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COUNTY OF SAN BERNARDINO

LARRY WALKER
Auditor/Controller-Recorder
County Clerk

ELIZABETH A. STARBUCK
Assistant Auditor/Controller-Recorder
Assistant County Clerk

November 6, 2007

Paul Biane, Chairman
Board of Supervisors
County Government Center
385 North Arrowhead Avenue, Fifth Floor
San Bernardino, CA 92415-0110

SUBJECT: TREASURER'S INVESTMENTS AUDIT DECEMBER 31, 2006

Introductory Remarks

In accordance with California Government Code Sections 26920 and 26922, we have completed a reconciliation of the Treasurer's statement of assets in the county treasury as prepared by Public Financial Management as of December 31, 2006. In addition, we evaluated investments for compliance with California Government Code Section 53601, "Securities Authorized for Investment" and with the Treasurer's Statement of Investment Policy.

Scope of Audit

We audited selected financial transactions, operations, procedures, and controls in effect over cash and investments. Our audit was made in accordance with generally accepted auditing standards and included such tests of the records and other auditing procedures as we considered necessary in the circumstances.

Audit Results

In our opinion, cash and investments of $4,315,117,216, as stated in the Treasurer's statement of assets at December 31, 2006, are fairly stated at amortized cost. GASB 31 requires the fair value of investments and the changes in the fair value be reported in the financial statements. The Treasurer's Office statement of assets reports the fair value of its investments at the end of each fiscal year. Fair value adjustments are reported in the County of San Bernardino's Comprehensive Annual Financial Statements. There were no instances of non-compliance noted in the evaluation of compliance with California Government Code Section 53601 and the Treasurer's Statement of Investment Policy.

Our study and evaluation, made for the limited purpose described above, would not necessarily disclose material weaknesses in internal controls. Nothing came to our attention that indicated procedures and controls are not materially adequate.

Respectfully submitted,

LARRY WALKER
Auditor/Controller-Recorder

By: _____
HOWARD M. OCHI, CPA
Chief Deputy Auditor

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