

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

Basic Financial Statements

June 30, 2021

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**  
A Not-for-Profit Public Benefit Corporation  
June 30, 2021

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## Independent Auditor's Report

To the 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 fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the 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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the LACCAL as of June 30, 2021, and the changes in financial position and cash flows for the fiscal year then ended in conformity 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 on pages 3 through 5, 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 June 8, 2022 on our consideration of the Authority'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 the 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 the Authority's internal control over financial reporting and compliance.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
June 8, 2022

**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, 2021**

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, 2021. 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 \$25.0 million (54%) from the prior fiscal year. Cash and investments decreased by \$8.0 million and net investment in direct financing leases decreased by \$16.9 million, decreasing the total assets to \$21.3 million.

Total liabilities of LACCAL decreased by \$25.9 million (63%) due in part to a decrease of \$26.1 million in lease revenue bonds and bond anticipation notes (BANs) and decreases in accounts payable, interest payable, and other charges totaling \$0.2 million.

**Table 1**  
**Summary of Net Position**  
**As of June 30, 2021 and 2020**  
**(In thousands)**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<u>Assets</u>		
Total assets	\$ <u>21,336</u>	\$ <u>46,361</u>
<u>Liabilities</u>		
Current liabilities	14,838	31,032
Long-term debt and bonds payable	<u>251</u>	<u>10,000</u>
Total liabilities	<u>15,089</u>	<u>41,032</u>
<u>Net Position</u>		
Total net position	\$ <u>6,247</u>	\$ <u>5,329</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, 2021**

Revenues, Expenses, and Change in Net Position

Revenues of LACCAL decreased by \$1.5 million (53%) from the prior year due to a decrease in interest income received from investing activities.

Expenses of LACCAL decreased by \$1.4 million (80%) from the prior year due to a decrease in interest expense from financing activities.

**Table 2**  
**Summary of Changes in Net Position**  
**For the Fiscal Years Ending June 30, 2021 and 2020**  
**(In thousands)**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<u>Revenues</u>		
Interest	\$ <u>1,278</u>	\$ <u>2,738</u>
Total revenues	1,278	2,738
<u>Expenses</u>		
Interest	161	1,792
Other expenses	<u>199</u>	<u>15</u>
Total expenses	360	1,807
<u>Change in net position</u>		
Operating income	<u>918</u>	<u>931</u>
Changes in net position	\$ <u><u>918</u></u>	\$ <u><u>931</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, 2021**

Debt Management

During the year, BANs payable of LACCAL decreased by \$35.0 million. The balance at fiscal year-end was \$5.0 million. Also, LACCAL redeemed Lease Revenue Bonds of \$14.9 million, resulting in an outstanding Lease Revenue Bonds balance of \$9.2 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 the Basic Financial Statements."

**Table 3**  
 Debt Management  
 As of June 30, 2021 and 2020  
 (In thousands)

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Bond anticipation notes	\$ 5,000	\$ 40,000
Lease revenue bonds	<u>9,210</u>	<u>615</u>
Subtotal	14,210	40,615
Unamortized Premium	<u>296</u>	<u>13</u>
Total	\$ <u>14,506</u>	\$ <u>40,628</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-
Lease Revenue Bond 2020A	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**  
**As of June 30, 2021**

<b>Assets</b>	
<b>Current Assets</b>	
Pooled Cash and Investments (Note 2)	\$ 10,099,222
Interest Receivable	12,855
<b>Total Current Assets</b>	<u>10,112,077</u>
<b>Non-Current Assets</b>	
Cash and Investments Held by Fiscal Agents (Note 2)	8,398
Installment Sales Receivable (Note 3)	11,215,482
<b>Total Non-Current Assets</b>	<u>11,223,880</u>
<b>Total Assets</b>	<u>21,335,957</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable and Other Liabilities	530,079
Interest Payable	52,918
Bond Anticipation Notes - Current (Note 4)	5,000,000
Revenue Bonds Payable - Current (Note 4)	9,255,124
<b>Total Current Liabilities</b>	<u>14,838,121</u>
<b>Non-Current Liabilities</b>	
Revenue Bonds Payable - Due in More Than One Year (Note 4)	250,917
<b>Total Non-Current Liabilities</b>	<u>250,917</u>
<b>Total Liabilities</b>	<u>15,089,038</u>
<b>Net Position</b>	
Restricted	8,398
Unrestricted	6,238,521
<b>Total Net Position</b>	<u>\$ 6,246,919</u>

See accompanying notes to the 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, 2021**

<b>Operating Revenue</b>	
Interest Income	\$ 1,278,362
<b>Total Operating Revenue</b>	<u>1,278,362</u>
<b>Operating Expenses</b>	
Interest expense	160,550
Bond issue costs	185,218
Administrative	14,679
<b>Total Operating Expenses</b>	<u>360,447</u>
<b>Change in Net Position</b>	917,915
<b>Total Net Position, Beginning</b>	<u>5,329,004</u>
<b>Total Net Position, Ending</b>	<u><u>\$ 6,246,919</u></u>

See accompanying notes to the 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, 2021**

**Cash Flows from Operating Activities:**

Cash Paid for Services and Supplies	\$ (14,679)
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<b>Cash Used by Operating Activities</b>	<u>(14,679)</u>
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**Cash Flows from Capital and Related Financing Activities:**

Proceeds from the Sale of Certificates and Notes	24,563,606
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Principal Collections on Direct Financing Lease	17,496,832
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Principal Paid on Bonds, Certificates and Notes	(50,685,250)
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Interest Paid on Bonds, Certificates and Notes	(468,532)
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Payment of Bond Acquisition Costs	(185,218)
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Acquisition of Capital Assets	(79,952)
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<b>Cash Used in Capital and Related Financing Activities</b>	<u>(9,358,514)</u>
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**Cash Flows from Investing Activities:**

Interest Income Received	1,345,913
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<b>Cash Provided by Investing Activities</b>	<u>1,345,913</u>
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<b>Net Decrease in Cash and Cash Equivalents</b>	(8,027,280)
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Cash and Cash Equivalents, Beginning	18,134,900
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Cash and Cash Equivalents, Ending	<u>\$ 10,107,620</u>
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**Reconciliation of Operating Income to Net Cash Used by Operating Activities:**

Operating Income	\$ 917,915
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**Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:**

Interest Revenue Classified as Investment Activities	(1,278,362)
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Bond Acquisition Costs Classified as Capital and related Financing Activities	185,218
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Interest Expense Classified as Capital and related Financing Activities	160,550
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<b>Cash Used by Operating Activities</b>	<u>\$ (14,679)</u>
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**Reconciliation of Cash and Cash Equivalents:**

Current Assets - Pooled Cash and Investments	\$ 10,099,222
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Non-Current Cash and Investments Held by Fiscal Agents	8,398
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<b>Total Cash and Investments</b>	<u>\$ 10,107,620</u>
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**Supplemental Disclosure:**

There were no non-cash investing and financing activities for the fiscal year ended June 30, 2021.

See accompanying notes to the basic financial statements

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**  
**A Not-for-Profit Public Benefit Corporation**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The 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 property 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021.

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

The accompanying financial statements reflect the financial activities of LACCAL. LACCAL has no component units.

**Significant Accounting Policies**

***Basis of Presentation and Accounting***

The basic financial statements of LACCAL are prepared in accordance with generally accepted accounting principles in the United States (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. LACCAL utilizes the accrual basis of accounting. Revenues are recognized when they are earned and become measurable, and expenses are recorded when the liability is 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 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 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 be classified 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

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**  
**A Not-for-Profit Public Benefit Corporation**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Significant Accounting Policies (Continued)**

***Basis of Presentation and Accounting (Continued)***

related debt proceeds at fiscal year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. As of June 30, 2021 LACCAL had no capital assets.

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, 2021, LACCAL had a balance of \$8,398 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, 2021, LACCAL had a balance of \$6,238,521 of unrestricted net position.

When both restricted and unrestricted resources are available for use, it is LACCAL's policy to use restricted resources first, then unrestricted resources as they are needed.

***Cash and Investments***

Investments are reported at fair value in accordance with the provisions of GASB Statement 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.

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**  
**A Not-for-Profit Public Benefit Corporation**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Significant Accounting Policies (Continued)**

***Use of Estimates***

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

**NOTE 2 CASH AND INVESTMENTS**

California Government code Sections 53601 and 53635 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 the 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. Investments in an external government investment pool are 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 a 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, 2021, LACCAL's investments consisted of money market fund shares and other qualified investments in the amount of \$8,398

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**  
**A Not-for-Profit Public Benefit Corporation**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 2 CASH AND INVESTMENTS (Continued)**

***Custodial Credit Risk (Continued)***

and investments pooled with the County Treasurer in the amount of \$10,099,222 which represents less than 0.1% 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 are 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.

***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, 2021, 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 fiscal year-end.

Investment Type Held by <u>Bond Trustee</u>	<u>Amount</u>	<u>Minimum Rating</u>	<u>Rating as of June 30, 2021</u>
Money Market Funds	<u>\$ 8,398</u>	AAAm/AAAm-G	AAAm

The Investment Policy, approved annually by the Board, limits the maximum total par value of 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**  
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**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 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	
Money Market	\$ 8,398	\$ -	\$ -	\$ -	\$8,398

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 three years. At June 30, 2021, 35.05% of the County Investment Pool has a maturity of 2 months or less, 28.29% has a maturity of between two months and twelve months, and 31.59% has a maturity of more than one year. The weighted average maturity in years for the Pool was 2.86.

**NOTE 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 sales receivable at June 30, 2021 is as follows:

Total Minimum Lease Payments Receivable	\$11,450,348
Less: Unearned Interest Income	(234,866)
Installment Sale Receivable	<u>\$11,215,482</u>

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

Fiscal Year Ending June 30	Principal	Interest
2022	\$ 9,191,688	\$ 107,887
2023	1,469,525	77,817
2024	325,949	26,011
2025	127,021	12,820
2026	101,299	10,331
Total	<u>\$11,215,482</u>	<u>\$234,866</u>

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**  
**A Not-for-Profit Public Benefit Corporation**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 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.

	Balance at June 30, 2020	Additions		Deletions		Balance at June 30, 2021	Amounts Due Within One Year
		Principal Additions	Unamortized Premiums Additions	Principal Repayments	Amortized Premiums (Discounts)		
Lease Revenue Bonds							
2017 Series A (#31)	\$ 627,685	\$ -	\$ -	\$ 615,000	\$ 12,685	\$ -	\$ -
2020 Series A (#32)	-	23,465,000	1,098,606	14,255,000	802,565	9,506,041	9,255,124
Subtotal	627,685	23,465,000	1,098,606	14,870,000	815,250	9,506,041	9,255,124
Bond Anticipation Notes							
Notes Payable #32	35,000,000	-	-	35,000,000	-	-	-
Notes Payable #33	5,000,000	-	-	-	-	5,000,000	5,000,000
Subtotal	40,000,000	-	-	35,000,000	-	5,000,000	5,000,000
Total	\$ 40,627,685	\$ 23,465,000	\$ 1,098,606	\$ 49,870,000	\$ 815,250	\$ 14,506,041	\$ 14,255,124

**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. These bonds were paid off during the fiscal year ending June 30, 2021.

**Lease Revenue Bonds, 2020 Series A**

On July 23, 2020, LACCAL issued \$23,465,000 of Lease Revenue Bonds, with an interest rate of 5% to partially retire \$35,000,000 of BANs. These mature serially December 1 and June 1 each year and interest is payable on December 1 and June 1. The bonds mature on December 1, 2022. The following is a summary of interest and principal payable for the 2020 Series A Lease Revenue Bonds:

Year	Principal Payable			Year	Interest Payable		
	June 1	December 1	Total		June 1	December 1	Total
2021	\$ -	\$ 6,405,000	\$ 6,405,000	2021	\$ -	\$ 230,250	\$ 230,250
2022	2,560,000	245,000	2,805,000	2022	70,125	6,125	76,250
Plus Unamortized Premium			296,041				
Total			\$ 9,506,041	Total			\$ 306,500

**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, Increase the Amount Thereof and Providing Additional Security for the Repayment Thereof" which was adopted by the County on February 10, 1995.



**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**  
**A Not-for-Profit Public Benefit Corporation**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 4 LONG-TERM DEBT (Continued)**

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

Proceeds from these notes are used to purchase equipment, machinery, and vehicles and other tangible personal property. 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. The reset date is January 2 and July 1 of each fiscal 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, 2021 and 2020 were \$0 and \$22,000,000, respectively.

BANS outstanding at June 30, 2021 mature on the following dates:

<u>Maturity Date</u>	<u>Amount</u>
June 30, 2022	\$ 5,000,000
Total	<u>\$ 5,000,000</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.

**NOTE 5 CONDUIT DEBT OBLIGATIONS**

The County of Los Angeles utilizes LACCAL to periodically issue Lease Revenue Obligation Notes (LRON) to finance construction costs for the County. LRON provides the County with a flexible 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, 2021, \$504,080,000 of LRON issued under the program were outstanding, including \$18,200,000 of Series A, \$194,190,000 of Series B, \$191,690,000 of Series C, and \$100,000,000 of Series D.

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**  
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**NOTE 5 CONDUIT DEBT OBLIGATIONS (Continued)**

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.

**NOTE 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.

**NOTE 7 SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 8, 2022, which is the date the financial statements were available to be issued.

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**

**MANAGEMENT REPORT  
AND  
AUDITOR'S COMMUNICATION LETTER**

**June 30, 2021**

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION**

**MANAGEMENT REPORT  
AND  
AUDITOR'S COMMUNICATION LETTER**

**June 30, 2021**

<b>Required Communication under SAS 114.....</b>	<b>1</b>
<b>Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....</b>	<b>3</b>
<b>Current Year Recommendations.....</b>	<b>5</b>
<b>Status of Prior Year Recommendations.....</b>	<b>6</b>



# MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the financial statements of the Los Angeles County Capital Asset Leasing Corporation (LACCAL) for the fiscal year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit as described in work order 9-17A. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by LACCAL are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the fiscal year ended June 30, 2021. We noted no transactions entered into by LACCAL during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting LACCAL's financial statement was:

Management's estimate of the installment sales receivable is based on historical data and information from LACCAL staff. We evaluated the key factors and assumptions used to develop this estimate and determined that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 8, 2022.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to LACCAL's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as LACCAL's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### Restriction on Use

This information is intended solely for the use of management, the members of and management of LACCAL and is not intended to be, and should not be, used by anyone other than these specified parties.

*Moss, Levy & Hartzheim*

MOSS, LEVY & HARTZHEIM, LLP  
Culver City, CA  
June 8, 2022



MOSS, LEVY & HARTZHEIM LLP

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**INDEPENDENT AUDITOR'S 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***

To the Honorable 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 fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise LACCAL's basic financial statements, and have issued our report thereon dated June 8, 2022.

**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 opinion 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 the 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.

## **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.

*Moss, Levy & Hartzheim*

MOSS, LEVY & HARTZHEIM, LLP  
Culver City, CA  
June 8, 2022



## **CURRENT YEAR FINDING**

No findings noted in the current fiscal year.

## **STATUS OF PRIOR YEAR RECOMMENDATIONS**

No findings noted in the prior fiscal year.