

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

Basic Financial Statements

June 30, 2023

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
A Not-for-Profit Public Benefit Corporation
June 30, 2023

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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 Audit of the Financial Statements

Opinion

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, 2023, and the related notes to the financial statements, which collectively comprise the LACCAL's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LACCAL and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LACCAL's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 LACCAL's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LACCAL's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 6, 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 February 29, 2024, 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 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 LACCAL's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
February 29, 2024

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, 2023

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, 2023. 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 (County).

Assets, Liabilities, and Net Position

Total assets increased by \$1.7 million (24%) from the prior fiscal year. Cash and investments remained the same and net investment in direct financing leases increased by \$1.7 million, increasing the total assets to \$8.8 million.

Total liabilities increased by \$5.1 million (1,370%) due in part to an increase of \$4.7 million in lease revenue bonds and bond anticipation notes (BANs) and increases in accounts payable, interest payable, and other charges totaling \$0.4 million.

Table 1
Summary of Net Position
As of June 30, 2023 and 2022
(In thousands)

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
<u>Assets</u>		
Total assets	\$ <u>8,795</u>	\$ <u>7,108</u>
<u>Liabilities</u>		
Current liabilities	455	371
Long-term debt and bonds payable	<u>5,000</u>	<u>0</u>
Total liabilities	<u>5,455</u>	<u>371</u>
<u>Net Position</u>		
Total net position	\$ <u>3,340</u>	\$ <u>6,737</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, 2023

Revenues, Expenses, and Change in Net Position

The revenues decreased by \$0.3 million (40%) from the prior fiscal year due to a decrease in interest income received from investing activities.

The expenses increased by \$0.03 million (18%) from the prior fiscal year due to an increase in interest expense from financing activities.

The transfer to the County of \$3.6 million was for distribution of surplus funds related to a lease revenue bond that was paid off in a prior fiscal year.

Table 2

Summary of Changes in Net Position

For the Fiscal Years Ending June 30, 2023 and 2022

(In thousands)

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
<u>Revenues</u>		
Interest	\$ <u>385</u>	\$ <u>638</u>
Total revenues	<u>385</u>	<u>638</u>
<u>Expenses</u>		
Interest	158	135
Other expenses	<u>16</u>	<u>13</u>
Total expenses	<u>174</u>	<u>148</u>
<u>Change in net position</u>		
Operating income	<u>211</u>	<u>490</u>
Transfer to County	(3,608)	
Changes in net position	\$ <u>(3,397)</u>	\$ <u>490</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, 2023

Debt Management

During the fiscal year, BANs payable increased by \$10 million. The balance at fiscal year-end was \$5.0 million. Also, LACCAL redeemed Lease Revenue Bonds of \$0.2 million, resulting in no outstanding balance for Lease Revenue Bonds. LACCAL uses the notes to purchase equipment, machinery, vehicles, and other tangible personal property for lease to the County. 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, 2023 and 2022
(In thousands)

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Bond anticipation notes	\$ 5,000	\$ 0
Lease revenue bonds	<u>0</u>	<u>245</u>
Subtotal	5,000	245
Unamortized Premium	<u>0</u>	<u>6</u>
Total	\$ <u>5,000</u>	\$ <u>251</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 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, 2023

Assets	
Current Assets	
Pooled Cash and Investments (Note 2)	\$ 4,089,203
Interest Receivable	64,772
Installment Sales Receivable (Note 3) Current Portion	1,229,360
Total Current Assets	5,383,335
Non-Current Assets	
Installment Sales Receivable (Note 3)	3,411,778
Total Non-Current Assets	3,411,778
Total Assets	8,795,113
Liabilities	
Current Liabilities	
Accounts Payable and Other Liabilities	439,297
Interest Payable	15,369
Total Current Liabilities	454,666
Non-Current Liabilities	
Revenue Bonds Payable - Due in More Than One Year (Note 4)	5,000,000
Total Non-Current Liabilities	5,000,000
Total Liabilities	5,454,666
Net Position	
Unrestricted	3,340,447
Total Net Position	\$ 3,340,447

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, 2023

Operating Revenue	
Interest Income	\$ 385,366
Total Operating Revenue	<u>385,366</u>
Operating Expenses	
Interest Expense	157,796
Administrative	15,696
Total Operating Expenses	<u>173,492</u>
Operating income	<u>211,874</u>
Nonoperating Expenses	
Transfer to Los Angeles County (Note 6)	3,608,452
Total Nonoperating Expenses	<u>3,608,452</u>
Change in Net Position	(3,396,578)
Total Net Position, Beginning	<u>6,737,025</u>
Total Net Position, Ending	<u><u>\$ 3,340,447</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, 2023

Cash Flows from Operating Activities:	
Cash Paid for Services and Supplies	\$ (15,696)
Cash Used by Operating Activities	<u>(15,696)</u>
Cash Flows from Noncapital Financing Activities:	
Cash transferred to Los Angeles County	(3,608,452)
Cash Used in Noncapital Financing Activities	<u>(3,608,452)</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from the Sale of Certificates and Notes	10,000,000
Principal Collections on Direct Financing Lease	1,768,578
Principal Paid on Bonds, Certificates and Notes	(5,245,000)
Interest Paid on Bonds, Certificates and Notes	(149,365)
Acquisition of Capital Assets	(3,103,103)
Cash Provided by Capital and Related Financing Activities	<u>3,271,110</u>
Cash Flows from Investing Activities:	
Interest Income Received	348,045
Cash Provided by Investing Activities	<u>348,045</u>
Net Decrease in Cash and Cash Equivalents	(4,993)
Cash and Cash Equivalents, Beginning	4,094,196
Cash and Cash Equivalents, Ending	<u>\$ 4,089,203</u>
Reconciliation of Operating Income to Net Cash Used by Operating Activities:	
Operating Income	\$ 211,874
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Interest Revenue Classified as Investment Activities	(385,366)
Interest Expense Classified as Capital and related Financing Activities	157,796
Cash Used by Operating Activities	<u>\$ (15,696)</u>
Reconciliation of Cash and Cash Equivalents:	
Current Assets - Pooled Cash and Investments	\$ 4,089,203
Total Cash and Investments	<u>\$ 4,089,203</u>

Supplemental Disclosure:

\$5,917 in premiums were amortized during the fiscal year ended June 30, 2023.

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, 2023

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, 2023.

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*.

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities and GASB Statement No. 63 established 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, 2023

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, 2023, 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, 2023, LACCAL had no 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, 2023, LACCAL had a balance of \$3,340,447 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 fiscal 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, 2023

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, 2023, LACCAL's investments consisted of investments pooled with the County Treasurer in the amount of \$4,089,203 which

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
A Not-for-Profit Public Benefit Corporation
Notes to Basic Financial Statements
June 30, 2023

NOTE 2 CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

represents less than 0.1% of the total County pooled investments. 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.

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, 2023, 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. The County pooled investments are not subject to rating.

The Investment Policy, approved annually by the Board of Supervisors, 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.

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, 2023, 61.29% of the County Investment Pool has a maturity of six months or less. Of the remainder, 37.34% has a maturity of more than one year. The weighted average maturity in years for the Pool was 2.35.

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
A Not-for-Profit Public Benefit Corporation
Notes to Basic Financial Statements
June 30, 2023

NOTE 3 INSTALLMENT SALE RECEIVABLE

The main purpose of LACCAL is to lease equipment, vehicles and other tangible personal properties to the County. 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, 2023 is as follows:

Total Minimum Lease Payments Receivable	\$ 5,536,213
Less: Unearned Interest Income	<u>(895,075)</u>
Installment Sale Receivable	<u><u>\$ 4,641,138</u></u>

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

Fiscal Year Ending June 30	Principal	Interest
2024	\$ 1,229,360	\$ 194,850
2025	1,017,975	194,116
2026	991,279	192,602
2027	869,808	183,248
2028	532,716	130,259
Total	<u><u>\$ 4,641,138</u></u>	<u><u>\$ 895,075</u></u>

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, 2022	Additions		Deletions		Balance at June 30, 2023	Amounts Due Within One Year
		Principal Additions	Unamortized Premiums Additions	Principal Repayments	Amortized Premiums (Discounts)		
Lease Revenue Bonds							
2020 Series A (#32)	\$ 250,917	\$ -	\$ -	\$ 245,000	\$ 5,917	\$ -	\$ -
Subtotal	<u>250,917</u>	<u>-</u>	<u>-</u>	<u>245,000</u>	<u>5,917</u>	<u>-</u>	<u>-</u>
Bond Anticipation Notes							
Note Payable #33	-	5,000,000	-	5,000,000	-	-	-
Note Payable #34	-	5,000,000	-	-	-	5,000,000	-
Subtotal	<u>-</u>	<u>10,000,000</u>	<u>-</u>	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</u>	<u>-</u>
Total	<u><u>\$ 250,917</u></u>	<u><u>\$ 10,000,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,245,000</u></u>	<u><u>\$ 5,917</u></u>	<u><u>\$ 5,000,000</u></u>	<u><u>\$ -</u></u>

Revenue Bonds

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 fiscal year and interest is also payable on December 1 and June 1. The bonds matured December 1, 2022.

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
A Not-for-Profit Public Benefit Corporation
Notes to Basic Financial Statements
June 30, 2023

NOTE 4 LONG-TERM DEBT (Continued)

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.

Proceeds from these notes are used to purchase equipment, machinery, 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, 2023, and 2022 were \$33,000,000 and \$55,000,000, respectively.

LACCAL issued \$5,000,000 in BANS on June 14, 2023 which were still outstanding at June 30, 2023.

During August 2022, \$5,000,000 in BANS were issued by LACCAL which were redeemed in April 2023.

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 utilizes LACCAL to periodically issue Lease Revenue Obligation Notes (LRON) to provide the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project and fund tenant improvements costs on certain leases, which may be refinanced with the issuance of long-term bonds upon completion. Repayment of LRON is secured by four irrevocable direct-pay Letters of Credit (LOC) from separate banks supporting the issuance of LRON. This program is secured by 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.

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
A Not-for-Profit Public Benefit Corporation
Notes to Basic Financial Statements
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NOTE 5 CONDUIT DEBT OBLIGATIONS (Continued)

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). The County is responsible for the payment of a non-refundable letter of credit fee for each LOC on a quarterly basis in an amount equal to the rate per annum corresponding to the lowest long-term unenhanced debt ratings assigned by Moody's, S&P, or Fitch to any Lease Obligation Debt of the County. The letter of credit fee for all four series of LOCs equal to 0.35% of the maximum principal amount of the LOC. As of June 30, 2023, \$250,940,000 of LRON issued under the program were outstanding, including \$18,530,000 of Series A, \$76,130,000 of Series B, \$99,210,000 of Series C, and \$57,070,000 of Series D.

LRON does not constitute an indebtedness of LACCAL and is payable solely by the County. 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 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.