

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor and Members of the City Council
City of Orange, California

We have performed the procedures enumerated below, which were agreed to by the City Council and the management of the City of Orange, California (City), solely to assist the City in evaluating the Treasurer's Monthly Cash Statement for the month ended June 30, 2014, for compliance with the provisions of the California Government Code and with the City's investment policy dated May 14, 2013. The management of the City is responsible for the Treasurer's Report for the month ended June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation 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 the Procedures Performed and Related Findings

The procedures performed and the results obtained from the performance thereof were as follows:

1. We obtained a copy of the City Treasurer's Monthly Cash Statement for June 30, 2014, and reconciled individual investments/deposits to supporting documentation obtained from City staff. Also, we traced total funds reported on the Treasurer's Report to the City's General Ledger at June 30, 2014.

Finding: No findings were noted.

2. We compared the investments listed on the City Treasurer's Report for the month of June 30, 2014, to the type of investments authorized by the City's Investment Policy and Government Code Section 53601.

Finding: No findings were noted.

3. We compared the market value of the investments listed on the Treasurer's Report for the month of June 30, 2014, to the City's copies of investment statements.

Finding: No findings were noted.

4. We read the City Treasurer's Report for the month of June 30, 2014, to ascertain that it contains all the information/data required by Government Code Section 53646 and meets the timing requirements of Government Code Section 53646 as follows:

- a. Was submitted within 30 days following the end of the quarter.
- b. Included the type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments and monies held by the City.

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- c. Included those funds under management of contracted parties (fiscal agents, trustee, deferred compensation, plan administrators, etc.).
- d. Included market value (and source) as of the date of the report for all securities held by the City or under management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund.
- e. Stated compliance of the portfolio to the investment policy of the City.
- f. Included a statement addressing the ability of the City to meet the pool's expenditure requirements for the next six months.
- g. Included the most recent statements from the Local Agency Investment Fund and the County Investment Pools, in lieu of the information required by (b) and (d) above, for City investments that have been placed in those pools.

Finding: No findings were noted.

- 5. We compared the investments listed in the City Treasurer's Report for the month of June 30, 2014, to the prohibited investments listed in the City's Investment Policy and Government Code Section 53601.6.

Finding: No findings were noted.

- 6. We calculated the totals (cost basis) for the investments listed in the City Treasurer's Report for the month of June 30, 2014, and compared those totals to the limitations imposed by the City's Investment Policy and Government Code Section 53601 for specified investment types.

Finding: The City was not in compliance with the credit risk concentration. Per the City's investment policy, the City shall hold no more than 30% of its portfolio in securities with maturities between 731 days and 1,095 days. The City has invested \$54,065,460 in investments with maturity dates between 731 to 1,095 days. This makes up 32% of total investments of \$170,639,672, therefore in respect to maturity limit concentration, the City was not in compliance as of June 30, 2014. Although at the time of purchase of the securities, the City was not out of compliance; fluctuations in fair value caused portfolio percentage changes that caused a maturity limit concentration noncompliance.

- 7. We agreed individual investment maturity dates listed on the City Treasurer's Report for the month of June 30, 2014, to the City's copies of the investment statements, to determine if they conformed to the maturity requirements of the City's Investment Policy and Government Code Section 53601.

Finding: No findings were noted.

- 8. We were asked to obtain and read any third-party agreements and broker/dealer agreements in effect at June 30, 2014, to determine if the agreement contained a clause addressing delivery of securities and that the delivery method conformed to Government Code Section 53601.

Finding: No findings were noted.



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9. We were asked to re-compute and review supporting documentation relevant to any repurchase agreements and any reverse repurchase agreements held by the City at June 30, 2014, to ascertain if these investments conformed to the requirement of Government Code Section 53601(i) and 53635(i).

Finding: No findings were noted.

We were not engaged to, and did not conduct an audit of the Treasurer's Monthly Cash Statement, the objective of which would be the expression of a certified opinion on the Treasurer's Monthly Cash Statement dated June 30, 2014. 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 City Council and management of the City and is not intended to be, and should not be used by anyone other than these specified parties.

Lewis, Soll & Luykhard, LLP

Brea, California
December 18, 2014