

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

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



COUNTY OF ORANGE

TREASURER'S INVESTMENT REPORT
For December 31, 2016

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



INTERDEPARTMENTAL COMMUNICATION

Date: January 17, 2017

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 *SIF*

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

Attached, please find the Treasurer's Investment Report for the County of Orange for the month ended December 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 December 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 35 and .35 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 70. The maximum maturity of the Extended Fund is five years, with duration not to exceed the Merrill Lynch 1-3 Year index +25% (2.37). The duration is currently at 1.38. 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 December, the job market added 156,000 new jobs, and November's job numbers were revised upwards by 26,000 to 204,000. The U.S. unemployment rate for December rose to 4.7% up from 4.6% in November. U.S. gross domestic product (GDP) was revised up for the third quarter of 2016 from an annualized rate of 3.2% to 3.5%. The Empire State Manufacturing Index increased to 9.0, while the Philadelphia Fed Index increased to 21.5, up from 7.6 in November. 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-fourth consecutive month in October, up 5.61% from a year ago. The index for pending home sales increased 1.43% on a year-over-year basis in November. The 10-year Treasury rate increased eight basis points in December to 2.45%.

The short-term 90-day T-bill ended the month at 0.51%, up from 0.48% in November. The rate on the 2-year Treasury note was 1.20% at the end of December, up from 1.11% in November.

INVESTMENT INTEREST YIELDS AND FORECAST

The current gross interest yield year-to-date for fiscal year 2016/2017 is 0.78% for the Orange County Investment Pool and 0.77% for the Orange County Educational Investment Pool. The current net yield for fiscal year 2016/2017 is 0.72% and 0.71% 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 December 2016 interest apportionment is expected to be paid by January 31, 2017. 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 \$60 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 \$121.8 million in AA rated County of Orange debt, which represents approximately 1.3% 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 December 2016. The Auditor-Controller issued their Continuous Compliance Monitoring Report of the Treasurer's Investment Portfolio for the Quarter Ended September 30, 2016, which stated that no compliance deficiencies were identified.

CREDIT UPDATE

During December, 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 December 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

	DECEMBER 2016	NOVEMBER 2016	INCREASE (DECREASE)	NET CHANGE %	DECEMBER 2015	INCREASE (DECREASE)	NET CHANGE %
<u>Orange County Investment Pool (OCIP)</u>							
End Of Month Market Value ^{1,2}	\$ 4,654,995,166	\$ 4,178,977,444	\$ 476,017,722	11.39%	\$ 4,232,921,962	\$ 422,073,204	9.97%
End Of Month Book Value ²	\$ 4,661,792,839	\$ 4,184,330,079	\$ 477,462,760	11.41%	\$ 4,238,194,740	\$ 423,598,099	9.99%
Monthly Average Balance ²	\$ 4,729,129,292	\$ 4,152,128,442	\$ 577,000,850	13.90%	\$ 4,255,155,784	\$ 473,973,508	11.14%
Year-To-Date Average Balance	\$ 3,901,686,236	\$ 3,736,197,625	\$ 165,488,611	4.43%	\$ 3,565,912,038	\$ 335,774,198	9.42%
Monthly Accrued Earnings ³	\$ 3,052,942	\$ 2,691,634	\$ 361,308	13.42%	\$ 2,009,787	\$ 1,043,155	51.90%
Monthly Net Yield ³	0.65%	0.72%	-0.07%	-9.17%	0.45%	0.21%	45.66%
Year-To-Date Net Yield ³	0.72%	0.73%	-0.02%	-2.32%	0.50%	0.22%	43.29%
Annual Estimated Gross Yield ⁴	0.84%	0.84%	0.00%	0.00%	0.64%	0.20%	30.43%
Weighted Average Maturity (WAM) ⁵	328	373	(45)	-12.06%	335	(7)	-2.09%
<u>Orange County Educational Investment Pool (OCEIP)</u>							
End Of Month Market Value ^{1,2}	\$ 4,619,949,126	\$ 3,746,891,740	\$ 873,057,386	23.30%	\$ 4,448,829,056	\$ 171,120,070	3.85%
End Of Month Book Value ²	\$ 4,626,143,249	\$ 3,751,586,163	\$ 874,557,086	23.31%	\$ 4,454,040,991	\$ 172,102,258	3.86%
Monthly Average Balance ²	\$ 3,953,915,696	\$ 3,641,031,973	\$ 322,883,723	8.87%	\$ 3,772,796,819	\$ 191,118,877	5.07%
Year-To-Date Average Balance ²	\$ 3,877,905,914	\$ 3,860,703,958	\$ 17,201,956	0.45%	\$ 3,520,265,189	\$ 357,640,725	10.16%
Monthly Accrued Earnings ³	\$ 2,781,536	\$ 2,523,501	\$ 258,035	10.23%	\$ 2,048,659	\$ 732,877	35.77%
Monthly Net Yield ³	0.75%	0.76%	-0.02%	-1.97%	0.56%	0.19%	33.99%
Year-To-Date Net Yield ³	0.71%	0.70%	0.01%	1.14%	0.52%	0.19%	37.14%
Annual Estimated Gross Yield ⁴	0.84%	0.84%	0.00%	0.00%	0.65%	0.19%	28.64%
Weighted Average Maturity (WAM) ⁵	305	383	(78)	-20.37%	322	(17)	-5.28%

¹ Market values provided by Bloomberg and Northern Trust.

² In December 2016, OCIP market, book, and monthly average balances increased from November 2016 and December 2015 primarily due to higher incoming secured property tax receipts. OCEIP market and book value balances increased from November 2016 primarily due to the December 19, 2106 apportionment of property taxes of \$818 million.

³ In December 2016, both OCIP and OCEIP monthly accrued earnings were higher than November 2016 and monthly and year-to-date net yields were higher than December 2015, primarily due to an increase of the Federal Reserve short-term rate of 25 basis points and higher average pool balances.

⁴ The OCIP and OCEIP Annual Estimated Gross Yield for December 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 an increase of the Federal Reserve short-term rate of 25 basis points, reductions in excess liquidity, and improved cash management while maintaining the same high credit quality of securities.

⁵ In December 2016, OCIP WAM was lower than in November 2016 primarily due to incoming property tax dollars deposited and invested in shorter term maturities until distribution to County Agencies, Cities, and School and Community College Districts consistent with prior year's WAMs. The OCEIP WAM was lower due to a temporary increase in shorter term maturities related to the December receipt of secured property tax.

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

INVESTMENT STATISTICS - By Investment Pool*

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 12/31/16	MONTHLY Gross Yield	QUARTER Gross Yield	Current NAV
COMBINED POOL BALANCES (includes the Extended Fund)						
Orange County Investment Pool (OCIP)	MARKET Value \$ 4,654,995,166	328	0.78%			1.00
	COST (Capital) \$ 4,670,059,132			0.72%		
	MONTHLY AVG Balance \$ 4,729,129,292				0.78%	
	QUARTERLY AVG Balance \$ 4,256,377,879					
	BOOK Value \$ 4,661,792,839					
Orange County Educational Investment Pool (OCEIP)	MARKET Value \$ 4,619,949,126	305	0.82%			1.00
	COST (Capital) \$ 4,633,965,309			0.81%		
	MONTHLY AVG Balance \$ 3,963,915,696				0.82%	
	QUARTERLY AVG Balance \$ 3,774,426,788					
	BOOK Value \$ 4,626,143,249					

INVESTMENT STATISTICS - Non Pooled Investments**

DESCRIPTION	CURRENT BALANCE	BOOK BALANCE BY INVESTMENT TYPE	
Specific Investment			
Funds:	MARKET Value \$ 153,500,433	County General-Tax Exempt Non AMT	\$ 67,402,141
100, 15B, 283, 505, 650 FVSD	COST (Capital) \$ 153,705,396	John Wayne Airport Investment Pool	50,312,388
	MONTHLY AVG Balance \$ 153,683,940	Repurchase Agreement	1,081,500
	QUARTERLY AVG Balance \$ 153,652,014	Fountain Valley School District Fund 40	34,909,367
	BOOK Value \$ 153,586,225	GNMA Mortgage-Backed Securities	-
			\$ 153,705,396

MONTH END TOTALS

INVESTMENTS & CASH		FUND ACCOUNTING & SPECIFIC INVESTMENTS	
COUNTY MONEY MARKET FUND (OCMMF)			
County Money Market Fund	\$ 1,788,082,504	County Funds	4,676,335,967
County Cash	6,276,835	Educational Funds	4,634,005,309
EXTENDED FUND	5,519,976,628	Specific Investment Funds	153,705,396
EDUCATIONAL MONEY MARKET FUND (OCEMMF)		Non Pooled Cash	22,728,797
Educational Money Market Fund	1,995,965,309		
Educational Cash	40,000		
NON-POOLED INVESTMENTS			
Non Pooled Investments	153,705,396		
Non Pooled Cash	22,728,797		
	\$ 9,486,775,469		\$ 9,486,775,469

KEY POOL STATISTICS

INTEREST RATE YIELD		WEIGHTED AVERAGE MATURITY (WAM)	
OCMMF - MONTHLY GROSS YIELD	0.43%	OCMMF	35
OCEMMF - MONTHLY GROSS YIELD	0.56%	OCEMMF	35
JOHN WAYNE AIRPORT - MONTHLY GROSS YIELD	0.49%	JOHN WAYNE AIRPORT WAM	70
OCIP - YTD NET YIELD***	0.72%	LGIP WAM (Standard & Poors)	42
OCEIP - YTD NET YIELD***	0.71%		
90-DAY T-BILL YIELD - MONTHLY AVERAGE	0.50%		

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

INVESTMENT STATISTICS - By Investment Fund****

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 12/31/16	MONTHLY Gross Yield	QUARTER Gross Yield	Current NAV
<u>County Money Market Fund (OCMMF)</u>	MARKET Value \$ 1,787,873,393 COST (Capital) \$ 1,788,082,504 MONTHLY AVG Balance \$ 1,794,910,056 QUARTERLY AVG Balance \$ 1,353,295,284 BOOK Value \$ 1,787,755,807	35	0.44%	0.43%	0.41%	1.00
<u>Educational Money Market Fund (OCEMMF)</u>	MARKET Value \$ 1,995,546,428 COST (Capital) \$ 1,995,965,309 MONTHLY AVG Balance \$ 1,325,915,696 QUARTERLY AVG Balance \$ 1,136,426,788 BOOK Value \$ 1,995,410,711	35	0.48%	0.56%	0.53%	1.00
<u>Extended Fund</u>	MARKET Value \$ 5,491,524,471 COST (Capital) \$ 5,519,976,628 MONTHLY AVG Balance \$ 5,572,219,236 QUARTERLY AVG Balance \$ 5,541,082,595 BOOK Value \$ 5,504,769,570	510	0.99%	0.96%	0.95%	1.00
ALLOCATION OF EXTENDED FUND						
<u>Extended Fund</u> <u>OCIP Share</u>	MARKET Value \$ 2,867,121,773 COST (Capital) \$ 2,881,976,628 MONTHLY AVG Balance \$ 2,934,219,236 QUARTERLY AVG Balance \$ 2,903,082,595 BOOK Value \$ 2,874,037,032	510	0.99%	0.96%	0.95%	1.00
<u>OCEIP Share</u>	MARKET Value \$ 2,624,402,698 COST (Capital) \$ 2,638,000,000 MONTHLY AVG Balance \$ 2,638,000,000 QUARTERLY AVG Balance \$ 2,638,000,000 BOOK Value \$ 2,630,732,538	510	0.99%	0.96%	0.95%	1.00
<u>Modified Duration</u>	1.38					

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

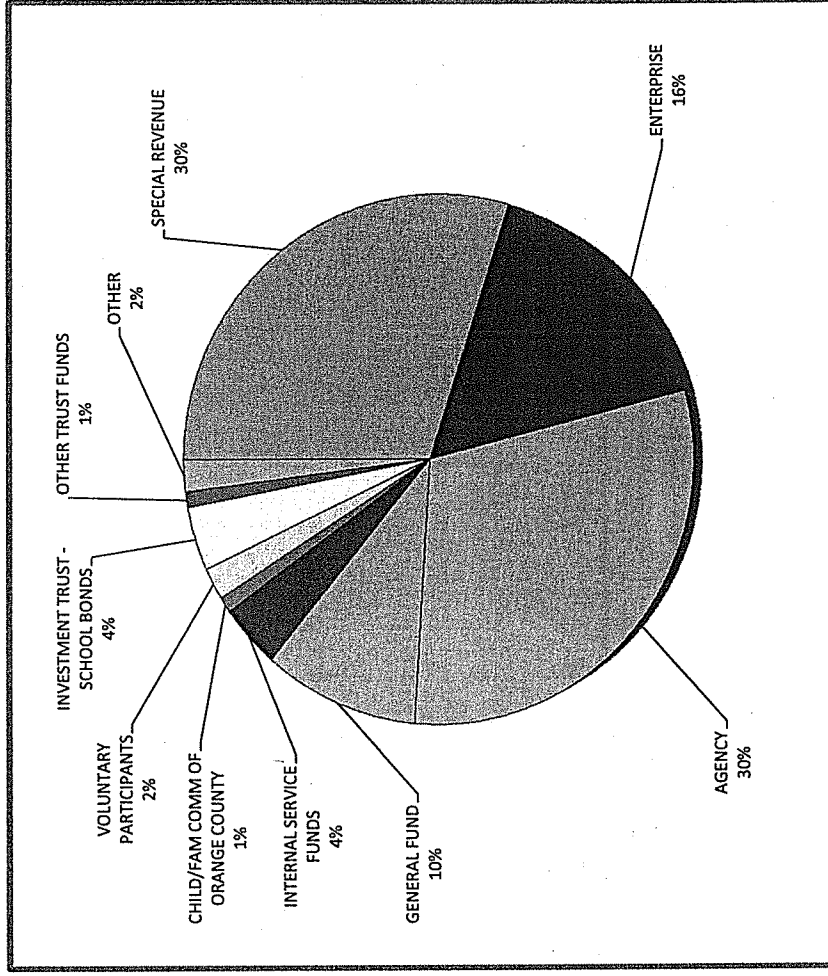
** Specific non pooled investments are reported in compliance with Government Code Section 53646 (b)(1). Detailed descriptions are included in the inventory listing in Section VII of this report.

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

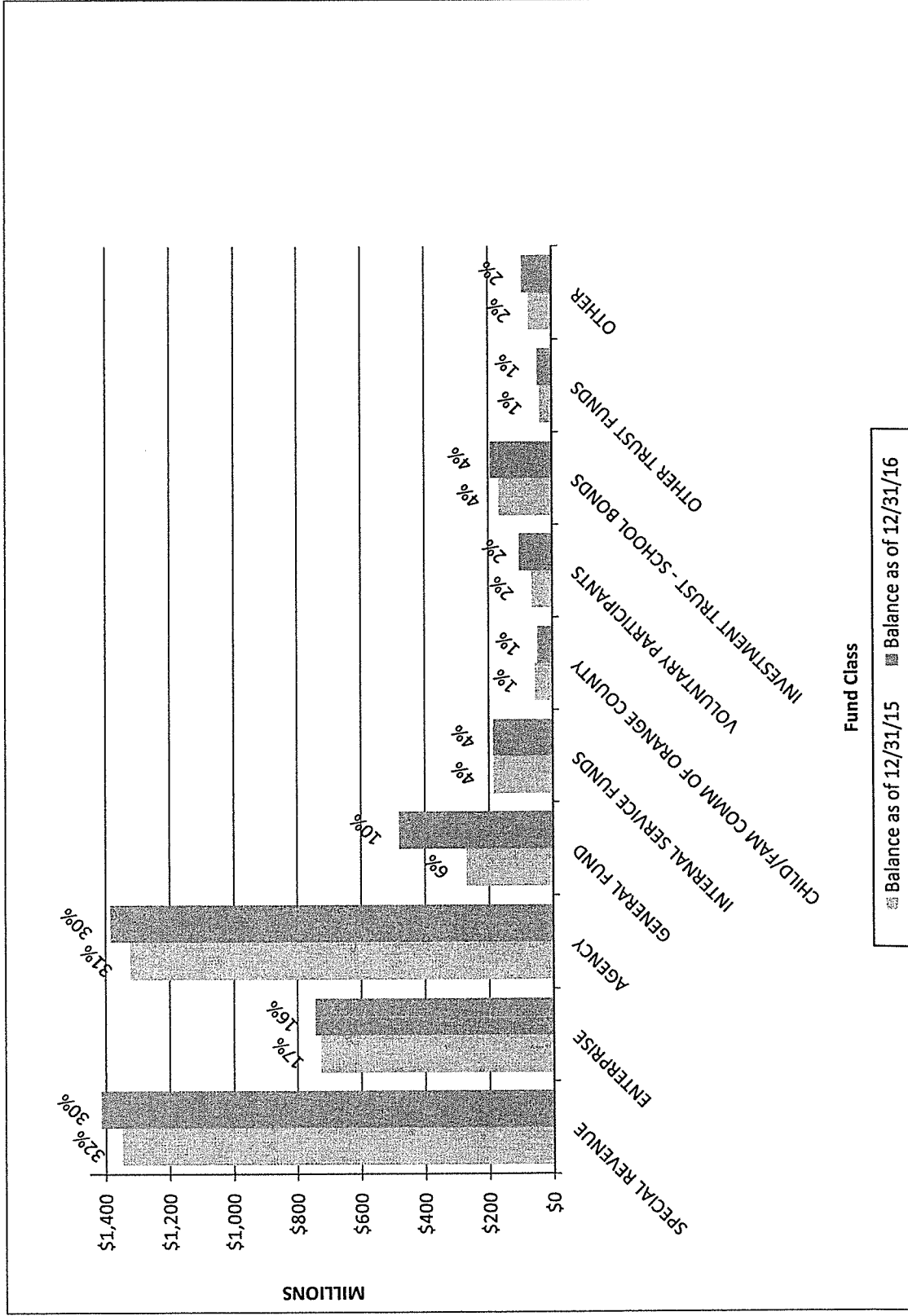
**** Book Value is computed as Cost reduced by amortization of premium and increased by the accretion of discount of the Investment Portfolio. Net Asset Value (NAV) is equal to Market Value divided by Book Value.

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

FUNDS	BALANCE
SPECIAL REVENUE	\$ 1,415,210,862
ENTERPRISE	745,187,958
AGENCY	1,385,285,904
GENERAL FUND	480,549,186
INVESTMENT TRUST - SCHOOL BONDS	193,885,306
INTERNAL SERVICE FUNDS	185,762,523
CHILD/FAM COMM OF ORANGE COUNTY	46,694,232
VOLUNTARY PARTICIPANTS	104,652,081
OTHER TRUST FUNDS	44,957,588
OTHER	95,060,002
TOTAL	\$ 4,697,245,442

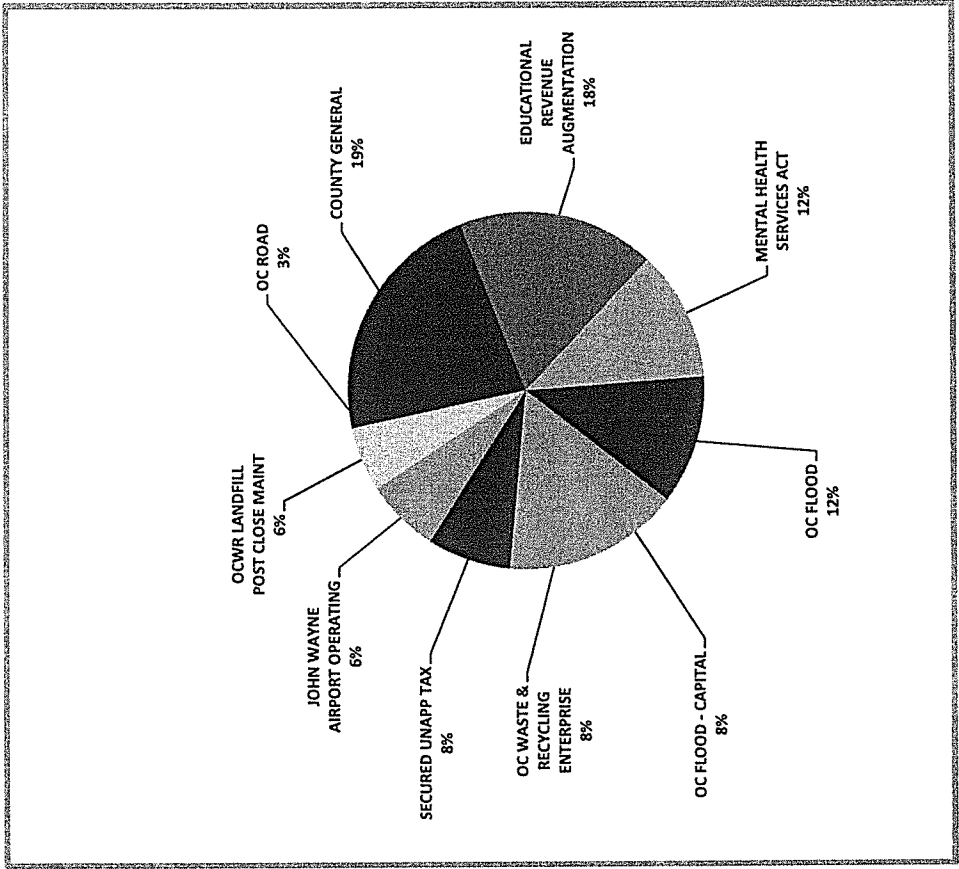


ORANGE COUNTY INVESTMENT POOL
COMPOSITION BY FUND
AS OF DECEMBER 31



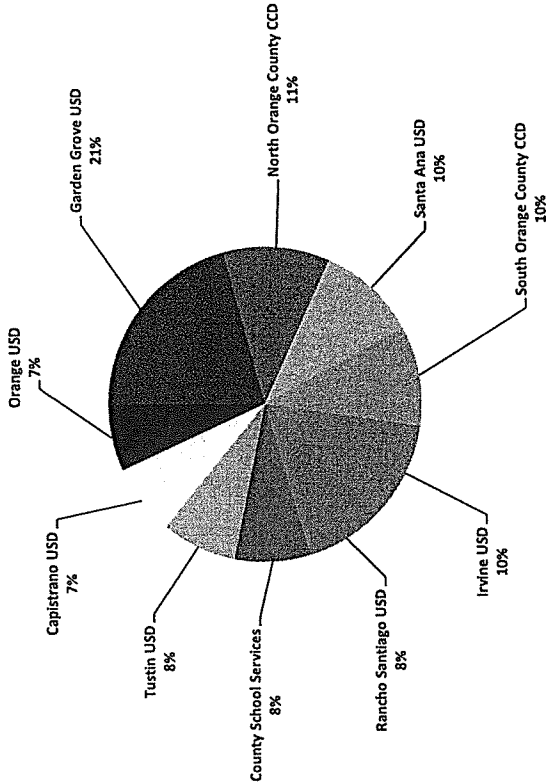
ORANGE COUNTY INVESTMENT POOL
 TOP TEN POOL PARTICIPANTS
 AS OF DECEMBER 31, 2016

FUND #	FUND NAME	BALANCE
100	COUNTY GENERAL	\$ 445,181,906
664	EDUCATIONAL REVENUE AUGMENTATION	418,380,605
13Y	MENTAL HEALTH SERVICES ACT	275,440,011
400	OC FLOOD	273,304,809
404	OC FLOOD - CAPITAL	188,774,798
299	OC WASTE & RECYCLING ENTERPRISE	184,445,396
673	SECURED UNAPP TAX	176,871,111
280	JOHN WAYNE AIRPORT OPERATING	156,482,337
279	OCWR LANDFILL POST-CLOSE MAINT	136,312,737
115	OC ROAD	78,418,431
	TOTAL	\$ 2,333,612,141



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

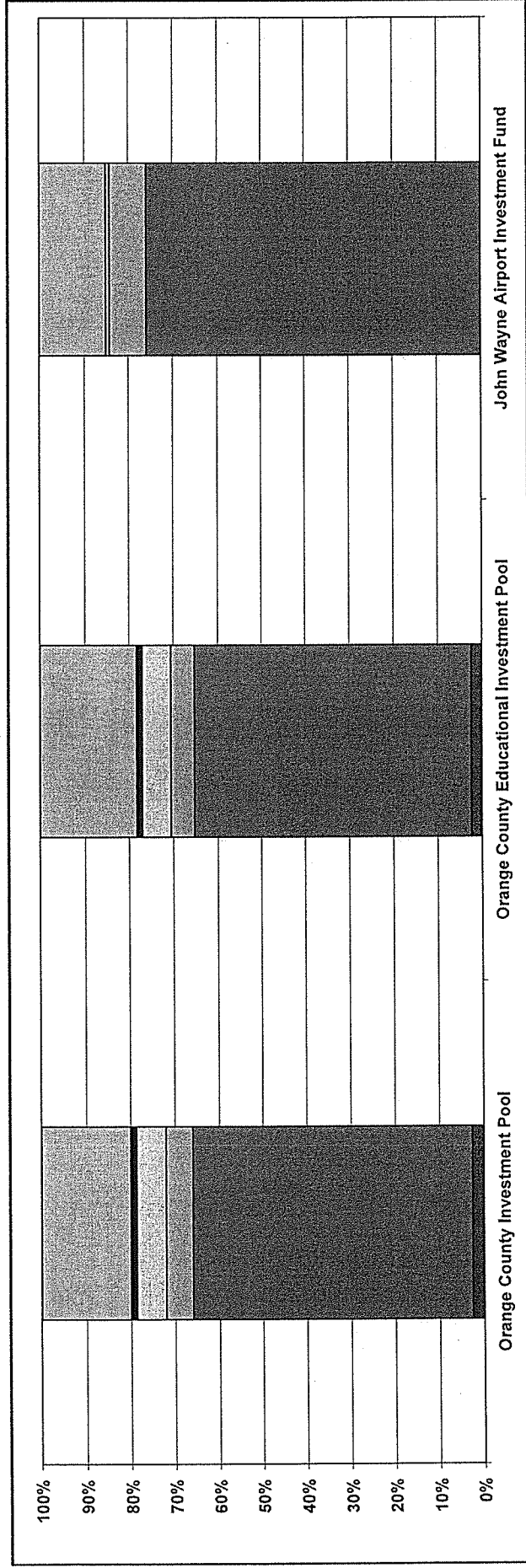
DISTRICT #	SCHOOL DISTRICT	BALANCE
72	Garden Grove USD	\$ 618,146,673
88	North Orange County CCD	329,037,266
84	Santa Ana USD	307,226,973
96	South Orange County CCD	305,204,563
75	Irvine USD	300,009,168
92	Rancho Santiago CCD	235,926,161
94	County School Services	234,507,481
87	Tustin USD	231,087,591
68	Capistrano USD	214,266,524
80	Orange USD	204,577,512
	TOTAL	\$ 2,979,989,912



ORANGE COUNTY TREASURER - TAX COLLECTOR

BY INVESTMENT TYPE - By Percentage Holdings

December 31, 2016



Orange County Investment Pool			
	In Thousands		%
U.S. GOVERNMENT AGENCIES	\$ 2,956,374		63.51%
U.S. TREASURIES	927,334		19.92%
LOCAL AGENCY INVESTMENT FUND	3,099		0.07%
MEDIUM - TERM NOTES	306,996		6.59%
MONEY MARKET MUTUAL FUNDS	280,583		6.03%
MUNICIPAL DEBT	63,073		1.35%
CERTIFICATES OF DEPOSIT	117,535		2.53%
	<u>\$ 4,654,994</u>		<u>100.00%</u>

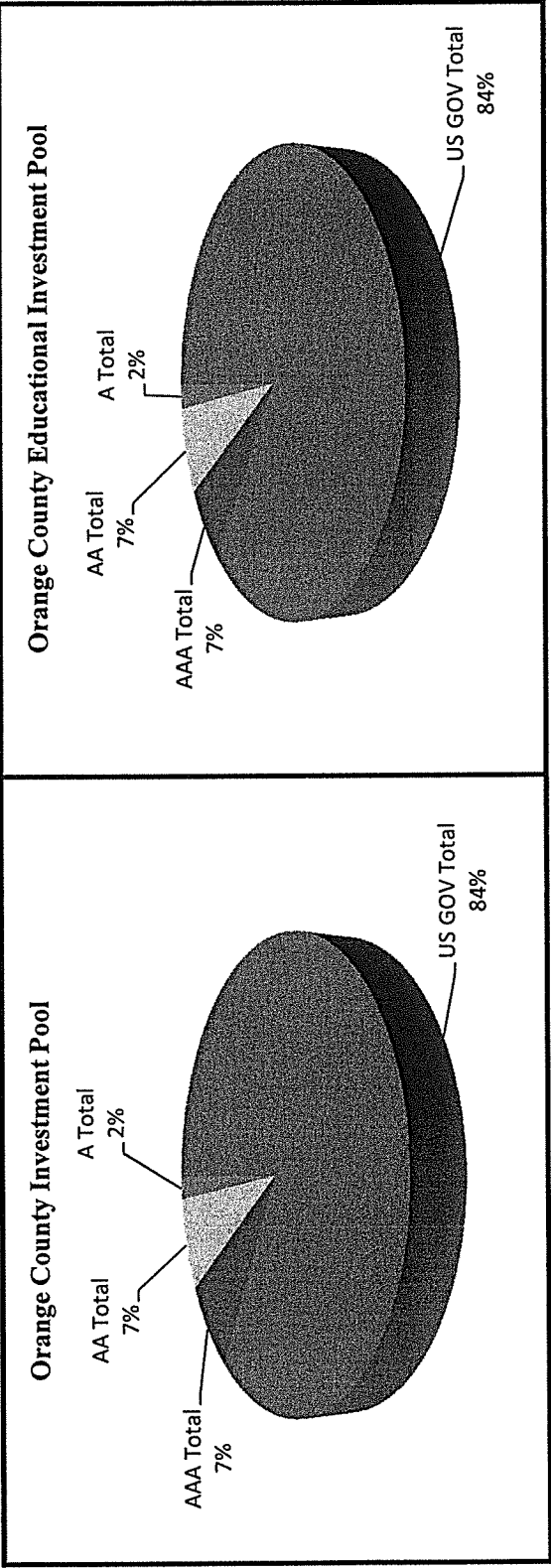
Orange County Educational Investment Pool			
	In Thousands		%
U.S. GOVERNMENT AGENCIES	\$ 2,904,680		62.87%
U.S. TREASURIES	999,237		21.63%
LOCAL AGENCY INVESTMENT FUND	2,837		0.06%
MEDIUM - TERM NOTES	297,714		6.44%
MONEY MARKET MUTUAL FUNDS	246,628		5.34%
MUNICIPAL DEBT	58,707		1.28%
CERTIFICATES OF DEPOSIT	110,147		2.38%
	<u>\$ 4,619,950</u>		<u>100.00%</u>

John Wayne Airport Investment Fund			
	In Thousands		%
U.S. GOVERNMENT AGENCIES	\$ 38,150		75.92%
MEDIUM - TERM NOTES	401		0.80%
MONEY MARKET MUTUAL FUNDS	4,203		8.36%
U.S. TREASURIES	7,499		14.92%
	<u>\$ 50,253</u>		<u>100.00%</u>

Calculated Using Market Value at 12/31/2016

ORANGE COUNTY TREASURER - TAX COLLECTOR
CREDIT QUALITY BY MARKET VALUE

December 31, 2016

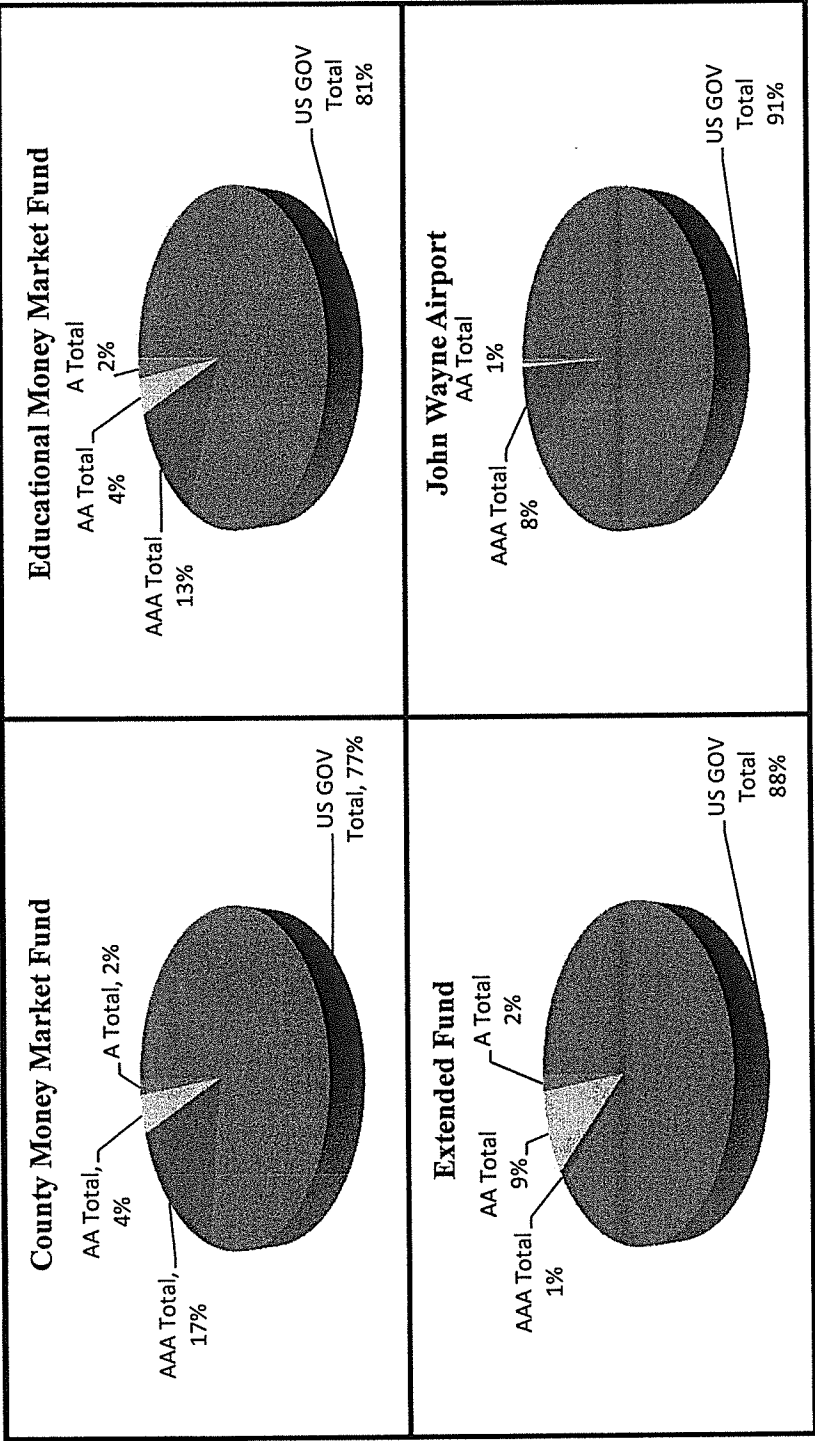


US GOV Includes Agency & Treasury Debt
AA Includes AA+, AA- & AA
A Includes A+, A- & A
A-1 Includes A-1+, P-1, P-1, A-1 & F-1

ORANGE COUNTY TREASURER - TAX COLLECTOR

CREDIT QUALITY BY MARKET VALUE

December 31, 2016

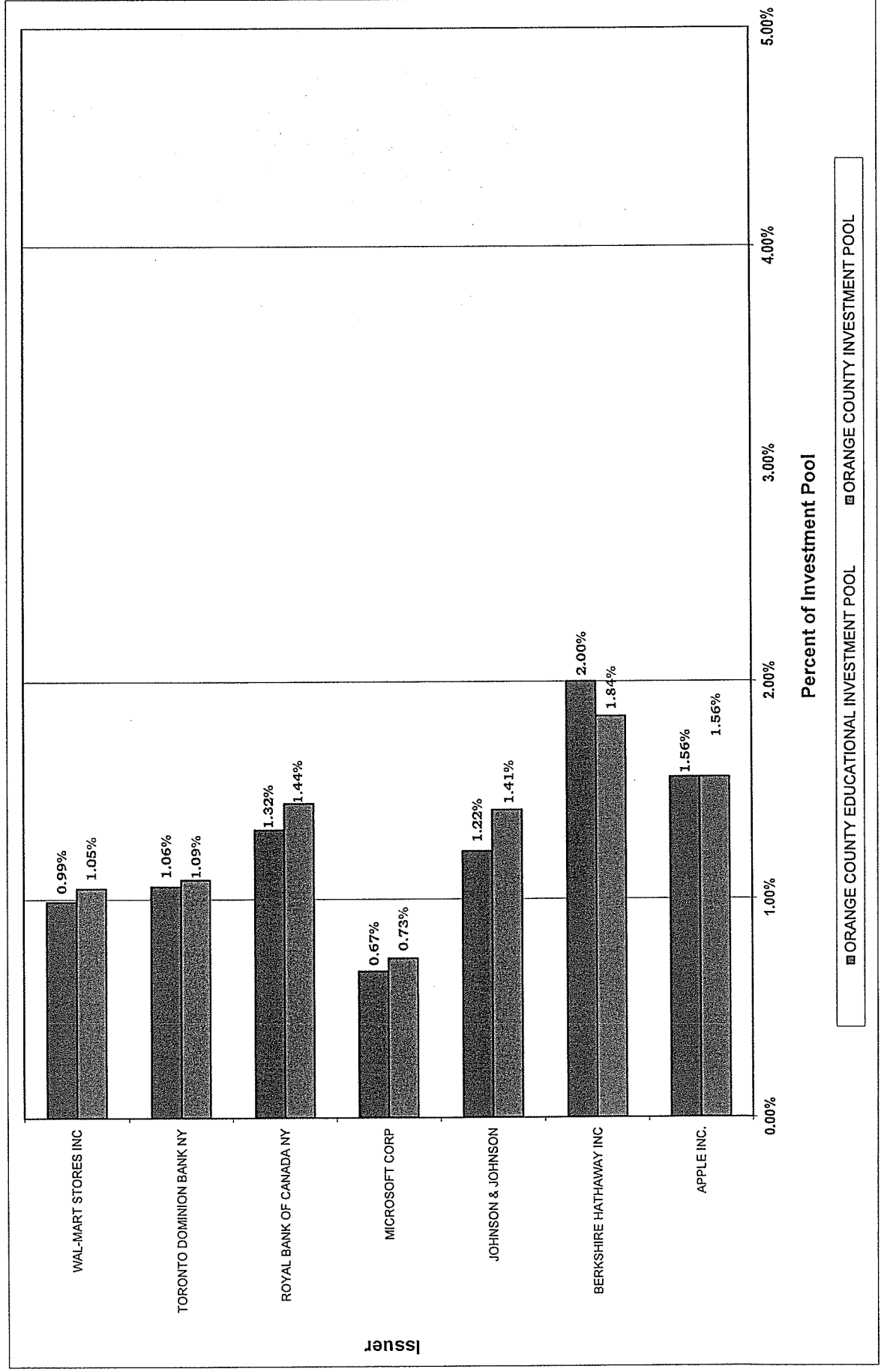


US GOV Includes Agency & Treasury Debt
 AA Includes AA+, AA- & AA
 A Includes A+, A- & A
 A-1 Includes A-1+, F-1+, P-1, A-1 & F-1

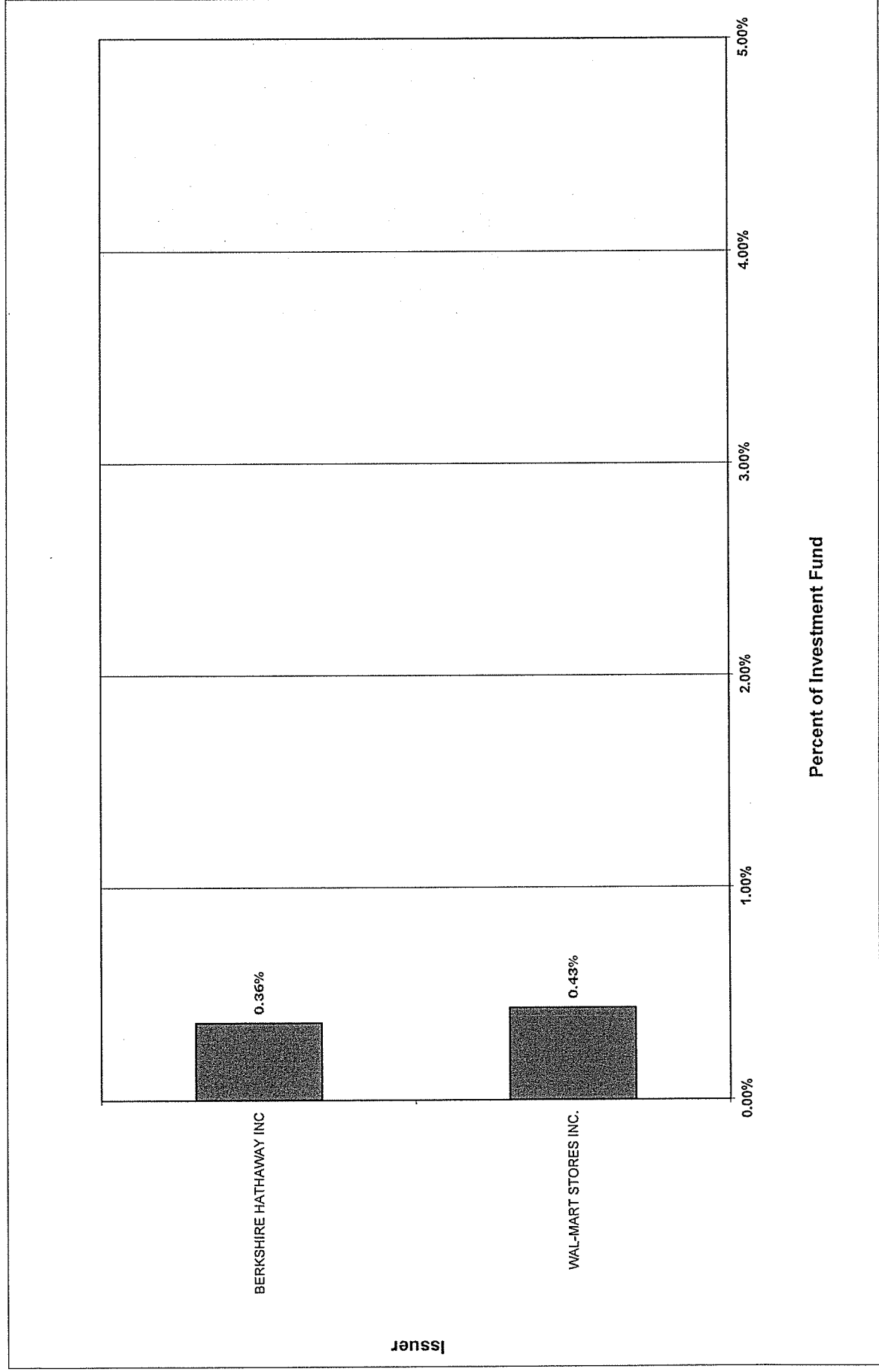
ORANGE COUNTY TREASURER - TAX COLLECTOR

ISSUER CONCENTRATION-By Investment Pool

December 31, 2016



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



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

December 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
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 **						
NAME OF FUND	S&P	Moody's	Fitch			
INVESCO GOVERNMENT & AGENCY SHORT-TERM INVESTMENTS TRUST (AIM)	AAAm	Aaa-mf	AAAmf			
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)

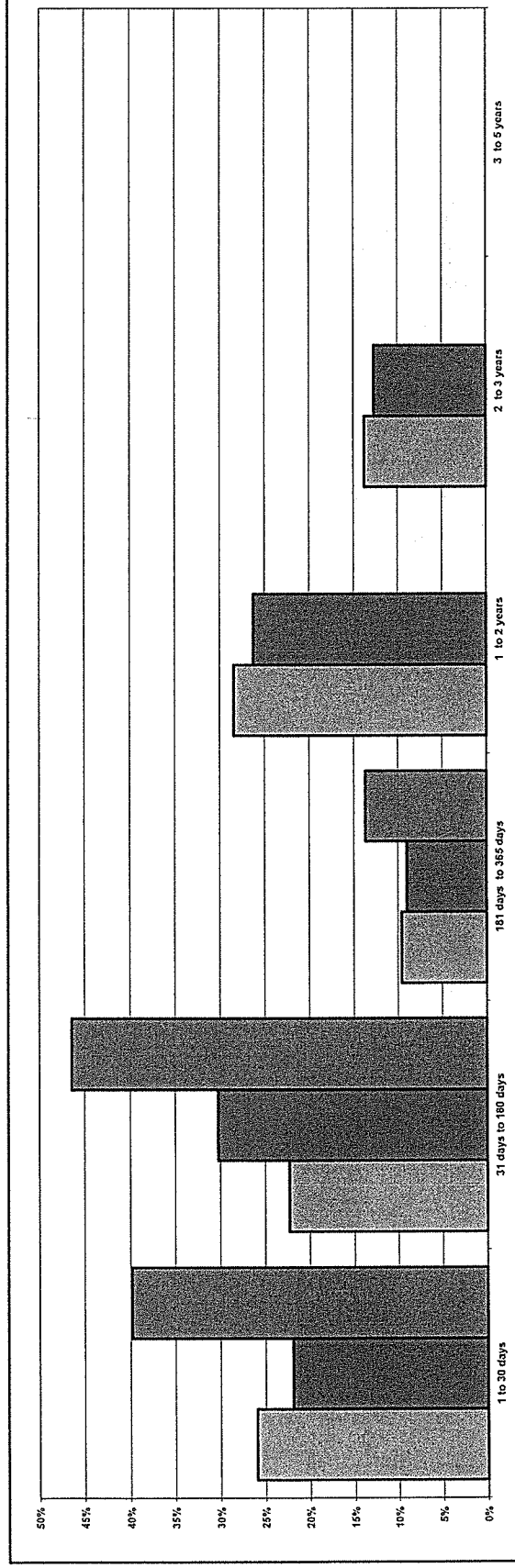
**** On Negative Outlook (S&P - June 6, 2016; Fitch - January 25, 2016; Moody's - June 11, 2014)

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

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

During December, 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.

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



ORANGE COUNTY INVESTMENT POOL			
	In Thousands	%	
1 TO 30 DAYS	\$ 1,208,721	25.96%	
31 TO 180 DAYS	1,038,537	22.31%	
181 TO 365 DAYS	445,101	9.56%	
1 YEAR TO 2 YEARS	1,323,902	28.44%	
2 YEARS TO 3 YEARS	639,382	13.73%	
3 YEARS TO 5 YEARS	-	0.00%	
TOTAL	\$ 4,655,643	100.00%	

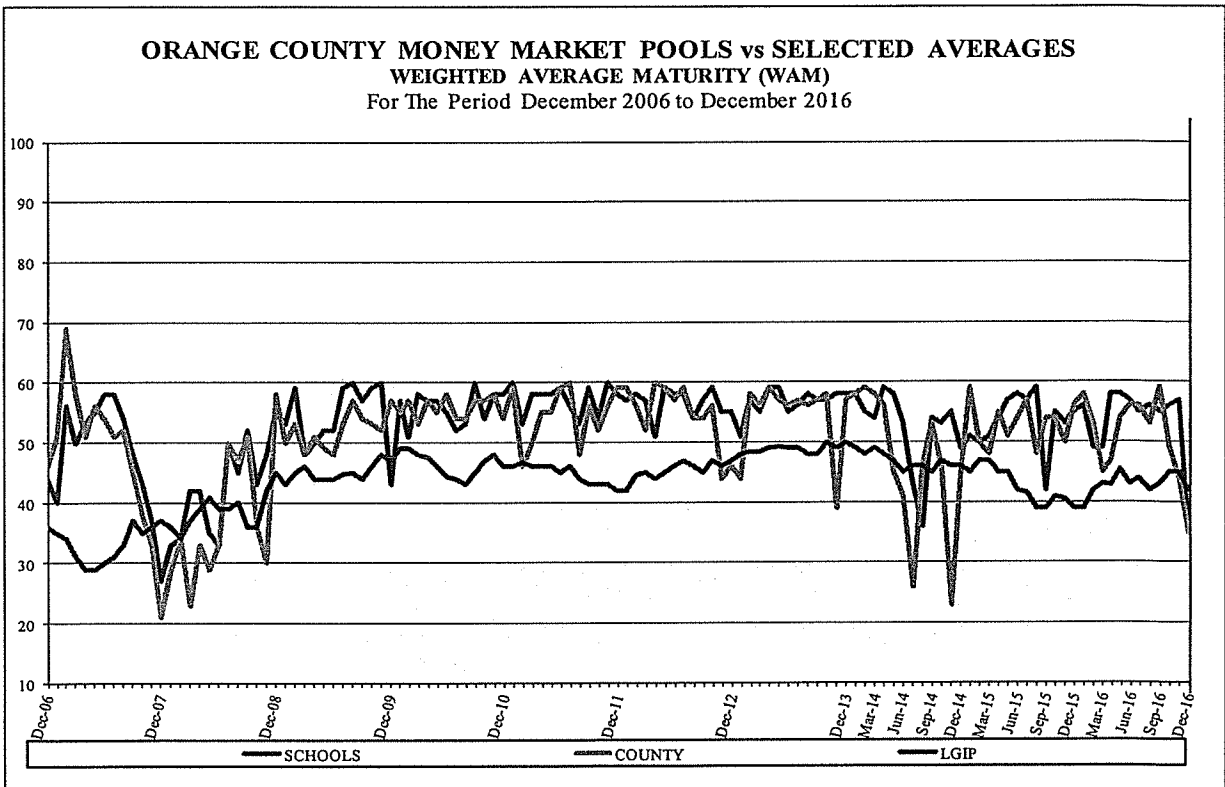
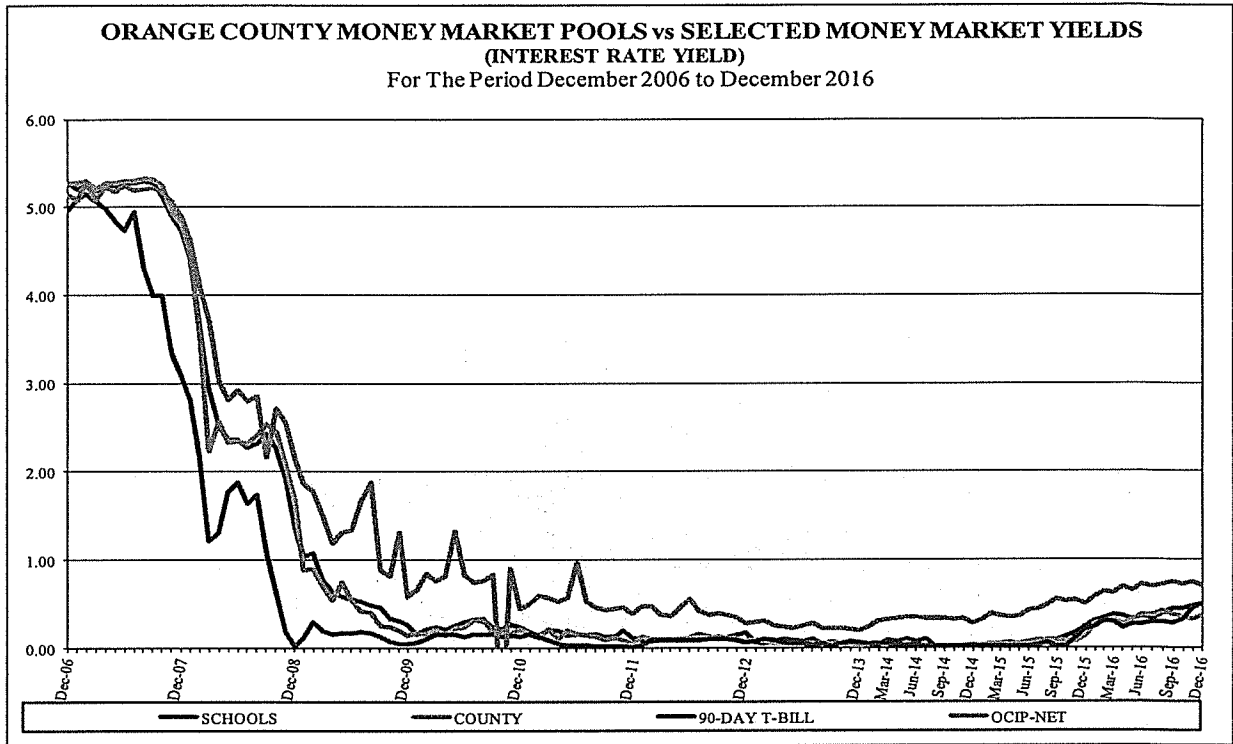
ORANGE COUNTY EDUCATIONAL INVESTMENT POOL			
	In Thousands	%	
1 TO 30 DAYS	\$ 1,011,321	21.89%	
31 TO 180 DAYS	1,398,075	30.26%	
181 TO 365 DAYS	414,246	8.96%	
1 YEAR TO 2 YEARS	1,211,825	26.22%	
2 YEARS TO 3 YEARS	585,254	12.67%	
3 YEARS TO 5 YEARS	-	0.00%	
TOTAL	\$ 4,620,721	100.00%	

JOHN WAYNE AIRPORT INVESTMENT FUND			
	In Thousands	%	
1 TO 30 DAYS	\$ 20,023	39.86%	
31 TO 180 DAYS	23,340	46.46%	
181 TO 365 DAYS	6,875	13.68%	
1 YEAR TO 2 YEARS	-	0.00%	
TOTAL	\$ 50,238	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 12/31/2016, Floating Rate Notes comprise 0.95%, 1.84%, and 0.40% of the Orange County Investment Pool, Orange County Educational Investment Pool, and JWA Investment Fund respectively.



• As of December 31, 2016, S&P LGIP – 0.53; S&P LGIP WAM -42; 90-Day T-Bill – 0.50; OCIP – Net – 0.715%

ORANGE COUNTY TREASURER-TAX COLLECTOR

INVESTMENT POOL YIELDS

January 1, 2016 - December 31, 2016

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET VALUE	EARNINGS FOR MONTH	GROSS AVERAGE YIELD FOR MONTH	MONTH END WAM
Current Month - December 2016				
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
November 2016				
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
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	\$ 800,306,654	\$ 295,786	0.49%	53
Educational Pool - Money Market Fund	\$ 1,221,174,892	\$ 516,653	0.46%	56
Extended Fund	\$ 5,459,349,411	\$ 4,074,594	0.90%	484
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
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	\$ 3,930,939,348	\$ 15,552,286	0.78%	379
Orange County Educational Investment Pool	\$ 3,958,102,623	\$ 15,369,470	0.77%	353

ORANGE COUNTY TREASURER-TAX COLLECTOR

CASH AVAILABILITY PROJECTION

FOR THE SIX MONTHS ENDING JUNE 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 June 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
December 2016 - Ending Cash				\$ 6,276,835
January	\$ 1,304,077,284	\$ 423,769,690	\$ 1,042,283,878	691,839,931
February	279,631,655	399,341,557	327,501,478	1,043,311,665
March	373,275,125	774,743,709	592,769,257	1,598,561,242
April	133,371,047	2,040,131,589	1,786,910,013	1,985,153,864
May	148,745,904	330,454,385	671,773,527	1,792,580,626
June	60,195,090	343,291,796	796,361,570	1,399,705,942

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
December 2016 - Ending Cash				\$ 40,000
January	\$ 1,286,884,986	\$ 533,670,079	\$ 861,703,186	958,891,879
February	521,080,235	267,968,367	637,382,992	1,110,557,489
March	314,453,986	420,143,456	688,295,720	1,156,859,210
April	101,744,559	1,132,356,689	668,971,299	1,721,989,160
May	151,162,495	417,792,738	687,442,480	1,603,501,913
June	55,886,439	394,080,584	695,371,284	1,358,097,653

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

	<u>Month</u>	<u>Quarter</u>
Treasurer's Accountability at the Beginning of the Period:	<u>\$8,159,473,561</u>	<u>\$ 7,662,612,084</u>
Cash Receipts:		
County	2,394,532,602	4,401,264,434
School and Community College Districts	1,316,178,481	2,628,442,819
Total Cash Receipts	<u>3,710,711,083</u>	<u>7,029,707,253</u>
Cash Disbursements:		
County	1,940,252,740	3,364,132,180
School and Community College Districts	448,113,452	1,855,501,058
Total Cash Disbursements	<u>2,388,366,192</u>	<u>5,219,633,238</u>
Net Change in Book Value of Pooled Assets	<u>1,322,344,891</u>	<u>1,810,074,015</u>
Net Increase in Non Pooled Investments	<u>34,877</u>	<u>110,719</u>
Net Increase in Non Pooled Cash	<u>4,922,140</u>	<u>13,978,651</u>
Treasurer's Accountability at the End of the Period:	<u>\$9,486,775,469</u>	<u>\$ 9,486,775,469</u>
Assets in the Treasury at the End of the Period (at Book Value):		
Pooled Investments:		
O.C. Investment Pool		\$ 4,670,059,132
O.C. Educational Investment Pool		4,633,965,309
Total Orange County Investment Pools		<u>9,304,024,441</u>
Non Pooled Investments:		
Non Pooled Investments - John Wayne Airport		50,312,388
Non Pooled Investments - General Fund – Non AMT Restricted		67,402,141
Non Pooled Investments - Fountain Valley School District Fund 40		34,909,367
Non Pooled Investments - Other		1,081,500
Total Non Pooled Investments		<u>153,705,396</u>
Cash:		
Cash in banks - County		6,245,838
Cash in banks - Schools		40,000
Cash in banks - OC Sheriff		14,549,894
Cash in banks - John Wayne Airport		8,178,903
Cash - Other		30,997
Total Cash		<u>29,045,632</u>
Total Assets in the Treasury at the End of the Period:		<u>\$ 9,486,775,469</u>

**ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POLICY (IPS) COMPLIANCE SUMMARY
December 31, 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
Diversification Limit									
30%	Negotiable Certificates of Deposit	\$ 13,606,805	0.76%	\$ 199,058,878	3.62%	\$ 15,016,500	0.75%	\$ -	0.00%
40%	Commercial Paper	-	0.00%	-	0.00%	-	0.00%	-	0.00%
100%	U.S. Government Agencies	1,134,872,152	63.48%	3,488,802,971	63.53%	1,237,378,616	62.01%	38,149,937	75.92%
\$50MM	LAIF	-	0.00%	5,936,000	0.11%	-	0.00%	-	0.00%
30%	Medium-Term Notes	107,470,634	6.01%	382,160,328	6.96%	115,079,197	5.77%	401,034	0.80%
20%	Money Market Mutual Funds	280,582,507	15.69%	98,783,371	0.00%	246,628,079	12.36%	4,202,983	8.36%
30%	Municipal Debt	11,498,620	0.64%	-	1.80%	11,498,620	0.57%	-	0.00%
20%	Repurchase Agreement	-	0.00%	-	0.00%	-	0.00%	-	0.00%
30%	Supranationals	239,842,674	13.42%	1,316,782,923	23.98%	369,945,416	18.54%	7,498,678	14.92%
100%	U.S. Treasuries	\$ 1,787,873,393	100.00%	\$ 5,491,524,471	100.00%	\$ 1,995,546,428	100.00%	\$ 50,252,632	100.00%

Investment Policy Guidelines	Compliance Category (Yes/No)	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
5%	Percentage Limits	Yes	Yes ⁽²⁾	Yes	Yes	Yes	Yes ⁽²⁾	Yes	Yes
20%	Issuer Limit	Yes	Yes ⁽²⁾	N/A	N/A	Yes	Yes ⁽²⁾	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	Yes	Yes	Yes	Yes	Yes	Yes	Yes
90 Days	Weighted Average Maturity - Money Market Fund	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
>Merrill 1-3 Year Index+25% (2.37)	Weighted Average Maturity - John Wayne Airport Investment Fund (JWA)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
13 Months/397 days	Duration	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15 Months/456 days	Final Maturity - Money Market Fund	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
5 Years/1826 days	Final Maturity - John Wayne Airport Investment Fund	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Final Maturity - Extended Fund	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
A-1/2 A	Quality Limits	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
≥ A-1/P-1F2	MMF Short Term/Long Term	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
A-1/2 AA ⁽³⁾	Short Term Debt/No Split Ratings	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
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	Yes	Yes	Yes	Yes	Yes	Yes	Yes

(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%.

(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
December 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 completed.
Treasurer 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 December 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 approved on 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 approved on 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 Calendar Year 2017 except Auditor-Controller.
Ethics Training	TTC	TOC Bylaws Rule 34 - Every Two Years	TOC members are in compliance for Calendar Year 2016 except Superintendent of Schools (completed January 6, 2017).
Conflict of Interest Form 700 Filing	TTC	TOC Bylaws Rule 34 / IPS - Every Year	TOC members are in compliance for Calendar Year 2016.

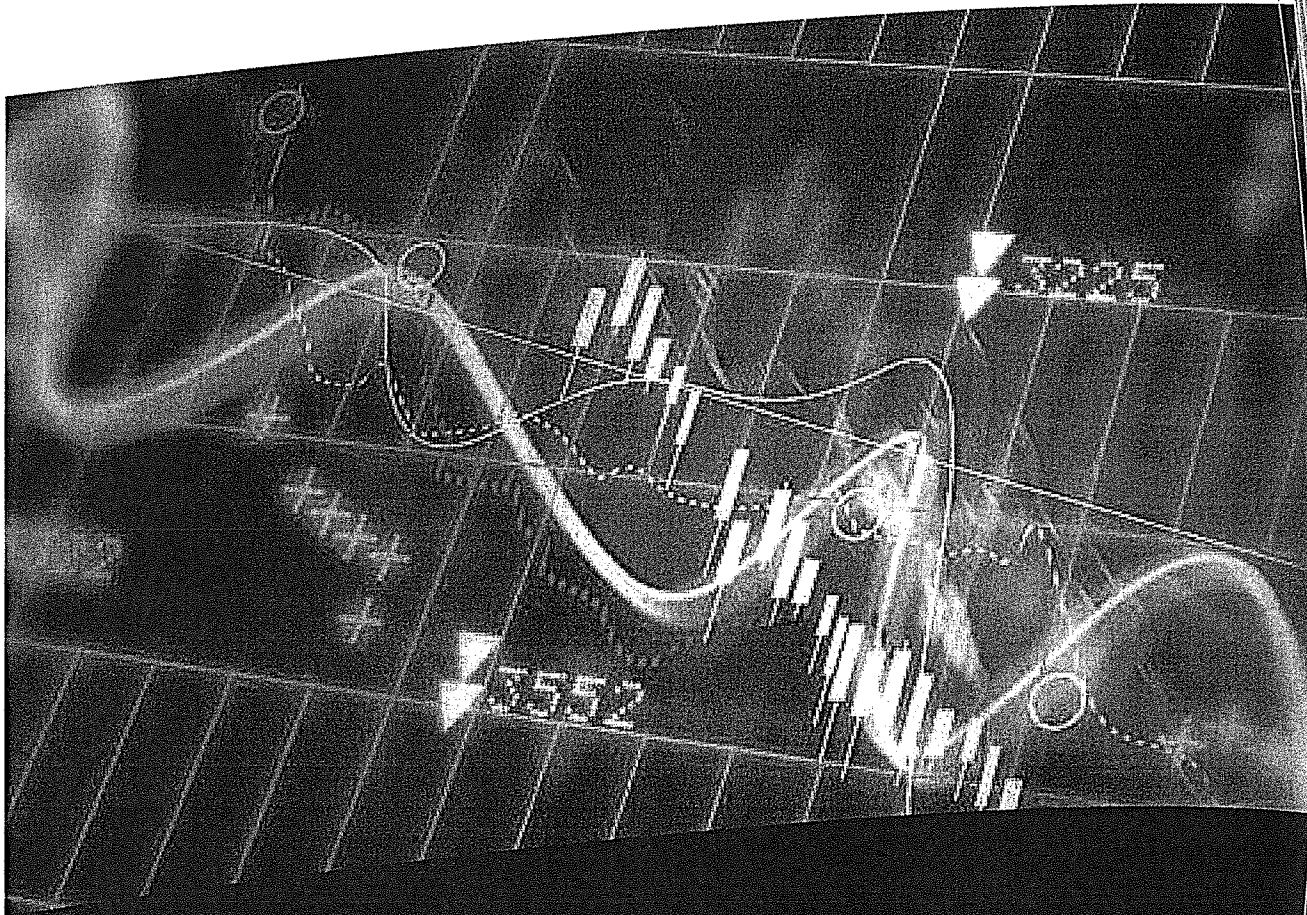
LEGEND	
Auditor-Controller Internal Audit	ACIA
Board of Supervisors	BOS
Treasurer Oversight Committee	TOC
Office of Treasurer-Tax Collector	TTC

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

During December, 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.

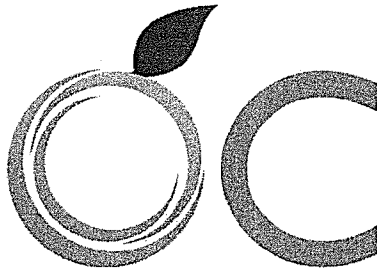


Orange County Auditor-Controller Internal Audit



Continuous Compliance Monitoring of the
Treasurer's Investment Portfolio for the
Quarter Ended September 30, 2016

Audit Number 1615
Report Date: December 6, 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
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



December 6, 2016

Audit No. 1615

TO: Members, Treasury Oversight Committee

SUBJECT: Continuous Compliance Monitoring of the Treasurer's Investment Portfolio
For the Quarter Ended September 30, 2016

At the request of the Treasury Oversight Committee, we have completed the Continuous Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended September 30, 2016.

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 or significant findings released in reports during the prior month 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 will request the department complete a **Customer Survey** of Audit Services. The Treasurer-Tax Collector will receive the survey 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
- Paul C. Gorman, Chief Assistant Treasurer-Tax Collector - Treasury
- JC Squires, Financial Manager, Treasurer-Tax Collector
- 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 September 30, 2016
Audit No. 1615*

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Internal Auditor's Report

Audit No. 1615

December 6, 2016

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

We have completed the continuous compliance monitoring of the Treasurer's Investment Portfolio for the quarter ended September 30, 2016. The purpose of our engagement was to determine whether the Orange County Money Market Fund, Educational Money Market Fund, John Wayne Airport Fund (all collectively referred to as Money Market Funds), and Extended Fund managed by the Orange County Treasurer were in compliance with specific provisions of the Investment Policy Statement (IPS) and that portfolio non-compliance, including technical incidents, were properly reported in the Treasurer's Monthly Investment Reports for July, August, and September 2016.

We perform our continuous compliance monitoring of the Treasurer's investment portfolio at the request of the Treasury Oversight Committee. Our continuous 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 compliance deficiencies or technical incidents and required disclosures are properly reported.

Our compliance procedures included judgmentally selecting five (5) business days for testing from each month and importing the selected electronic file downloads from the Treasurer's Quantum System into ACL, a computer-assisted audit technique software, for purposes of performing calculations and validating that investment purchases were in compliance with the IPS by reviewing and testing supporting documentation.

Based on our continuous compliance monitoring for the selected dates, **no compliance deficiencies were identified**. When applicable, our report also includes information regarding the Treasurer's reporting of technical incidents in the 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 from the continuous compliance monitoring procedures:

1. **Authorized Investments (IPS Section VI, VII, VIII, IX, XI):** We judgmentally selected a sample of 28 investments representing each pool. These were selected from investments purchased on the 15 business days selected for review from July to September 2016. For the sample selected, we independently confirmed that the investments conform to authorized investment requirements in accordance with the IPS. We also confirmed for the Pooled Funds that the Treasurer used issuers and brokers who were 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.

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.

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 Fund and 5 years (1,826 days) for the Extended Fund in accordance with the IPS.

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.

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 whether there were any instances of non-compliance or technical incidents that should be reported in accordance with the IPS. We also reviewed the Treasurer's Monthly Investment Reports for the months of July, August, and September 2016 to determine whether instances of portfolio non-compliance or technical incidents, if any, were properly reported.

Results: We found no exceptions. No compliance deficiencies or technical incidents were noted in the Treasurer's Monthly Investment Reports for the months of July, August, and September 2016. In addition, no compliance deficiencies or technical incidents were identified in our sample of 15 business days selected for review.

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 black ink, 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
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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)