

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

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



COUNTY OF ORANGE

**TREASURER'S INVESTMENT REPORT
For November 30, 2017**

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



INTERDEPARTMENTAL COMMUNICATION

Date: December 15, 2017

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

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

Subject: Treasurer's Investment Report for the Month Ended November 30, 2017

Attached please find the Treasurer's Investment Report for the County of Orange for the month ended November 30, 2017. The County Treasurer provides this report in compliance with California Government Code Sections 53607, 53646, and 27134 and the County's Investment Policy Statement (IPS). We have included some charts and other data for your information including charts on fund composition and the top ten pool participants. This report is also publicly available on our website at ocgov.com/ocinvestments.

INVESTMENT POOL COMPOSITION

The investments contained within this report are as of November 30, 2017. The Investment Pool Statistics summary shows the total investment responsibility of the County Treasurer as delegated by the Board of Supervisors: the Orange County Investment Pool (OCIP) that includes the Voluntary Participants' funds, the Orange County Educational Investment Pool (OCEIP), the John Wayne Airport Investment Fund and various other non-Pooled investment funds. The investment practices and policies of the Treasurer are based on compliance with State law and prudent money management. The primary goal is to invest public funds in a manner which will provide maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

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

The maximum maturity of investments for the Orange County and Educational Money Market Funds is 13 months, with a maximum weighted average maturity (WAM) of 60 days, and they have a current WAM of 36 and 45, respectively. The maximum maturity of investments for the John Wayne Airport 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% (2.23), and the duration is currently at 1.08. 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 November the job market added 228,000 new jobs, and October's job numbers were revised downward by 16,000 to 244,000. The U.S. unemployment rate for November was unchanged at 4.1%. U.S. gross domestic

product (GDP) rose at a 3.3% annualized rate in the third quarter of 2017, an increase from the prior reported rate of 3.0%. The Empire State Manufacturing Index fell to 19.4 from 30.2 in October, while the Philadelphia Fed Index decreased to 22.7 from 27.9 in October. The Federal Reserve uses these indexes as regional economic gauges, and a reading above zero signals economic expansion. With respect to housing, S&P/CaseShiller reported that housing prices continue to show positive momentum as year-over-year prices increased for the sixty-fifth consecutive month in September, up 6.15% from a year ago. The index for pending home sales increased 1.2% on a year-over-year basis in October. On December 13, 2017 the Federal Open Markets Committee raised the benchmark Federal Funds Rate by 0.25 percent resulting in a new target range of 1.25 percent to 1.50 percent.

The 10-year Treasury rate increased from 2.38% in October to 2.42% in November. The short-term 90-day T-bill ended the month at 1.27%, up from 1.15% in October. The rate on the 2-year Treasury note was 1.78% at the end of November, up from 1.60% in October.

The short-term 90-day T-bill ended the month at 1.27%, up from 1.15% in October. The rate on the 2-year Treasury note was 1.78% at the end of November, up from 1.60% in October.

INVESTMENT INTEREST YIELDS AND FORECAST

The current gross interest yield year-to-date for fiscal year 2017/2018 is 1.12% for the OCIP and 1.11% for the OCEIP. The current net yield for fiscal year 2017/2018 is 1.06% and 1.05% respectively. The forecasted net yield for fiscal year 2017/2018 for both OCIP and OCEIP is 1.08%.

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

Each month, the County Treasurer apportions the accrued interest earnings to each pool participant. As of the first business day of the following month accrued, but unpaid, interest earnings are added to pool participants' average balances in determining a participant's relative share of the pool's monthly earnings. The actual cash distribution will generally be paid in the month following. The November 2017 interest apportionment is expected to be paid by December 31, 2017. The investment administrative fee for fiscal year 2017/2018 is estimated at 6.0 basis points.

TEMPORARY TRANSFERS

The County Treasurer, as required by Constitution Article XVI, Section 6, and per the Board of Supervisor's Resolution 15-016, is authorized to make temporary transfers to school districts to address their short-term cash flow needs. The loans are secured by tax receipts to be received by the County Treasurer, as the banker for the school districts. Temporary transfers from the OCEIP totaled \$60 million and will be repaid by January 31, 2018.

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 \$268.1 million in County of Orange debt, which represents approximately 3.1% of pooled assets. Prior to purchasing any pool participant debt, a standardized credit analysis is performed.

COMPLIANCE SUMMARY

During November 2017, the IPS had several compliance exceptions, all occurring due to trades executed by new staff in training prior to broker/dealers receiving the written authorization. The Auditor-Controller issued their report on Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended September 30, 2017, which stated that no instances of noncompliance were identified.

CREDIT UPDATE

During November, 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 pooled and non-pooled investments as of November 30, 2017 and is in conformity with all State laws and the IPS approved by the Board of Supervisors on November 22, 2016. The investments herein shown provide adequate liquidity to meet the next six months of projected cash flow requirements. I am available if you have any questions on this Investment Report at (714) 834-7625.

Enclosures

cc: Distribution List

ORANGE COUNTY TREASURER-TAX COLLECTOR

SUMMARY OF INVESTMENT DATA

INVESTMENT TRENDS

	NOVEMBER 2017	OCTOBER 2017	INCREASE (DECREASE)	NET CHANGE %	NOVEMBER 2016	INCREASE (DECREASE)	NET CHANGE %
Orange County Investment Pool (OCIP)							
End Of Month Market Value ¹	\$ 4,467,156,195	\$ 4,367,840,772	\$ 99,315,423	2.27%	\$ 4,178,977,444	\$ 288,178,751	6.90%
End Of Month Book Value ¹	\$ 4,483,174,377	\$ 4,379,246,925	\$ 103,927,452	2.37%	\$ 4,184,330,079	\$ 298,844,298	7.14%
Monthly Average Balance	\$ 4,354,824,066	\$ 4,137,406,218	\$ 217,417,848	5.25%	\$ 4,152,128,442	\$ 202,695,624	4.88%
Year-To-Date Average Balance	\$ 4,023,875,188	\$ 3,966,178,248	\$ 57,696,940	1.45%	\$ 3,736,197,625	\$ 287,677,563	7.70%
Monthly Accrued Earnings ³	\$ 4,078,272	\$ 3,916,082	\$ 162,190	4.14%	\$ 2,691,634	\$ 1,386,638	51.52%
Monthly Net Yield ³	1.07%	1.05%	0.02%	2.00%	0.72%	0.35%	48.61%
Year-To-Date Net Yield ³	1.06%	1.05%	0.00%	0.36%	0.73%	0.32%	44.32%
Annual Estimated Gross Yield ⁴	1.14%	1.14%	0.00%	0.00%	0.87%	0.27%	31.34%
Weighted Average Maturity (WAM) ⁵	281	299	(18)	-6.02%	373	(92)	-24.66%
Orange County Educational Investment Pool (OCEIP)							
End Of Month Market Value ^{1,2}	\$ 4,144,138,945	\$ 4,002,851,877	\$ 141,287,068	3.53%	\$ 3,746,891,740	\$ 397,247,205	10.60%
End Of Month Book Value ^{1,2}	\$ 4,159,948,762	\$ 4,014,315,161	\$ 145,633,601	3.63%	\$ 3,751,586,163	\$ 408,362,599	10.89%
Monthly Average Balance ²	\$ 4,059,141,042	\$ 4,188,972,983	\$ (129,831,941)	-3.10%	\$ 3,641,031,973	\$ 418,109,069	11.48%
Year-To-Date Average Balance ²	\$ 4,359,249,294	\$ 4,322,005,268	\$ 37,244,026	0.86%	\$ 3,860,703,958	\$ 498,545,336	12.91%
Monthly Accrued Earnings ³	\$ 3,845,386	\$ 4,020,371	\$ (174,985)	-4.35%	\$ 2,523,501	\$ 1,321,886	52.38%
Monthly Net Yield ³	1.07%	1.06%	0.02%	1.52%	0.76%	0.31%	41.05%
Year-To-Date Net Yield ³	1.05%	1.05%	0.00%	0.44%	0.70%	0.35%	50.03%
Annual Estimated Gross Yield ⁴	1.14%	1.14%	0.00%	0.00%	0.87%	0.27%	30.33%
Weighted Average Maturity (WAM) ⁵	301	324	(23)	-7.10%	383	(82)	-21.41%

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

² In November 2017, OCEIP market value, book value, monthly and year-to-date average balances were higher than the prior year primarily due to a significant number of school and community college districts issuing bonds in 2017.

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

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

⁵ In November 2017, the OCIP and OCEIP WAMs were lower than in November 2016 primarily from purchases of shorter-term securities that added more value due to the flattening of the yield curve.

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
FOR THE MONTH ENDED: November 30, 2017

INVESTMENT STATISTICS - By Investment Pool⁽¹⁾

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 11/30/17	MONTHLY Gross Yield	Current NAV
COMBINED POOL BALANCES (Includes the Extended Fund)					
Orange County Investment Pool (OCIP)	MARKET Value \$ 4,467,156,195 COST (Capital) \$ 4,490,281,445 MONTHLY AVG Balance \$ 4,354,824,066 BOOK Value \$ 4,483,174,377	281	1.15%	1.13%	1.00
Orange County Educational Investment Pool (OCEIP)	MARKET Value \$ 4,144,138,945 COST (Capital) \$ 4,167,984,236 MONTHLY AVG Balance \$ 4,059,141,042 BOOK Value \$ 4,159,948,762	301	1.17%	1.13%	1.00

INVESTMENT STATISTICS - Non Pooled Investments⁽²⁾

DESCRIPTION	CURRENT BALANCE	INVESTMENT BALANCES AT COST
Specific Investment		
Funds:	MARKET Value \$ 86,235,854 COST (Capital) \$ 86,527,102 MONTHLY AVG Balance \$ 86,501,001 BOOK Value \$ 86,495,053	John Wayne Airport Investment Fund \$ 50,596,952 Fountain Valley School District Fund 40 34,848,650 Repurchase Agreement 1,081,500 CCCD Series 2017E Bonds ⁽³⁾ -
283, 505, FVSD, CCCD		\$ 86,527,102

MONTH END TOTALS

INVESTMENTS & CASH		INVESTMENTS & CASH	
COUNTY MONEY MARKET FUND (OCMMF)			
County Money Market Fund	\$ 1,459,009,292	OCIP	\$ 4,533,035,215
County Cash	42,753,770	OCEIP	4,172,123,328
EXTENDED FUND	6,044,812,153	Specific Investment Funds	86,527,102
EDUCATIONAL MONEY MARKET FUND (OCEMMF)		Non-Pooled Cash	19,149,181
Educational Money Market Fund	1,154,444,236		
Educational Cash	4,139,092		
NON-POOLED INVESTMENTS & CASH			
Non-Pooled Investments	86,527,102		
Non-Pooled Cash	19,149,181		
	\$ 8,810,834,826		\$ 8,810,834,826

KEY POOL STATISTICS

INTEREST RATE YIELD		WEIGHTED AVERAGE MATURITY (WAM)	
OCMMF - MONTHLY GROSS YIELD	1.02%	OCMMF	36
OCEMMF - MONTHLY GROSS YIELD	1.03%	OCEMMF	45
JOHN WAYNE AIRPORT - MONTHLY GROSS YIELD	1.10%	JOHN WAYNE AIRPORT WAM	66
OCIP - YTD NET YIELD ⁽⁴⁾	1.06%	LGIP WAM (Standard & Poors)	40
OCEIP - YTD NET YIELD ⁽⁴⁾	1.05%		
90-DAY T-BILL YIELD - MONTHLY AVERAGE	1.24%		

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
FOR THE MONTH ENDED: November 30, 2017

INVESTMENT STATISTICS - By Investment Fund⁽⁵⁾

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 11/30/17	MONTHLY Gross Yield	Current NAV
<u>County Money Market Fund (OCMMF)</u>	MARKET Value \$ 1,459,897,098 COST (Capital) \$ 1,459,009,292 MONTHLY AVG Balance \$ 1,343,242,056 BOOK Value \$ 1,459,923,264	36	1.08%	1.02%	1.00
<u>Educational Money Market Fund (OCEMMF)</u>	MARKET Value \$ 1,154,471,530 COST (Capital) \$ 1,154,444,236 MONTHLY AVG Balance \$ 1,045,601,042 BOOK Value \$ 1,154,382,881	45	1.11%	1.03%	1.00
<u>Extended Fund</u>	MARKET Value \$ 5,996,926,512 COST (Capital) \$ 6,044,812,153 MONTHLY AVG Balance \$ 6,025,122,010 BOOK Value \$ 6,028,816,994	399	1.19%	1.19%	0.99
ALLOCATION OF EXTENDED FUND					
<u>Extended Fund</u> <i>OCIP Share</i>	MARKET Value \$ 3,007,259,097 COST (Capital) \$ 3,031,272,153 MONTHLY AVG Balance \$ 3,011,582,010 BOOK Value \$ 3,023,251,113	399	1.19%	1.19%	0.99
<i>OCEIP Share</i>	MARKET Value \$ 2,989,667,415 COST (Capital) \$ 3,013,540,000 MONTHLY AVG Balance \$ 3,013,540,000 BOOK Value \$ 3,005,565,881	399	1.19%	1.19%	0.99
<i>Modified Duration</i>	1.08				

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

(2) 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.

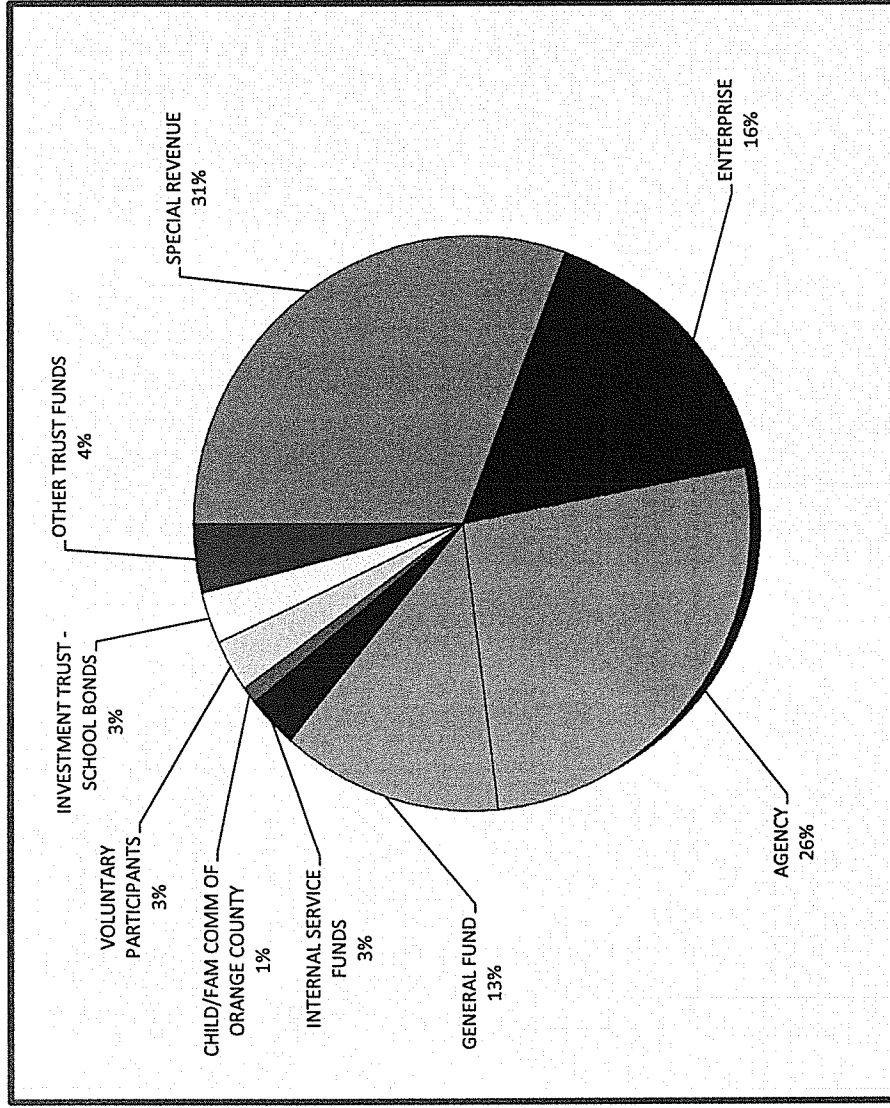
(3) CCCD Series 2017E Bonds Specific Investment Account was established in November 2017, and 100% is currently invested in OCEIP.

(4) The Net Yield differs from the Monthly Average Yield as it includes the Treasury administrative fees.

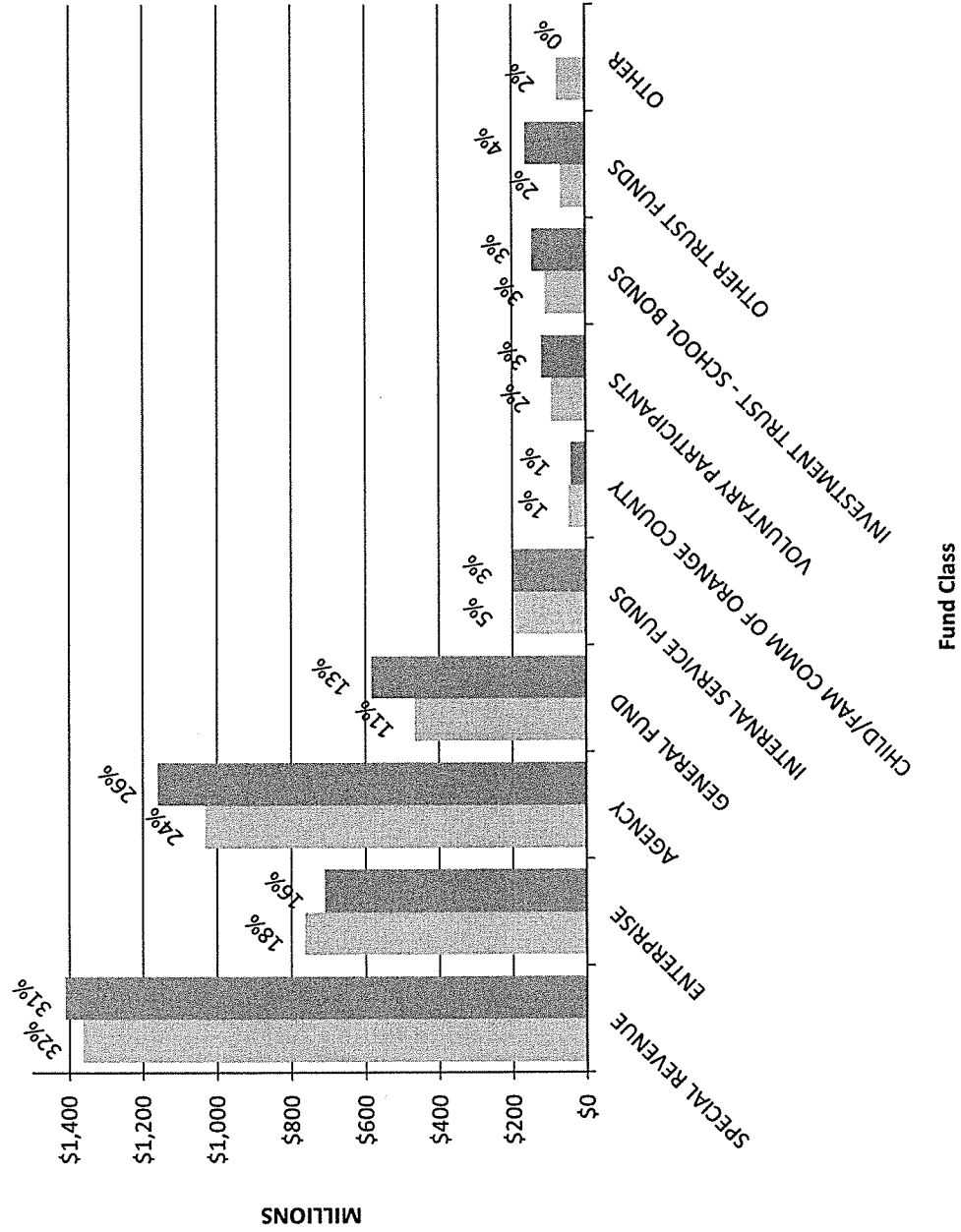
(5) Book Value is computed as Cost reduced by amortization of premium and increased by the accretion of discount of the Investment Portfolio. Net Asset Value (NAV) is equal to Market Value divided by Book Value. The Extended Fund Market Value is lower than Book Value causing the NAV to be lower than 1.00 due to the recent Federal Reserve rate Increase. When the Extended Fund is combined with the OCMMF and OCEMMF, both OCIP and OCEIP have a NAV of 1.00.

ORANGE COUNTY INVESTMENT POOL
COMPOSITION BY FUND
AS OF NOVEMBER 30, 2017

FUNDS	BALANCE
SPECIAL REVENUE	\$ 1,410,859,615
AGENCY	1,159,350,160
ENTERPRISE	710,273,855
GENERAL FUND	583,796,365
INTERNAL SERVICE FUNDS	198,017,473
VOLUNTARY PARTICIPANTS	120,311,194
INVESTMENT TRUST - SCHOOL BONDS	145,980,589
CHILD/FAM COMM OF ORANGE COUNTY	40,719,163
OTHER TRUST FUNDS	163,726,801
TOTAL	\$ 4,533,035,215

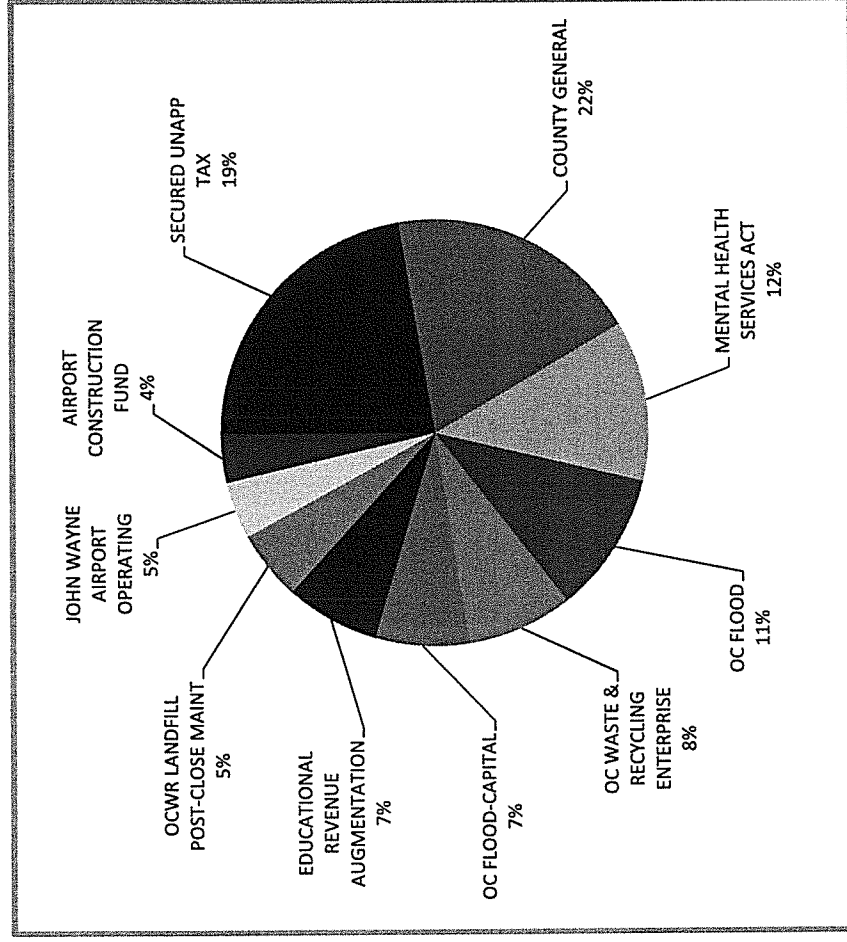


ORANGE COUNTY INVESTMENT POOL
COMPOSITION BY FUND
AS OF NOVEMBER 30



Balance as of 11/30/16 Balance as of 11/30/17

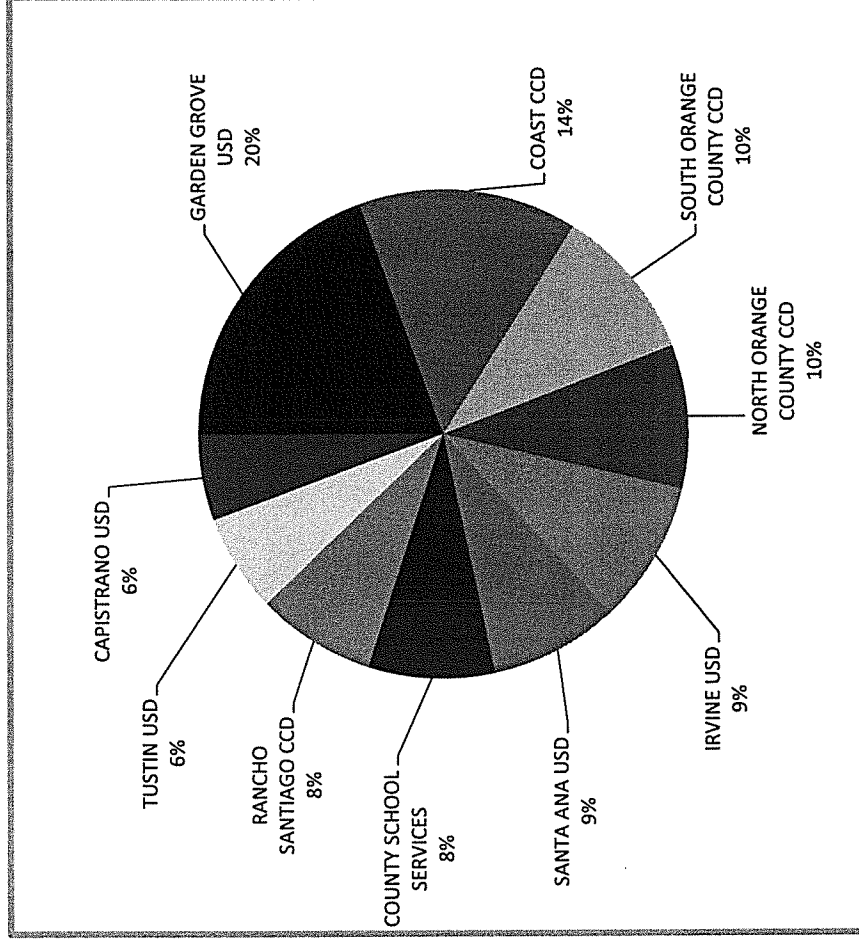
**ORANGE COUNTY INVESTMENT POOL
TOP TEN POOL PARTICIPANTS
AS OF NOVEMBER 30, 2017**



FUND #	FUND NAME	BALANCE
100	COUNTY GENERAL	\$ 538,843,847
673	SECURED UNAPP TAX	464,698,606
13Y	MENTAL HEALTH SERVICES ACT	292,393,308
400	OC FLOOD	259,693,055
299	OC WASTE & RECYCLING ENTERPRISE	193,880,242
404	OC FLOOD - CAPITAL	172,161,237
664	EDUCATIONAL REVENUE AUGMENTATION	171,214,819
279	OCWR LANDFILL POST-CLOSE MAINT	128,094,968
280	JOHN WAYNE AIRPORT OPERATING	104,376,774
281	AIRPORT CONSTRUCTION FUND	89,151,120
TOTAL		\$ 2,414,507,976

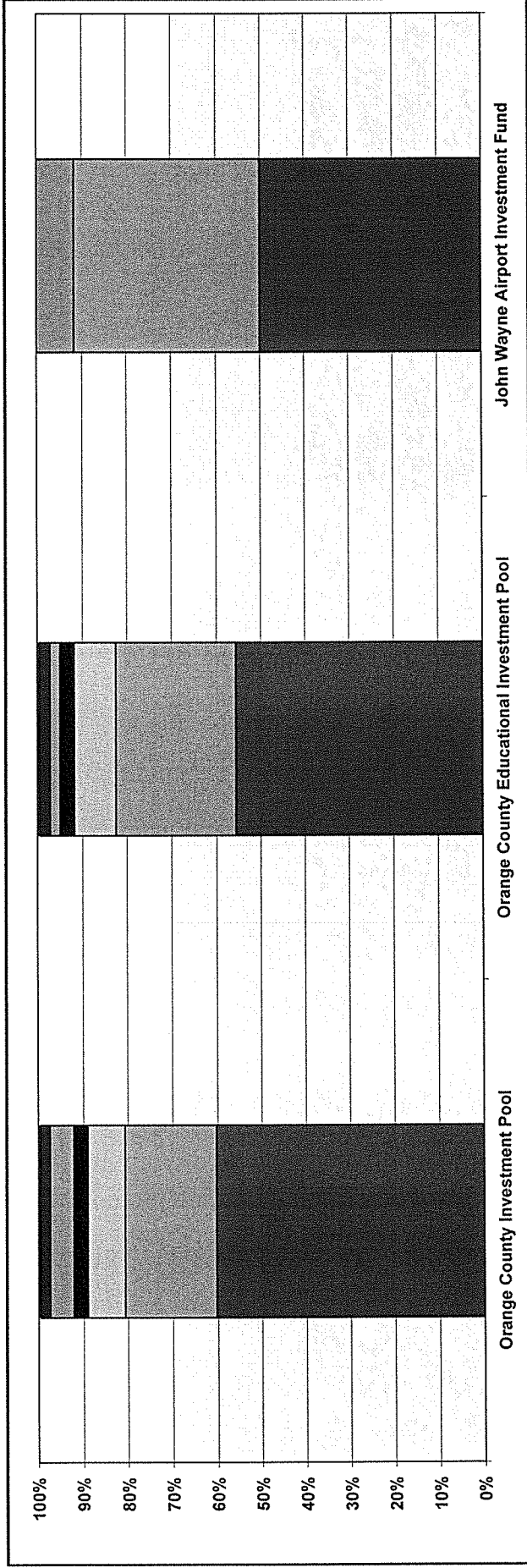
ORANGE COUNTY EDUCATIONAL INVESTMENT POOL
TOP TEN POOL PARTICIPANTS
AS OF NOVEMBER 30, 2017

DISTRICT #	SCHOOL DISTRICT	BALANCE
72	GARDEN GROVE USD	\$ 527,439,723
90	COAST CCD	388,554,433
96	SOUTH ORANGE COUNTY CCD	275,316,520
88	NORTH ORANGE COUNTY CCD	257,533,684
75	IRVINE USD	254,342,414
84	SANTA ANA USD	229,827,003
94	COUNTY SCHOOL SERVICES	225,884,656
92	RANCHO SANTIAGO CCD	211,594,697
87	TUSTIN USD	175,056,147
68	CAPISTRANO USD	154,118,277
	TOTAL	\$ 2,699,667,554



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

November 30, 2017



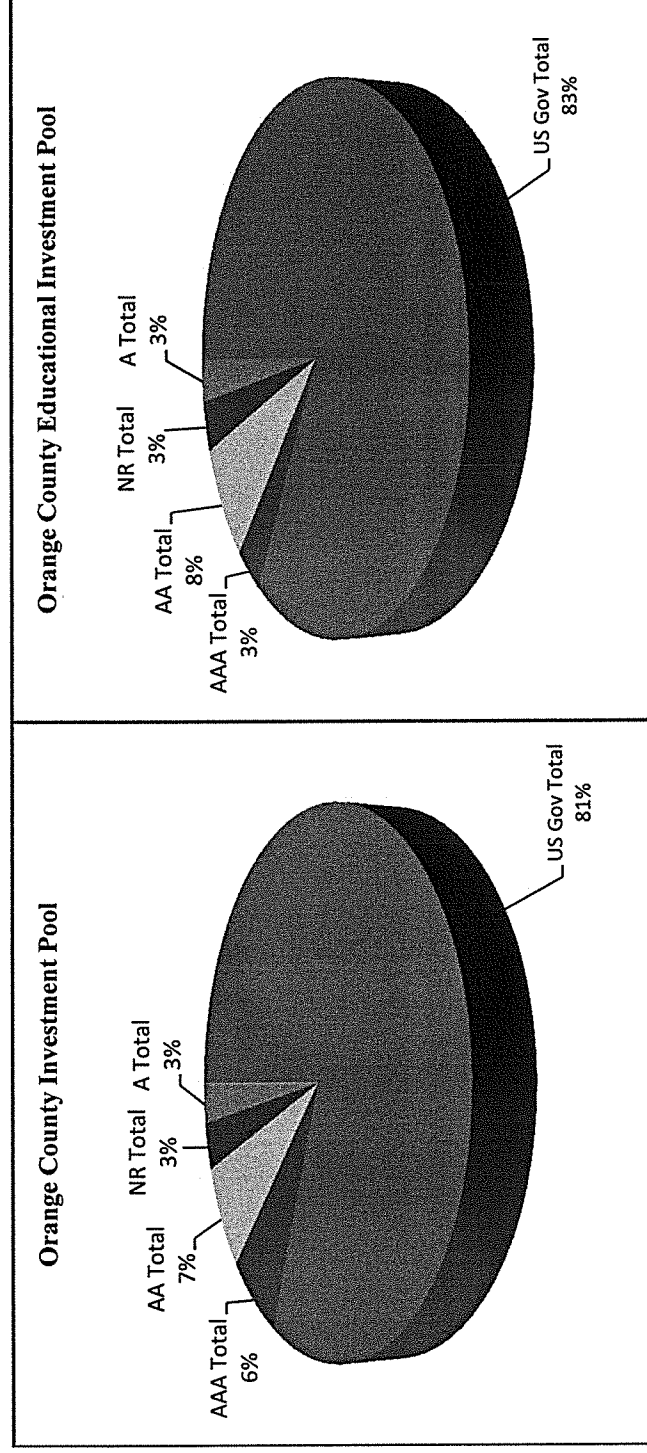
Orange County Investment Pool			
	In Thousands		%
U. S. GOVERNMENT AGENCIES	\$ 2,692,110		60.26%
U. S. TREASURIES	911,320		20.40%
MEDIUM - TERM NOTES	371,396		8.31%
MONEY MARKET MUTUAL FUNDS	238,432		5.34%
MUNICIPAL DEBT	134,423		3.01%
CERTIFICATES OF DEPOSIT	99,867		2.24%
LOCAL AGENCY INVESTMENT FUND	19,608		0.44%
	\$ 4,467,156		100.00%

Orange County Educational Investment Pool			
	In Thousands		%
U. S. GOVERNMENT AGENCIES	\$ 2,301,015		55.52%
U. S. TREASURIES	1,117,099		26.95%
MEDIUM-TERM NOTES	381,409		9.19%
MONEY MARKET MUTUAL FUNDS	92,204		2.22%
MUNICIPAL DEBT	133,636		3.22%
CERTIFICATES OF DEPOSIT	99,283		2.40%
LOCAL AGENCY INVESTMENT FUND	19,493		0.50%
	\$ 4,144,139		100.00%

John Wayne Airport Investment Fund			
	In Thousands		%
U. S. GOVERNMENT AGENCIES	\$ 25,317		50.04%
U. S. TREASURIES	20,995		41.49%
MONEY MARKET MUTUAL FUNDS	4,284		8.47%
	\$ 50,596		100.00%

Calculated Using Market Value at 11/30/2017

ORANGE COUNTY TREASURER - TAX COLLECTOR **CREDIT QUALITY BY MARKET VALUE** **November 30, 2017**



US GOV Includes Agency & Treasury Debt

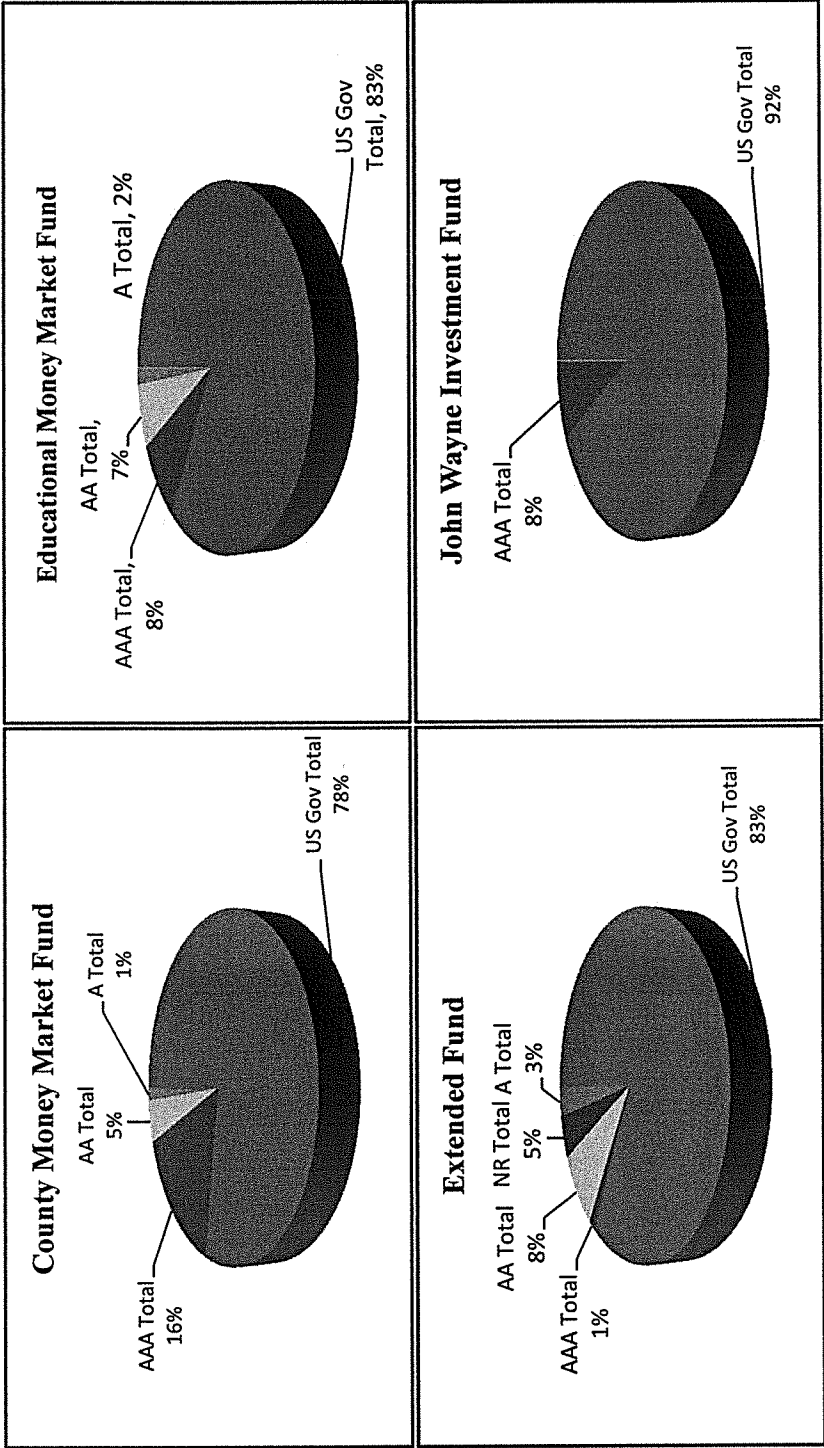
AA includes AA+, AA-, & AA

A includes A+, A-, & A

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

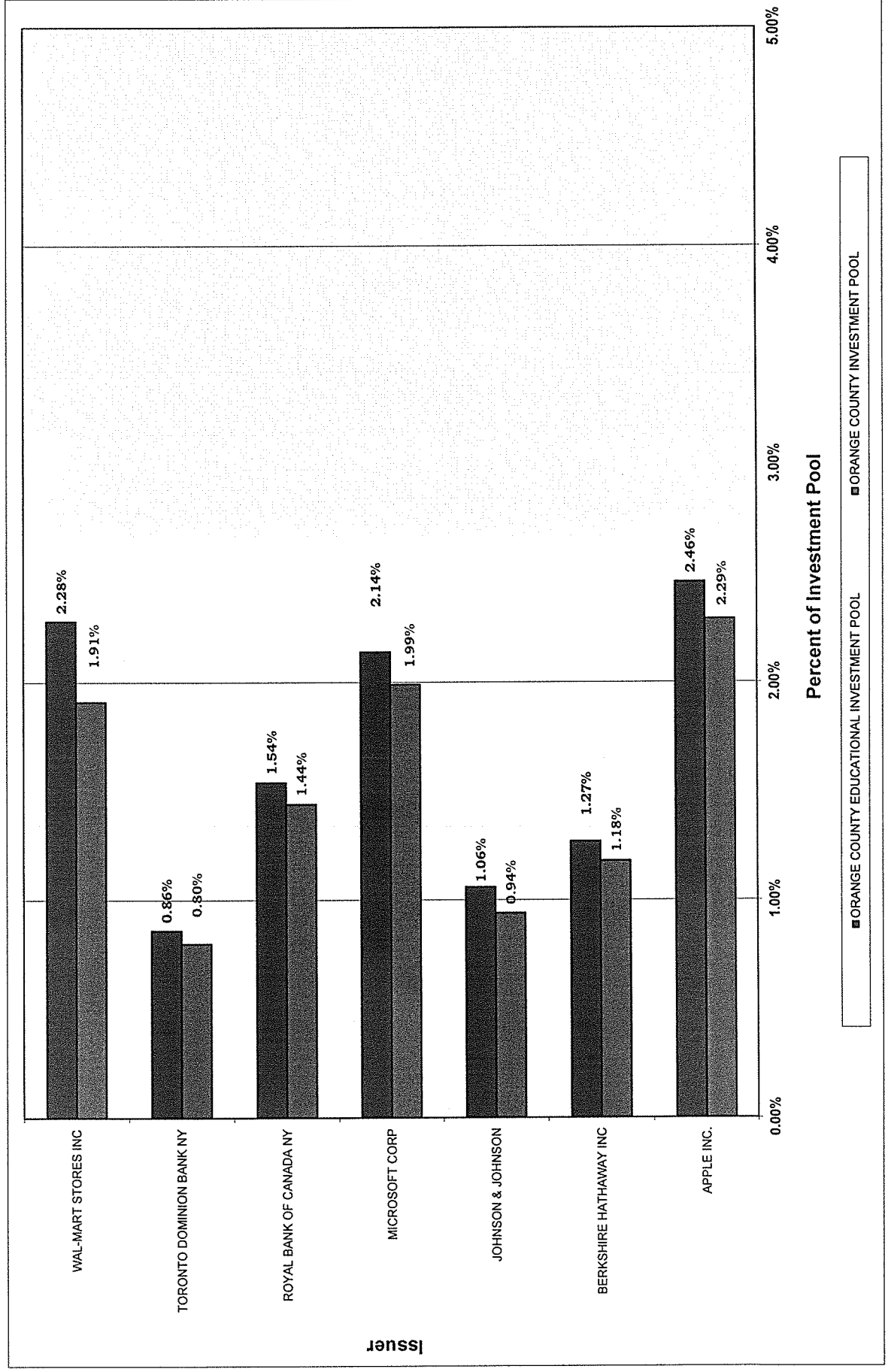
ORANGE COUNTY TREASURER - TAX COLLECTOR CREDIT QUALITY BY MARKET VALUE

November 30, 2017



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

ORANGE COUNTY TREASURER - TAX COLLECTOR **ISSUER CONCENTRATION-By Investment Pool** November 30, 2017



ORANGE COUNTY TREASURER-TAX COLLECTOR
APPROVED ISSUER LIST - OCIP, OCEIP, and JWA
November 30, 2017

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

* On Negative Outlook (Moody's L/T rating - July 25, 2016).

** Further purchase restrictions apply due to Investment Policy Statement rating limits.

*** Moody's downgraded its L/T Rating from Aa3 to A1 on May 10, 2017 and kept the issuer rating Outlook on Negative. On Negative Outlook (S&P - June 6. Fitch changed its outlook from Negative to Stable on October 27, 2017).

**** Moody's downgraded its L/T Rating from Aa1 to Aa2 on May 10, 2017 and kept the issuer rating Outlook on Negative. On Negative Outlook (Moody's - June 11, 2014).

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

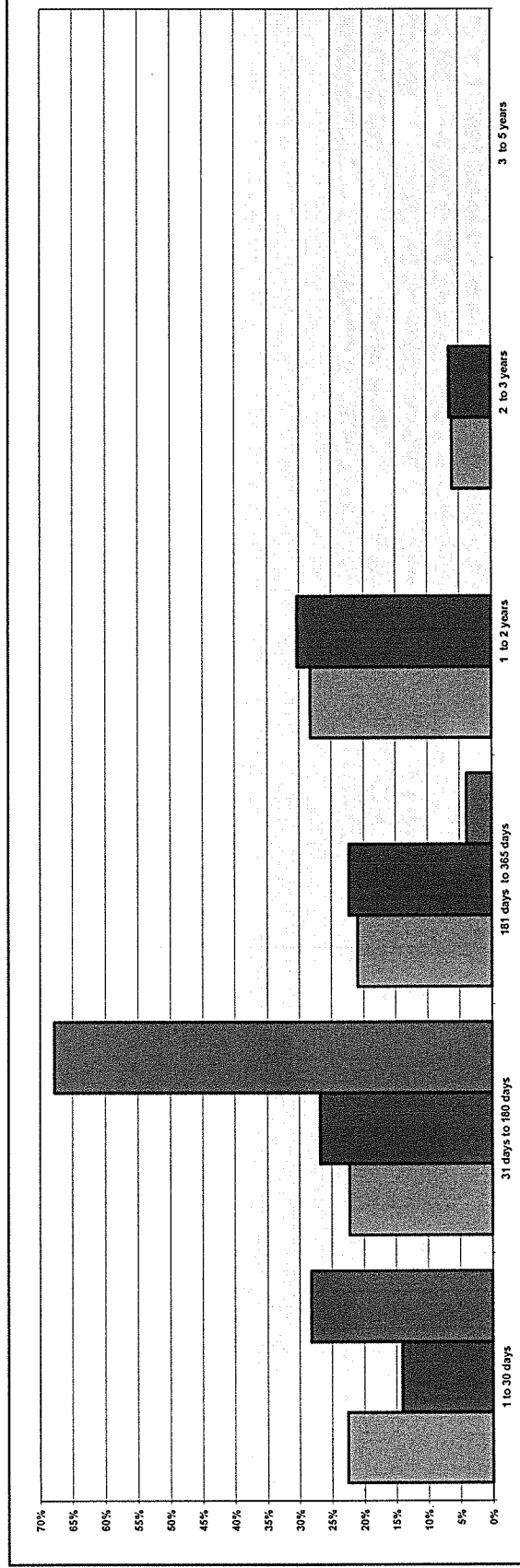
**Orange County Treasurer-Tax Collector
Changes in Approved Issuer's List
For the Month Ended November 30, 2017**

During November 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

November 30, 2017

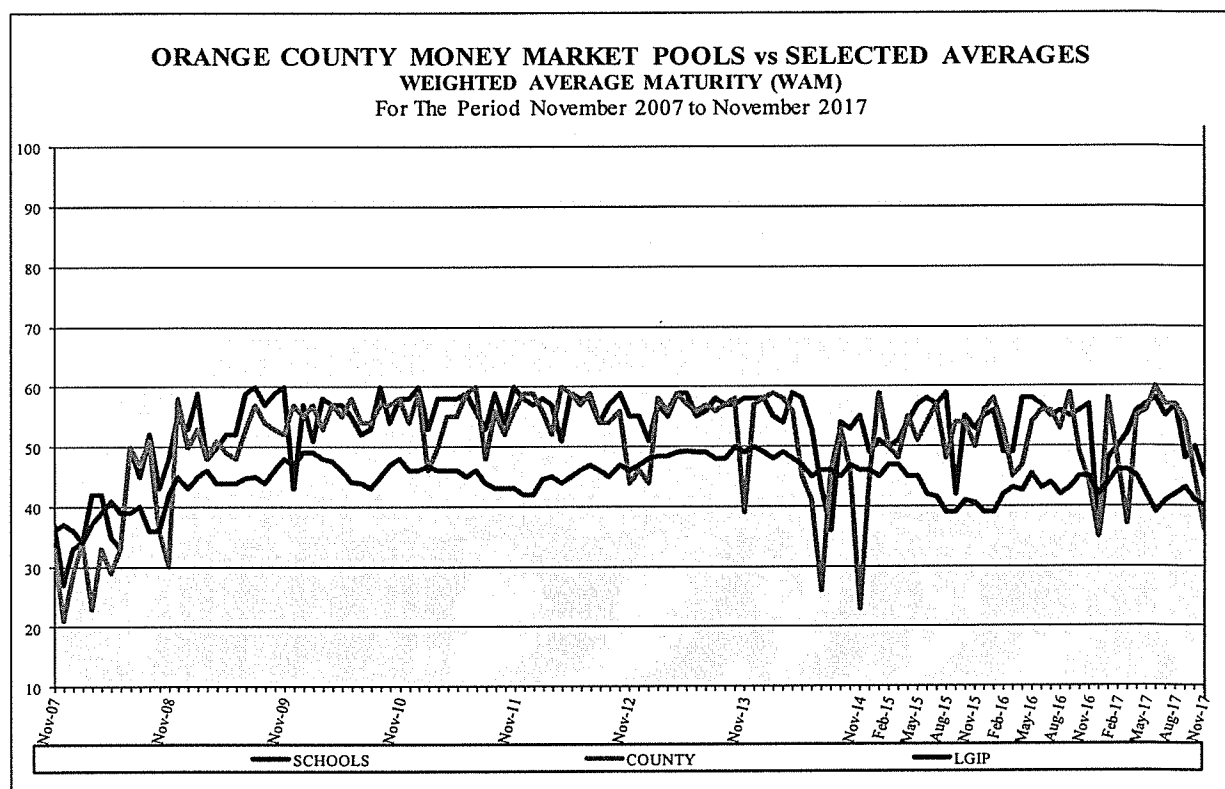
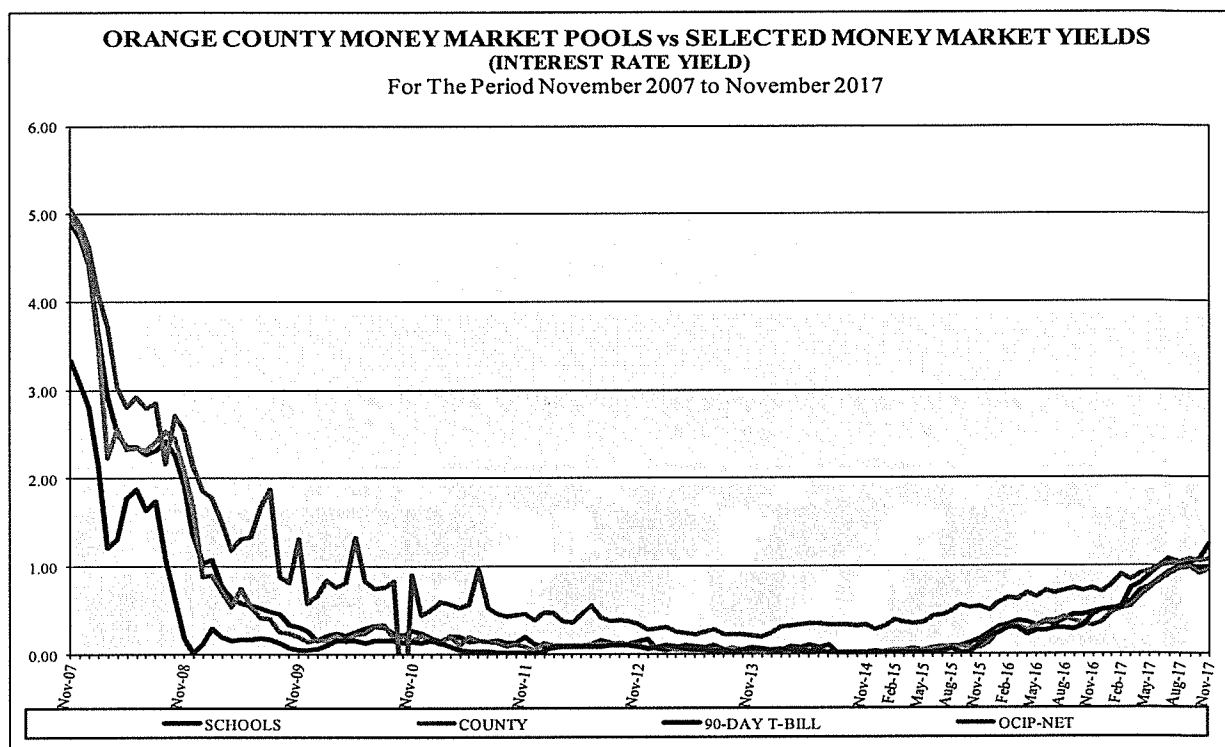


ORANGE COUNTY INVESTMENT POOL			
	In Thousands ^{1,2}		%
1 TO 30 DAYS	\$ 1,009,903		22.53%
31 TO 180 DAYS	997,033		22.24%
181 TO 365 DAYS	935,878		20.88%
1 YEAR TO 2 YEARS	1,267,442		28.28%
2 YEARS TO 3 YEARS	271,942		6.07%
3 YEARS TO 5 YEARS	-		0.00%
TOTAL	\$ 4,482,198		100.00%

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL			
	In Thousands ^{1,2}		%
1 TO 30 DAYS	\$ 585,378		14.08%
31 TO 180 DAYS	1,115,488		26.82%
181 TO 365 DAYS	927,416		22.30%
1 YEAR TO 2 YEARS	1,260,027		30.30%
2 YEARS TO 3 YEARS	270,352		6.50%
3 YEARS TO 5 YEARS	-		0.00%
TOTAL	\$ 4,158,661		100.00%

JOHN WAYNE AIRPORT INVESTMENT FUND			
	In Thousands ^{1,2}		%
1 TO 30 DAYS	\$ 14,285		28.23%
31 TO 180 DAYS	34,325		67.82%
181 TO 365 DAYS	2,000		3.95%
1 YEAR TO 2 YEARS	-		0.00%
TOTAL	\$ 50,610		100.00%

¹ Maturity Limits are calculated using face value. All final maturities are in compliance with the IPS during November.
² Floating Rate Notes are deemed to have a maturity date equal to their next interest reset date. The Orange County Investment Pool, Orange County Educational Investment Pool and JWA Investment Fund did not hold any Floating Rate Notes as of 11/30/2017.



•For the Month Ended November 30, 2017, S&P LGIP – 1.07; S&P LGIP WAM -40; 90-Day T-Bill – 1.24; OCIP – Net – 1.07

ORANGE COUNTY TREASURER-TAX COLLECTOR

INVESTMENT POOL YIELDS

December 1, 2016 - November 30, 2017

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET VALUE	EARNINGS FOR MONTH	GROSS AVERAGE YIELD FOR MONTH	MONTH END WAM
Current Month - November 2017				
County Pool - Money Market Fund	\$ 1,459,897,098	\$ 1,124,024	1.02%	36
Educational Pool - Money Market Fund	\$ 1,154,471,530	\$ 889,369	1.03%	45
Extended Fund	\$ 5,996,926,512	\$ 5,910,266	1.19%	399
October 2017				
County Pool - Money Market Fund	\$ 1,387,117,541	\$ 938,038	0.97%	45
Educational Pool - Money Market Fund	\$ 1,008,484,106	\$ 1,026,340	1.03%	50
Extended Fund	\$ 5,975,091,002	\$ 5,972,076	1.17%	416
September 2017				
County Pool - Money Market Fund	\$ 885,572,484	\$ 752,100	1.05%	54
Educational Pool - Money Market Fund	\$ 1,319,525,808	\$ 1,129,853	1.06%	48
Extended Fund	\$ 5,974,063,472	\$ 5,798,039	1.18%	443
August 2017				
County Pool - Money Market Fund	\$ 912,746,691	\$ 748,603	1.03%	57
Educational Pool - Money Market Fund	\$ 1,342,259,072	\$ 1,320,805	1.04%	57
Extended Fund	\$ 5,975,786,893	\$ 5,754,302	1.13%	454
July 2017				
County Pool - Money Market Fund	\$ 925,588,577	\$ 869,951	0.96%	57
Educational Pool - Money Market Fund	\$ 1,625,874,675	\$ 1,449,778	0.99%	55
Extended Fund	\$ 5,820,623,739	\$ 5,661,871	1.13%	464
June 2017				
County Pool - Money Market Fund	\$ 1,127,901,842	\$ 1,015,069	0.90%	60
Educational Pool - Money Market Fund	\$ 1,821,324,948	\$ 1,188,057	0.91%	58
Extended Fund	\$ 5,876,238,402	\$ 5,545,780	1.14%	487
May 2017				
County Pool - Money Market Fund	\$ 1,559,912,721	\$ 1,190,993	0.81%	56
Educational Pool - Money Market Fund	\$ 1,631,429,543	\$ 1,157,267	0.82%	57
Extended Fund	\$ 5,888,812,000	\$ 5,545,463	1.10%	494
April 2017				
County Pool - Money Market Fund	\$ 1,928,898,078	\$ 1,427,058	0.72%	56
Educational Pool - Money Market Fund	\$ 1,810,058,617	\$ 946,118	0.78%	56
Extended Fund	\$ 5,884,169,552	\$ 5,396,950	1.11%	488
March 2017				
County Pool - Money Market Fund	\$ 1,742,756,895	\$ 707,012	0.60%	37
Educational Pool - Money Market Fund	\$ 1,278,498,097	\$ 590,948	0.66%	52
Extended Fund	\$ 5,874,437,878	\$ 5,301,507	1.06%	511
February 2017				
County Pool - Money Market Fund	\$ 1,420,356,645	\$ 588,259	0.58%	48
Educational Pool - Money Market Fund	\$ 1,036,250,434	\$ 539,611	0.60%	50
Extended Fund	\$ 5,876,196,444	\$ 5,010,710	1.11%	511
January 2017				
County Pool - Money Market Fund	\$ 1,243,000,623	\$ 626,367	0.53%	58
Educational Pool - Money Market Fund	\$ 1,309,895,173	\$ 772,307	0.57%	48
Extended Fund	\$ 5,872,382,548	\$ 4,846,757	0.99%	496
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
Fiscal Year July 1, 2017 - June 30, 2018				
	Average Month End Market Value Balance	YTD Interest Income	YTD Gross Yield	YTD Average
Orange County Investment Pool	\$ 4,066,373,837	\$ 18,876,690	1.12%	332
Orange County Educational Investment Pool	\$ 4,286,432,003	\$ 20,468,724	1.11%	320

ORANGE COUNTY TREASURER-TAX COLLECTOR

CASH AVAILABILITY PROJECTION

FOR THE SIX MONTHS ENDING May 31, 2018

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

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

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

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

The Cash Availability Projection for the six months ending May 31, 2018, indicates the ability of the pools to meet projected cash flow requirements. However, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected and those differences may be material.

ORANGE COUNTY INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
November 2017 - Ending Cash				\$ 42,753,770
December	\$ 1,028,180,941	\$ 2,266,933,146	\$ 1,791,496,257	1,546,371,600
January	529,560,996	433,623,044	1,008,501,800	1,501,053,840
February	176,096,813	386,052,093	291,517,378	1,771,685,368
March	62,806,501	743,731,315	595,935,119	1,982,288,065
April	94,874,017	2,116,088,092	1,881,364,876	2,311,885,298
May 2018	259,135,666	314,052,928	788,898,862	2,096,175,030

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
November 2017 - Ending Cash				\$ 4,139,092
December	\$ 572,936,617	\$ 1,290,947,114	\$ 471,426,346	1,396,596,477
January	615,542,764	493,113,791	920,037,502	1,585,215,530
February	198,263,688	248,607,550	670,872,842	1,361,213,926
March	66,103,659	563,456,545	730,405,350	1,260,368,780
April	92,762,014	1,148,017,727	715,149,074	1,785,999,447
May 2018	267,950,713	414,489,506	718,490,829	1,749,948,837

ORANGE COUNTY TREASURER-TAX COLLECTOR
STATEMENT OF ACCOUNTABILITY
For the Month Ended November 30, 2017

	<u>Month</u>
Treasurer's Accountability at the Beginning of the Period:	<u>\$8,548,074,085</u>
Cash Receipts:	
County	1,233,480,677
School and Community College Districts	819,637,868
Total Cash Receipts	<u>2,053,118,545</u>
Cash Disbursements:	
County	1,118,779,779
School and Community College Districts	671,563,938
Total Cash Disbursements	<u>1,790,343,717</u>
Net Change in Cost Value of Pooled Assets	<u>262,774,828</u>
Net Increase in Non-Pooled Investments	59,356
Net (Decrease) in Non-Pooled Cash	<u>(73,443)</u>
Treasurer's Accountability at the End of the Period:	<u>\$8,810,834,826</u>
Assets in the Treasury at the End of the Period (at Cost Value):	
Pooled Investments:	
O.C. Investment Pool	\$ 4,490,281,445
O.C. Educational Investment Pool	4,167,984,236
Total Orange County Investment Pools	<u>8,658,265,681</u>
Non-Pooled Investments:	
Non-Pooled Investments - John Wayne Airport	50,596,952
Non-Pooled Investments - Fountain Valley School District Fund 40	34,848,650
Non-Pooled Investments - Other	1,081,500
Total Non-Pooled Investments	<u>86,527,102</u>
Cash:	
Cash in banks - County	42,624,179
Cash in banks - Schools	4,139,092
Cash in banks - OC Sheriff	12,016,306
Cash in banks - John Wayne Airport	7,132,875
Cash - Other	129,591
Total Cash	<u>66,042,043</u>
Total Assets in the Treasury at the End of the Period:	<u>\$ 8,810,834,826</u>

**ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POLICY (IPS) COMPLIANCE SUMMARY
November 30, 2017**

Investment Policy (IPS) Guidelines	Investment Type	County Money Market Fund		Extended Fund		Educational Money Market Fund		John Wayne Airport (JWA) Investment Fund	
		Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio
Diversification Limit									
30%	Negotiable Certificates of Deposit	\$	0.00%	\$ 199,148,935	3.32%	\$	0.00%	\$	0.00%
40%	Commercial Paper	-	0.00%	-	0.00%	-	0.00%	-	0.00%
100%	U.S. Government Agencies	933,616,662	63.95%	3,506,699,371	58.48%	552,808,715	47.88%	25,316,506	50.04%
\$50MM	LAIF	-	0.00%	39,101,197	0.65%	-	0.00%	-	0.00%
30%	Medium-Term Notes	88,058,635	6.03%	565,017,970	9.42%	99,728,596	8.64%	-	0.00%
20%	Money Market Mutual Funds	238,431,590	16.33%	268,058,877	0.00%	92,203,898	7.99%	4,284,699	8.47%
30%	Municipal Debt	-	0.00%	-	4.47%	-	0.00%	-	0.00%
20%	Repurchase Agreement	-	0.00%	-	0.00%	-	0.00%	-	0.00%
30%	Supranationals	-	0.00%	-	0.00%	-	0.00%	-	0.00%
100%	U.S. Treasuries	199,790,211	13.69%	1,418,900,162	23.66%	409,730,321	35.49%	20,994,746	41.49%
		\$ 1,459,897,098	100.00%	\$ 5,996,926,512	100.00%	\$ 1,154,471,530	100.00%	\$ 50,595,951	100.00%

Investment Policy (IPS) Guidelines	Compliance Category (Yes/No)	County Money Market Fund		Extended Fund		Educational Money Market Fund		John Wayne Airport (JWA) Investment Fund	
		Yes ⁽²⁾	Yes ⁽⁴⁾	Yes ⁽⁴⁾	Yes	Yes ⁽²⁾	Yes ⁽⁴⁾	Yes ⁽⁴⁾	Yes
5%	Percentage Limits	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
20%	Issuer Limit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
50%	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/35.72	N/A	N/A	N/A	Yes/44.79	N/A	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/66.46	N/A
>Merrill 1-3 Year Index+25% (2.23)	Weighted Average Maturity - JWA Investment Fund	N/A	N/A	Yes/1.08	N/A	N/A	N/A	N/A	N/A
13 Months/397 days	Duration ⁽³⁾	Yes/338	N/A	N/A	N/A	Yes/258	N/A	N/A	N/A
15 Months/458 days	Final Maturity - Money Market Fund	N/A	N/A	N/A	N/A	N/A	N/A	Yes/239	N/A
5 Years/1826 days	Final Maturity - John Wayne Airport Investment Fund	N/A	N/A	Yes/1,093	N/A	N/A	N/A	N/A	N/A
	Final Maturity - Extended Fund	N/A	N/A	Yes/1,093	N/A	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/F2	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	Yes ⁽⁶⁾	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/1.0000	Yes/1.0000	N/A	N/A	Yes/1.0001	Yes/1.0001	Yes/0.9998	Yes/0.9998

(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 the 2017 IPS policy approved by the Board of Supervisors on November 22, 2016 effective on January 1, 2017.

(3) Rating Agency requirements limit investment in each Money Market Mutual Fund to 10%.

(4) GSE issuers rated 'AA-' or higher with final maturities of 30 days or less are excluded from the calculation of the 50% limit per IPS for the Extended Fund and the JWA Investment Fund and from the Rating Agency limit of 33% for the two Money Market Funds.

(5) IPS states all pools, except short-term pools, shall have an effective duration not to exceed a leading 1-3 year index +25%. Duration provided above (1.08) is a modified duration, which does not take into consideration all embedded options such as callable bonds or mortgage backed bonds. This presentation is not considered materially different from the effective duration requirement specified in IPS.

(6) Securities issued by Royal Bank of Canada NY were rated above 'AA' at the time of purchase and are in compliance with IPS.

NA Not applicable

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

**ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POLICY (IPS) AND TREASURY OVERSIGHT COMMITTEE (TOC) COMPLIANCE SUMMARY
November 30, 2017**

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

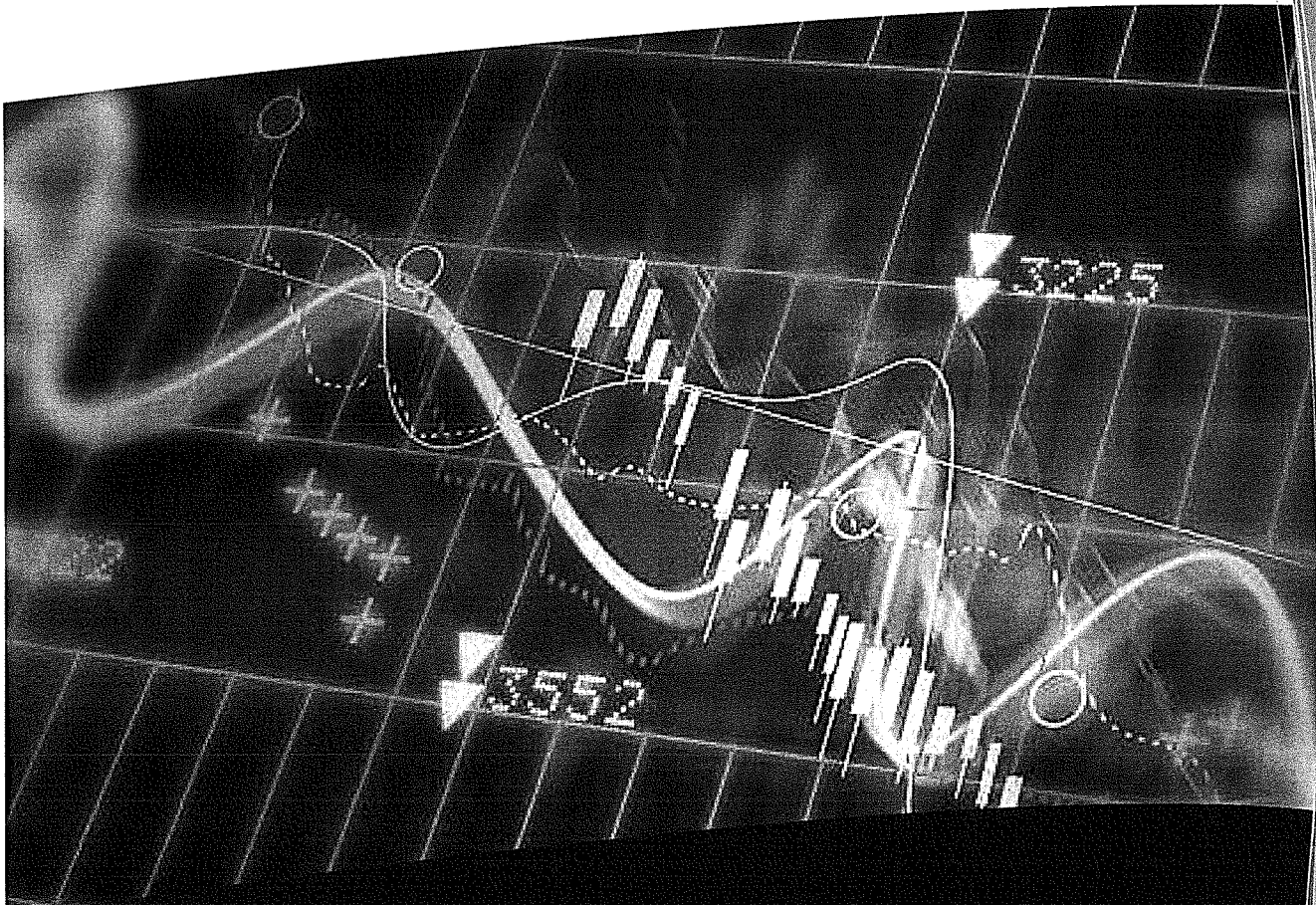
LEGEND	
Auditor-Controller Internal Audit	ACIA
Board of Supervisors	BOS
Treasury Oversight Committee	TOC
Office of Treasurer-Tax Collector	TTC

**Orange County Treasurer-Tax Collector
Noncompliance Detail
For the Month Ended November 30, 2017**

During November 2017, the IPS had several compliance exceptions, all occurring due to trades executed for a short period of time by new staff in training prior to broker/dealers receiving the written authorization.

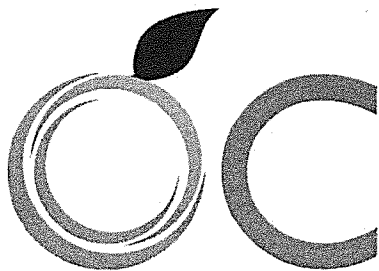


Orange County Auditor-Controller Internal Audit



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

Audit Number 1720
Report Date: November 28, 2017



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

Eric H. Woolery, CPA
Orange County Auditor-Controller

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

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

Auditor-Controller Website
www.ac.ocgov.com



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



Transmittal Letter

Audit No. 1720

November 28, 2017

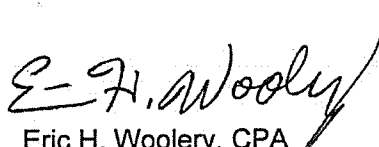
TO: Members, Treasury Oversight Committee

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

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

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

Please feel free to call Scott Suzuki, Assistant Director, at (714) 834-5509 should you wish to discuss any aspect of the report. Additionally, we request the department to complete a **Customer Survey** of Audit Services that will be sent shortly after the distribution of our final report.


Eric H. Woolery, CPA
Auditor-Controller

Attachment

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Shari L. Freidenrich, Treasurer-Tax Collector
- Frank Kim, County Executive Officer
- Mark Malbon, Assistant Treasurer-Tax Collector
- Gary Nguyen, Director of Investments, Treasurer-Tax Collector
- JC Squires, Financial Manager, Treasurer-Tax Collector – Treasury Division
- Jennifer Han, Accounting/Compliance Manager, Treasurer-Tax Collector – Treasury Division
- 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, 2017
Audit No. 1720*

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Internal Auditor's Report

Audit No. 1720

November 28, 2017

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

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

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

Our compliance procedures included judgmentally selecting five (5) business days for testing from each month and importing the selected electronic downloads from the Treasurer's Quantum system into ACL, a computer-assisted audit technique software, to perform calculations and determine whether investment purchases were in compliance with the IPS.

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



Internal Auditor's Report

The following lists the procedures performed and results achieved:

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

Results: We found no exceptions.

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

Results: We found no exceptions.

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

Results: We found no exceptions.

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

Results: We found no exceptions.

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

Results: We found no exceptions.

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

Results: We found no exceptions.



Internal Auditor's Report

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

Results: We found no exceptions.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "E. H. Woolery".

Eric H. Woolery, CPA
Auditor-Controller

MONTHLY TREASURER'S INVESTMENT REPORT

Distribution List

County of Orange Elected Officials

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

Treasury Oversight Committee

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

County of Orange Departments

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

County Agencies

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

State of California

CDIAC
Superior Court

Orange County School Districts

Orange County Department of Education
Anaheim City School District
Anaheim Union High School District
Brea-Olinda Unified School District
Buena Park School District
Capistrano Unified School District

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

Orange County Community College Districts (CCD)

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

Orange County Regional Occupational Programs (ROP)

Capistrano-Laguna Beach ROP
Coastline ROP
North Orange County ROP

Voluntary Pool Participants (date approved)

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