SAN BERNARDINO COUNTY TREASURY

Review Report

September 30, 2011

MGO Certified Public Accountants.

SAN BERNARDINO COUNTY TREASURY
REVIEW REPORT
SEPTEMBER 30, 2011

Table of Contents

Page

Independent Accountant's Review Report 1

Statement of Assets 2

Notes to the Statement of Assets 3

INDEPENDENT ACCOUNTANT'S REVIEW 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/Treasurer/Tax Collector (Treasury) as of September 30, 2011. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the County Treasury's 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 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.

As discussed in Note 1 to the financial statements the accompanying special-purpose financial statement 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 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 financial statement 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 and management of the County Treasury and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Los Angeles, California
May 9, 2012

SAN BERNARDINO COUNTY TREASURY
STATEMENT OF ASSETS
SEPTEMBER 30, 2011

		2011
Assets		
Cash	$	155,780,642
Investments:		
Commercial Paper		710,000,000
Money Market Mutual Funds		206,000,000
Negotiable Certificates of Deposit		910,000,000
TLGP Corporate Notes		50,753,842
U.S. Government Agencies		2,164,361,816
U.S. Treasury Notes		300,122,038
Total Investments		4,341,237,696
Accrued Interest		5,396,975
Total Assets	$	4,502,415,313

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

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 January 3, 2011, the offices of the County Auditor-Controller/Treasurer-Tax Collector (County Treasurer) transferred the Recorder function to the Assessor's office.

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 or yield 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 an 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,*

Note 1 - Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

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:

Security Type	Amortized Cost	Par Value
TLGP Corporate Notes	$ 50,753,842	$ 50,000,000
U.S. Government Agencies	2,164,361,816	2,161,409,000
U.S. Treasury Notes	300,122,038	300,000,000