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

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JAMES L. SCHNEIDERMAN
JUDI E. THOMAS

March 29, 2012

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

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **REVIEW OF THE COUNTY TREASURER'S STATEMENTS OF NET ASSETS FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

California Government Code Section 26920 requires quarterly reviews of each county treasurer's Statements of Net Assets in the county treasury. We contracted with an independent Certified Public Accounting firm; Macias, Gini & O'Connell, LLP (MGO), to review the County Treasurer and Tax Collector's (TTC) Statements of Net Assets for the quarter ended September 30, 2011. MGO conducted the review in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. MGO also performed several agreed-upon procedures, primarily in the areas of cash and investment reconciliations.

MGO's review report (Attachment 1) indicates that they are not aware of any material modifications that should be made to the Statements of Net Assets.

MGO's agreed-upon procedures report (Attachment 2) indicates they performed the following procedures:

1. Obtained TTC's bank reconciliations at September 30, 2011, verified that the bank accounts were reconciled to TTC's accounting records, and confirmed Treasury cash held by banks. Tested the mathematical accuracy of the reconciliations, and traced material reconciling items to supporting documents.

2. Obtained TTC's reconciliations of investments and other safekept securities at September 30, 2011, verified that the investments recorded in TTC's records were reconciled to TTC's custodial bank, and confirmed investments held by the TTC's safekeeping agent and other custodians at September 30, 2011. Tested the mathematical accuracy of the reconciliations, and traced material reconciling items to supporting documents.

3. Obtained TTC's reconciliations of cash and investments at July 31, 2011, August 31, 2011, and September 30, 2011, and verified that cash and investments were reconciled between the TTC'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.

4. Agreed the amounts reported on the Statements of Net Assets at September 30, 2011 to TTC's records.

MGO's agreed-upon procedures report did not identify any exceptions.

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

WLW:JLS:RGC:MP

Attachments

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

Attachment 1

Los Angeles County Treasury

Statements of Net Assets and Independent Accountant's Review Report

September 30, 2011

MGO **Certified Public Accountants.**

LOS ANGELES COUNTY TREASURY
STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2011

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MGO Certified Public Accountants.

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying special-purpose statements of net assets of the Los Angeles County Treasurer and Tax Collector (Treasury) as of September 30, 2011. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Treasury management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the California Government Code Section 26920 as discussed in Note 1 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

The accompanying special-purpose statements 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 accounting principles generally accepted in the United States of America.

Based on our review, we are not aware of any material modifications that should be made to the accompanying special-purpose statements 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

Los Angeles, California
March 12, 2012

3000 S Street
Suite 300
Sacramento
CA 95816

2121 N California Blvd
Suite 750
Walnut Creek
CA 94596

505 14th Street
5th Floor
Oakland
CA 94612

2029 Century Park East
Suite 500
Los Angeles
CA 90067

1675 MacArthur Ct
Suite 600
Newport Beach
CA 92660

225 Broadway
Suite 1750
San Diego
CA 92101

LOS ANGELES COUNTY TREASURY
STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2011

	External Investment Pool	Specific Purpose Investment	Other Specific Investments
Assets			
Treasurer Cash	$ 119,096,560	$ -	$ -
Investments (Fair Value)	23,492,314,029	72,349,382	301,903
Interest Receivable	58,774,030	105,333	-
Total Assets	23,670,184,619	72,454,715	301,903
Liabilities			
Trades Payable	733,826,118	-	-
Total Liabilities	733,826,118	-	-
Total Net Assets Held in Trust	$ 22,936,358,501	$ 72,454,715	$ 301,903

See accompanying note and independent accountant's review report.

LOS ANGELES COUNTY TREASURY
NOTE TO THE STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2011

Note 1 – Summary of Significant Accounting Policies

The Financial Reporting Entity

The Los Angeles County Treasurer and Tax Collector (Treasury) is responsible for tax collection, banking, investment and accountability of public funds. The Treasury maintains two investment portfolios, the External Investment Pool portfolio (the Pool) and the Specific Purpose Investment (SPI) portfolio with approximately $22.94 billion and $72.45 million, respectively, in total net assets as of September 30, 2011. The Pool is managed by the Treasury on behalf of the Pool participants, which include the County, local school districts, and the Superior Courts who are required by State statutes to participate in the Pool. Voluntary participants in the 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 September 30, 2011. These assets are held by the Treasury for a municipal agency per Section 1300.76.1, Title 28, California Code of Regulations (State Code). The State of California allows the Board of Supervisors (Board) the ability to delegate the investment authority to the Treasury in accordance with Section 53607 of the California Government Code. The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company.

Treasury's Investment Strategy

The Treasury's investment strategy for the Pool is to ensure the safety of principal, to provide sufficient cash to meet disbursement needs and to achieve a return. The cash flow needs of the Pool participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of participants. The 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 Treasury pursuant to State Code. The investment activity occurs separately from the County's Pool and the related investment strategies are governed by State Code.

Financial Statement Presentation

The accompanying special-purpose statements of net assets were prepared on the accrual basis of accounting and for the purpose of presenting the net assets of the Treasury pursuant to the California Government Code Section 26920. Investments are reported at fair value, which is based on quoted market price. The accompanying special-purpose statements of net assets are not intended to be presented in conformity with generally accepted accounting principles. Accordingly, Treasury management has elected to omit note disclosures required by Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, since such disclosures are not required by the California Government Code Section 26920.

Attachment 2

Los Angeles County Treasury

Independent Accountants' Report on Applying Agreed-Upon Procedures

September 30, 2011

MGO **Certified Public Accountants.**

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

The Honorable Board of Supervisors of the
County of Los Angeles, 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 Statements of Net Assets of the Treasury as of September 30, 2011 (Statements). Treasury management is responsible for the Statements. 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.

The procedures and our findings are as follows:

1. Obtained the Treasury's bank reconciliations at September 30, 2011, verified that the bank accounts were reconciled to the Treasury's accounting records and confirmed Treasury cash held by banks. Tested the mathematical accuracy of the reconciliations and traced reconciling items of $500,000 and greater to supporting documents.

   Results: No exceptions were noted as a result of our procedures.

2. Obtained the Treasury's reconciliations of investments and other safekept securities at September 30, 2011, verified that the investments recorded in the Treasury's records were reconciled to the Treasury's custodial bank and confirmed investments held by the Treasury's safekeeping agent and other custodians at September 30, 2011. Tested the mathematical accuracy of the reconciliations and traced reconciling items of $500,000 and greater to supporting documents.

   Results: No exceptions were noted as a result of our procedures.

3. Obtained the Treasury's reconciliations of cash and investments at July 31, 2011, August 31, 2011, and September 30, 2011 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 reconciling items of $500,000 and greater to supporting documents.

   Results: No exceptions were noted as a result of our procedures.

4. Agreed amounts reported on the Statements at September 30, 2011 to the records of the Treasury.

   Results: No exceptions were noted as a result of our procedures.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Statements. 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 Gini & O'Connell LLP

Los Angeles, California
March 12, 2012