

**LOS ANGELES COUNTY**  
**CAPITAL ASSET LEASING CORPORATION**  
(A Not-for-Profit Public Benefit Corporation)

Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**  
A Not-for-Profit Public Benefit Corporation  
For the Fiscal Year Ended June 30, 2020

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## **Independent Auditor's Report**

Board of Directors  
Los Angeles County Capital Asset Leasing Corporation  
Los Angeles, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Los Angeles County Capital Asset Leasing Corporation (LACCAL), a blended component unit of the County of Los Angeles, California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise LACCAL's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Los Angeles County Capital Asset Leasing Corporation  
Los Angeles, California

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of LACCAL as of June 30, 2020, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2021 on our consideration of LACCAL's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACCAL's internal control over financial reporting and compliance.

*DavisFarr LLP*

Irvine, California  
January 11, 2021

# LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION

A Not-for-Profit Public Benefit Corporation

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2020

This management's discussion and analysis of the Los Angeles County Capital Asset Leasing Corporation (LACCAL) provides an overview of LACCAL's financial activities for the fiscal year ended June 30, 2020. We recommend that this information be used in conjunction with LACCAL's audited financial statements.

LACCAL is a blended component of a larger governmental unit, the County of Los Angeles.

## Assets, Liabilities, and Net Position

Total assets of LACCAL decreased by \$21.8 million (32%) from the prior fiscal year. Cash and investments decreased by \$2.7 million and net investment in direct financing leases decreased by \$19.1 million, decreasing the total assets to \$46.4 million.

Total liabilities of LACCAL decreased by \$22.7 million (36%) due in part to a decrease of \$16.1 million in lease revenue bonds and bond anticipation notes (BANs) and decreases in accounts payable, interest payable, and other charges totaling \$6.6 million.

**Table 1**  
Summary of Net Position  
As of June 30, 2020 and 2019  
(In thousands)

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>Assets</u>		
Total assets	\$ <u>46,361</u>	\$ <u>68,178</u>
<u>Liabilities</u>		
Current liabilities	31,032	33,152
Long-term debt and bonds payable	<u>10,000</u>	<u>30,628</u>
Total liabilities	<u>41,032</u>	<u>63,780</u>
<u>Net Position</u>		
Total net position	\$ <u>5,329</u>	\$ <u>4,398</u>

# LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION

A Not-for-Profit Public Benefit Corporation

Management's Discussion and Analysis (Unaudited), *continued*

For the Fiscal Year Ended June 30, 2020

## Revenues, Expenses, and Change in Net Position

Revenues of LACCAL increased by \$0.6 million (34%) from the prior year due to an increase in interest income received from investing activities.

Expenses of LACCAL increased by \$0.6 million (48%) from the prior year due to an increase in interest expense from financing activities.

**Table 2**  
Summary of Changes in Net Position  
For the Fiscal Years Ending June 30, 2020 and 2019  
(In thousands)

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>Revenues</u>		
Interest	\$ <u>2,738</u>	\$ <u>2,044</u>
Total revenues	2,738	2,044
<u>Expenses</u>		
Interest	1,792	1,203
Other expenses	<u>15</u>	<u>17</u>
Total expenses	1,807	1,220
<u>Change in net position</u>		
Operating income	<u>931</u>	<u>824</u>
Transfer to LA County		<u>(2,948)</u>
Changes in net position	\$ <u><u>931</u></u>	\$ <u><u>(2,124)</u></u>

# LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION

A Not-for-Profit Public Benefit Corporation

Management's Discussion and Analysis (Unaudited), *continued*

For the Fiscal Year Ended June 30, 2020

## Debt Management

During the year, BANs payable of LACCAL decreased by \$10.0 million. The balance at year-end was \$40.0 million. Also, LACCAL redeemed Lease Revenue Bonds of \$5.9 million, resulting in an outstanding Lease Revenue Bonds balance of \$0.6 million. LACCAL uses the notes to purchase equipment, machinery, vehicles, and other tangible personal property for lease to the County of Los Angeles. The equipment is used as collateral to issue bonds. The proceeds from the bonds are used to retire the BANs. The lease payments received are used to service the debt payments on the bonds. For a more complete discussion, please refer to the accompanying "Notes to Basic Financial Statements."

**Table 3**  
Debt Management  
As of June 30, 2020 and 2019  
(In thousands)

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Bond anticipation notes	\$ 40,000	\$ 50,000
Lease revenue bonds	<u>615</u>	<u>6,540</u>
Subtotal	40,615	56,540
Unamortized Premium	<u>13</u>	<u>204</u>
Total	\$ <u>40,628</u>	\$ <u>56,744</u>

## Bond Ratings

LACCAL's debt is rated by Moody's, Standard and Poor's and Fitch. The following is a schedule of ratings:

	<u>Moody's</u>	<u>Standard and Poor's</u>	<u>Fitch</u>
Lease Revenue Bond 2017A	Aa2	AA+	AA

## Contacting LACCAL's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of LACCAL's finances and to demonstrate LACCAL's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County of Los Angeles, Department of Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012.

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**

A Not-for-Profit Public Benefit Corporation

Statement of Net Position

June 30, 2020

ASSETS

Current Assets

Pooled Cash and Investments (Note 2)	\$ 17,077,804
Interest Receivable	80,406
Total Current Assets	<u>17,158,210</u>

Non-Current Assets

Cash and Investments Held by Fiscal Agents (Note 2)	1,057,096
Installment Sales Receivable (Note 3)	28,145,649
Total Non-Current Assets	<u>29,202,745</u>

TOTAL ASSETS

46,360,955

LIABILITIES

Current Liabilities

Accounts Payable and Other Liabilities	43,369
Interest Payable	360,897
Bond Anticipation Notes - Current (Note 4)	30,000,000
Revenue Bonds Payable - Current (Note 4)	627,685
Total Current Liabilities	<u>31,031,951</u>

Non-Current Liabilities

Bond Anticipation Notes - Due in More Than One Year (Note 4)	10,000,000
Total Non-Current Liabilities	<u>10,000,000</u>

TOTAL LIABILITIES

41,031,951

NET POSITION

Restricted	1,057,096
Unrestricted	4,271,908

TOTAL NET POSITION

\$ 5,329,004

See accompanying notes to basic financial statements.

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**

A Not-for-Profit Public Benefit Corporation

Statement of Activities

For the Fiscal Year Ended June 30, 2020

OPERATING REVENUE

Interest Income	\$ 2,738,539
Total Operating Revenue	<u>2,738,539</u>

OPERATING EXPENSES

Interest Expense	1,792,064
Administrative	15,019
Total Operating Expenses	<u>1,807,083</u>

Operating Income	<u>931,456</u>
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Changes in Net Position	931,456
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Total Net Position, Beginning	4,397,548
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Total Net Position, Ending	<u><u>\$ 5,329,004</u></u>
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See accompanying notes to basic financial statements.

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**

A Not-for-Profit Public Benefit Corporation

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2020

Cash Flows from Operating Activities:	
Cash Paid for Services and Supplies	\$ (15,019)
Cash Provided by Operating Activities	<u>(15,019)</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Sale of Certificates and Notes	10,000,000
Principal Collections on Direct Financing Lease	21,950,706
Principal Paid on Bonds, Certificates and Notes	(26,116,320)
Interest Paid on Bonds, Certificates and Notes	(2,216,401)
Acquisition of Capital Assets	<u>(9,083,854)</u>
Cash Used in Capital and Related Financing Activities	<u>(5,465,869)</u>
Cash Flows from Investing Activities:	
Interest Income Received	<u>2,743,556</u>
Cash Provided by Investing Activities	<u>2,743,556</u>
Net Decrease in Cash and Cash Equivalents	(2,737,332)
Cash and Cash Equivalents, Beginning	20,872,232
Cash and Cash Equivalents, Ending	<u><u>\$ 18,134,900</u></u>

See accompanying notes to basic financial statements.

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**

A Not-for-Profit Public Benefit Corporation

Statement of Cash Flows, *continued*

For the Fiscal Year Ended June 30, 2020

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Income	\$ 931,456
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Interest Revenue Classified as Investing Activities	(2,738,539)
Interest Expense Classified as Capital and Related Financing Activities	1,792,064
Total Adjustments	<u>(946,475)</u>
Net Cash Provided by Operating Activities	<u>\$ (15,019)</u>

Reconciliation of Cash and Cash Equivalents:

Pooled Cash and Investments	\$ 17,077,804
Cash and Investments Held by Fiscal Agents	1,057,096
Total Cash and Cash Equivalents	<u>\$ 18,134,900</u>

Supplemental Disclosure:

There were no non-cash investing and financing activities for the fiscal year ended June 30, 2020.

See accompanying notes to basic financial statements.

# LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION

A Not-for-Profit Public Benefit Corporation

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

## 1. Summary of Significant Accounting Policies

### *General*

Los Angeles County Capital Asset Leasing Corporation (LACCAL) was organized as a not-for-profit public benefit corporation in February 1983. The purpose was to purchase equipment, machinery, vehicles and other tangible personal properties for lease to the County of Los Angeles (County). LACCAL is governed by a five-member Board of Directors (Board) designated by the Board of Supervisors of the County. LACCAL is included in the County's financial reporting entity and is included as a blended component unit in the County's Comprehensive Annual Financial Report for the year ended June 30, 2020.

LACCAL is exempt from the payment of Federal income and California franchise taxes. However, the Fund is subject to the arbitrage restrictions under the U.S. Treasury Regulations Section 1.103, which may result in rebates of excess earnings to the U.S. Treasury Department.

### *Basis of Presentation and Accounting*

The basic financial statements of LACCAL are prepared in accordance with generally accepted accounting principles (GAAP). LACCAL is accounted for as an enterprise fund (proprietary fund type) using the accrual basis of accounting. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. Revenues are recognized when they are earned and become measurable, and expenses are recorded when they are incurred. Leases are classified as direct financing leases for accounting purposes. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized in the period issued.

LACCAL's financial statements are presented in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Statement No. 34 established standards for external financial reporting for all state and local governmental entities and Statement No. 63 establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The net position is required to classify into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. As of June 30, 2020, LACCAL had no capital assets or debt obligations.

# LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION

A Not-for-Profit Public Benefit Corporation  
Notes to Basic Financial Statements, *continued*  
For the Fiscal Year Ended June 30, 2020

## 1. Summary of Significant Accounting Policies, *continued*

### ***Basis of Presentation and Accounting, continued***

Restricted net position – This component of net position represents restricted assets net of liabilities that relate to those specific restricted assets. A restricted asset is an asset for which constraints have been placed on the asset's use by creditors, contributors, laws, or regulations of other governments, or as a consequence of a restriction established by the reporting government's own governing body at the time a particular fee, charge, levy, or assessment was approved. These restrictions must be narrower than the general purposes for which the reporting government can use its resources. As of June 30, 2020, LACCAL had a balance of \$1,057,096 of restricted net position.

Unrestricted net position – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." As of June 30, 2020, LACCAL had a balance of \$4,271,908 of unrestricted net position.

### ***Cash and Investments***

Investments are reported at fair value in accordance with the provision of GASB No. 72, *Fair Value Measurement and Application*.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that year. Investment income includes interest earnings, changes in fair value and any gains or losses realized upon the liquidation or sale of investments.

For the purpose of the Statement of Cash Flows, cash and cash equivalents include all highly liquid investments (including restricted assets) with maturity of three months or less when purchased.

### ***Revenues and Expenses***

Operating revenues consist of interest received from direct financing leases. This interest revenue is an integral part of the programs of LACCAL and is the primary source for paying the expenses of LACCAL. Operating expenses consist of interest expense on lease revenue bonds and bond anticipation notes (BANs) as well as administrative expenses to operate LACCAL. All LACCAL expenses are related to operating the programs.

### ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION

A Not-for-Profit Public Benefit Corporation  
Notes to Basic Financial Statements, *continued*  
For the Fiscal Year Ended June 30, 2020

## 2. Cash and Investments

Statutes authorize LACCAL to invest in obligations of the United States Treasury, federal agencies and municipalities commercial paper rated A-1 by Standard & Poor's Global Rating Services, P-1 by Moody's Commercial Paper Record, or F-1 by Fitch Ratings, bankers' acceptances, repurchase agreements, reverse repurchase agreements and the County Treasurer's Investment Pool.

As provided by the State of California Government Code, substantially all cash balances of LACCAL are pooled and invested by the County Treasurer and are subjected to withdrawal from the pool upon demand. LACCAL's share of the total pooled cash and investments of the County Treasurer is included in the accompanying balance sheet under "Pooled Cash and Investments." The difference between LACCAL's carrying value in the investment pool and their proportional share of the fair value of the underlining securities is not material to the financial statements of LACCAL. Included in Pooled Surplus Investments portfolio are United States government and agency obligations, bankers' acceptances, commercial paper, municipal obligations, corporate and deposit notes, repurchase agreements, and negotiable certificates of deposit.

### *Fair Value Measurements*

Investments are stated at fair value and are valued on a monthly basis. The County Treasurer categorizes its fair value measurements within the fair value hierarchy established by GAAP. Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs such as matrix pricing techniques or based on quoted prices for assets in markets that are not active. Matrix Pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs. Securities classified in Level 3 are valued using the income approach such as discounted cash flow techniques. Investment in an external government investment pool is not subject to reporting within the level hierarchy.

### *Custodial Credit Risk*

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, LACCAL will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2020, LACCAL's investments consisted of money market fund shares and other qualified investments in the amount of \$57,096 and investments pooled with the County Treasurer in the amount of \$18,077,804 which represents 0.05% of the total County pooled investments. The investments held by the trustees are not exposed to custodial credit risk since they are in LACCAL's name. Likewise, the deposits pooled with the County are not exposed to custodial credit risk since all of its deposits are either covered by the federal depository insurance or collateralized with securities held by the County or its agent in the County's name, in accordance with California Government Code Section 53652.

# LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION

A Not-for-Profit Public Benefit Corporation  
Notes to Basic Financial Statements, *continued*  
For the Fiscal Year Ended June 30, 2020

## 2. Cash and Investments, *continued*

### *Concentration of Credit Risk*

Concentration of credit risk is the risk associated with the amount of investments LACCAL has with any one issuer that exceeds 5% or more of its total investments. Investments in money market mutual funds are excluded from this requirement. Furthermore, investments with the County Treasurer are subject to a policy that establishes minimum acceptable credit ratings for investments from any two nationally recognized statistical rating organizations. Also, the County Treasurer mitigated the risks by holding a diversified portfolio of high quality investments. As of June 30, 2020, LACCAL was not exposed to concentration of credit risk.

### *Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the trust agreement, and the actual rating as of year-end.

Investment Type Held by <u>Bond Trustee</u>	<u>Amount</u>	<u>Minimum Rating</u>	<u>Rating as of June 30, 2020</u>
Money Market Funds	\$ 57,096	AAAm/AAAm-G	AAAm
County Pooled Funds	1,000,000	N/A	N/A
Total	<u>\$ 1,057,096</u>		

The Investment Policy, approved annually by the Board, limits the maximum total par value for each permissible security type (e.g., commercial paper and certificates of deposit) to a certain percentage of the Pool portfolio. Exceptions to this are obligations of the United States government, and the United States government agencies or government-sponsored enterprises, which do not have a limit.

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. LACCAL does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, except for bills of exchange or time drafts, and commercial paper, with maturity dates not to exceed 270 days.

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**

A Not-for-Profit Public Benefit Corporation  
Notes to Basic Financial Statements, *continued*  
For the Fiscal Year Ended June 30, 2020

**2. Cash and Investments, *continued***

***Interest Rate Risk, continued***

Information about the sensitivity of the fair values of LACCAL's investment held by trustees to market rate fluctuations is provided by the following table that shows the distribution of their investments by maturity:

Investments Held by Trustee	Remaining Maturity (in Months)				Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months	
Cash in County					
Treasury	\$ 18,077,804	\$ -	\$ -	\$ -	\$ 18,077,804
Money Market	<u>57,096</u>				<u>57,096</u>
Total	<u>18,134,900</u>				<u>18,134,900</u>

The County Treasurer mitigates exposure to declines in fair value by investing in short-term investments with maturities of six months or less and by holding asset investments to maturity. The investment guidelines limit the weighted average maturity target to a range between one and two years. At June 30, 2020, 59.94% of the County Investment Pool have a maturity of six months or less, 8.47% have a maturity of between six and twelve months, and 31.59% have a maturity of more than one year. The weighted average maturity in years for the Pool was 1.61.

**3. Installment Sale Receivable**

The main purpose of LACCAL is to lease equipment, vehicles and other tangible personal properties to the County of Los Angeles. Lease terms generally range from three to five years and are close to the useful life of leased assets.

The installment sale receivable at June 30, 2020 is as follows:

Total Minimum Lease Payments Receivable	\$ 29,375,584
Less: Unearned Interest Income	<u>(1,229,935)</u>
Installment Sale Receivable	<u>\$ 28,145,649</u>

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**

A Not-for-Profit Public Benefit Corporation  
Notes to Basic Financial Statements, *continued*  
For the Fiscal Year Ended June 30, 2020

**3. Installment Sale Receivable, *continued***

Minimum lease payments to be received under the lease provisions are as follows:

Year Ending June 30	Principal	Interest
2021	\$ 17,850,992	\$ 694,855
2022	8,752,498	419,084
2023	1,326,178	94,168
2024	204,436	20,528
2025	11,545	1,300
<b>Total</b>	<b>\$ 28,145,649</b>	<b>\$ 1,229,935</b>

**4. Long-Term Debt**

Bond premiums and discounts are amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized in the period issued.

Long-term liabilities for the year ended June 30, 2020 are as follows:

	Balance at June 30, 2019	Additions		Deletions		Balance at June 30, 2020	Amounts Due Within One Year
		Principal Additions	Unamortized Premiums (Discount)	Principal Repayments	Amortized Premiums (Discount)		
Lease Revenue Bonds							
2017 Series A (#31)	6,744,005	-	-	5,925,000	191,320	627,685	627,685
Subtotal	6,744,005	-	-	5,925,000	191,320	627,685	627,685
Bond Anticipation Notes							
Notes Payable #32	50,000,000	5,000,000	-	20,000,000	-	35,000,000	30,000,000
Notes Payable #33	-	5,000,000	-	-	-	5,000,000	-
Subtotal	50,000,000	10,000,000	-	20,000,000	-	40,000,000	30,000,000
<b>Total</b>	<b>\$ 56,744,005</b>	<b>\$ 10,000,000</b>	<b>\$ -</b>	<b>\$ 25,925,000</b>	<b>\$ 191,320</b>	<b>\$ 40,627,685</b>	<b>\$ 30,627,685</b>

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**

A Not-for-Profit Public Benefit Corporation  
Notes to Basic Financial Statements, *continued*  
For the Fiscal Year Ended June 30, 2020

**4. Long-Term Debt, *continued***

***Revenue Bonds***

Lease Revenue Bonds, 2017 Series A

On June 20, 2017, LACCAL issued \$37,480,000 of Lease Revenue Bonds, with an interest rate of 5% to partially retire \$70,000,000 of BANs. These mature serially December 1 and June 1 each year and interest is payable on December 1 and June 1. The following is a summary of interest and principal payable for the 2017 Series A Lease Revenue Bonds:

<u>Year</u>	<u>Principal Payable</u>			<u>Interest Payable</u>		
	<u>June 1</u>	<u>December 1</u>	<u>Total</u>	<u>June 1</u>	<u>December 1</u>	<u>Total</u>
2020		615,000	615,000		15,375	15,375
Plus Unamortized Premium			12,685			
Total			<u>\$ 627,685</u>			<u>\$ 15,375</u>

***Bond Anticipation Notes (BANs)***

LACCAL BANs are purchased as an investment by the County Treasury Pool in accordance with the terms of the "Resolution of the Board of Directors of the LACCAL Corporation" adopted on June 24, 1986. Later, the resolution was revised to the "Resolution of the LACCAL Reauthorization A Program for the Issuance of Bond Anticipation Notes to Finance Equipment, Increasing the Amount Thereof and Providing Additional Security for the Repayment Thereof" which was adopted by the County on February 10, 1995.

Proceeds from these notes are used to purchase equipment, machineries and vehicles and other tangible personal properties. The interest rate is based upon the pricing of the six-month U.S. Treasury Bill plus 0.50% at the time of the draw, and then adjusted to changes in that rate on a reset date. A reset date is January 2 and July 1 of each year.

Adjustments will be made to the Treasury Rate on two reset dates following the initial draw. The interest rate for draws which remain unpaid on the third reset date will convert on that date to the Bank of America prime rate and will be reset quarterly thereafter. Interest on these notes is payable to the Treasury Pool on January 2 and July 1. The principal and remaining interest on the notes are payable upon issuance of leasehold revenue bonds prior to maturity of the notes. Authorized BANs remaining in a fiscal year may be carried over to a subsequent fiscal year to fund equipment acquisition received in the fiscal year following the one in which they were initiated. The maximum aggregate principal amount of these notes authorized by the Board during the fiscal years ended June 30, 2020 and 2019 were \$22,000,000 and \$17,500,000, respectively.

# LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION

A Not-for-Profit Public Benefit Corporation  
Notes to Basic Financial Statements, *continued*  
For the Fiscal Year Ended June 30, 2020

## 4. Long-Term Debt, *continued*

### *Bond Anticipation Notes (BANs), continued*

BANs outstanding at June 30, 2020 mature on the following dates:

<u>Maturity Date</u>	<u>Amount</u>
June 30, 2021	\$ 30,000,000
June 30, 2022	10,000,000
Total	<u>\$ 40,000,000</u>

BANs are secured by annual base rental payments from various County departments for use of the equipment or facilities constructed or purchased from the note proceeds.

## 5. Conduit Debt Obligations

The County of Los Angeles utilizes the LACCAL to periodically issue Lease Revenue Obligation Notes (LRON) to finance construction costs for the County. LRON provides the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which may be refinanced with the issuance of long-term bonds. Repayment of LRON are secured by four irrevocable direct-pay Letters of Credit (LOC) from separate banks supporting the issuance of LRON.

This program is secured with fifteen County-owned properties pledged as collateral in a lease revenue financing structure with the LACCAL. The LOCs were issued for a five year period and have a termination date of April 30, 2024. The County has the option to extend the LOCs for an additional one-year period, or to some other term mutually agreed to with the participating banks.

The aggregate maximum principal amount of the four LOCs is \$600,000,000, which consists of \$100,000,000 of Series A (Bank of the West), \$200,000,000 of Series B (U.S. Bank), \$200,000,000 of Series C (Wells Fargo Bank), and \$100,000,000 of Series D (State Street Bank). As of June 30, 2020, \$324,790,000 of LRON issued under the program were outstanding, including \$76,600,000 of Series A, \$103,270,000 of Series B, \$90,800,000 of Series C, and \$54,120,000 of Series D.

LRON does not constitute an indebtedness of LACCAL and is payable solely by the County of Los Angeles. LRON is not payable from any revenues or assets of LACCAL, and LACCAL is not obligated to the payment of the principal or interest on LRON. Accordingly, no liability has been recorded in the accompanying basic financial statements.

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**

A Not-for-Profit Public Benefit Corporation  
Notes to Basic Financial Statements, *continued*  
For the Fiscal Year Ended June 30, 2020

**6. Related Party Transactions**

The County of Los Angeles maintains the books and records of LACCAL, including the investment with the County Treasurer.

***Transactions with the County***

The County is responsible for performing all administrative and operational functions for LACCAL. Costs related to these functions are absorbed by the County's General Fund. Accordingly, LACCAL has no salaries and employee benefit expenditures or supplies inventory. Any surplus gained from lease revenues collected from County departments are transferred back to the County after bond maturation.

**7. Subsequent Events**

On July 23, 2020, LACCAL issued \$23.47 million in Lease Revenue Bonds, 2020 Series A at an effective interest rate of 5%. The proceeds paid off BANs that financed the purchase of new LACCAL equipment

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

**Independent Auditor's Report**

Board of Directors  
Los Angeles County Capital Asset Leasing Corporation  
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Los Angeles County Capital Asset Leasing Corporation (LACCAL), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise LACCAL's basic financial statements, and have issued our report thereon dated January 11, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered LACCAL's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LACCAL's internal control. Accordingly, we do not express an opinion on the effectiveness of LACCAL's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors  
Los Angeles County Capital Asset Leasing Corporation  
Los Angeles, California

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether LACCAL's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Irvine, California  
January 11, 2021