#### **CITY OF ORANGE**

Independent Accountants' Report on Agreed-Upon Procedures Performed with Respect to City Investments

Year Ended June 30, 2009

#### Mayer Hoffman McCann P.C.



An Independent CPA Firm

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Mr. Richard Jacobs, Finance Director City of Orange 300 East Chapman Avenue Orange, California 92866

### INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES PERFORMED WITH RESPECT TO CITY INVESTMENTS

We have performed the procedures enumerated below which were agreed to by Mr. Richard Jacobs, Finance Director, of the City of Orange, California (City) solely to assist you with respect to your evaluation of the City's investment processes, activities, and degree of compliance with state regulations and the City's Investment Policy (Policy) for the year ended June 30, 2009. It is understood that this report is only for the information and use of management of the City in evaluating the City's compliance with the provisions of the California Government Code and the Policies that are referred to in the procedures described below. The engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures for the purposes of the City is solely the responsibility of the City. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

#### Scope of Procedures Performed and Findings

Our procedures and findings were as follows:

1. We compared the amount (stated cost and market value) of the City's investments as of June 30, 2009 per the City's records, to statements received directly from the State of California Local Agency Investment Fund (LAIF), and the City's third party custodian, Union Bank of California.

Findings: No exceptions were noted.

2. We compared the type of investment, purchase date, maturity date, interest rate, cost and special characteristics for selected investments included on the June 30, 2009 Report of Treasurer's Investments of \$208,315,941 (book value) to the "Sympro Reports" maintained by the City, the custodial statement from Union Bank of California or the Local Agency Investment Fund (LAIF) statement from the State Office of the Treasurer.

Findings: No exceptions were noted.



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3. We compared the maturities of selected investments reported per the June 2009 Treasurer's Report to the limitations placed in the City's Statement of Investment Policy, dated April 8, 2008.

Findings: No exceptions were noted.

4. We compared the percentage limitations on selected investments held as of June 30, 2009 with the requirements of the City's Statement of Investment Policy dated April 8, 2008 and the California Government Code.

Findings: No exceptions were noted.

- 5. We reviewed the June 2009 Treasurer's Report to test whether it contained the following information as provided by Section 53646 of the California Government Code:
  - Type of investment.
  - b. Issuer of investment,
  - c. Cost of investment,
  - d. Par value of investment,
  - e. Market value of investment,
  - f. Source of market value information,
  - g. Date of maturity,
  - h. Statement of compliance of the portfolio as to the Investment Policy,
  - i. Statement as to the ability of the City to meet expenditure requirements for the next six months.

Findings: No exceptions were noted.

6. We obtained the City's Investment Policy and the City Council resolutions to ascertain that the Policy was approved within the past year and that the investment types allowed under the Policy were in accordance with Section 53601 of the California Government Code.

Findings: No exceptions were noted.

7. We examined evidence obtained by the City from its brokers acknowledging they had received the City's Investment Policy.

Findings: No exceptions were noted.



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8. We obtained and reviewed each of the City's investment file folders to test whether signed Transaction Authorization Forms were maintained for all investments purchased during fiscal year 2008-09.

Findings: No exceptions were noted.

9. We obtained the City's list of Authorized Individuals for custodial transactions and compared the individuals on that list to a list of current City employees.

Findings: No exceptions were noted.

10. For purposes of detecting material weaknesses in internal control, we inquired as to the City's procedures regarding the purchasing and selling of investments, the preparation of the Treasurer's Report and the reconciliation of the investments to the general ledger.

Findings: No exceptions were noted.

11. We obtained all monthly Treasurers' Reports for the fiscal year ended June 30, 2009. We examined the date the Treasurer's Reports were submitted to the City Council and ascertained if it was submitted within the thirty-day requirement.

Findings: Treasurer's reports for the months of November 2008 and June 2009 were submitted more than 30 days after the end of the month. These reports were due on December 31, 2008 and July 31, 2009, however council meetings for December and July were held in the middle of the months which did not allow sufficient time for the preparation of the reports.

See attached Schedule 1, showing Treasurer's Investments of the City by investment type as of June 30, 2009.

We were not engaged to, and did not, perform an audit of the City's investments, the objective of which would be the expression of an opinion on the elements, accounts, or items specified above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the City and this report should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Mayor Holfman Melann P.C.

Irvine, California December 4, 2009

## City of Orange Investment Portfolio June 30, 2009 (Sorted by TYPE)

BANK / BROKER	PURCHASE DESC DATE	DESCRIPTION	MATURITY DATE	RATE	YIELD	PAR VALUE	BOOK VALUE	MARKET
(I) LOCAL AGENCY INVESTMENT FUND (LAIF)	) (LAIF)							
	City		ŧ	1.377	1.377	27,400,000.00	27,400,000.00	27,400,000.00
	RDA		·	1.377	1.377	40,000,000.00	40,000,000.00	40,000,000.00
The state of the s						67,400,000.00	67,400,000.00	67,400,000.00
(II) FEDERAL HOME LOAN BANK								
Citigroup Global Markets Inc.	5/12/2005 FHLB	ស	5/12/2010	4.500	4.545	2,500,000.00	2,499,144.75	2,578,907.50
Citigroup Global Markets Inc.	1/26/2007 FHLB	****	1/26/2012	5.170	5.170	2,500,000.00	2,500,000.00	2,563,282.50
Morgan Stanley	5/25/2007 FHLB	Ŋ	5/25/2012	5.125	5.125	4,000,000.00	4,000,000.00	4,153,752.00
Morgan Stanley	8/28/2007 FHLB	Φ	8/26/2011	5.000	5.000	3,000,000.00	3,000,000.00	3,020,625.00
Bank of America Securities	1/13/2009 FHLB	~	1/13/2012	2.050	2.050	5,000,000.00	5,000,000.00	5,050,000.00
Citigroup Global Markets Inc.	2/19/2009 FHLB	2	2/19/2013	2.500	2.500	5,000,000.00	5,000,000.00	5,025,000.00
Citigroup Global Markets Inc.	2/17/2009 FHLB	2	2/17/2011	1.750	1.750	5,000,000.00	5,000,000.00	5,029,690.00
Morgan Stanley	6/24/2009 FHLB	12	12/24/2013	3.000	3.000	5,000,000.00	5,000,000.00	4,989,065.00
WANTED THE PARTY OF THE PARTY O	mrse state					32,000,000.00	31,999,144.75	32,410,322.00
(III) FEDERAL HOME LOAN MORTGAGE CORPORATION	E CORPORATION							
Citigroup Global Markets Inc.	4/14/2008 FHLMC	10	10/14/2011	3.500	3.500	2,500,000.00	2,500,000.00	2,577,395.00
Bank of America Securities	12/22/2008 FHLMC	12	12/22/2011	2.125	2.125	5,000,000.00	5,000,000.00	5,014,150.00
Citigroup Global Markets Inc.	1/8/2009 FHLMC	7	7/6/2012	2,300	2.300	5,000,000.00	5,000,000.00	5,016,070.00
Morgan Stanley	1/20/2009 FHLMC	~~	1/20/2012	2.200	2.200	5,000,000.00	5,000,000.00	5,045,065.00
Morgan Stanley	1/27/2009 FHLMC	*****	1/27/2012	2.000	2.000	5,000,000.00	5,000,000.00	5,006,400.00
Citigroup Global Markets Inc.	4/29/2009 FHLMC	10	10/29/2012	2.250	2.250	3,000,000.00	3,000,000.00	3,010,638.00
Citigroup Global Markets Inc.	5/11/2009 FHLMC	ũ	5/11/2012	2.050	2.050	5,000,000.00	5,000,000.00	4,980,950.00
Citigroup Global Markets Inc.	5/19/2009 FHLMC	<b>***</b>	11/19/2012	2.170	2.170	5,000,000.00	5,000,000.00	4,989,470.00
THE PROPERTY OF THE PROPERTY O	**************************************					35,500,000.00	35,500,000.00	35,640,138.00

# City of Orange Investment Portfolio June 30, 2009 (Sorted by TYPE)

BANK / BROKER	PURCHASE DATE	DESCRIPTION	MATURITY DATE	RATE	YIELD	PAR VALUE	BOOK VALUE	MARKET VALUE
(IV) FEDERAL NATIONAL MORTGAGE ASSOCIATION	ASSOCIATION							
Citigroup Global Markets Inc.	12/24/2007 FI	FNMA	12/24/2012	4.500	4.500	5,000,000.00	5,000,000.00	5,096,875.00
Morgan Stanley	4/29/2008 FI	FNMA	4/29/2013	4.000	4.000	3,000,000.00	3,000,000.00	3,079,689.00
Citigroup Global Markets Inc.	1/27/2009 FI	FNMA	1/27/2012	2.000	2.000	5,000,000.00	5,000,000.00	5,018,750.00
Citigroup Global Markets Inc.	5/19/2009 FI	TNMA	11/19/2012	2.200	2.200	5,000,000.00	5,000,000.00	4,965,625.00
Morgan Stanley		FINMA	8/3/2012	2.000	2.000	5,000,000.00	5,000,000.00	5,010,940.00
Citigroup Global Markets Inc.	4/29/2009 FI	FNMA	4/29/2011	1.700	1.700	3,000,000.00	3,000,000.00	3,003,750.00
Citigroup Global Markets Inc.		FNMA	2/19/2013	2.350	2.350	5,000,000.00	5,000,000.00	4,967,190.00
**************************************		**************************************				31,000,000.00	31,000,000.00	31,142,819.00
(V) FEDERAL FARM CREDIT BANK								
Citigroup Global Markets Inc.	6/28/2007 FI	FFCB	6/28/2012	5.550	5.550	2,000,000.00	2,000,000.00	2,090,626.00
Citigroup Global Markets Inc.	10/9/2008 FI	FFCB	9/17/2012	3.990	3.988	3,000,000.00	3,000,000.00	3,020,625.00
Citigroup Global Markets Inc.	1/12/2009 FI	FFCB	1/12/2012	2.250	2.250	5,000,000.00	5,000,000.00	5,020,315.00
Morgan Stanley	5/28/2009 FI	FFCB	5/28/2013	2.450	2.450	10,000,000.00	10,000,000.00	9,981,250.00
TO THE PROPERTY OF THE PROPERT		**************************************				20,000,000.00	20,000,000.00	20,112,816.00
(VI) U.S. TREASURY NOTES								
Bank of America Securities	4/21/2006 U	U.S. T-Notes	3/31/2011	4.750	4.919	2,500,000.00	2,493,510.65	2,664,845.00
Citigroup Global Markets Inc.	4/27/2006 U	U.S. T-Notes	3/31/2011	4.750	5.013	2,500,000.00	2,489,887.18	2,664,845.00
Citigroup Global Markets Inc.	5/12/2006 U	U.S. T-Notes	4/30/2011	4.875	5.047	2,500,000.00	2,493,095.37	2,672,657,50
Citigroup Global Markets Inc.	1/18/2007 U	U.S. T-Notes	11/15/2009	4.625	4.796	5,000,000.00	4,996,992.34	5,079,690.00
Citigroup Global Markets Inc.	1/26/2007 U	U.S. T-Notes	7/15/2009	3.625	4.895	2,500,000.00	2,498,864.98	2,503,125.00
Citigroup Global Markets Inc.	1/26/2007 U	U.S. T-Notes	8/15/2009	3.500	4.901	2,500,000.00	2,495,982.68	2,510,157.50
Morgan Stanley	5/21/2009 U	U.S. T-Notes	4/30/2014	1.875	2.100	5,000,000.00	4,948,463.49	4,851,565.00
THE PROPERTY OF THE PROPERTY O						22,500,000.00	22,416,796.69	22,946,885.00

Portfolio total 06-30-09 208,400,000.00 208,315,941.44 209,652,980.00