MSRB
Municipal Securities Rulemaking Board

Submission ID:EA576569
02/24/2015 19:29:42

CONTINUING DISCLOSURE (SUBMISSION STATUS: PUBLISHED)

FINANCIAL/OPERATING FILING (CUSIP-9 BASED)

Rule 15c2-12 Disclosure

Annual Financial Information and Operating Data: OCPFA 2006 Bonds (CoGeneration) - Annual Report, for the year ended 06/30/2014

DOCUMENTS

Financial Operating Filing

OCPFA 2006 Bonds (CoGeneration) 2014 Final.pdf posted 02/24/2015

THE FOLLOWING ISSUERS ARE ASSOCIATED WITH THIS CONTINUING DISCLOSURE SUBMISSION:

CUSIP-6	State	Issuer Name
68428V	CA	ORANGE CNTY CALIF PUB FING AUTH LEASE REV

THE FOLLOWING 10 SECURITIES HAVE BEEN PUBLISHED WITH THIS CONTINUING DISCLOSURE SUBMISSION:

CUSIP-9	Maturity Date
68428VCF7	06/01/2009
68428VCG5	06/01/2010
68428VCH3	06/01/2011
68428VCJ9	06/01/2012
68428VCK6	06/01/2013
68428VCL4	06/01/2014
68428VCM2	06/01/2015
68428VCN0	06/01/2016
68428VCP5	06/01/2017
68428VCQ3	06/01/2018

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$32,700,000
ORANGE COUNTY PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS
(CENTRAL UTILITY FACILITY, COGENERATION PROJECT)
SERIES 2006
ANNUAL REPORT
FOR
FISCAL YEAR ENDED JUNE 30, 2014

Dated February 24, 2015

Prepared at the direction of and on behalf of:

County of Orange
10 Civic Center Plaza, Third Floor
Santa Ana, CA 92701-4062

Prepared by:

David Taussig & Associates, Inc.
5000 Birch Street, Suite 6000
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$32,700,000
Orange County Public Financing Authority
Lease Revenue Bonds
Series 2006
Annual Report
For Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS

INTRODUCTION

The County of Orange, California (the "County") hereby provides its annual report (the "Annual Report") for the fiscal year ended June 30, 2014 in connection with the following Bonds:

Bond Issue:

$32,700,000 Orange County Public Financing Authority Lease Revenue Bonds, Series 2006, dated October 3, 2006 (the "Bonds").

Annual Report:

The County's Annual Report required by the Continuing Disclosure Certificate (the "Disclosure Certificate") dated August 1, 2005 with respect to the Bonds for the Fiscal Year ended June 30, 2014 is attached hereto and includes the County's audited financial statements for Fiscal Year ended June 30, 2014.

Other Matters:

This Annual Report is provided solely for purposes of the Disclosure Certificate. The filing of this Annual Report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the County or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the Fiscal Year to which this Annual Report relates (other than as contained in this Annual Report), or that no other information exists, which may have a bearing on the County's financial condition, the security for the Bonds, or an investor's decision to buy, sell, or hold the Bonds. The information contained in this report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this Annual Report should be construed as a prediction or representation about future financial performance of the County.

Dated: February 24, 2015

COUNTY OF ORANGE, CALIFORNIA

SECTION A

1. Audited Financial Statements for Fiscal Year Ended June 30, 2014.

The County of Orange's Audited Financial Statements for Fiscal Year 2013-2014 were filed with the Municipal Securities Rulemaking Board Electronic Municipal Market Access on January 26, 2015 (Submission ID: EA568520).

2. Final Budget of the County for the current Fiscal Year (in the form of Table A-6)

TABLE A-6
COMPARISON OF GENERAL FUND
ADOPTED BUDGETS FOR FISCAL YEAR
2012-13, 2013-14, 2014-15

	2012-13		2013-14			2014-15	
	Adopted Budget	Final Modified Budget (1)	Adopted Budget	Final Modified Budget (1)	Variance Between Adopted Budget and Final Budget	Modified Budget(1)	Change from 2013-14 Adopted Budget
REQUIREMENTS							
Public Protection	$995,871,840	$1,023,065,226	$1,025,256,052	$1,051,475,536	2.56%	$1,075,351,619	4.89%
Health & Community & Social Services	$1,513,876,452	$1,601,302,690	$1,560,803,074	$1,606,193,281	2.91%	$1,602,403,469	2.67%
Infrastructure & Environmental Resources	$103,558,805	$104,212,709	$98,399,758	$98,466,437	0.07%	$96,059,081	-2.38%
General Government & Services	$142,552,714	$147,546,030	$138,040,581	$147,269,213	6.69%	$151,712,412	9.90%
Capital Improvements (2)	$25,446,688	$68,705,534	$23,761,347	$29,945,072	26.02%	$38,728,986	62.99%
Debt Service (3)	$286,150,943	$561,950,943	$51,378,412	$413,678,412	705.16%	$58,775,030	14.40%
Insurance, Reserves & Miscellaneous (4)	$19,467,085	$34,677,217	$18,043,834	$13,214,741	-26.76%	$21,223,390	17.62%
Increases to Reserves (5)	$0	$45,425,005	$0	$0	0.00%	$0	0.00%
Total Requirements	**$3,086,924,527**	**$3,586,885,354**	**$2,915,683,058**	**$3,360,242,692**	**15.25%**	**$3,044,253,987**	**4.41%**
AVAILABLE FUNDS							
Fund Balance Available	$0	$45,425,005	$0	$0	0.00%	$0	0.00%
Property Taxes	$601,122,362	$601,122,362	$569,100,585	$569,100,585	0.00%	$603,715,616	6.08%
Sales Tax	$7,921,000	$7,921,000	$8,426,000	$8,426,000	0.00%	$8,482,000	0.66%
Licenses, Permits & Franchises	$18,038,501	$19,277,343	$20,219,426	$20,216,426	-0.01%	$19,934,032	-1.41%
Fines, Forfeitures & Penalties	$39,755,872	$39,755,872	$34,995,448	$35,153,448	0.45%	$34,795,234	-0.57%
Use of Money & Property	$6,252,889	$6,252,889	$4,800,217	$4,800,217	0.00%	$4,730,568	-1.45%
Intergovernmental Revenues	$1,495,635,243	$1,585,831,268	$1,562,698,755	$1,607,436,052	2.86%	$1,567,487,908	0.31%
Charges for Services	$415,731,891	$415,036,900	$419,130,165	$422,395,830	0.78%	$437,850,023	4.47%
Miscellaneous Revenues (6)	$253,784,153	$253,550,178	$31,327,132	$31,874,007	1.75%	$22,689,559	-27.57%
Other Financing Sources (7)	$247,548,906	$550,096,898	$260,874,760	$646,354,668	147.76%	$329,841,006	26.44%
Decreases to Reserves (5)	$1,133,710	$62,615,639	$4,110,570	$14,485,459	252.40%	$14,728,041	258.30%
Total Available Funds	**$3,086,924,527**	**$3,586,885,354**	**$2,915,683,058**	**$3,360,242,692**	**15.25%**	**$3,044,253,987**	**4.41%**

(1) Final Budgets include all mid-year budget adjustments.
(2) Fiscal Year 2012-13 includes First Quarter Budget Adjustments which re-appropriated carryover funds of $39.9 million for one-time deferred maintenance of critical public safety facilities. Fiscal Year 2014-2015 Modified Budget includes capital improvement projects for Health Care Agency, Sheriff-Coroner, and a homeless shelter.
(3) Fiscal Year 2012-13 Final Modified Budget includes appropriations for debt service to prepay the Taxable Pension Obligation Bonds, 2012 Series A in an amount of $229.9 million. Fiscal Year 2013-14 Final Modified Budget includes appropriations of $346.7 million for prepayment to the retirement system for the Taxable Pension Obligation Bonds, 2013 Series A. Fiscal Year 2014-15 Modified Budget does not include a prepayment to the retirement system.
(4) Increase in Fiscal Year 2012-13 includes $16.7 million one-time settlement payment to cities in Orange County pursuant to the Property Tax Administration Fee litigation agreement and $5.0 million to fund the construction of U.S Immigration and Customs Enforcement (ICE) Court Modular project.
(5) The net reserves decrease each year represents funding for new programs, carryover items and year end budget shortfalls. Fiscal Year 2013-14 and Fiscal Year 2014-15 beginning budgeted fund balance is zero consistent with Governmental Accounting Standards Board Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," which requires all year-end fund balance available to be reclassified and transferred to reserves. Fiscal Year 2012-13 and Fiscal Year 2013-14 actual year-end fund balances reclassified and transferred to reserves were $129.7 million and $67 million respectively. Table A-5 herein sets forth the net increase in fund balance including Governmental Accounting Standards Board Statement No. 54 reclassifications and other adjustments.
(6) Fiscal Year 2012-13 includes $232 million in revenue from departments for debt service of the Taxable Pension Obligation Bonds, 2012 Series A. Fiscal Year 2013-14 and Fiscal Year 2014-15 do not include revenues from departments; it is recorded as a Balance Sheet transaction.
(7) Includes operating transfers from other funds within the County including transfers from the Teeter Program and departmental transfers from Non-General Funds for the reimbursement of program expenditures. Fiscal Year 2012-13 and Fiscal Year 2013-14 include $232 million and $347.0 million respectively to account for the proceeds of the Taxable Pension Obligation Bonds. Fiscal Year 2012-13 revenue included $280 million in transfers in from departments. In Fiscal Year 2012-13 revenues for the repayment of the Taxable Pension Obligation Bonds, 2012 Series A were recorded in the Miscellaneous Revenues category. Fiscal Year 2014-15 includes no appropriations for Taxable Pension Obligation Bonds. Additionally, Fiscal Year 2012-13 also includes a Board approved one-time prepayment of debt for various information technology projects.

Source: County of Orange Budget Office

SECTION B

3. <u>Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in Appendix A to the Official Statement relating to the Bonds, in the following charts and tables or under the following captions:</u>

   a. <u>County Financial Information – Tables A-3 through A-5 , and Tables A-7 through A-13</u>

TABLE A-3
COUNTY OF ORANGE
GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
JUNE 30, 2013 AND JUNE 30, 2014
(In Thousands)

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	2013	2014	2013	2014	2013	2014
General Fund	$2,865,893	$2,879,856	$2,744,670	$2,808,016	$121,223	$71,840
Roads	59,444	109,937	80,652	107,694	(21,208)	2,243
Flood Control District	134,978	169,260	160,101	154,993	(25,123)	14,267
Other Public Protection	63,559	49,261	44,059	48,203	19,500	1,058
Teeter Plan Notes	73,641	50,786	15,808	43,959	57,833	6,827
Other Governmental	621,950	600,011	592,923	615,209	29,027	(15,198)
TOTAL	$3,819,465	$3,859,111	$3,638,213	$3,778,074	$181,252	$81,037

Source: County of Orange Comprehensive Financial Report for Years Ended June 30, 2014.

TABLE A-4
GENERAL FUND AND GENERAL FUNDS COMBINED BALANCE SHEET [1]
JUNE 30, 2013 AND JUNE 30, 2014
(In Thousands)

	2012-13		2013-14	
	Total Governmental Funds	General Fund	Total Governmental Funds	General Fund
ASSETS				
Pooled Cash/Investments	$1,586,772	$351,100	$1,670,607	$425,057
Imprest Cash Funds	1,925	1,864	1,925	1,864
Restricted Cash and Investments with Trustee	210,602	1,574	196,780	1,536
Investments	123	-	14,809	--
Deposits In-Lieu of Cash	5	-	35	--
Receivables				
Accounts	12,635	9,747	22,416	18,909
Taxes	46,260	8,942	44,897	11,900
Interest/Dividends	1,119	431	1,559	533
Deposits	5,104	491	5,260	492
Advances	30	30	30	30
Allowance for Uncollectible Receivables	(4,211)	(4,036)	(6,432)	(4,399)
Due from Other Funds	95,398	50,495	101,600	63,956
Due from Component Unit	366	366	455	455
Due from Other Governmental Agencies, Net	457,599	335,970	473,901	350,784
Inventory of Materials and Supplies	1,411	655	1,631	902
Prepaid Costs	278,281	260,291	336,613	316,320
Land and Improvements Held for Resale	145	-	145	--
Advances to Other Funds	2,500	2,500	3,800	3,800
Notes Receivable, Net	34,262	--	28,747	--
Total Assets	$2,730,326	$1,020,420	2,898,778	$1,192,139
LIABILITIES				
Liabilities				
Accounts Payable	$55,842	$36,223	$91,904	$65,154
Retainage Payable	7,019	1,696	10,185	2,044
Salaries and Employee Benefits Payable	71,671	66,906	61,066	57,182
Interest Payable	30	-	1,156	1,135
Deposits from Others	45,068	1,335	35,877	1,553
Due to Other Funds	91,452	43,601	99,030	35,780
Due to Component Unit	1	-	--	--
Due to Other Governmental Agencies	28,859	10,903	42,393	27,847
Deferred Revenue	227,894	123,290	--	--
Unearned Revenue	41,125	19,642	41,197	19,410
Bonds Payable	268,360	268,360	325,405	325,405
Advances from Other Funds	6,418	3,918	6,934	3,134
Estimated Litigation and Claims	--	--	1,129	--
Total Liabilities	$843,739	$575,874	$716,276	$538,644

TABLE A-4 Continued
GENERAL FUND AND GENERAL FUNDS COMBINED BALANCE SHEET [1]
JUNE 30, 2013 AND JUNE 30, 2014
(In Thousands)

DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue – Intergovernmental Revenues	--	--	149,103	73,769
Unavailable Revenue – Senate Bill 90 Mandated Claims, Net	--	--	47,926	47,926
Unavailable Revenue – Property Taxes	--	--	10,929	9,485
Unavailable Revenue – Long Term Notes Receivables	--	--	642	--
Unavailable Revenue – Others	--	--	6,278	5,929
Total Deferred Inflows of Resources	--	--	214,878	$137,109
FUND BALANCES				
Nonspendable	282,375	263,446	342,229	321,022
Restricted	1,392,235	34,679	1,404,130	42,028
Assigned	133,713	68,157	221,265	153,336
Unassigned	78,264	78,264	--	--
Total Fund Balances	$1,886,587	$444,546	$1,967,624	$516,386
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$2,730,326	$1,020,420	$2,898,778	$1,192,139

(1) The Notes to the County's Basic Financial Statements are an integral part of this table and can be found in the County's Comprehensive Annual Financial Reports for Fiscal Years Ending June 30, 2013 and June 30, 2014.

Sources: County of Orange Comprehensive Financial Reports for Years Ended June 30, 2013 and 2014.

TABLE A-5
COUNTY OF ORANGE
COMPARISON OF STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (IN THOUSANDS)
FISCAL YEARS 2009-10 THROUGH 2013-14

	2009-10	2010-11	2011-12	2012-13	2013-14
REVENUES					
Taxes[1]	$ 557,087	$ 555,229	$ 610,493	$ 668,819	$ 599,366
Licenses, Permits & Franchises	10,899	15,121	16,481	13,190	22,595
Fines, Forfeitures & Penalties	41,067	42,442	41,986	35,562	33,039
Use of Money and Property	5,818	6,404	5,394	3,510	5,260
Intergovernmental Revenues	1,320,306	1,346,710	1,419,777	1,551,407	1,593,107
Charges for Services	370,324	418,768	369,167	389,367	410,108
Other Revenues	18,854	19,075	19,364	18,147	13,124
TOTAL REVENUES	$2,324,355	$2,403,749	$2,482,662	$2,681,002	$2,676,599
EXPENDITURES					
General Government	$ 156,057	$ 155,629	$ 142,577	$ 169,625	$ 140,816
Public Protection	951,930	975,366	1,004,669	1,047,148	1,082,961
Public Ways and Facilities	40,436	41,687	37,654	36,614	35,570
Health and Sanitation	558,491	573,531	578,584	609,572	620,256
Public Assistance	738,227	753,177	735,713	749,128	795,582
Capital Outlay	15,291	10,142	16,713	12,459	12,454
Principal Retirement	18,301	18,619	19,484	20,252	21,622
Interest	14,079	14,220	15,228	9,204	9,844
Debt Issuance Costs	--	--	--	--	200
TOTAL EXPENDITURES	$2,492,812	$2,542,371	$2,550,622	$2,654,002	$2,719,305
Excess (Deficit) of Revenues Over Expenditures	$ (168,457)	$ (138,622)	$ (67,960)	$ 27,000	(42,706)
Other Financing Sources (Uses)					
Transfers In[2]	259,631	231,664	213,289	184,891	203,257
Transfers Out[2]	(110,934)	(115,029)	(70,689)	(90,668)	(88,711)
Capital Lease Proceeds	--	133	--	--	--
Total Other Fin. Sources (Uses)	148,697	116,768	142,600	94,223	114,546
Net Change in Fund Balances	$ (19,760)	$ (21,854)	$ 74,640	$ 121,223	$ 71,840
Fund Balances – Beginning of Year	288,044	268,284	278,594	353,234	444,546
Adjustments[3]	--	32,164	--	(29,911)	--
Fund Balances – Beginning of Year as Restated	--	300,448	--	323,323	--
FUND BALANCES – End of Year	$ 268,284	$ 278,594	$ 353,234	$ 444,546	$ 516,386

(1) Primarily property taxes, as well as local sales and other taxes.

(2) Interfund transfers reflect the flow of assets between funds and component units of the County. See Note 9 in the "Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2014".

(3) 2011 adjustment to fund balances due to the implementation of Governmental Accounting Standards Board Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." 2013 adjustment due to a prior period adjustment.

Source: County of Orange Comprehensive Financial Report for the Year Ended June 30, 2014.

TABLE A-7
COUNTY OF ORANGE
DETAIL OF ASSESSED VALUATION (1)

Fiscal Year	Secured	Unsecured	Total	% Change
2003-04	$270,854,284,436	$17,069,543,691	$287,923,828,127	6.76%
2004-05	294,656,787,665	17,145,607,805	311,802,395,470	8.29
2005-06	325,401,404,927	17,175,454,566	342,576,859,493	9.87
2006-07	361,161,415,703	19,845,975,295	381,007,390,998	11.22
2007-08	393,203,962,346	19,465,816,713	412,669,779,059	8.31
2008-09	408,491,848,742	20,317,375,534	428,809,224,276	3.91
2009-10	402,572,097,312	20,393,498,698	422,965,596,010	-1.36
2010-11	400,814,188,871	19,937,386,517	420,751,575,388	-0.52
2011-12	405,588,977,572	19,180,663,956	424,769,641,528	0.95
2012-13	414,121,659,108	18,780,614,687	432,902,273,795	1.92
2013-14	429,070,697,346	18,678,458,709	447,749,156,055	3.43

(1) Figures in table include incremental value for redevelopment agencies. Property is assessed at taxable full cash value, pursuant to California Revenue and Taxation Code Section 135(a).

Sources: Orange County Office of Auditor-Controller, Assessed Valuation Reports.

TABLE A-8
COUNTY OF ORANGE
TOP TEN SECURED TAXPAYERS
FISCAL YEAR 2013-14

Taxpayers	Secured Tax Charge
1. Irvine Company	$114,098,318
2. Walt Disney Parks & Resorts US	$51,566,414
3. So Cal Edison Company	$33,027,763
4. Heritage Fields El Toro	$10,107,327
5. Pacific Bell Telephone Company (AT&T)	$8,223,491
6. United Laguna Hills Mutual	$7,071,749
7. Oxy USA Inc.	$6,174,899
8. Linn Western Operating Inc.	$4,690,090
9. OC/SD Holdings LLC.	$4,652,758
10. Southern California Gas Company	$4,356,499
Total Tax Charge for Top 10 Secured	**$243,969,308**

Source: Orange County Treasurer-Tax Collector

TABLE A-9
COUNTY OF ORANGE
TOP TEN UNSECURED TAXPAYERS
FISCAL YEAR 2013-14

Taxpayers	Unsecured Tax Charge
1. Time Warner Cable	$4,093,699
2. Cox Communications inc.	$3,235,903
3. Broadcom Corp.	$2,112,900
4. The Boeing Company	$1,827,118
5. Allergan USA Inc.	$1,818,510
6. Southwest Airlines Company	$1,403,401
7. Kimberly-Clark Worldwide Inc.	$1,312,819
8. Jazz Semiconductor Inc.	$1,269,827
9. Panasonic Avionics Corp.	$1,129,317
10. New Albertson's Inc.	$1,113,035
Total Tax Charge for Top 10 Unsecured	**$19,316,529**

Source: Orange County Treasurer-Tax Collector

TABLE A-10
COUNTY OF ORANGE
OUTSTANDING LONG-TERM DEBT AND LEASE OBLIGATIONS

Description	Source of Repayment	Outstanding Principal Balance (June 30, 2014)	Final Maturity Date
Orange County Public Facilities Corporation Refunding Certificates of Participation (Civic Center Parking Facilities Project), 1991	General Fund	$2,261,112	2018
County of Orange Refunding Recovery Bonds, 2005 Series A	General Fund	17,555,000	2015
Orange County Public Financing Authority Lease Revenue Refunding Bonds, Series 2005	General Fund	85,585,000	2017
County of Orange Taxable Pension Refunding Obligation Bonds, Series 1996 A(1)	General Fund	13,393,305	2016
County of Orange Taxable Pension Refunding, Obligation Bonds, Series 1997 A(1)	General Fund	18,801,983	2021
Orange County Public Financing Authority Lease Revenue Bond, Series 2006 (Cogeneration Project)	General Fund	14,895,000	2018
South Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012	General Fund	25,180,000	2019
SUBTOTAL- GENERAL FUND OBLIGATIONS		**$177,671,400**	
Airport Revenue Bonds, Series 2009A	Airport Revenues	$63,785,000	2039
Airport Revenue Bonds, Series 2009B	Airport Revenues	147,485,000	2039
Successor Agency to the Orange County Development Agency Tax Allocation Refunding Bonds, Series 2014 (Neighborhood Development and Preservation Project)	Redevelopment Property Tax Trust Fund	14,090,000	2022
Successor Agency to the Orange County Development Agency Santa Ana Heights Project Area Tax Allocation Refunding Bonds of 2014	Redevelopment Property Tax Trust Fund	20,960,000	2023
TOTAL		**$423,991,400**	

(1) The Outstanding Taxable Refunding Pension Obligation Bonds, Series 1996A and Series 1997A were economically defeased on June 22, 2000, through the deposit with the trustee of $175.492 million principal amount of AAA-rated debt securities issued by Fannie Mae, together with irrevocable instructions that these securities and other cash amounts and investments held by the trustee, will be used solely to retire the remaining Pension Obligation Bonds as they mature.

Source: County of Orange, CEO Public Finance Unit.

TABLE A-11
COUNTY OF ORANGE
CAPITAL LEASE PAYMENTS
(IN THOUSANDS)

Fiscal Year Ending June 30	
2015	8,574
2016	8,762
2017	8,987
2018	9,172
2019	9,351
2020-2024	39,577
2025-2029	5,557
Total minimum lease payments	89,980
Less: Amount Representing Interest	(27,534)
Present Value of Net Minimum Lease Payments	62,446

Source: County of Orange Comprehensive Financial Report for Year Ended June 30, 2014.

TABLE A-12
COUNTY OF ORANGE
OPERATING LEASE PAYMENTS
(IN THOUSANDS)

Fiscal Year Ending June 30	Equipment	Real Property	Total
2015	$1,535	$28,030	$29,565
2016	37	24,662	24,699
2017	22	16,392	16,414
2018	--	12,089	12,089
2019	--	10,542	10,542
2020-2024	--	31,767	31,767
2025-2029	--	182	182
TOTAL	$1,594	$123,664	$125,258

Source: County of Orange Comprehensive Financial Report for Year Ended June 30, 2014.

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TABLE A-13
COUNTY OF ORANGE
DIRECT AND OVERLAPPING DEBT

2013-14 Assessed Valuation: $447,631,039,763 (includes unitary utility valuation)

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/30/14
Metropolitan Water District	20.233%	$ 26,763,201
Coast Community College District	100.	632,413,698
North Orange County Joint Community College District	97.675	196,560,194
Rancho Santiago Community College District	100.	285,430,201
Unified School Districts	0.135-100.	1,499,992,539
Anaheim Union High School District	100.	100,323,955
Fullerton Joint Union High School District	91.479	45,957,138
Huntington Beach Union High School District	100.	206,874,998
School Districts	100.	425,492,392
Irvine Ranch Water District Improvement Districts	100.	520,000,000
Moulton-Niguel Water District Improvement Districts	100.	21,315,000
Santa Margarita Water District Improvement Districts	100.	142,120,000
South Coast Water District	100.	1,920,000
Cities	100.	31,960,000
Orange County Community Facilities Districts	100.	326,014,621
Other Community Facilities Districts	100.	1,573,293,818
City and Special District Special Assessment Bonds	100.	864,103,521
County 1915 Act Bonds	100.	83,815,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$6,984,350,276
OTHER DIRECT AND OVERLAPPING DEBT:		
Orange County General Fund Obligations	**100. %**	**$ 145,476,000**
Orange County Pension Obligation Bonds	**100.**	**357,600,288**
Orange County Office of Education Certificates of Participation	100.	15,500,000
Municipal Water District of Orange County Water Facilities Corporation	100.	7,775,000
Unified School District Certificates of Participation	0.135-100.	400,305,256
High School District Certificates of Participation	91.479-100.	116,457,836
School District Certificates of Participation	100.	75,736,299
City of Anaheim General Fund Obligations	100.	729,677,465
Other City General Fund Obligations	100.	451,007,253
Moulton-Niguel Water District Certificates of Participation	100.	81,795,000
Other Special District General Fund Obligations	100.	290,000
TOTAL GROSS OTHER DIRECT AND OVERLAPPING DEBT		$2,381,620,397
Less: MWDOC Water Facilities Corporation (100% supported)		7,775,000
City of Anaheim supported obligations		722,197,465
Other city authority supported bonds		18,788,613
TOTAL NET OTHER DIRECT AND OVERLAPPING DEBT		$1,632,859,319
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		
Anaheim Redevelopment Agency	100. %	$ 205,705,000
Brea Redevelopment Agency	100.	174,308,700
Westminster Redevelopment Agency	100.	121,685,000
Fullerton Redevelopment Agency	100.	86,660,000
Buena Park Redevelopment Agency	100.	86,175,000
Other Redevelopment Agencies	100.	529,722,865
TOTAL OVERLAPPING TAX INCREMENT DEBT		$1,204,256,565
GROSS COMBINED TOTAL DEBT		$10,570,227,238 (2)
NET COMBINED TOTAL DEBT		$9,821,466,160

(1) The percentage of overlapping debt applicable to the county is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the county divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

TABLE A-13 CONTINUED
COUNTY OF ORANGE
DIRECT AND OVERLAPPING DEBT

Ratios to 2013-14 Assessed Valuation:
Total Direct and Overlapping Tax and Assessment Debt 1.56%
Total Direct Debt ($503,076,288)......................0.11%
Gross Combined Total Debt 2.36%
Net Combined Total Debt.....................................2.19%

Ratios to Redevelopment Successor Agencies Incremental Valuation ($44,548,393,034):
Total Overlapping Tax Increment Debt.................2.70%

Source: California Municipal Statistics, Inc.

b. County Investment Policy

Please refer to the County of Orange Investment Policy Statement included as Attachment A.

ATTACHMENT A

COUNTY OF ORANGE
INVESTMENT POLICY STATEMENT

Orange County Treasurer

Investment Policy Statement

(Approved By B.O.S. 12/16/2014)

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ORANGE COUNTY TREASURER
INVESTMENT POLICY STATEMENT

PURPOSE

This policy is intended to provide the structure for the prudent investment of the cash balances entrusted to the Orange County Treasurer (the "Treasurer") and outline the policies to assist in maximizing the efficiency of the Treasurer's cash management system while meeting the daily cash flow demands of the County, the School Districts, Community Colleges, voluntary participants and other County-related agency funds. The Treasurer's Investment Policy Statement is approved annually by the County Board of Supervisors as required by California Government Code Section 53646 (a) (1) and reviewed annually by the Treasury Oversight Committee, pursuant to the requirements of California Government Code Section 27133. (All references are to the California Government Code unless otherwise stated.)

I. POLICY STATEMENT

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 that will provide the 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 Orange County Investment Fund (the "OCIF"), which includes all cash balances entrusted to the Treasurer as noted above, is designed to meet both the investment and cash requirements of our participants. If separate funds are established, the Treasurer shall determine on a cash flow basis what percent of available cash will be invested in each fund.

II. SCOPE

The scope of this Investment Policy Statement applies to all financial assets as indicated in II.1 below.

1. FUNDS

The Treasurer is responsible for investing the unexpended cash of the OCIF, defined as all monies under the investment authority of the Treasurer, including funds, and subsets of funds, for the Orange County Department of Education; and excluding the County employee's pension and medical trust funds which are invested separately by Orange County Employees Retirement System (OCERS), and those funds that are invested separately by the County Treasurer under bond indenture agreements. The County Funds are accounted for in the County's CAFR and include:

- Governmental Funds, including the General Fund
- Enterprise Funds
- Fiduciary FundsAny other funds or new funds created by the County, unless specifically exempted

a) Pooled Funds:

It is the Treasurer's policy to pool certain funds for investment purposes to provide efficiencies and economies of scale. Investing through pooled funds will provide for greater use of funds by allowing for more efficient cash flows, a reduction in transaction costs, and improved access to the market. In addition to allowing for one pool for all participants, OCIF may also be split into different pools to meet the specific needs of participants such as short-term pools and longer-term pools. Each pool established will be reviewed separately for purposes of determining compliance with the Investment Policy Statement. These pools are based on the investment requirements detailed in Government Code Sections 53600 *et seq*. and 53630 *et seq.*

i. If a longer-term pool such as an extended fund is established by the Treasurer, it will be utilized for investment requirements generally longer than one year. It will be invested primarily in high grade securities.

ii. If a short-term pool is established, it can be established as a single pool or as separate pools depending on the needs of the pool participants. These pools will be utilized for shorter-term investment requirements and providing liquidity for immediate cash needs. They will be invested primarily in cash-equivalent securities to fulfill the primary goals of safety and liquidity.

b) Specific Investment Accounts:

From time to time, the Treasurer may be authorized by a participant's governing board to invest other specific investments or to manage bond proceeds issued by the County, a local school district, voluntary participant, or other local agency. This may include deposits that are set aside for future needs of a long-term nature and may be appropriately invested in longer-term securities as allowed by Government Code. Participating agencies will sign a written agreement acknowledging that there may be risk to principal should they desire to redeem funds early, thereby forcing an early sale of securities rather than holding investments to maturity.

No investment will be made in any security with a remaining maturity in excess of five years at the time of purchase, unless the Board of Supervisors has granted express authority to make such an investment specifically or as part of an investment program, which may include investing through pooled funds. Board of Supervisor's approval must occur at least three months prior to the investment or investment programs being effective. Strategies for such deposits may include matching maturities with long-term liabilities.

III. PRUDENCE

Government Code Sections 27000.3 and Section 53600.3 provides that the "prudent investor" standard is to be used by the Treasurer as a fiduciary of public funds. . This standard provides that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and the other depositors. Within the limitation of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.

The Treasurer and those delegated staff shall act in accordance with written procedures and the Investment Policy Statement, exercise due diligence, report in a timely fashion and implement appropriate controls to mitigate adverse developments.

IV. DELEGATION OF AUTHORITY

Annually, the County Board of Supervisors delegates to the Treasurer the authority to invest and reinvest the funds of the County and other depositors as specified in Government Code Sections 27000.1, 53607 and 53608. Such delegation is conditioned upon the Treasurer submitting any and all investment policies and amendments thereto to the Board for review and approval. The Treasurer may further delegate investment authority to such persons within the Treasurer's Department as deemed appropriate.

V. OBJECTIVES

Criteria for selecting investments and the absolute order of priority are:

1. SAFETY

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

The Treasurer shall seek to preserve principal and minimize capital losses by mitigating credit risk and market risk as follows:

a) **Credit Risk:** Defined as an issuer's ability and willingness to repay interest and principal. Credit risk shall be mitigated by diversifying the fund among issues and issuers so that the failure of any one issue or issuer would not result in a significant loss of income or principal to participants.

b) **Market Risk:** Defined as the risk of market value fluctuations due to changes in the general level of interest rates. Because longer-term securities generally have greater market risk than shorter-term securities, market risk will be mitigated by establishing a maximum weighted average maturity or duration for the portfolio. Occasional market losses on individual securities are inevitable with active portfolio management and must be considered within the context of the overall investment return.

2. LIQUIDITY

Liquidity refers to the recurring maturity of a portion of the investment portfolio, as well as the ability to sell an investment at any given moment with a minimal chance of principal loss. A portion of OCIF, which may be in a separate pool, will maintain liquidity for the purpose of meeting all operating requirements and reasonably anticipated cash flow needs.

3. **YIELD**

Yield refers to the objective of attaining a market rate of return commensurate with the risk profile and cash flow characteristics of the portfolio throughout budgetary and economic cycles. Although the Treasurer may employ certain indices to gauge the funds' rate of return, such indices shall be used solely for comparative purposes and do not constitute a warranty or guarantee of actual fund performance.

4. **MARK-TO-MARKET**

Investment pools, as described in Section II, 1 (a) of this Investment Policy Statement, are marked to market. To the extent reasonably possible and consistent with the Treasurer's trust and fiduciary duty, any funds in a short-term pool will attempt to stabilize at a $1.00 net asset value (NAV). If the ratio of the market value of the short-term pool divided by the book value of the short-term pool is less than $.995 or greater than $1.005, holdings may be sold as necessary to maintain the ratio between $.995 and $1.005.

The Treasurer will act on a "best efforts" basis to stabilize any short-term pools within the $.995 to $1.005 range. However, the $1.00 NAV is not guaranteed or insured by the Treasurer for any pool, including any longer-term pool, nor are the pools registered with the Securities Exchange Commission (SEC).

VI. AUTHORIZED INVESTMENTS

The County is authorized by Government Code Section 53600 *et seq.* to invest in specific types of securities. Investments not specifically listed below are prohibited. Consistent with the requirements of law and this Investment Policy Statement, the Treasurer may place orders for the execution of transactions with or through such broker/dealers, banks or counterparties as may be selected from time to time at his/her discretion. All securities must be U.S. dollar denominated. To the extent consistent with the objectives stated above, the investment restrictions outlined below, and the investment limitations specified in Sections VII and VIII, the pools may invest in the following areas.

1. **U. S. TREASURY SECURITIES**

United States Treasury bills, notes, bonds, or certificates of indebtedness, for which the full faith and credit of the United States are pledged for the payment of principal and interest. There is no limit on the percentage of a portfolio that can be invested in this category.

2. **U. S. GOVERNMENT AGENCY SECURITIES**

Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise. There is no limit on the percentage of a pool that can be invested in this category, but each issuer is limited to 33% of any individual pool's total assets.

3. **COMMERCIAL PAPER**

Eligible commercial paper shall be of "prime" quality of the highest ranking or of the highest letter and number rating as provided by a Nationally Recognized Statistical Rating Organization (NRSRO), shall not exceed 270 days maturity, and shall not exceed 40% of a pool. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):

a) Has total assets in excess of five hundred million dollars ($500,000,000), is organized and operating within the United States as a general corporation, and has debt other than commercial paper, if any, that is rated “A” or higher by a NRSRO.

b) Is organized in the United States as a special purpose corporation, trust, or limited liability company, has program-wide credit enhancements including, but not limited to overcollateralization, letters of credit or a surety bond, has commercial paper that is rated “A-1” or higher, or the equivalent, by a NRSRO.

Split ratings (i.e. A2/P1) are not allowed, and two NRSRO ratings are required. No more than 5% of the total assets of any individual pool may be invested in any one issuer’s commercial paper.

4. NEGOTIABLE CERTIFICATES OF DEPOSIT

Negotiable certificates of deposit issued by a nationally or state-chartered bank, savings association, or, federal association (as defined by Section 5102 of the California Financial Code) a state-licensed branch or a foreign bank. Issuing banks must be rated by at least two NRSROs, have a short-term rating of not less than A1/P1 and a long-term rating of not less than an “A” from a NRSRO, if any. No more than 30% of any individual pool’s total assets may be invested in negotiable certificates of deposit.

5. REPURCHASE AGREEMENTS

Investments in repurchase agreements for the purpose of this Investment Policy Statement means a purchase of securities by the Treasurer pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the Treasurer by book entry, physical delivery, or by third party custodial agreement. The term of a repurchase agreement shall not exceed one year. The term "securities," for the purpose of repurchase agreements, means securities of the same issuer, description, issue date, and maturity.

To participate in repurchase agreements, a master repurchase agreement must be completed and signed by all parties involved. The Treasurer will maintain a signed copy of the agreement. Repurchase agreements are required to be collateralized by securities or cash.

a) Collateralization:

In order to anticipate market changes and provide a level of security for all repurchase agreement transactions, the market value of securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less frequently than weekly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day.

Collateral will be limited to cash, and U.S. Treasury and U.S. Government Agency securities. For compliance purposes, U.S. Treasury and/or U.S. Government Agency collateral are exempt from the issuer limits as stated in Section VIII.2. Collateral will be held by an independent third party with whom the Treasurer has a current custodial agreement. A clearly marked evidence of ownership (safekeeping/custody receipt) must be supplied to the Treasurer and retained. No collateral substitutions may be made without prior approval of the Treasurer.

Investments in repurchase agreements are limited to no more than 20% of any individual pool's total assets. Agreements are subject to Government Code Section 53601 and must comply with the delivery requirements and the maturity provision from Section 53601.

6. BANKERS' ACCEPTANCES

Bankers' acceptances, also known as time drafts (bills of exchange), are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days maturity. Issuing banks must be rated by at least two of the NRSROs and have a short-term rating of at least A1/P1 and a long-term rating of not less than "A" from a NRSRO, if any. Bankers' acceptances are limited to no more than 40% of any individual pool's total assets.

7. MONEY MARKET MUTUAL FUNDS

Shares of beneficial interest issued by diversified management companies that are money market mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 *et seq*.), which only invest in direct obligations in U.S. Treasury bills, notes, and bonds, U.S. Government Agencies, Municipal Debt, and repurchase agreements with a weighted average maturity of 60 days or less. Money market mutual funds are not required to conform to the restrictions detailed in this Investment Policy Statement, but are limited to no more than 20% of any individual pool's total assets. The Treasurer shall be required to investigate money market mutual funds prior to investing and perform a periodic review, but at least annually thereafter while the funds are invested in the money market mutual fund. At a minimum, approved money market mutual funds shall have met either of the following criteria:

a) Attained the highest ranking or the highest letter and numerical rating provided by no less than two NRSROs.

b) Retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing money market mutual funds with assets under management in excess of $500,000,000.

8. MUNICIPAL DEBT

Such instruments are defined as being issued by a local or state agency, including:

a) Bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

b) Registered state warrants or treasury notes or bonds, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of a state.

c) Bonds, notes, warrants, or other evidences of indebtedness of any local agency within a state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

Issuing municipalities must have a short-term rating of not less than A1/P1 and a long-term rating of not less than an “A” from the NRSROs, and two NRSRO ratings of “A” or better are required unless they have a single NRSRO rating of AA-/AA3 or better. Municipal debt issued by the County of Orange, California is exempt from this credit rating requirement.

9. MEDIUM-TERM NOTES

Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of not more than 397 days for any short-term pools and five years for any other pools such as a longer-term pool. Medium-term notes must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment shall be rated not less than “A” or its equivalent from at least two NRSROs and if remaining maturity is longer than 397 days, it shall be rated by at least two NRSROs and have obtained no less than an “AA” rating by both. Investments in medium-term notes are limited to no more than 30% of any individual pool’s total assets.

10. INVESTMENT POOLS

Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations as authorized under 53601 (a) to (o), inclusive, and that comply with the investment restrictions of Government Code Sections 53600 through 53610 and Section 53630. The Treasurer shall be required to investigate all local government investment pools prior to investing and perform a quarterly review thereafter while the funds are invested in the pool. The analysis shall include, but is not limited to, the following characteristics of a pool/fund as part of its investigation and quarterly review:

- Eligible securities
- Maximum maturity
- REPO collateral/counter-party
- Size of the pool/fund
- Limits on withdrawal/deposit
- Expense ratio

Investments in this investment type are limited to no more than 20% of any individual pool’s total assets. No more than 10% of an individual pool shall be invested in a single investment pool.

11. SUPRANATIONAL SECURITIES

Supranational securities are defined as United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and, Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity five years or less, and eligible for purchase and sale within the United States. Supranational securities eligible for investment shall be rated "AA" or better from at least two NRSROs. Investments in supranationals shall not exceed 30 percent of any individual pool’s total assets.

VII. INVESTMENT RESTRICTIONS

1. CREDIT RATINGS

Credit ratings will be applied at the time of purchase of a security. A subsequent downgrade in a security's credit rating will not constitute a violation of the Investment Policy Statement. Securities which are downgraded below the minimum acceptable rating levels must be reviewed for possible sale within a reasonable amount of time.

Municipal debt issued by the County of Orange, California is exempt from the credit rating requirements listed below. U.S. Government obligations (as defined in Section VI (1) and VI (2)) are exempt from the credit rating requirements listed below.

The credit ratings referred to below must be assigned by one of the following Nationally Recognized Statistical Rating Organizations (NRSRO): Standard & Poor's Corporation "S&P," Moody's Investors Service, Inc. "Moody's", and Fitch Ratings "Fitch."

a) Short-term debt ratings – (two of the following and not less than the following)

"A-1" or "SP-1"	Standard & Poor's Corporation (S&P)
"P-1" or "MIG 1/VMIG 1"	Moody's Investors Service, Inc. (Moody's)
"F1"	Fitch Ratings (Fitch)

Split ratings are not allowed, i.e. A-1/P-1/F2 or similar. An issuer of short-term debt must have no less than an "A" rating on long-term debt, if any.

b) Long-term debt ratings – Investments purchased for short-term pools or with remaining maturities of 397 days or less- shall be rated by at least two NRSROs and have obtained no less than an "A" rating by any.

Investments purchased for long-term pools, such as an extended fund, or with remaining maturities longer than 397 days, shall be rated by at least two NRSROs and have obtained no less than an "AA" rating by any.

If an issuer of long-term debt has a short-term rating, then it may not be less than A-1/SP-1 or P-1/MIG1 or F1 and should be rated by two NRSROs.

c) Repurchase Agreement counterparties shall have a minimum short-term rating, or counterparty rating, of no less than A-1 or equivalent by two NRSROs and have capital of not less than $500 million.

d) Any issuer that has been placed on "Credit Watch-Negative" by a NRSRO will be placed on hold and current holdings reviewed for possible sale within a reasonable period of time unless the following criteria are met and also approved in writing by the Treasurer prior to purchase:
The issuer has (a) an A-1+ or F1+ short-term rating; or (b) at least an AA or Aa2 long-term rating.

VIII. DIVERSIFICATION AND MATURITY RESTRICTIONS

It is the policy of the Treasurer to diversify the pooled funds. Investments are diversified to minimize the risk of loss resulting in overconcentration of assets in a specific maturity, specific issuer, or a specific class of securities. Diversification strategies shall be established by the Treasurer and periodically reviewed.

1. AUTHORIZED INVESTMENTS AND ISSUER CONCENTRATION

Only debt issued by firms listed on the Office of the Treasurer's Approved Issuer List may be purchased. The following diversification limits will also be applied at the time of purchase of a security.

Type of Investment	Cal Gov Code % of Funds Permitted	Orange County IPS	Cal Gov Code Maximum Final Maturity	Orange County IPS Maximum Final Maturity (Long-Term Fund)	Orange County IPS Maximum Final Maturity (Short-Term Fund)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities	100%	100% Total, no more than 33% in one issuer	5 Years	5 Years	397 Days
Municipal Debt	100%	30% Total, no more than 5% in one issuer except 10%- County of Orange	5 Years	5 Years	397 Days
Medium-Term Notes	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days
Bankers Acceptances	40%, 30% of a single issuer	40% Total, no more than 5% in one issuer	180 Days	180 Days	180 Days
Commercial Paper	40%, 10% of a single issuer	40% Total, no more than 5% in one issuer	270 Days	270 Days	270 Days
Negotiable Certificates of Deposits	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days
Repurchase Agreements	100%	20% Total, no more than 10% in one issuer	1 Year	1 Year	1 Year
Money Market Mutual Funds	20%	20% Total	N/A	N/A	N/A
Investment Pools	100%	20% Total, no more than 10% in one pool	N/A	N/A	N/A
Supranationals	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days

2. MATURITY

a) The weighted average maturity (WAM) of any short-term pool, on a dollar-weighted basis, shall not exceed 60 days.

b) The maximum maturity of any investment purchased will be five years with the exception of investments and investment pools authorized by the Board of Supervisors to be invested in longer than five year maturities.

If short-term and long-term pools are used, the following restrictions will apply:

Short-term pool	13 months (397 days)
Long-term pool	5 years

c) For purposes of calculating a final maturity date, the earlier of either the final maturity date, pre-refunded date, or mandatory put to tender option date that will be used.

d) For purposes of calculating the weighted average maturity of the portfolio, the maturity of a variable-rate security will be considered its next interest rate reset date, if there is a reasonable expectation that the security will maintain an approximate value of par upon each adjustment of the security's interest rate at any time until final maturity.

3. DURATION

a) The long-term pools, such as an extended fund, shall have duration not to exceed a leading 1-3 Year index +25%.

IX. PROHIBITED TRANSACTIONS

At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy Statement and with applicable provisions of the Government Code, as may be amended from time to time. No investment prohibited by Government Code shall be permitted herein.

Any investment transactions, credit risk criterion, percentage limitations, or market valuation that are not in compliance with this Investment Policy Statement and cannot be corrected without penalty **at time of purchase** must be documented and approved by the Treasurer in writing as soon as possible. Thereafter, action shall be taken by the Treasurer to correct such matter as soon as practical. If a percentage restriction is adhered to at the time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction.

1. The following transactions are prohibited:

a) Borrowing for investment purposes ("Leverage").

b) Reverse Repurchase Agreements, as defined by Government Code **Section** 53601(j) (3) and (j) (4) or otherwise.

c) Structured Notes (e.g. inverse floaters, leveraged floaters, structured certificates of deposit, equity-linked securities, event-linked securities). This includes all floating-rate, adjustable-rate or variable-rate securities in which a change in interest rates or other variables that can reasonably be foreseen to occur during their term would result in their market value not returning to par at the time of each interest rate adjustment.

Simple "floating rate notes," whose periodic coupon adjustment is based on a short-term (one-year or less) rate index (such as Treasury bills, federal funds, prime rate, or LIBOR) and which have a reasonable expectation of maintaining a value of par at each interest rate adjustment through final maturity, are exempt from this definition.

Additionally, U.S. Treasury and Agency zero coupon bonds, U.S. Treasury and Agency strips, Resolution Funding Corporation (REFCORP) strips, or other callable securities which otherwise meet the quality, maturity, and percent limitations assigned to their respective security category, are exempt from this section.

d) Structured Investment Vehicles (SIV).

e) Derivatives (e.g. options, futures, swaps, swap options, spreads, straddles, caps, floors, collars).

X. ETHICS AND CONFLICT OF INTEREST

The Treasurer and all persons involved in the investment process shall refrain from personal business activity, which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The Treasurer and all treasury and investment personnel shall disclose to the Treasury Oversight Committee any material financial interests in financial institutions, broker dealers, and vendors ("outside entities") that conduct business with the County of Orange and shall disclose any material financial investment positions in such outside entities.

1. STATEMENT OF ECONOMIC INTEREST FORM 700

The Treasurer, Auditor-Controller, members of the Treasury Oversight Committee, and all designated employees must annually file a Form 700 (Statement of Economic Interests) in accordance with the County's Conflict-of-Interest Code.

2. COUNTY'S GIFT BAN ORDINANCE – SEC. 1-3-22 THE CODIFIED ORDINANCES, ORANGE COUNTY, CALIF.

The County's Gift Ban Ordinance prohibits the receipt of specified gifts to the Treasurer, Auditor-Controller, and "designated employees" from business entities and individuals that "do business with the County" as that termed in defined in the Ordinance. Under the Ordinance, the term "designated employee" includes every employee of the County who is designed in the County's Conflict-of-Interest Code to file a Form 700 and every member of a board or commission under the jurisdiction of the Board of Supervisors required to file such a form. For purposes of the Treasurer's Office, "designated employees" include: the Chief Assistant Treasurer-Tax Collector, the Assistant Treasurer-Tax Collectors, all investment staff, all financial/credit analysts, all cash managers, and all accounting and compliance staff. The Treasurer will review this list of "designated employees" periodically and submit any proposed changes to the Board of Supervisors for approval.

XI. AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS

The Treasurer will maintain a list of broker/dealers and financial institutions authorized to provide investment and/or depository services and products. Any permitted investment, not purchased directly from an approved issuer, shall be purchased either from a "primary" or regional securities broker/dealer qualifying under SEC Rule 15c3-1(uniform net capital rule) and licensed by the state as a broker/dealer as defined in Section 25004 of the Corporations Code or a "well capitalized" national bank or Federal savings association as defined in Title 12 of the Code of Federal Regulations (CFR) Part 6.4 or a savings association or Federal association as defined by Section 5102 of the California Financial Code. Broker/dealers must comply with the political contribution limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board. Section 27133(c) of the Government Code prohibits the selection of any broker, brokerage, dealer, or securities firm that has made a contribution to the Treasurer, any member of the Board of Supervisors, or any candidate for those offices, within any consecutive 48 month period. A detailed questionnaire is required to be completed by broker/dealers and financial institutions seeking to provide investment services. The Treasurer shall conduct an annual review of each broker/dealer's and financial institution's financial condition and registrations to determine whether it should remain on the approved list for investment and/or depository services and require annual audited financial statements to be on file for each firm. The Treasurer shall, at least every two years, review all new broker/dealers and financial institutions submitting a questionnaire to determine if they should be added to the approved list. The Treasurer shall annually send a copy of the current Investment Policy Statement to all broker/dealers and financial institutions approved to provide investment services to the County, and they shall notify the Treasurer in writing of receipt and that they have read it.

XII. <u>PERFORMANCE EVALUATION</u>

The Treasurer shall submit monthly, quarterly, and annual reports (in compliance with Government Code Sections 53607, 53646, and 27134) to the Treasury Oversight Committee, the pool participants, the County Executive Officer, the Internal Audit Director, the Auditor-Controller and the Board of Supervisors. These reports shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and shall be in compliance with Government Code. In accordance with GASB Statements 31 and 40, the Treasurer shall provide financial information on investments for the County's Comprehensive Annual Financial Report.

XIII. <u>SAFEKEEPING</u>

All security transactions, including collateral for repurchase agreements, entered into by the Treasurer shall be conducted on a delivery-versus-payment (DVP) basis. All investments shall have the County of Orange and either the OCIF or the specific pool name as its registered owner except for municipal debt issued by the County of Orange and privately placed with the County Treasurer in which case the investments shall have the Orange County Treasurer on behalf of the OCIF as its registered owner.

All securities shall be held by a third party custodian designated by the Treasurer (this does not apply to money market funds or investment pools). The third party custodian shall be required to issue a safekeeping statement to the Treasurer listing the specific instrument, rate, maturity, and other pertinent information.

XIV. <u>MAINTAINING THE PUBLIC TRUST</u>

All participants in the investment process shall act as custodians of the public trust. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

XV. INTERNAL CONTROLS

The Treasurer shall establish a system of written internal controls, which will be reviewed annually with the County's independent (external) auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, and misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the Treasurer's Office. The Treasurer shall evaluate audit reports in a timely manner with the Treasury Oversight Committee. The quarterly audit reports of the Treasury shall be provided as required by Government Code Sections 26920 through 26922. Daily compliance of the investment portfolio shall be performed by the Treasurer's Compliance Division. Compliance will be determined on a fair market value basis. Cash held at the bank will not be included in the pool balance. All agreements, statements, and trade packets will be subject to review annually by auditors in conjunction with their audit.

1. INVESTMENT PROCEDURES

The Treasurer shall develop and maintain written administrative procedures for the operation of the investment program that are consistent with this investment policy. Procedures will include reference to safekeeping, Master Repurchase Agreements, wire transfer agreements, collateral and depository agreements, banking service contracts, and other investment and banking related activities. Such procedures shall include explicit delegation of authority to personnel responsible for investment transactions.

No investment personnel may engage in an investment transaction except as provided under terms of this policy and the procedures established by the County Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of all Treasury and Investment personnel.

XVI. EARNINGS AND COSTS APPORTIONMENT

The Treasurer determines the interest earnings for the respective pools on an accrual basis. Accrual basis interest earnings and Treasury administrative fees (see below) are allocated to each individual pool participant based upon their average daily balance on deposit with the Treasurer. The actual cash distribution is generally paid in the months following.

As authorized by Government Code Section 27013, the Treasurer will charge all pool participants for administrative and overhead costs. Costs include, but are not limited to, portfolio management, bank and custodial fees, software maintenance fees, and other indirect costs incurred from handling or managing funds. In addition, the costs of compliance with the Treasury Oversight provisions of Government Code Sections 27130 through 27137 shall be included as administrative costs. The Treasurer shall annually prepare a proposed budget revenue estimate, providing a detailed itemization of all estimated costs which comprise the administrative fee charged in accordance with Government Code Section 27013. The Treasurer will be required to annually reconcile the estimated charges and actual costs incurred and adjust participant accounts accordingly.

Investment earnings and the above estimated fee charge will be allocated to the pool participants on at least a quarterly basis. As of the first working day of the following period, the pool participants' account will reflect the gross investment earnings and the estimated monthly administrative and overhead costs. The Treasurer's monthly report will state the current estimated fees charged to participants.

XVII. VOLUNTARY PARTICIPANTS

Should a local agency within Orange County, or a Joint Powers Agency (JPA) consisting of at least one public agency from within Orange County, not required by California law to deposit monies with the Treasurer desire entry into the Treasurer's Investment Pool, the agency shall comply with the requirements of Government Code Section 53684 and provide to the Treasurer a resolution adopted by its governing board stating that excess funds are available for the purpose of investment. The resolution shall specify that the local agency authorizes the investment of excess funds pursuant to Section 53684, those persons authorized at the agency to coordinate the transactions, the agency's willingness to be bound by the withdrawal provisions of Government Code Section 27136, and the agency's understanding that administrative charges will be deducted by the Treasurer as permitted by Sections 53684(b) and 27013. The Treasurer shall approve or disapprove such agency's request in writing. Upon the Treasurer's approval of voluntary participants to join the pool, the Treasurer will notify the Board of Supervisors within 5 days.

Monies deposited by local agencies approved for entry into the Treasurer's Investment Pool will be invested in the OCIF and shall be invested by the Treasurer in accordance with this Investment Policy Statement, as amended from time to time. The local agency's authorized representative will execute an agreement with the Treasurer. This agreement specifies the contractual terms and conditions by which the Treasurer will manage and invest local agency's excess funds which have been deposited for investment with the Treasurer.

XVIII. WITHDRAWAL

Withdrawal of participant funds for the purpose of investing or depositing these funds outside the County treasury shall require prior written approval from the Treasurer or designee. The Treasurer shall thereafter review the withdrawal request consistent with his/her trust and fiduciary duties. Prior to approving or disapproving the withdrawal request, the Treasurer or designee shall make a finding of the effect on the stability and predictability of the investments and on the interests of the other depositors in the County treasury. (Government Code Sections 27000.3, 27133(h), 27136 and 53684(c))

XIX. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs, but focusing on, in order of importance, preservation of capital, liquidity, and yield.

The Treasurer's investment strategy is to actively manage the portfolios to create less risk than a benchmark comparable index and to use economies of scale to invest and administer the program at a reasonable cost. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be the indices most comparable to the fund, such as money rate data published in Barron's, The Wall Street Journal, Bloomberg, or other bond fund indices. The standards enumerated herein do not constitute a guarantee of the fund's performance.

XX. INVESTMENT POLICY STATEMENT REVIEW

This Investment Policy Statement shall be reviewed on an annual basis by the Treasury Oversight Committee prior to being presented to for review and approval by, the Board of Supervisors in an open session.

XXI. FINANCIAL REPORTING

The monthly Treasurer's Investment Report and all compliance Audit Reports shall be provided to the Orange County Board of Supervisors, County Executive Officer, Chief Financial Officer, Internal Audit Director, Auditor-Controller, Treasury Oversight Committee, the presiding judge of the Superior Court, the director or director executive officer and Treasurer or other official responsible for the funds of any Local Agency who has investments in the OCIF as allowed by Government Code Sections 53607, 53646, and 53686.

All reports filed by the Treasurer in accordance with Government Code Section 53646 shall, among other matters, state compliance of the portfolio with the Investment Policy Statement, or the manner in which the portfolio is not in compliance. A statement will also be filed by the Treasurer in accordance with Government Code 53646(b) denoting the ability of each pool to meet its expenditure requirements for the next six months or provide an explanation of why sufficient money may not be available.

XXII. LEGISLATIVE CHANGES

Any State of California law that further restricts allowable maturities, investment type, percentage allocations, or any other provision of this Investment Policy Statement will, upon effectiveness, be incorporated into this Investment Policy Statement and supersede any and all previous applicable language.

XXIII. DISASTER RECOVERY PROGRAM

The Treasurer's Disaster Plan includes critical phone numbers and addresses of key treasury and investment personnel as well as currently approved bankers and broker/dealers. Three copies of the Disaster Plan for home, office, and car have been distributed to key treasury and investment personnel. The plan provides for an offsite location to be communicated at the time of readiness if our offices are uninhabitable.

In the event the Treasurer or authorized staff is unable to invest the portfolio, the Treasurer has an agreement with the custodian for a daily sweep of all uninvested cash with the custody bank into a money market mutual fund. Until normal operations of the Treasurer's office have been restored, the limitations on the size of an individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this Investment Policy Statement and would be required to be reported to the Board of Supervisors and pool participants in a timely manner.

INVESTMENT POLICY STATEMENT
GLOSSARY

This Glossary is for general reference purposes only and does not constitute an exhaustive or exclusive list of terms and definitions applicable to this Investment Policy Statement. The definitions included herein do not modify any of the terms of this Investment Policy Statement or applicable law.

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

ADJUSTABLE RATE NOTE: (See Floating Rate Note)

AGENCY SECURITIES: (See U.S. Government Agency Securities)

AMORTIZATION: The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

AVERAGE LIFE: The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

ASKED PRICE: The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): (See Receivable-Backed Securities)

BANKERS' ACCEPTANCE (BA): Negotiable money market instruments issued primarily to finance international trade. These are time drafts in which a bank "accepts" as its financial responsibility to pay the principal at maturity even if the importer does not. In essence, these are bank obligations collateralized by goods being shipped between an exporter and an importer.

BASIS POINT: When a yield is expressed as 7.32%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most money market securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). The owners of these securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment, plus accrued interest and amortization of any premium or discount.

BROKER: A broker brings buyers and sellers together and is compensated for his/her service.

CALLABLE BONDS: Bonds that may be redeemed by the issuing company prior to the maturity date.

CALL PRICE: The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

CALL RISK: The risk to a bondholder that a bond may be redeemed prior to maturity.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a capital asset.

CERTIFICATE OF DEPOSIT (CD or NCD): A deposit of funds at a bank for a specified period of time that earns interest at a specified rate. Commonly known as "CDs" or "negotiable CDs."

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public moneys.

COMMERCIAL PAPER (CP): Short-term unsecured promissory notes issued by corporations for maturities of 180 days or less.

CONSUMER RECEIVABLE-BACKED BONDS: (See Receivable-Backed Securities)

CONVEXITY: A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

CREDIT OUTLOOK: (See Rating Outlook)

CREDIT QUALITY: The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized statistical rating organizations.

CREDIT RISK: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CREDIT WATCH: indicates that a company's credit is under review and credit ratings are subject to change.

+ (positive)	Credit is under review for possible upgrade.
- (negative)	Credit is under review for possible downgrade.
Evolving/ Neutral	Credit is under review, direction uncertain.

COUPON: The rate at which a bond pays interest.

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE: A security whose interest rate of principal amount may vary and are determined by a market index or a combination of market indexes.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as **discount securities**. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principle designed to spread the risk in a portfolio by dividing investments among different sectors, industries and companies.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size of that investment.

DOMINION BOND RATING SERVICE, LTD: (see Nationally Recognized Statistical Rating Organization)

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

FEDERAL FUNDS RATE: Interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. A target rate is set by the FOMC.

FEDERAL OPEN MARKET COMMITTEE (FOMC): This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 12 Federal Reserve banks and about 6,000 member banks.

FITCH, INC: (see Nationally Recognized Statistical Rating Organization)

FIXED-INCOME SECURITIES: Securities that return a fixed income over a specified period.

FLOATING RATE NOTE: A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, LIBOR, etc.).

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTERNAL CONTORLS: An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management.

INVESTMENT COMPANY ACT OF 1940: Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

LOCAL AGENCY: County, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

MARK-TO-MARKET: The market valuation for every security in a portfolio used in determining Net Asset Value (NAV).

MARKET RISK: The risk that changes in overall market conditions or interest rate may adversely affect current market prices.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract between the parties of a repurchase agreement establishing each party's rights in all current and future transactions until termination of the contract by either party.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTES (MTN): Debt securities issued by a corporation or depository institution with a maturity ranging from nine months to five years. The term "medium-term note" refers to the time it takes for an obligation to mature, and includes other corporate debt securities originally issued for maturities longer than five years, but which have now fallen within the five-year maturity range. MTNs issued by banks are also called "bank notes."

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invest in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC: (See Nationally Recognized Rating Services)

MUNICIPAL DEBT: Bonds, notes and other securities issued by a state, municipality or county.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc). The primary rating agencies are the following: Standard & Poor's Corporation; Moody's Investor Services, Inc.; Fitch, Inc.; and Dominion Bond Rating Service, Ltd.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): A per-share valuation of a mutual fund based on total assets minus total liabilities.

NON-CALLABLE: Bond that cannot be called at the option of the issuer.

OFFER PRICE: The price asked by a seller of securities.

PAR or PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a physical certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an individual or institutional investor.

PREMIUM: The difference between the par value of a bond and the market value of the bond, when the market value is above par.

PRICE RISK: The risk that the price of a bond sold prior to maturity will be less than the price at which the bond was originally purchased.

PRIMARY DEALER: One of 21 banks and securities brokerages authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York in its execution of Federal Open Market Operations.

PRIME RATE: The base rate that banks use in pricing commercial loans to their best and most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information of the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

RATING OUTLOOK: The potential direction of the credit rating assigned by a NRSRO for a specific company.

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

RECEIVABLE-BACKED SECURITIES: Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

RECEIVABLE PASS-THROUGH CERTIFICATE: A debt obligation that is backed by a portfolio of receivables, normally issued by a bank or financial institution. The interest and principal of the obligation is paid out of the cash flow generated by the receivables portfolio.

REFUNDED BOND: A bond secured by an escrow fund that is sufficient to pay off the entire issue of bonds at the next call date (pre-funded) or maturity (escrowed to maturity).

REGISTERED STATE WARRANT: A short-term obligation of a state governmental body issued in anticipation of revenue.

REPURCHASE AGREEMENT (REPO): The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities back at a later date at a specified price that includes interest for the buyer's holding period.

RULE 2a-7 OF THE INVESTMENT COMPANY ACT: Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 60-day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD: Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

SAFEKEEPING: Storage and protection of a customer's financial assets, valuables, or documents, provided as a service by an institution serving as Agent or Custodian and, where control is delegated by the customer.

SECURITIES & EXCHANGE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SINKING FUND: Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

STANDARD & POOR′S CORPORATION: (See Nationally Recognized Rating Services)

STRUCTURED INVESTMENT VEHICLE (SIV): A pool of investment assets that attempts to profit from credit spreads between short-term debt and long-term structured finance products such as asset-backed securities (ABS). Funding for SIVs comes from the issuance of commercial paper that is continuously renewed or rolled over; the proceeds are then invested in longer maturity assets that have less liquidity but pay higher yields. SIVs often employ great amounts of leverage to generate returns.

SUPRANATIONAL: An entity that is formed by two or more central governments with the purpose of promoting economic development for the member countries. Examples include the International Bank for Reconstruction and Development, International Finance Corporation, and the Inter-American Development Bank.

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period.

(Price appreciation) + (Dividends paid) + (Capital gains) = Total Return

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U. S. GOVERNMENT AGENCY SECURITIES: Debt securities issued by U.S. Government sponsored enterprises and federally related institutions. These government agencies include: Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), Federal National Mortgage Association (FNMA or Fannie Mae), Federal Farm Credit Banks (FFCB), Resolution Trust Corporation (RTC), and Tennessee Valley Authority (TVA).

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

> **Treasury bills:** non-interest-bearing discount securities with maturities under one year issued by the U.S. Treasury to finance the national debt.
>
> **Treasury notes:** interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from date of issue.
>
> **Treasury bonds:** interest-bearing obligations issued by the U.S. Treasury with maturities that range from ten to thirty years from date of issue.

UNIFORM NET CAPITAL RULE: SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

VARIABLE RATE NOTE: (See Floating Rate Note)

VOLATILITY: A degree of fluctuation in the price and valuation of securities.

WEIGHTED AVERAGE MATURITY (WAM): The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 60 days and no one security may have a maturity that exceeds 397 days.

WHEN ISSUED (WI): A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

YIELD: The annual rate of return on a debt investment computed as though held to maturity expressed as a percentage.

YIELD TO CALL (YTC): The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

YIELD TO MATURITY (YTM): The rate of return earned on an investment considering all cash flows and timing factors: interest earnings, discounts, and premiums above par.

ZERO-COUPON BONDS/U.S. TREASURY STRIPS: A bond which represents ownership of a single coupon or principal payment due on a U.S. Treasury bond. Zeros or strips mature at face value at a specified date in the future and make no payments until that date. They always sell at a discount from face value.