



Andrew N. Hamilton, CPA Orange County Auditor-Controller



Review of the Treasurer's Schedule of Assets as of December 31, 2023

Audit Manager: Rodrigo Martinez
Auditor II: Stephanie Tapia

Audit Number 2308
Report Date: May 27, 2025

Internal Audit



OFFICE OF THE
ORANGE COUNTY AUDITOR-CONTROLLER

ANDREW N. HAMILTON, CPA
AUDITOR-CONTROLLER

DATE: May 27, 2025

TO: Honorable Board of Supervisors

FROM: Rodrigo Martinez, Audit Manager

SUBJECT: Review of the Treasurer's Schedule of Assets as of December 31, 2023

Pursuant to GOV Section 26920(a), we have reviewed the Treasurer's Schedule of Assets (Schedule) as of December 31, 2023, and the related notes to the Schedule. We use the term schedule instead of statement because the Schedule only presents the assets in the County Treasury; it does not present the financial position of the County Treasury. A statement fairly presents financial position in conformity with GAAP (e.g., a statement of net position), and a schedule presents data on legally prescribed basis different from GAAP (e.g., GOV Section 26920). Our report is attached for your review.

We appreciate the assistance extended to us by the personnel of the Treasurer-Tax Collector during this engagement. If you have any questions please contact me at 714-834-6106.

Other recipients of this report:

- Members, Audit Oversight Committee
- Dana Schultz, Assistant Treasurer-Tax Collector
- Jun Intal, Division Director of Treasury
- Brian Winn, Investment Accounting/Compliance Manager
- Salvador Lopez, Chief Deputy Auditor-Controller
- Stephanie Tapia, Auditor II
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors
- Eide Bailly LLP, County External Auditor

Independent Accountant's Review Report

We have reviewed the accompanying Orange County Treasurer's Schedule of Assets (Schedule) as of December 31, 2023, and related notes to the Schedule. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the Schedule as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with the modified accrual basis of accounting; this includes determining that the modified accrual basis is an acceptable basis for the preparation of the Schedule in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of Schedules that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the Schedule for it to be in accordance with the modified accrual basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Orange County Treasurer and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the Schedule in order for it to be in accordance with the modified accrual basis of accounting.

Basis of Accounting

We draw attention to Note 1 of the Schedule, which describes the basis of accounting. The Schedule is prepared in accordance with the modified accrual basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.



Rodrigo Martinez
Santa Ana, California
May 27, 2025

Orange County Treasurer's
Schedule of Assets as of December 31, 2023
(Dollar Amounts in Thousands)

	Orange County Treasurer's Pool	Specific Investment Account	Bond Proceeds Account	Total
Cash	\$ 12,053	\$ -	\$ -	\$ 12,053
Investments	16,371,516	550,498	22,455	\$ 16,944,469
Interest Receivable	109,795	246	249	\$ 110,290
Total Assets	<u>\$ 16,493,364</u>	<u>\$ 550,744</u>	<u>\$ 22,704</u>	<u>\$ 17,066,812</u>

Note 1 – Summary of Significant Accounting Policies

The Financial Reporting Entity

The Orange County Treasurer-Tax Collector (TTC) is responsible for tax collection, banking, investment, disbursement and accountability of public funds. The TTC is also responsible for authorizing all County bank accounts and, pursuant to California Government Code (CGC) Sections 27000.1 – 27000.5, 27130 – 27137, and 53600 – 53686, conducting County investment activities for all public funds in the Orange County Investment Fund (OCIF), which in State law is called the County Treasury. The OCIF consists of three types of Funds, an external investment pool called the Orange County Treasurer's Pool (OCTP), Specific Investment Accounts and a Bond Proceeds Account that are included in the Schedule of Assets. The primary goal is to invest public funds in a manner which will provide maximum security of principal invested with secondary emphasis on providing adequate liquidity to pool participants. The last goal is 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 OCTP is managed on behalf of the pool participants that consist of the County, local school and community college districts (Educational Districts), both whom are required by State statute to deposit funds with the TTC, and other non-mandatory local agencies and districts (Voluntary Pool Participants). Monies of the County, Educational Districts and other legally separate external entities, which are not part of the County reporting entity, are commingled (pooled) for banking and investment purposes only and invested on the participants' behalf, for the purpose of benefiting from economies of scale through pooled banking and investment activities. The OCTP is not registered with the Securities and Exchange Commission (SEC) as an investment company, and therefore is exempt from SEC rules. The TTC will act on a "best efforts" basis to stabilize the OCTP Net Asset Value (NAV) at or above \$0.9975 (in absolute dollar amounts). OCTP does not have any legally binding guarantees of share values. The investment practices and policies of the TTC are based on compliance with state law and prudent money management. On November 1, 2023, Fitch assigned the OCTP their highest credit rating of AA+ for credit risk and a rating of S1. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

The Specific Investment Accounts are governed by the Investment Policy Statement (IPS) and the Bond Proceeds Account is governed by a governing board bond resolution and both account types have separate agreements detailing investment related information between the County and/or a participant's governing board to invest funds that are set up for a specific requirement and if the investment maturities may extend beyond five years.

The State of California allows the Board of Supervisors (Board) the ability to delegate the investment authority to the TTC in accordance with CGC Section 53607. On an annual basis, the Board delegates the investment authority to the TTC. Pursuant to CGC 27130-27137, the Board has established the Treasury Oversight Committee (TOC) that monitors and reviews the IPS annually and also causes an audit of the County Treasury to ensure compliance. The TOC consists of the County Executive Officer, the elected County Auditor-Controller, the elected County Superintendent of Schools, or their respective designees, and four public members appointed by the Board of Supervisors, with at least three having expertise in, or an academic background in, public finance.

Financial Statement Presentation

The accompanying schedule is presented on a modified accrual basis of accounting, which is a comprehensive basis of accounting other than the generally accepted accounting principles in the United States of America (GAAP). The cash balance differs from the accrual basis primarily by not including the amount of outstanding checks and deposits in transit. The accompanying schedule of assets presents only the assets of the County Treasury that includes the Orange County Treasurer's Pool (OCTP), Specific Investment Accounts and Bond Proceed Accounts and is not intended to present fairly the financial position of the County as a whole. Contributions from pool participants are recognized in the period in which they are received. Distributions to pool participants are recognized in the period in which they are disbursed.

Note 2 – Cash and Investments

Cash

As of December 31, 2023, the OCTP maintained accounts at Wells Fargo bank. Demand deposits of public funds at financial institutions that are not covered by the Federal Depository Insurance Corporation (FDIC) are required to be collateralized under CGC Section 53652 et. seq. and the IPS, which also prescribe the amount of collateral at market value that is required to secure these deposits. All such collateral is considered to be held by an agent of depository pursuant to CGC Section 53658. The pledge to secure deposits is administered by the California Department of Financial Protection and Innovation. Obligations pledged to secure deposits must be delivered to an institution other than the institution in which the deposit is made; however, the trust department of the same institution may hold them. Written agreements are required to provide, among other things, that the collateral securities are held separately from the assets of the custodial institution. Collateral is required for demand deposits at 110% of all deposits not covered by FDIC obligations of the United States and its agencies, or obligations of the State or its municipalities, school districts, and district corporations are pledged. Collateral of 150% is required if a deposit is secured by first mortgages or first trust deeds upon improved residential real property located in California. FDIC is available for demand deposits and time saving deposits at any one financial institution up to a maximum of \$250.

Investments

The TTC invests in securities for the OCTP, the Specific Investment Accounts, and the Bond Proceeds Account. Investments by the TTC are reported at fair value in compliance with Government Accounting Standards Board (GASB) Statement No. 72. Investments in the OCIF are marked-to-market on a daily basis and the fair value of the investments is provided by the custodial bank. Investments held by the TTC are exposed to risks such as interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Investment Strategy

The TTC's investment strategy for the OCTP is to preserve principal, provide liquidity to meet the disbursements needs and generate a yield within the parameters of prudent risk management. The cash flow needs of the OCTP participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of participants. The TTC's basic investment strategy is to buy and hold, to a designated maturity, high quality fixed income investments.

The Specific Investments Accounts are used to account for the schedule of assets for individual investment accounts. The individual investment strategies are customized to the needs of the requesting participants.

The Bond Proceeds Account is invested according to the bond indenture and are used to account for the schedule of assets for an Educational District and is customized to the needs of the District.

The investments in the accompanying Schedule are reported at fair value based on pricing received from the custodial bank. The table below summarizes the investments stated at fair value for OCTP, Specific Investment and the Bond Proceeds Accounts as of December 31, 2023:

	Orange County Treasurer's Pool	Specific Investment Account	Bond Proceeds Account
U. S. Government Agencies	\$ 10,855,229	\$ 16,726	\$ 18,630
U. S. Treasuries	3,312,051	533,771	3,504
Money Market Mutual Funds	2,202,887	-	321
Local Agency Investment Fund (LAIF)	1,349	-	-
Total Investments at Fair Value	<u>\$ 16,371,516</u>	<u>\$ 550,497</u>	<u>\$ 22,455</u>

Note 3 – Interest Receivable

Interest receivable consists of interest accrued on investments including interest purchased with certain securities. At December 31, 2023, interest receivable totaled: \$109,795 for OCTP, \$246 for Specific Investments, and \$249 for the Bond Proceeds account.