September 18, 2008

TO: Supervisor Yvonne B. Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Acting Auditor-Controller


California Government Code Sections 26920 and 26922 require quarterly reviews of the County Treasury statement of net assets prepared by the Treasurer and Tax Collector (TTC). 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, 2007, and December 31, 2007. MGO conducted the review 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 as part of this engagement.

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.

"To Enrich Lives Through Effective and Caring Service"
3. Obtained the TTC's reconciliations of investments and other safe kept 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 the TTC's records and the Auditor-Controller's records pursuant to Government Code Section 26905.

The agreed-upon procedures report for the quarter ended September 30, 2007 noted that TTC staff had recorded an investment balance at cost, rather than at market value, resulting in an immaterial variance. TTC management indicated they have reiterated to staff the need to reflect the market value for all securities in their system.

These reports are intended for the information and use of the Board of Supervisors, the Treasurer's Oversight Committee, TTC management and the Auditor-Controller. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Please call me if you have any questions, or your staff may call Jim Schneiderman at (626) 293-1101.

WLW:MMO:JS

Attachments

c: William T Fujioka, Chief Executive Officer
Mark J. Saladino, Treasurer and Tax Collector
Sachi A. Hamai, Executive Officer
Public Information Office
Audit Committee
Los Angeles County
Treasury

Review Report

September 30, 2007
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INDEPENDENT ACCOUNTANT'S REPORT

The Honorable Board of Supervisors of the County of Los Angeles, 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, 2007, 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 examination 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, the Treasurer’s Oversight Committee, Treasury management, and Auditor-Controller and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

Macias Gini & O’Connell LLP
Los Angeles, California
May 12, 2008
# LOS ANGELES COUNTY TREASURY
## STATEMENT OF NET ASSETS
### SEPTEMBER 30, 2007

<table>
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<tr>
<th>External Investment</th>
<th>Specific Purpose Investment</th>
<th>Other Specific Investments</th>
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<tbody>
<tr>
<td>Pool</td>
<td>Investment</td>
<td>Investments</td>
</tr>
<tr>
<td>Treasurer Cash</td>
<td>$ 36,466,248</td>
<td>$ 43,696,549</td>
</tr>
<tr>
<td>Investments (Fair Value)</td>
<td>18,385,937,145</td>
<td>1,632,475,483</td>
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<tr>
<td>Trades Receivable</td>
<td>9,875,000</td>
<td>17,698,128</td>
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<tr>
<td>Interest Receivable</td>
<td>142,021,053</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>18,574,299,446</strong></td>
<td><strong>1,650,173,611</strong></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trades Payable</td>
<td>858,376,309</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>858,376,309</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total Net Assets Held in Trust</strong></td>
<td>$ 17,715,923,137</td>
<td>$ 1,650,173,611</td>
</tr>
</tbody>
</table>

See Accountant's Review Report
The accompanying note is an integral part of this financial statement
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 $17.72 billion and $1.65 billion, respectively, in total net assets as of September 30, 2007. 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 $43.70 million at September 30, 2007. These assets are held by the Treasury for both a municipal agency and a private corporation, per State Code and a court order, respectively. 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. 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.
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, 2007
## Table of Contents

Independent Accountant’s Report on Applying Agreed-Upon Procedures ........................................ 1
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 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, 2007 (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.

The procedures performed and our findings were 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, 2007.

   Confirmation from Cal Trust Metropolitan West indicated a balance of $10,754,331.96, a
   variance of $10,682.63 when compared to the Treasury’s balance of $10,765,014.59. The
   Treasury’s balance represents the cost value of the security rather than the market value
   confirmed by Cal Trust Metropolitan West.

2. Obtained the Treasury’s bank reconciliations at September 30, 2007 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 safe kept securities at September
   30, 2007 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, 2007, August 31, 2007 and September 30, 2007 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, 2007 to the records of the Treasury.

No exceptions were noted as a result of our procedures.

We were not engaged to, and did not perform 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, the Treasurer’s Oversight Committee, Treasury management, and Auditor-Controller, and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]
Certified Public Accountant

Los Angeles, California
May 12, 2008
Los Angeles County
Treasury

Review Report

December 31, 2007
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INDEPENDENT ACCOUNTANT’S REPORT

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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 examination 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, the Treasurer’s Oversight Committee, Treasury management, and Auditor-Controller and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

Macias Gini & O’Connell LLP

Los Angeles, California
May 12, 2008
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<th></th>
<th>External Investment</th>
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<th>Other Specific Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasurer Cash</td>
<td>$38,710,569</td>
<td>$676,143,009</td>
<td>$43,694,279</td>
</tr>
<tr>
<td>Investments (Fair Value)</td>
<td>22,469,571,010</td>
<td>31,040</td>
<td></td>
</tr>
<tr>
<td>Interest Receivable</td>
<td>131,992,454</td>
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<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>22,640,274,033</td>
<td>676,174,049</td>
<td>43,694,288</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trades Payable</td>
<td>26,424,426</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>26,424,426</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Net Assets</td>
<td>$22,613,849,607</td>
<td>$676,174,049</td>
<td>$43,694,288</td>
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Los Angeles County
Treasury

Agreed-Upon Procedures Report

December 31, 2007
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procedures described below either for the purpose for which this report has been requested or for any
other purpose.

The procedures performed and our findings were 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, 2007.

   No exceptions were noted as a result of our procedures.

2. Obtained the Treasury’s bank reconciliations at December 31, 2007 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 safe kept securities at December
   31, 2007 and verified the investments recorded in the Treasury’s records were reconciled to the
   Treasury’ 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, 2007, November 30, 2007, and December 31, 2007 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.

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[Signature]

Certified Public Accountant

Los Angeles, California
May 12, 2008