COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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ASST. AUDITOR-CONTROLLERS

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JUDI E. THOMAS

July 22, 2011

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

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **REVIEW OF THE COUNTY TREASURER'S STATEMENT OF NET ASSETS FOR THE QUARTER ENDED DECEMBER 31, 2010**

California Government Code Section 26920 requires quarterly reviews of each county treasurer's statement 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) statement of net assets for the quarter ended December 31, 2010. 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 statement of net assets.

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

1. Confirmed Treasury cash held by banks and investments held by TTC's safekeeping agent and other custodians as of December 31, 2010.

2. Obtained TTC's bank reconciliations at December 31, 2010, and verified the bank accounts were reconciled to TTC's accounting records. Tested the

mathematical accuracy of the reconciliations and traced material items to supporting documents.

3. Obtained TTC's reconciliations of investments and other safekept securities at December 31, 2010, and verified the investments recorded in TTC's records were reconciled to TTC's custodial bank. Tested the mathematical accuracy of the reconciliations and traced material reconciling items to supporting documents.

4. Obtained TTC's reconciliations of cash and investments at October 31, 2010, November 30, 2010, and December 31, 2010, and verified that cash and investments were reconciled between 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.

5. Agreed the amounts reported on the Statement of Net Assets at December 31, 2010, 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

Los Angeles County
Treasury

Review Report

December 31, 2010

LOS ANGELES COUNTY TREASURY
REVIEW REPORT
DECEMBER 31, 2010

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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 statement of net assets of the Los Angeles County Treasurer and Tax Collector (Treasury) as of December 31, 2010. 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 statement as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statement 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 statement.

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 statement. We believe that the results of our procedures provide a reasonable basis for our report.

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 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 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
April 20, 2011

LOS ANGELES COUNTY TREASURY
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	External Investment Pool	Specific Purpose Investment	Other Specific Investments
Assets			
Treasurer Cash	$ 195,630,998	$ -	$ -
Investments (Fair Value)	26,415,308,618	338,222,089	301,747
Interest Receivable	92,865,135	46,640	-
Total Assets	26,703,804,751	338,268,729	301,747
Liabilities			
Trades Payable	171,227,496	-	-
Total Liabilities	171,227,496	-	-
Total Net Assets Held in Trust	$ 26,532,577,255	$ 338,268,729	$ 301,747

See accompanying note and independent accountant's review report.

LOS ANGELES COUNTY TREASURY
NOTE TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2010

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 $26.53 billion and $338.27 million, respectively, in total net assets as of December 31, 2010. 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 all entities are invested in the Pool and SPI portfolios. The Treasury also maintains Other Specific Investments totaling approximately $.30 million at December 31, 2010. These assets are held by the Treasury for a municipal agency per Section 1300.76.1, Title 10, 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.

Effective September 29, 2004, California Government Code Section 27131 was revised to make the establishment of a County Treasury Oversight Committee 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 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 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.

LOS ANGELES COUNTY TREASURY
NOTE TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2010 (CONTINUED)

Financial Statement Presentation

The accompanying special-purpose statement of net assets was 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 and is not intended to be a presentation 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.

Los Angeles County
Treasury

Agreed-Upon Procedures Report

December 31, 2010

LOS ANGELES COUNTY TREASURY
AGREED-UPON PROCEDURES REPORT
DECEMBER 31, 2010

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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 (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 December 31, 2010 (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 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, 2010.

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

2. Obtained the Treasury's bank reconciliations at December 31, 2010 and verified the bank accounts were reconciled to the Treasury's accounting records. 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 investments and other safe-kept securities at December 31, 2010 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 reconciling items of $500,000 and greater to supporting documents.

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

4. Obtained the Treasury's reconciliations of cash and investments at October 31, 2010, November 30, 2010, and December 31, 2010 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.

5. We agreed amounts reported on the Statement at December 31, 2010 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 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 Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
April 20, 2011