



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

MARIA M. OMS
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JUDI E. THOMAS

October 19, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **REVIEW OF THE COUNTY TREASURY STATEMENT OF NET ASSETS
FOR THE QUARTERS ENDED SEPTEMBER 30, 2008 AND
DECEMBER 31, 2008**

California Government Code Section 26920 requires quarterly reviews of the County Treasurer and Tax Collector's (TTC) statement of net assets in the County Treasury. We contracted with an independent Certified Public Accounting firm, Macias, Gini & O'Connell, LLP (MGO), to perform the review for the quarters ended September 30, 2008 and December 31, 2008. MGO conducted the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. MGO also performed several agreed-upon procedures largely in reconciliations of cash and investments.

MGO's review reports for both quarters (Attachments 1 and 3) indicate that they are not aware of any material modifications that should be made to the quarterly statement of net assets.

MGO's agreed-upon procedures reports (Attachments 2 and 4) indicate they performed the following procedures:

1. Confirmed Treasury cash held by banks and investments held by the TTC's safekeeping agent and other custodians as of the end of the quarters.

2. Obtained the TTC's bank reconciliations at the end of the quarters and verified the bank accounts were reconciled to the Treasury's accounting records. Tested the mathematical accuracy of the reconciliations and traced material items to supporting documents.
3. Obtained the TTC's reconciliations of investments and other securities at the end of the quarters and verified the investments recorded in TTC's records were reconciled to TTC's custodial bank.
4. Obtained the TTC's reconciliations of cash and investments at the end of the quarters and verified that cash and investments were reconciled between TTC's records and the Auditor-Controller's records pursuant to Government Code Section 26905.
5. Agreed the amounts reported on the end of the quarter statements to Treasury records.

MGO did not note any exceptions in their agreed upon procedures.

Please call me if you have any questions, or your staff may call Jim Schneiderman at (213) 253-0101.

WLW:MMO:JLS:MP

Attachments

c: William T Fujioka, Chief Executive Officer
Mark J. Saladino, Treasurer and Tax Collector
Public Information Office
Audit Committee

**Los Angeles County
Treasury**

Review Report

September 30, 2008

**LOS ANGELES COUNTY TREASURY
REVIEW REPORT
SEPTEMBER 30, 2008**

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MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

LOS ANGELES
515 S. Figueroa Street, Suite 325
Los Angeles, CA 90071
213.286.6400

SACRAMENTO

OAKLAND

WALNUT CREEK

NEWPORT BEACH

SAN MARCOS

SAN DIEGO

INDEPENDENT ACCOUNTANT'S REPORT

The Honorable Board of Supervisors of the
Los Angeles County, California

We have reviewed the accompanying special-purpose statement of net assets of the Los Angeles County Treasurer and Tax Collector (Treasury) as of September 30, 2008, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in the statement of net assets is the representation of the management of the Treasury.

A review consists principally of inquiries of Treasury personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The accompanying special-purpose statement of net assets was prepared for the purpose of complying with the California Government Code Section 26920 as discussed in Note 1, and is not intended to be a presentation in conformity with generally accepted accounting principles.

Based on our review, we are not aware of any material modifications that should be made to the accompanying special-purpose statement of net assets in order for it to be in conformity with the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Board of Supervisors, Treasury and Auditor-Controller management, and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
June 22, 2009

**LOS ANGELES COUNTY TREASURY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

	<u>External Investment Pool</u>	<u>Specific Purpose Investment</u>	<u>Other Specific Investments</u>
Assets			
Treasurer Cash	\$ 50,620,846	\$ -	\$ -
Investments (Fair Value)	18,108,066,977	483,902,437	302,653
Interest Receivable	<u>102,608,497</u>	<u>3,123,270</u>	<u>-</u>
Total Assets	<u>18,261,296,320</u>	<u>487,025,707</u>	<u>302,653</u>
Liabilities			
Trades Payable	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets Held in Trust	<u><u>\$ 18,261,296,320</u></u>	<u><u>\$ 487,025,707</u></u>	<u><u>\$ 302,653</u></u>

See Independent Accountant's Report
The accompanying note is an integral part of this financial statement.

**LOS ANGELES COUNTY TREASURY
NOTE TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

Note 1 – Summary of Significant Accounting Policies

The Financial Reporting Entity

The Los Angeles County (County) Treasurer and Tax Collector (Treasury) is responsible for tax collection, banking, investment and accountability of public funds. The County Treasury maintains two investment portfolios, the External Investment Pool portfolio (the Pool) and the Specific Purpose Investment (SPI) portfolio with approximately \$18.26 billion and \$487.03 million, respectively, in total net assets as of September 30, 2008. The Pool is managed by the County Treasury on behalf of the Pool participants, which include the County, local school districts, and the Courts who are required by State statutes to participate in the Pool. Voluntary participants in the County Treasury consist of the Sanitation Districts, the Metropolitan Transportation Authority, the South Coast Air Quality Management District and certain other municipal agencies. The deposits held for these entities are invested in the Pool and SPI portfolios. The Treasury also maintains Other Specific Investments totaling approximately \$0.30 million at September 30, 2008. These assets are held by the Treasury for a municipal agency per State Code. The State of California allows the Board of Supervisors (Board) the ability to delegate the investment authority to the County Treasury in accordance with Section 53607 of the California Government Code.

Pursuant to Sections 27130-27137 of the California Government Code, the Board has established a county Treasury Oversight Committee to review and monitor the Treasury's Investment Policy. The Committee membership includes the Treasurer, Auditor-Controller, Chief Executive Officer, Superintendent of Schools and a non-County representative. Due to a subsequent change in California Government Code Section 27131, the establishment of a county Treasury Oversight Committee became optional and no longer mandatory. As a result of this change, the Board disbanded the County Treasury Oversight Committee on November 12, 2008 due to its limited functions. The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company.

Treasury's Investment Strategy

The County Treasury's investment strategy for the Pool is to maintain the principal and to provide sufficient cash to meet disbursement needs. The cash flow needs of the Pool members are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of participants. The County Treasury's basic investment strategy is to buy and hold, to a designated maturity, high quality fixed income investments.

The SPI portfolio is used to account for the net assets of individual investment accounts, in aggregate. The related investment activity occurs separately from the Pool and is provided as a service to Pool participants and external investors. The individual investment strategies are targeted for the needs of the requesting entity.

The Other Specific Investments are used to account for the assets placed with the County Treasury pursuant to State Code and court order. The investment activity occurs separately from the County's Pool and the related investment strategies are governed by State Code and court order.

**LOS ANGELES COUNTY TREASURY
NOTE TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008 (CONTINUED)**

Financial Statement Presentation

The accompanying special-purpose statement of net assets was prepared for the purpose of presenting the net assets of the Treasury pursuant to the California Government Code Section 26920 and is not intended to be a presentation in conformity with generally accepted accounting principles. Accordingly, note disclosures required by Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment to GASB Statement No. 3, are not presented, since such disclosures are not required by the California Government Code Section 26920.

**Los Angeles County
Treasury**
Agreed-Upon Procedures Report
September 30, 2008

**LOS ANGELES COUNTY TREASURY
AGREED-UPON PROCEDURES REPORT
SEPTEMBER 30, 2008**

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MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

LOS ANGELES
515 S. Figueroa Street, Suite 325
Los Angeles, CA 90071
213.286.6400

SACRAMENTO

OAKLAND

WALNUT CREEK

NEWPORT BEACH

SAN MARCOS

SAN DIEGO

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

The Honorable Board of Supervisors of the
Los Angeles County, California

We have performed the procedures enumerated below, which were agreed to by the Los Angeles County Auditor-Controller (Auditor-Controller) and the Los Angeles County Treasurer and Tax Collector (Treasury), solely to assist you with respect to the Statement of Net Assets of the Treasury as of September 30, 2008 (Statement). Treasury management is responsible for the Statement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and our findings are as follows:

1. Confirmed Treasury cash held by banks and investments held by the Treasury's safekeeping agent and other custodians as of September 30, 2008.

No exceptions were noted as a result of our procedures.

2. Obtained the Treasury's bank reconciliations at September 30, 2008 and verified the bank accounts were reconciled to the Treasury's accounting records. Tested the mathematical accuracy of the reconciliations and traced material reconciling items to supporting documents.

No exceptions were noted as a result of our procedures.

3. Obtained the Treasury's reconciliations of investments and other safekept securities at September 30, 2008 and verified the investments recorded in the Treasury's records were reconciled to the Treasury's custodial bank. Tested the mathematical accuracy of the reconciliations and traced material reconciling items to supporting documents.

No exceptions were noted as a result of our procedures.

4. Obtained the Treasury's reconciliations of cash and investments at July 31, 2008, August 31, 2008, and September 30, 2008 and verified that cash and investments were reconciled between the Treasury's records and the Auditor-Controller's records pursuant to Government Code Section 26905. Tested the mathematical accuracy of the reconciliations and traced material reconciling items to supporting documents.

No exceptions were noted as a result of our procedures.

5. We agreed amounts reported on the Statement at September 30, 2008 to the records of the Treasury.

No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the Statement. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the members of the Board of Supervisors, Treasury and Auditor-Controller management, and is not intended to be and should not be used by anyone other than these specified parties.

Macias Jini & O'Connell LLP

Certified Public Accountant

Los Angeles, California

June 22, 2009

**Los Angeles County
Treasury**

Review Report

December 31, 2008

**LOS ANGELES COUNTY TREASURY
REVIEW REPORT
DECEMBER 31, 2008**

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A review consists principally of inquiries of Treasury personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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Macias Gini & O'Connell LLP

Certified Public Accountant

Los Angeles, California
June 22, 2009

**LOS ANGELES COUNTY TREASURY
STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	<u>External Investment Pool</u>	<u>Specific Purpose Investment</u>	<u>Other Specific Investments</u>
Assets			
Treasurer Cash	\$ 62,275,320	\$ -	\$ -
Investments (Fair Value)	21,384,548,355	476,420,098	301,788
Interest Receivable	104,673,325	3,563,099	-
Total Assets	<u>21,551,497,000</u>	<u>479,983,197</u>	<u>301,788</u>
Liabilities			
Trades Payable	249,993,500	-	-
Total Liabilities	<u>249,993,500</u>	<u>-</u>	<u>-</u>
Total Net Assets Held in Trust	<u>\$ 21,301,503,500</u>	<u>\$ 479,983,197</u>	<u>\$ 301,788</u>

See Independent Accountant's Report
The accompanying note is an integral part of this financial statement.

**LOS ANGELES COUNTY TREASURY
NOTE TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

Note 1 – Summary of Significant Accounting Policies

The Financial Reporting Entity

The Los Angeles County (County) Treasurer and Tax Collector (Treasury) is responsible for tax collection, banking, investment and accountability of public funds. The County Treasury maintains two investment portfolios, the External Investment Pool portfolio (the Pool) and the Specific Purpose Investment (SPI) portfolio with approximately \$21.30 billion and \$479.98 million, respectively, in total net assets as of December 31, 2008. The Pool is managed by the County Treasury on behalf of the Pool participants, which include the County, local school districts, and the Courts who are required by State statutes to participate in the Pool. Voluntary participants in the County Treasury consist of the Sanitation Districts, the Metropolitan Transportation Authority, the South Coast Air Quality Management District and certain other municipal agencies. The deposits held for these entities are invested in the Pool and SPI portfolios. The Treasury also maintains Other Specific Investments totaling approximately \$.30 million at December 31, 2008. These assets are held by the Treasury for a municipal agency per State Code. The State of California allows the Board of Supervisors (Board) the ability to delegate the investment authority to the County Treasury in accordance with Section 53607 of the California Government Code.

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**LOS ANGELES COUNTY TREASURY
NOTE TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2008 (CONTINUED)**

Financial Statement Presentation

The accompanying special-purpose statement of net assets was prepared for the purpose of presenting the net assets of the Treasury pursuant to the California Government Code Section 26920 and is not intended to be a presentation in conformity with generally accepted accounting principles. Accordingly, note disclosures required by Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment to GASB Statement No. 3, are not presented, since such disclosures are not required by the California Government Code Section 26920.

**Los Angeles County
Treasury**

Agreed-Upon Procedures Report

December 31, 2008

**LOS ANGELES COUNTY TREASURY
AGREED-UPON PROCEDURES REPORT
DECEMBER 31, 2008**

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LOS ANGELES
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Los Angeles, CA 90071
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SACRAMENTO

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

The Honorable Board of Supervisors of the
Los Angeles County, California

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Our procedures and findings are as follows:

1. Confirmed Treasury cash held by banks and investments held by the Treasury's safekeeping agent and other custodians as of December 31, 2008.

No exceptions were noted as a result of our procedures.

2. Obtained the Treasury's bank reconciliations at December 31, 2008 and verified the bank accounts were reconciled to the Treasury's accounting records. Tested the mathematical accuracy of the reconciliations and traced material reconciling items to supporting documents.

No exceptions were noted as a result of our procedures.

3. Obtained the Treasury's reconciliations of investments and other safekept securities at December 31, 2008 and verified the investments recorded in the Treasury's records were reconciled to the Treasury's custodial bank. Tested the mathematical accuracy of the reconciliations and traced material reconciling items to supporting documents.

No exceptions were noted as a result of our procedures.

4. Obtained the Treasury's reconciliations of cash and investments at October 31, 2008, November 30, 2008, and December 31, 2008 and verified that cash and investments were reconciled between the Treasury's records and the Auditor-Controller's records pursuant to Government Code Section 26905. Tested the mathematical accuracy of the reconciliations and traced material reconciling items to supporting documents.

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Macias Jini & O'Connell LLP

Certified Public Accountant

Los Angeles, California
June 22, 2009