

**San Bernardino County Treasury**

Review Report

September 30, 2010

**SAN BERNARDINO COUNTY TREASURY  
REVIEW REPORT  
SEPTEMBER 30, 2010**

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## INDEPENDENT ACCOUNTANT'S REPORT

Board of Supervisors  
County of San Bernardino, California

We have reviewed the accompanying special-purpose statement of assets of the San Bernardino County (County) Auditor-Controller/Recorder/Treasurer/Tax Collector (Treasury), as of September 30, 2010, 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 assets is the representation of the management of the County Treasury.

A review consists principally of inquiries of County 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 assets was prepared for the purpose of complying with 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 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 County Treasury's management, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

*Macias Fini & O'Connell LLP*

Certified Public Accountants

Los Angeles, California  
January 12, 2011

**SAN BERNARDINO COUNTY TREASURY**  
**STATEMENT OF ASSETS**  
**SEPTEMBER 30, 2010**

	<b>2010</b>
Assets	
Cash	\$ 192,961,335
Investments:	
Commercial Paper	635,000,000
Money Market Mutual Funds	54,000,000
Negotiable Certificates of Deposit	425,000,000
TLGP Corporate Notes	122,412,070
U.S. Government Agencies	2,426,834,272
U.S. Treasury Notes	397,808,327
Total Investments	4,061,054,669
Accrued Interest	12,791,946
Total Assets	\$ 4,266,807,950

See accompanying independent accountant's report and notes to the statement of assets.

**SAN BERNARDINO COUNTY TREASURY  
NOTES TO THE STATEMENT OF ASSETS  
SEPTEMBER 30, 2010**

**Note 1 - Summary of Significant Accounting Policies**

The Financial Reporting Entity

The County of San Bernardino (County) Treasurer (Treasury) is responsible for the management and investment of the County Pool, which consists of the pooled monies held on behalf of the County, school districts, community college districts and certain special districts within the County. As of February 25, 2010, the offices of the County Auditor - Controller / Recorder and the Treasurer - Tax Collector were consolidated into a single entity within the County (County Treasury).

The County Treasury is under the oversight of a County Treasury Oversight Committee (Committee), which was established pursuant to Sections 27130-27137 of the California Government Code to review and approve the County Treasury's Investment Policy. The Committee membership includes a Board of Supervisors' representative, Superintendent of Schools and two general public members. The County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company.

County Treasury's Investment Policy

The County Treasury's investment policy is to invest public funds in a manner which will preserve the safety and liquidity of all investments within the County investment pool (Pool) while obtaining a reasonable return within established investment guidelines. Accordingly, pursuant to the County Treasury's Investment Policy, the County Treasury is guided by the following principles, in order of importance:

- Safeguarding of investment principal
- Maintenance of sufficient liquidity to meet daily cash flow requirements
- Achievement of a reasonable rate of return consistent with the above objectives

The Pool is actively managed in accordance with the California Government Code, the County Treasury Investment Policy, and internal investment guidelines. The Investment Policy is reviewed annually by the County's Treasury Oversight Committee and approved by the County Board of Supervisors.

The Pool pursues its objectives by investing in a diversified portfolio of high-quality securities in accordance with State law, which include U.S. Treasury and agency securities, commercial paper, certificates of deposit, and repurchase agreements with highly rated counterparties. Commercial paper and certificates of deposit are only purchased from approved issuers. The Pool seeks to maintain an effective duration of less than 1.5 years, which is accomplished by laddering maturities to both meet cash flow needs and generate a reasonable rate of return.

Financial Statement Presentation

The accompanying statement of assets was prepared on the accrual basis of accounting and presented on a amortized cost basis, for the purpose of presenting the assets of the County Treasury pursuant to the California Government Code Section 26920 and is not intended to be a presentation in conformity with generally accepted accounting principles (GAAP). Accordingly, note disclosures required by Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*,

**SAN BERNARDINO COUNTY TREASURY**  
**NOTES TO THE STATEMENT OF ASSETS (CONTINUED)**  
**SEPTEMBER 30, 2010**

*an amendment to GASB Statement No. 3*, are not presented, since such disclosures are not required by the California Government Code Section 26920.

**Note 2 – Securities purchased at premium/discount**

The following securities were purchased at either a premium or a discount. The premium or discount of each security is amortized based on when the coupon is paid for each security through their maturity date to arrive at the par value. Below is a comparison between the current amortized cost and the par value:

<b>Security Type</b>	<b>Amortized Cost</b>	<b>Par Value</b>
TLGP Corporate Notes	\$ 122,412,070	\$ 122,100,000
U.S. Government Agencies	2,426,834,272	2,413,371,000
U.S. Treasury Notes	397,808,327	395,000,000