WAYNE AIRPORT INVESTMENT FUND			
	In Thousands		%
1 TO 30 DAYS	\$ 16,115		32.15%
31 TO 180 DAYS	32,003		63.86%
181 TO 365 DAYS	2,000		3.99%
1 YEAR TO 2 YEARS	-		0.00%
TOTAL	\$ 50,118		100.00%

Maturity Limits Are In Compliance With The Orange County Treasurer's Investment Policy Statement
Calculated using Face Value

Floating Rate Notes are deemed to have a maturity date equal to their next interest reset date.
At 10/31/2016, Floating Rate Notes comprise 2.04%, 3.19%, and 7.10% of the Orange County Investment Pool, Orange County Educational Investment Pool, and JWA Investment Fund respectively.



•As of October 31, 2016, S&P LGIP – 0.48; S&P LGIP WAM -45; 90-Day T-Bill – 0.32; OCIP – Net – 0.736

ORANGE COUNTY TREASURER-TAX COLLECTOR

INVESTMENT POOL YIELDS

November 1, 2015 - October 31, 2016

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET VALUE	EARNINGS FOR MONTH	GROSS AVERAGE YIELD FOR MONTH	MONTH END WAM
Current Month - October 2016				
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
September 2016				
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
August 2016				
County Pool - Money Market Fund	\$ 686,861,455	\$ 325,471	0.45%	56
Educational Pool - Money Market Fund	\$ 1,433,126,604	\$ 519,773	0.41%	55
Extended Fund	\$ 5,327,781,739	\$ 4,052,122	0.89%	501
July 2016				
County Pool - Money Market Fund	\$ 686,861,455	\$ 325,471	0.45%	56
Educational Pool - Money Market Fund	\$ 1,433,126,604	\$ 519,773	0.41%	55
Extended Fund	\$ 5,327,781,739	\$ 4,052,122	0.89%	501
June 2016				
County Pool - Money Market Fund	\$ 928,467,500	\$ 418,507	0.44%	56
Educational Pool - Money Market Fund	\$ 1,611,309,522	\$ 519,651	0.43%	57
Extended Fund	\$ 5,387,530,673	\$ 4,192,339	0.95%	512
May 2016				
County Pool - Money Market Fund	\$ 1,345,822,973	\$ 487,226	0.39%	54
Educational Pool - Money Market Fund	\$ 1,550,458,922	\$ 554,610	0.39%	58
Extended Fund	\$ 5,364,702,464	\$ 4,084,932	0.90%	532
April 2016				
County Pool - Money Market Fund	\$ 1,650,959,211	\$ 611,665	0.34%	47
Educational Pool - Money Market Fund	\$ 1,789,408,388	\$ 534,423	0.43%	58
Extended Fund	\$ 5,336,146,252	\$ 4,277,809	1.00%	526
March 2016				
County Pool - Money Market Fund	\$ 1,530,995,992	\$ 435,530	0.38%	45
Educational Pool - Money Market Fund	\$ 1,327,818,642	\$ 514,646	0.44%	49
Extended Fund	\$ 5,066,946,597	\$ 3,687,551	0.86%	507
February 2016				
County Pool - Money Market Fund	\$ 1,356,697,509	\$ 358,060	0.36%	53
Educational Pool - Money Market Fund	\$ 1,418,948,794	\$ 502,610	0.41%	49
Extended Fund	\$ 5,055,918,854	\$ 3,563,588	0.89%	501
January 2016				
County Pool - Money Market Fund	\$ 1,181,133,064	\$ 378,119	0.33%	58
Educational Pool - Money Market Fund	\$ 1,734,538,876	\$ 564,397	0.37%	56
Extended Fund	\$ 5,049,818,559	\$ 3,563,663	0.83%	503
December 2015				
County Pool - Money Market Fund	\$ 1,720,712,911	\$ 294,202	0.20%	56
Educational Pool - Money Market Fund	\$ 1,925,021,216	\$ 321,451	0.31%	55
Extended Fund	\$ 5,036,016,892	\$ 3,442,794	0.80%	525
November 2015				
County Pool - Money Market Fund	\$ 1,494,036,511	\$ 139,050	0.14%	50
Educational Pool - Money Market Fund	\$ 628,302,751	\$ 135,146	0.24%	53
Extended Fund	\$ 5,037,742,541	\$ 3,334,886	0.81%	532
Fiscal Year July 1, 2016 - June 30, 2017	Average Month End Market Value Balance	YTD Interest Income	YTD Gross Yield	YTD Average
Orange County Investment Pool	\$ 3,687,915,870	\$ 11,107,710	0.80%	394
Orange County Educational Investment Pool	\$ 3,845,443,718	\$ 10,064,433	0.75%	359

ORANGE COUNTY TREASURER-TAX COLLECTOR

CASH AVAILABILITY PROJECTION

FOR THE SIX MONTHS ENDING APRIL 30, 2017

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 relying exclusively on historical activity involving deposits and disbursements and future cash flow projections. 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 April 30, 2017, 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	
October 2016 - Ending Cash				\$	22,792,437
November	\$ 561,604,103	\$ 1,080,031,549	\$ 910,842,925		753,585,164
December	411,781,089	2,131,818,513	1,946,705,225		1,350,479,542
January	336,036,954	423,769,690	1,039,800,974		1,070,485,212
February	179,585,700	399,341,557	327,501,478		1,321,910,991
March	144,862,716	774,743,709	592,769,257		1,648,748,159
April	60,792,615	2,040,131,589	1,786,910,013		1,962,762,350

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL					
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash	
October 2016 - Ending Cash				\$	4,057,465
November	\$ 430,280,802	\$ 744,000,022	\$ 641,379,153		536,959,136
December	196,831,537	1,274,123,613	444,751,428		1,563,162,858
January	202,197,298	530,435,797	867,703,186		1,428,092,767
February	215,012,039	267,968,367	637,382,992		1,273,690,181
March	148,250,901	420,143,456	688,295,720		1,153,788,817
April	77,247,991	1,132,356,689	668,971,299		1,694,422,198

ORANGE COUNTY TREASURER-TAX COLLECTOR
STATEMENT OF ACCOUNTABILITY
For the Month Ended October 31, 2016

	<u>Month</u>
Treasurer's Accountability at the Beginning of the Period:	<u>\$7,662,612,084</u>
Cash Receipts:	
County	955,274,791
School and Community College Districts	466,542,712
Total Cash Receipts	<u>1,421,817,503</u>
Cash Disbursements:	
County	434,451,646
School and Community College Districts	706,807,866
Total Cash Disbursements	<u>1,141,259,512</u>
Net Change in Book Value of Pooled Assets	<u>280,557,991</u>
Net Increase in Non Pooled Investments	41,844
Net Increase in Non Pooled Cash	<u>8,339,289</u>
Treasurer's Accountability at the End of the Period:	<u>\$7,951,551,208</u>
Assets in the Treasury at the End of the Period (at Book Value):	
Pooled Investments:	
O.C. Investment Pool	\$ 4,137,242,005
O.C. Educational Investment Pool	3,616,741,199
Total Orange County Investment Pools	<u>7,753,983,204</u>
Non Pooled Investments:	
Non Pooled Investments - John Wayne Airport	50,283,751
Non Pooled Investments - General Fund – Non AMT Restricted	67,361,904
Non Pooled Investments - Fountain Valley School District Fund 40	34,909,367
Non Pooled Investments - Other	1,081,500
Total Non Pooled Investments	<u>153,636,522</u>
Cash:	
Cash in banks - County	22,612,705
Cash in banks - Schools	4,057,194
Cash in banks - OC Sheriff	7,944,732
Cash in banks - John Wayne Airport	9,144,703
Cash - Other	172,148
Total Cash	<u>43,931,482</u>
Total Assets in the Treasury at the End of the Period:	<u>\$ 7,951,551,208</u>

**ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POLICY (IPS) COMPLIANCE SUMMARY
September 30, 2016**

Investment Policy (IPS) Guidelines	Investment Type	County Money Market Fund		Extended Fund		Educational Money Market Fund		John Wayne Airport 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
30%	Negotiable Certificates of Deposit	\$ 35,002,380	4.66%	\$ 200,396,653	3.65%	\$ 46,208,755	3.79%	\$ -	0.00%
40%	Commercial Paper	-	0.00%	-	0.00%	-	0.00%	-	0.00%
100%	U.S. Government Agencies	462,497,212	61.52%	3,538,710,305	64.41%	661,973,435	54.24%	38,797,482	77.31%
30%	Medium-Term Notes	68,662,442	9.13%	360,669,825	6.56%	75,149,866	6.16%	501,313	1.00%
20%	Money Market Mutual Funds	110,825,242	14.74%	-	0.00%	212,573,226	17.41%	7,886,518	15.72%
30%	Municipal Debt	24,812,039	3.30%	99,017,057	1.80%	24,512,045	2.00%	-	0.00%
100%	Repurchase Agreement	-	0.00%	-	0.00%	-	0.00%	-	0.00%
30%	Supranationals	-	0.00%	-	0.00%	-	0.00%	-	0.00%
100%	U.S. Treasuries	50,002,500	6.65%	1,295,669,759	23.68%	200,109,769	16.40%	2,998,132	5.97%
		\$ 751,801,815	100.00%	\$ 5,494,463,599	100.00%	\$ 1,220,526,096	100.00%	\$ 50,183,445	100.00%

Investment Policy Guidelines	Compliance Category (Yes/No)	County Money Market Fund		Extended Fund		Educational Money Market Fund		John Wayne Airport Investment Fund	
		Yes	Yes ⁽²⁾	Yes	Yes	Yes ⁽²⁾	Yes	Yes	Yes
5%	Percentage Limits	Yes	Yes ⁽²⁾	Yes	Yes	Yes ⁽²⁾	Yes	Yes	Yes
20%	Issuer Limit	Yes	Yes ⁽²⁾	N/A	N/A	Yes ⁽²⁾	Yes	Yes	Yes
33% (4)	Money Market Mutual Fund Issuer	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
See Above	Government Agencies Issuer	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Diversification Limit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
60 Days	Maturity/Duration Limits	Yes/58.51	Yes/58.51	N/A	N/A	Yes/54.77	Yes/54.77	N/A	N/A
90 Days	Weighted Average Maturity - Money Market Fund	N/A	N/A	N/A	N/A	N/A	N/A	Yes/54.67	Yes/54.67
>Merrill 1-3 Year Index+25% (2.38)	Weighted Average Maturity - John Wayne Airport Investment Fund (JWA)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
13 Months/397 days	Duration	N/A	N/A	Yes/1.28	Yes/1.28	N/A	N/A	N/A	N/A
15 Months/456 days	Final Maturity - Money Market Fund	Yes/336	Yes/336	N/A	N/A	Yes/336	Yes/336	N/A	N/A
5 Years/1826 days	Final Maturity - John Wayne Airport Investment Fund	N/A	N/A	N/A	N/A	N/A	N/A	Yes/273	Yes/273
	Final Maturity - Extended Fund	N/A	N/A	Yes/1036	Yes/1036	N/A	N/A	N/A	N/A
A-1/≥ A	Quality Limits	Yes	Yes	N/A	N/A	Yes	Yes	Yes	Yes
≥ A-1/P-1/P2	MMF Short Term/Long Term	Yes	Yes	N/A	N/A	Yes	Yes	Yes	Yes
A-1/≥ AA (2)	Short Term Debt/No Split Ratings	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Approved Issuer List	Extended Fund Short Term/Long Term	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Broker/Dealer List	Authorized Issuer	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
0.995 - 1.005	Authorized Financial Dealer/Institution	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Net Asset Value - Money Market Fund and JWA	Yes/1.0002	Yes/1.0002	N/A	N/A	Yes/1.0002	Yes/1.0002	Yes/1.0002	Yes/1.0002

- (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 December 15, 2015.
(3) Rating Agency requirements limit investment in each Money Market Mutual Fund to 10%. On October 31, 2016, the Educational Money Market Fund had 11.4% in one Money Market Mutual Fund that was back in compliance with rating agency requirements on November 2, 2016.
(4) GSE issuers rated 'AA-' or higher with final maturities of 30 days or less are excluded from the calculation of the 33% limit.
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
October 31, 2016

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)	Quarter ended September 30, 2016 in progress.
Annual Schedule of Assets Audit	ACIA	Performance Evaluation-Cal Govt. Code 26920(b)	Annual audit as of June 30, 2016 in progress.
Quarterly Continuous Compliance Auditing	ACIA	TOC Directive	Quarter ended September 30, 2016 in progress.
Treasury Administrative Fee	TTC	Compensation Agreement-Cal Govt. Code 27013	Annual review of fees for FY 14/15 and FY 15/16 in progress.
Annual Broker/Dealer Review	TTC	Authorized Financial Dealers and Qualified Institutions	Annual review of calendar year 2015 completed.
Annual Broker/Dealer IPS Certification	TTC	Authorized Financial Dealers and Qualified Institutions	All 2016 IPS certifications received.
IPS Compliance Deficiencies	TTC	Investment/Diversification/Maturity Restrictions	FY 16/17 identified zero compliance incidents as of October 31, 2016.
TOC Bylaw Changes	BOS	TOC Review and BOS Annual Approval	TOC reviewed Bylaws and made one change at the October 19, 2016 meeting. BOS approval scheduled for November 22, 2016.
Annual IPS Approval	BOS	TOC Review and BOS Annual Approval	TOC reviewed proposed IPS changes at the October 19, 2016 meeting and did not make any additional changes. BOS approval scheduled for November 22, 2016.
TOC Annual Report	BOS	TOC Bylaws Rule 30 - Oral and Written Report	TOC 2015 Annual Report was presented to BOS on February 9, 2016.
Broker/Financial Institution List	TTC	OC Gift Ban Ordinance and Form 700	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	TOC members are in compliance for 2016.
Ethics Training	TTC	TOC Bylaws Rule 34 - Every Two Years	TOC members are in compliance for Calendar Year 2014.
Conflict of Interest Form 700 Filing	TTC	TOC Bylaws Rule 34 / IPS - Every Year	TOC members are in compliance for Calendar Year 2016.

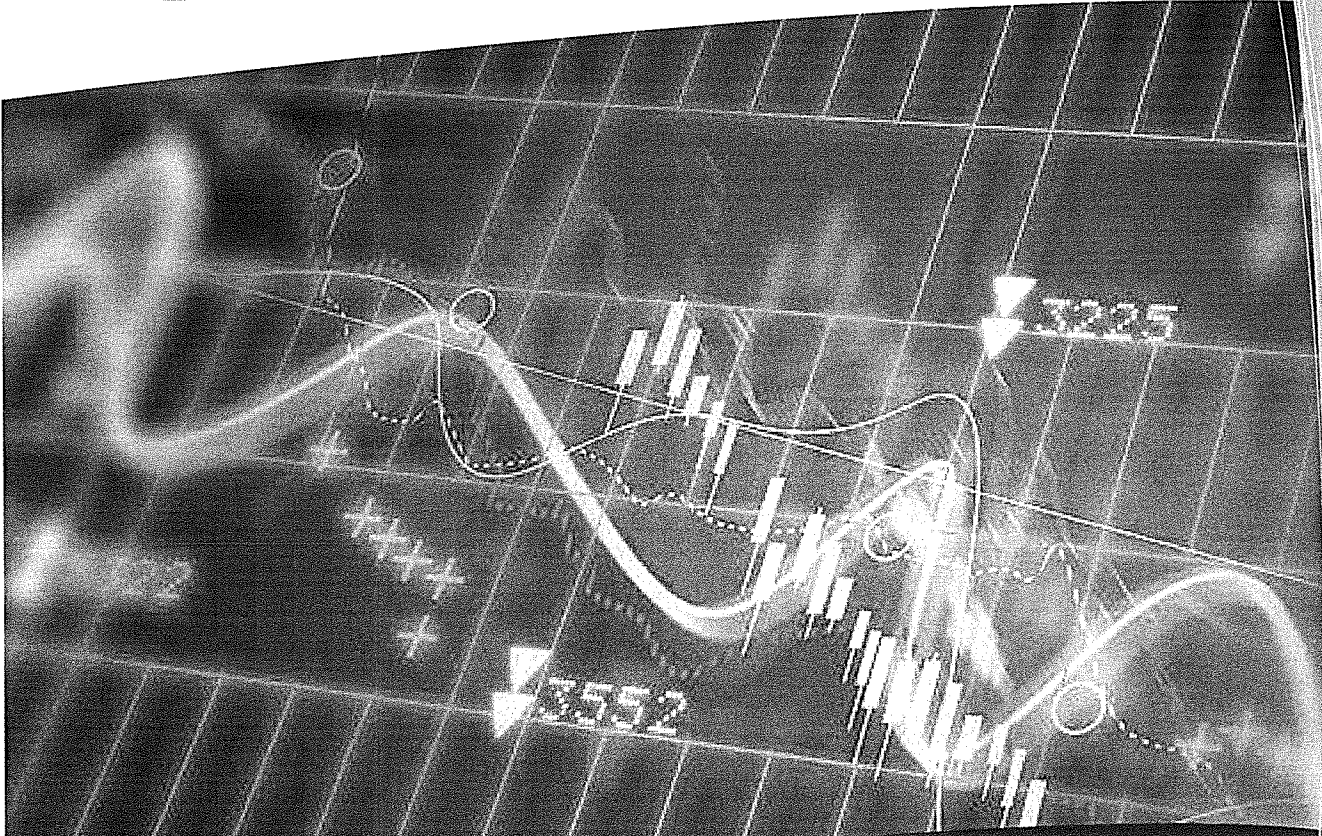
LEGEND	
Auditor-Controller Internal Audit	ACIA
Board of Supervisors	BOS
Treasury Oversight Committee	TOC
Office of Treasurer-Tax Collector	TTC

**Orange County Treasurer-Tax Collector
Noncompliance Detail
For the Month Ended October 31, 2016**

During October, 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.

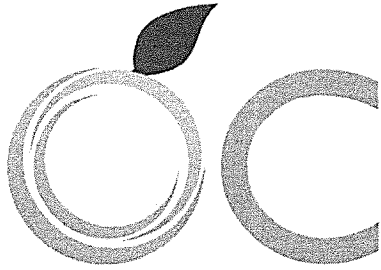


Orange County Auditor-Controller Internal Audit



Office of the Orange County Treasurer
Compliance Audit
For the Year Ended December 31, 2015

Audit Number 1513
Report Date: November 1, 2016



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
Michael Steinhaus, CPA, CGMA	Audit Manager I
Scott Kim, CPA	Senior Auditor

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

Auditor-Controller Web Site
www.ac.ocgov.com



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



Transmittal Letter

November 1, 2016

Audit No. 1513

TO: Members, Treasury Oversight Committee

SUBJECT: Office of the Orange County Treasurer Compliance Audit
For the Year Ended December 31, 2015

At the direction of the Orange County Treasury Oversight Committee, we have completed our examination of the Office of the Orange County Treasurer's compliance with California Government Code Sections 27130 through 27137 and the Orange County Treasurer Investment Policy Statement during the year ended December 31, 2015. This annual examination is required by Government Code Section 27134. Our final report is attached for your review.

I submit an **Audit Status Report** quarterly to the Audit Oversight Committee (AOC) and a monthly report to the Board of Supervisors (BOS) where I detail any critical and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. The results of this engagement 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 audit report. Additionally, we will request the department complete a **Customer Survey** of Audit Services. The Office of the Orange County Treasurer will receive the survey shortly after the distribution of our final report.

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

Attachments

Other recipients of this report are listed on the Independent Accountant's Report on pages 1 and 2.



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*Office of the Orange County Treasurer
Compliance Audit
Audit No. 1513*

For the Year Ended December 31, 2015

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Independent Accountant's Report

Independent Accountant's Report

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

We have examined the Office of the Orange County Treasurer's (Treasurer) compliance with the Treasury Oversight Committee provisions contained in California Government Code, Article 6, Sections 27130 through 27137 and the Orange County Treasurer Investment Policy Statement for the year ended December 31, 2015. The Treasurer's management is responsible for compliance with those requirements. Our responsibility is to express an opinion on the Treasurer's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Treasurer's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Treasurer's compliance with specified requirements.

In our opinion, the Treasurer complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2015.

This report is intended solely for the information and use of the County Treasury Oversight Committee, the management of the Office of the Orange County Treasurer, and the Board of Supervisors and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division
Santa Ana, California

November 1, 2016

Members, Treasury Oversight Committee Distribution:

Gary G. Capata, Public Member (Chair)
Laura Parisi, Public Member (Vice-Chair)
Hon. Dr. Al Mijares, County Superintendent, OC Department of Education
Eric Woolery, Auditor-Controller
Frank Kim, County Executive Officer
William "Andy" Dunn, Public Member
Richard A. Rohm, Public Member



Independent Accountant's Report

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
Shari L. Freidenrich, Treasurer-Tax Collector
Paul C. Gorman, Chief Assistant Treasurer-Tax Collector – Treasury
JC Squires, Financial Manager, Treasurer-Tax Collector
Michelle Aguirre, Chief Financial Officer
Claire Moynihan, Director, Central Accounting Operations, Auditor-Controller
Foreperson, Grand Jury
Robin Stieler, Clerk of the Board of Supervisors
Macias Gini & O'Connell LLP, County External Auditor



Supplemental Information

**Office of the Orange County Treasurer
Compliance Audit
For the Year Ended December 31, 2015**

Background and General

In 1995, the California legislature passed provisions requiring each county to establish an oversight committee of from 3 to 11 members representing various organizations, where the pool of organizations was also specified in the legislation. The purpose of this committee was to oversee the policies that guide the investment of public funds. The committee was not to impinge on the day-to-day operations of the County Treasurer, but rather to review and monitor the Treasurer's investment policy and reporting. In 2005, the law changed to make the committee optional at the discretion of a California county. The County of Orange has elected to continue its Treasury Oversight Committee (TOC).

Establishment and Composition of Committee

The TOC was established by the Board of Supervisors (BOS) on December 19, 1995 by Resolution No. 95-946 in accordance with the California Government Code Article 6 of Division 2 of Title 3, Sections 27130 through 27137. The TOC structure approved by the BOS consists of seven members: the County Auditor-Controller or designee, the County Executive Officer or designee, the County Superintendent of Schools or designee, and four members of the public. The members of the TOC as of December 31, 2015 were as follows:

<u>Name</u>	<u>Member Type</u>
Laura Parisi (Chair)	Public Member
William "Andy" Dunn (Vice Chair)	Public Member
Gary Capata	Public Member
Frank Kim	County Executive Officer
Al Mijares	County Superintendent of Schools
Richard Rohm	Public Member
Eric Woolery	Auditor-Controller

Compliance Audit Requirement

The oversight legislation included many specific requirements such as the required contents of the Treasurer's Investment Policy. California Government Code Section 27134 requires an annual audit to determine compliance with the provisions. This audit serves to comply with that requirement.

Committee Operation

During 2015, five TOC meetings were held on the following dates: January 28, April 22, July 29, September 28, and October 28. We reviewed the minutes and believe that the meetings were properly conducted in order to provide oversight.

Investment Policy Statement Requirement

California Government Code Section 27133 requires the County Treasurer to annually prepare an investment policy statement. The Orange County Treasurer Investment Policy Statement (IPS) is reviewed by the TOC and submitted to the BOS for approval on an annual basis. We found that this was properly done and a policy was submitted to and approved by the Orange County Board of Supervisors on December 16, 2014.



Supplemental Information

Investment Policy Review

We reviewed the requirement specified in Government Code Section 27133, subsections (a) through (h). We believe the policy addressed all the required provisions as follows:

<u>Requirement</u>	<u>Policy Section</u>	<u>Deemed Compliant</u>
(a) Authorized securities	VI	Yes
Maximum percentage by type	VIII	Yes
(b) Maximum terms	VIII	Yes
(c) Criteria for selection of brokers	XI	Yes
Prohibition of political donations	XI	Yes
(d) Limits on gifts	X	Yes
(e) Reporting to Oversight Committee	XXI	Yes
(f) Calculation of treasurer's costs	XVI	Yes
(g) Voluntary depositors	XVII	Yes
(h) Requests to withdrawal	XVIII	Yes

As shown above, we believe the policy adopted contained all the provisions specified in the oversight legislation.

Investment Compliance Requirements

The investment compliance requirements presented in Government Code Sections 27130 through 27137 are summarized as follows:

Government Code 27130

The Legislature finds and declares that local agencies, including school districts, should participate in reviewing the policies that guide the investment of those funds.

Government Code 27131

The board of supervisors in each county may, if the county is investing surplus funds, establish a county treasury oversight committee consisting of from three to eleven members. Members shall be nominated by the treasurer and confirmed by the board of supervisors.

Government Code 27132

The county treasury oversight committee shall consist of members appointed from the following: county treasurer; county auditor, auditor-controller, or finance director; a representative appointed by the county board of supervisors; the county superintendent of schools or designee; a representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the county; a representative selected by a majority of the presiding officers of the legislative bodies of the special districts; up to five other members of the public who either have expertise or an academic background in public finance and are economically diverse and bipartisan in political registration.



Supplemental Information

Investment Compliance Requirements, continued

Government Code 27132.1

Committee members may not be employed by an entity that has contributed to the campaign of a candidate for the office of local treasurer, or contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury, in the previous three years or during the period that the employee is a member of the committee.

Government Code 27132.2

Committee members may not directly or indirectly raise money for a candidate for local treasurer or a member of the governing board of any local agency that has deposited funds in the county treasury while a member of the committee.

Government Code 27132.3

Committee members may not secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, or financial services firms with whom the treasurer is doing business during the period that the person is a member of the committee or for one year after leaving the committee.

Government Code 27132.4

Committee meetings shall be open to the public and subject to the Ralph M. Brown Act.

Government Code 27133

The county treasurer shall annually prepare an investment policy that will be reviewed and monitored by the county treasury oversight committee. The investment policy shall include subsections (a) through (h) noted in the Investment Policy Review Section on page 4.

Government Code 27134

The county treasury oversight committee shall cause an annual audit to be conducted to determine the county treasury's compliance with this article [Government Code Sections 27130 through 27137].

Government Code 27135

The costs of complying with this article shall be county charges and may be included with those charges enumerated under Section 27013.

Government Code 27136

Notwithstanding any other provision of law, any local agency, public agency, public entity, or public official that has funds on deposit in the county treasury pool and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the county treasury pool, shall first submit the request for withdrawal to the county treasurer before withdrawing funds from the county treasury pool.

The county treasurer shall evaluate each proposed withdrawal for its consistency with the criteria adopted pursuant to subdivision (h) of Section 27133. Prior to approving a withdrawal, the county treasurer shall find that the proposed withdrawal will not adversely affect the interests of the other depositors in the county treasury pool.

Government Code 27137

Nothing in this article shall be construed to allow the county treasury oversight committee to direct individual investment decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the county treasury.



Supplemental Information

Conclusion

We reviewed the Office of the Orange County Treasurer's actual practices during 2015 to determine compliance with California Government Code Sections 27130 through 27137 and the Orange County Treasurer Investment Policy Statement. In our opinion, the Orange County Treasurer complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2015.

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 (10-13-16)
San Joaquin Hills TCA (10-13-16)