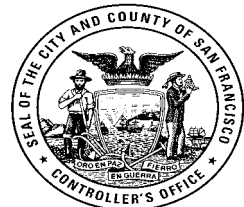


OFFICE OF THE TREASURER AND TAX COLLECTOR:

Review of the Statement
of Cash and Investments
as of December 31, 2005

FINANCIAL AUDITS



July 14, 2006
05063



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller

Monique Zmuda
Deputy Controller

July 14, 2006

Audit Number 05063

José Cisneros, Treasurer
Office of the Treasurer and Tax Collector
City Hall, Room 140
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4638

Dear Mr. Cisneros:

The Office of the Controller's City Services Auditor Division presents its review report of the Statement of Cash and Investments of the Office of the Treasurer and Tax Collector (Treasurer) of the City and County of San Francisco (City) as of December 31, 2005. The Statement of Cash and Investments presents the total cash and investments under the control and accountability of the Treasurer of the City.

Results:

	<u>December 31, 2005</u>
Cash and Investments:	
Cash on Hand	\$ 6,780
Cash in Bank	159,900,652
Investments	<u>3,305,953,045</u>
Total Cash and Investments	\$3,465,860,477

Based on our review, we are not aware of any material modifications that should be made to the Statement of Cash and Investments as of December 31, 2005, in order for it to be in conformity with generally accepted accounting principles.

Respectfully submitted,

Original signed by:
Ed Harrington
Controller



CITY AND COUNTY OF SAN FRANCISCO

**OFFICE OF THE CONTROLLER
CITY SERVICES AUDITOR**

**Ed Harrington
Controller**

**Monique Zmuda
Deputy Controller**

ACCOUNTANT'S REVIEW REPORT

President and Members of the Board of Supervisors
City and County of San Francisco
San Francisco, California

We have reviewed the accompanying Statement of Cash and Investments as of December 31, 2005, in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in the Statement of Cash and Investments is the representation of management of the Office of the Treasurer and Tax Collector (Treasurer) of the City and County of San Francisco (City).

A review consists principally of inquiries of department 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 Statement of Cash and Investments. Accordingly, we do not express such an opinion.

On the basis of our review, we are not aware of any material modifications that should be made to the Statement of Cash and Investments in order for it to be in conformity with generally accepted accounting principles.

However, because the City's controller has some responsibility for the accounting of the Treasurer's cash and investments, we were not entirely free of organizational impairments to independence in conducting our work. Accounting standards require we disclose this impairment.

CONTROLLER'S CITY SERVICES AUDITOR DIVISION

Noriaki Hirasuna, CPA
Director of Financial Audits

Date: July 14, 2006

Staff: Cynthia Fong, Audit Manager
Nneka Gallaread

FINANCIAL AUDITS

STATEMENT OF CASH AND INVESTMENTS
December 31, 2005

<u>Account Title</u>	<u>Total</u>
Cash	
Cash on Hand	\$ 6,780
Cash in Bank	159,900,652
Total Cash	<u>\$ 159,907,432</u>
Investments	
U.S. Treasury Bills	\$ 137,534,795
U.S. Treasury Notes	294,635,428
Federal National Mortgage Association Discount Notes	639,396,811
Federal Home Loan Discount Notes	522,607,511
Federal Home Loan Mortgage Corporation Discount Notes	596,487,659
Commercial Paper Discounts	776,524,305
Negotiable Certificates of Deposit	324,985,479
Public Time Deposit	193,543
Subtotal Investments	<u>\$ 3,292,365,531</u>
Accrued Interest Receivable	13,587,514
Total Investments	<u>\$ 3,305,953,045</u>
Total Cash and Investments	<u><u>\$ 3,465,860,477</u></u>

See Accountant's Review Report

NOTE TO THE STATEMENT OF CASH AND INVESTMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *The Financial Reporting Entity*

The Statement of Cash and Investments presents only the cash on hand, cash in bank, and investments under the control and accountability of the Office of the Treasurer and Tax Collector (Treasurer) of the City and County of San Francisco (City). The Statement of Cash and Investments is not intended to present fairly the financial position and results of operations of the Treasurer or of the City.

The Treasurer is responsible for the custody and investment of the public funds of the City. The Treasurer is authorized to conduct these functions by the California Government Code Section 53600 et seq. and the San Francisco Administrative Code, Chapter 10, under investment policies established by the Treasurer and filed with the City's Board of Supervisors. The funds are mainly invested in low risk investments such as United States government securities. The Treasurer also provides a safekeeping service for the City, where city departments may deposit securities and other assets in the Treasurer's vault.

B. *Basis of Presentation*

Cash and Deposits

The California Government Code requires California banks and savings and loan associations to secure the City's deposits not covered by federal deposit insurance by pledging government securities as collateral. The market value of pledged securities must equal at least 110 percent of the City's deposits. The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the City's name. All of the banks with funds deposited by the Treasurer secure deposits with sufficient collateral.

Investments

The Treasurer makes investments in securities for a pooled money investment account with financial institutions and for individual investment accounts that are not invested through the pooled money investment account. The securities in the accompanying Statement of Cash and Investments are reported at fair value in accordance with the Government Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The statement

requires government entities to report investments at fair value in the balance sheet or other statement of financial position. The following table summarizes the investments stated at cost and fair value.

**Schedule of Investments
Stated at Cost and Fair Value
December 31, 2005**

Investment Type	Cost	Fair Value (a)
U.S. Treasury Bills	\$ 137,461,831	\$ 137,534,795
U.S. Treasury Notes	294,236,834	294,635,428
Federal National Mortgage Association Discount Notes	636,070,828	639,396,811
Federal Home Loan Discount Notes	522,648,167	522,607,511
Federal Home Loan Mortgage Corporation Discount Notes	596,535,186	596,487,659
Commercial Paper Discounts	776,559,286	776,524,305
Negotiable Certificates of Deposit	325,000,000	324,985,479
Public Time Deposit	200,000	193,543
Total	\$ 3,288,712,132	\$ 3,292,365,531

(a) The fair value amounts do not include accrued interest receivable of \$13,587,514.

cc: Mayor
Treasury Oversight Committee
Civil Grand Jury
Budget Analyst
Public Library