



INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below to assist the City of Orange, California (the City) in evaluating the Treasurer's Report for the month ended June 30, 2022, for compliance with the provisions of the California Government Code (the Code) and with the City's investment policy dated June 8, 2021, (the Policy). The City's management is responsible for the Treasurer's Report for the month ended June 30, 2022, the compliance with the Policy and the Code and for selecting that such criteria are appropriate for your purpose.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating the Treasurer's Report for the month ended June 30, 2022, for compliance with the provision of the Code and with the Policy. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

1. We obtained a copy of the Investment Portfolio Report as of June 30, 2022 and agreed individual investments/deposits to supporting documentation obtained from the City and reconciled such to the Investment Portfolio Report. We traced total investments listed on the Investment Portfolio Report to the City's general ledger.

Finding: No exceptions were noted as a result of this procedure.

2. We compared investments listed in the Investment Portfolio Report as of June 30, 2022, to the types of investments authorized for the City by the City's investment policy and California Government Code Section 53601.

Finding: No exceptions were noted as a result of this procedure.

3. We compared the market value of the investments listed in the Investment Portfolio Report as of June 30, 2022 to the bank statements and other supporting documentation.

Finding: No exceptions were noted as a result of this procedure.

4. We read the Investment Portfolio Report to ascertain that it contained the information/data required by California Government Code Section 53646 and met the timing requirements of California Government Code Section 53646, as follows:

- a. Included the type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments and monies held by the City.
- b. Included those funds under management of contracted parties.





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- c. Included market value (and source) as of the date of the report of all securities held by the City or under management of contracted parties.
- d. Stated compliance of the portfolio to the investment policy of the City.
- e. Included a statement addressing the ability of the City to meet the pool's expenditure requirements for the next six months.

Finding: The June 2022 report does not have a statement addressing the ability of the City to meet the pool's expenditure requirements for the next six months. This finding was discussed with management and corrected in the subsequent September 2022 report by adding the required language to the Council Agenda Staff Report.

Management's Response:

This finding is corrected as of September 2022, through the incorporation of the required language into the Staff Report. The cause of the finding was that the City recently switched investment portfolio management firms and the new firm had not implemented the language into their report.

5. We compared the investments listed in the Investment Portfolio Report as of June 30, 2022, to the prohibited investments listed in California Government Code Section 53601.6.

Finding: No exceptions were noted as a result of this procedure.

6. We calculated the totals (cost basis) for the investment types listed in the Investment Portfolio Report as of June 30, 2022 and compared those totals to the limitations imposed by the City's investment policy and California Government Code Section 53601 for the specific investment types.

Finding: No exceptions were noted as a result of this procedure.

7. We agreed individual investment maturity dates listed in the Investment Portfolio Report as of June 30, 2022, to the City's copies of investment statements to determine if they conformed to the maturity requirements of the City's investment policy and California Government Code section 53601.

Finding: No exceptions were noted as a result of this procedure.

8. We obtained and read the third-party custodial agreements and broker/dealer agreements in effect at the date of the Investment Portfolio Report to determine if the agreements contained a clause addressing delivery of securities and that the delivery method conformed to California Government Code section 53601.

Finding: The City does not have a formal agreement or contract with the broker/dealer since they are not required to use the broker/dealer for trades and there are no fees or commissions charged. The City Treasurer authorizes the use of designated brokers and ensures that the City has written documentation with the broker's signature stating that the broker will adhere to the City's investment policy.

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on evaluating the Treasurer's Report for the month ended June 30, 2022, for compliance with the provisions of the Code) and with the Policy. Accordingly,



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we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information of the City Council and management of the City of Orange and is not intended to be, and should not be, used by anyone other than these specified parties.

Lance, Soll & Lingham, LLP

Brea, California
December 16, 2022