



Andrew N. Hamilton, CPA Orange County Auditor-Controller



Review of the Treasurer's Schedule of Assets as of September 30, 2025

Audit Manager: Rodrigo Martinez
Auditor II: Stephanie Tapia

Audit Number 2507
Report Date: July 7, 2026

Internal Audit



OFFICE OF THE
ORANGE COUNTY AUDITOR-CONTROLLER

ANDREW N. HAMILTON, CPA
AUDITOR-CONTROLLER

DATE: July 7, 2026

TO: Honorable Board of Supervisors

FROM: Rodrigo Martinez, Audit Manager

SUBJECT: Review of the Treasurer's Schedule of Assets as of September 30, 2025

Pursuant to GOV Section 26920(a), we have reviewed the Treasurer's Schedule of Assets (Schedule) as of September 30, 2025, 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
Shari L. Freidenrich, Treasurer-Tax Collector
Jun Intal, Division Director of Treasury
Salvador Lopez, Chief Deputy Auditor-Controller
Stephanie Tapia, Auditor II
Foreperson, Grand Jury
Robin Stieler, Clerk of the Board of Supervisors
Crowe LLP, County External Auditor

Independent Accountant's Review Report

We have reviewed the accompanying Orange County Treasurer's Schedule of Assets (Schedule) as of September 30, 2025, 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
July 7, 2026

Orange County Treasurer's
Schedule of Assets Held in the County Treasury as of September 30, 2025
(Dollar Amounts in Thousands)

	<u>Orange County Treasury Pool</u>	<u>Bond Proceeds Account</u>	<u>Total</u>
Cash	\$ 50,574	\$ -	\$ 50,574
Investments	14,532,792	24,237	14,557,029
Interest Receivable	63,807	184	63,991
Total Assets	<u>\$ 14,647,173</u>	<u>\$ 24,421</u>	<u>\$ 14,671,594</u>

Note 1 – Summary of Significant Accounting Policies

The Financial Reporting Entity

Under various State Laws, the Orange County Treasurer-Tax Collector (Treasurer) is responsible for tax collection, banking, safekeeping, depositing, disbursing, reporting and accountability of public funds in the County Treasury that includes cash and investments. The surplus cash (investments) invested in the County Treasury is called the Orange County Investment Fund (OCIF). The OCIF consists of an external investment pool called the Orange County Treasury Pool (OCTP) and a Bond Proceeds Account that are included in the Treasurer's Schedule of Assets Held in the County Treasury. State law defines three public fund objectives. First, provide maximum security of principal invested, second, provide adequate liquidity to pool participants, and third 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) and other district funds, who are required by State statute to deposit funds in the County Treasury with the Treasurer, and other non-mandatory local agencies and districts. Monies of the County, Educational Districts and other legally separate external local agencies required to deposit funds with the Treasurer, which are not part of the County reporting entity, are commingled (pooled) for banking for the purpose of benefiting from economies of scale through pooled banking 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 County 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. On April 14, 2026, Fitch re-affirmed their highest credit rating for the OCTP 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.

Under State of California law Government Code Section (GCS) 53600.3, the Board of Supervisors (Board) is the governing body authorized to make investment decisions on behalf of the county and therefore fiduciaries subject to the prudent investor standard to safeguard the principal and maintain the liquidity needs of the County. State law GCS 53646(a)(1) states that, in the case of County government, the Treasurer may render a Statement of Investment Policy (IPS) to the Board to be reviewed and approved at a public meeting. The Treasurer did render a proposed 2025 Treasurer's IPS and Board Resolution delegating the investment authority to the Treasurer on December 17, 2024, that the Board deleted from the public agenda on December 17, 2024. The 2024 Treasurer's IPS expired on December 31, 2024. On February 11, 2025, the Board approved a County of Orange California Investment Policy (IP) submitted by County Counsel with the Board responsible for making investment decisions per GCS 53600.3. The Investment Authority section also stated that they can delegate as they determine appropriate and defined the County Investment Manager as the County official or individual authorized by the Board to invest. The IP renamed the pooled funds from the Orange County Treasurer's Pool to the Orange County Treasury Pool.

On March 11, 2025, the Board adopted a resolution dissolving the Treasury Oversight Committee, (TOC) originally created pursuant to GCS 27131. At the same meeting, the Board also established an Investment Oversight Committee (IOC) not defined in State law and directed voting members of the Audit Oversight Committee (Board Chair and Vice Chair, CEO, five Board appointed members) to sit as voting members of the IOC and added the Superintendent of Schools as a voting member of the IOC. The IOC is responsible for reviewing any investment policies approved by the Board that governs the investment of funds deposited in the County Treasury. This includes reviewing proposed amendments or modifications to ensure compliance with applicable requirements and providing independent oversight of the County Treasury and its investment activities.

The OCTP is governed by the IP approved on February 11, 2025 and the Bond Proceeds Account is governed by a governing board bond resolution and a separate agreement with the governing board to

invest funds that are set up for a specific purpose and identify if the investment maturities may extend beyond five years.

Financial Statement Presentation

The accompanying schedule of assets represents only the assets of the OCTP and Bond Proceeds Account, is presented on a modified accrual basis of accounting to comply with the financial reporting provisions of the CGC Section 26920 (a) and is not intended to be a presentation in conformity with generally accepted accounting principles in the United States of America (GAAP) nor to present fairly the financial position of the County as a whole.

Note 2 – Cash and Investments

Cash

As of September 30, 2025, the Treasurer is responsible for the safekeeping of money in her custody and maintained bank accounts at the depository bank of Wells Fargo. Demand deposits of public funds at depository banks that are not covered by the Federal Depository Insurance Corporation (FDIC) and not invested as surplus are required to be collateralized under CGC Section 53649 and 53652 et. seq. and the IP, 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

Investments 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. The fair value of the investments is provided daily by the Treasurer's custodial bank of Northern Trust and included in the books and records of the Treasurer. Investments held in the County Treasury are exposed to risks such as interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

The table below summarizes the investments stated at fair value for the OCTP and the Bond Proceeds Accounts as of September 30, 2025:

	Orange County Treasury Pool	Bond Proceeds Account
U. S. Government Agencies	\$ 9,749,975	\$ 15,530
U. S. Treasuries	3,750,125	7,073
Money Market Mutual Funds	1,031,236	1,634
Local Government Investment Fund	1,456	-
Total Investments at Fair Value	\$ 14,532,792	\$ 24,237

Note 3 – Interest Receivable

Interest receivable consists of interest accrued on investments including interest purchased with certain securities. As of September 30, 2025, interest receivable totaled: \$63,807 for OCTP and \$184 for the Bond Proceeds Account.

Note 4 – Subsequent Event

On December 16, 2025, the CEO submitted an agenda item to receive and file the 2025 Strategic Plan. This agenda item included a recommendation to approve an update to the Orange County Investment Policy (IP) that was reviewed by the IOC on November 13, 2025. The red-lined IP version contained several changes to the IP including increasing the OCTP duration from 1.5 years to 3 years and increasing the maturity limits for Medium Term Notes from 2 years to 5 years. The agenda item stated that the IP is prepared in accordance with California State law. On December 16, 2025, the Treasurer rendered a proposed 2026 Treasurer's IPS and Board Resolution delegating the investment authority to the Treasurer that the Board deleted from the public agenda on December 12, 2025. State law GCS 53646(a)(1) states that, in the case of County government, the Treasurer may render a Statement of Investment Policy (IPS) to the Board to be reviewed and approved at a public meeting.