



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 27, 2021

TO: Supervisor Hilda L. Solis, Chair
Supervisor Holly J. Mitchell
Supervisor Sheila Kuehl
Supervisor Janice Hahn
Supervisor Kathryn Barger

FROM: Arlene Barrera by 
Auditor-Controller

SUBJECT: **REVIEW OF THE COUNTY TREASURER'S STATEMENTS OF NET POSITION AND AGREED-UPON PROCEDURES FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

Background

California Government Code Section 26920 requires quarterly reviews of each county treasurer's Statements of Net Assets (i.e., Statements of Net Position) in the County Treasury.

Audit Scope and Objectives

We contracted with an independent Certified Public Accounting firm, Macias Gini & O'Connell LLP (MGO), to review the County Treasurer and Tax Collector's (TTC) Statements of Net Position for the quarter ended September 30, 2020. MGO conducted the review in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. MGO also performed several agreed-upon procedures, primarily in the areas of cash and investment reconciliations.

Review Summary

MGO's review report (Attachment I) indicates that MGO is not aware of any material modifications that should be made to the Statements of Net Position in order for them to be in accordance with California Government Code Section 26920.

The Subsequent Event Note in MGO's review report indicates that despite the adverse impact of the 2019 Novel Coronavirus (COVID-19) and its effect on the workforce, economies, and financial markets globally, TTC has been diligently working to maintain normal operations remotely and there has been no significant disruption to the TTC's operations. The report further indicates no significant decline in the investment portfolios' valuation and TTC continues to maintain sufficient cash flow to meet its disbursement requirements for the next six months as of the accountant's conclusion date.

MGO's agreed-upon procedures report (Attachment II) indicates they performed the following procedures:

1. Obtained TTC's bank reconciliations at September 30, 2020, verified that the bank accounts were reconciled to TTC's accounting records, and confirmed TTC's cash held by banks. Tested the mathematical accuracy of the reconciliations and traced material reconciling items to supporting documents.
2. Obtained TTC's reconciliations of investments and other safekept securities at September 30, 2020, verified that the investments recorded in TTC's records were reconciled to, and confirmed with, TTC's custodial bank, safekeeping agent, and other custodians. Tested the mathematical accuracy of the reconciliations and traced material reconciling items to supporting documents.
3. Obtained TTC's reconciliations of cash and investments as of July 31, 2020, August 31, 2020, and September 30, 2020, and verified that cash and investments were reconciled between TTC's records and the Auditor-Controller's records pursuant to Government Code Section 26905. Tested the mathematical accuracy of the reconciliations and traced material reconciling items to supporting documents.
4. Agreed the amounts reported on the Statements of Net Position at September 30, 2020 to TTC's records.

MGO's agreed-upon procedures reports did not identify any exceptions.

If you have any questions please call me, or your staff may contact Mike Pirolo at mpirolo@auditor.lacounty.gov.

AB:OV:PH:MP:YK

Attachments

c: Fesia A. Davenport, Chief Executive Officer
Celia Zavala, Executive Officer, Board of Supervisors
Keith Knox, Treasurer and Tax Collector
Audit Committee
Countywide Communications

**LOS ANGELES COUNTY TREASURER
AND TAX COLLECTOR**

Statements of Net Position and Independent
Accountant's Review Report

September 30, 2020



Certified
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Accountants

LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR
September 30, 2020

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Independent Accountant's Review Report

The Honorable Board of Supervisors of the
County of Los Angeles, California

We have reviewed the accompanying statements of net position of the Los Angeles County Treasurer and Tax Collector (Treasury), California, as of September 30, 2020, and the related notes to the statements of net position. A review includes primarily applying analytical procedures to the Treasury's financial data and making inquiries of the Treasury's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the statements of net position. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the statements of net position in accordance with the California Government Code Section 26920; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statements of net position that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements of Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the California Government Code Section 26920. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying statements of net position in order for them to be in accordance with the California Government Code Section 26920.

Basis of Accounting

As discussed in Note 1 to the statements of net position, the financial statements are prepared on an accrual basis of accounting by the Treasury to comply with the financial reporting provisions of the California Government Code Section 26920, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

Restriction on Use

This report is intended solely for the information and use of the managements of the County of Los Angeles and the Board of Supervisors of the County of Los Angeles and is not intended to be, and should not be, used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Los Angeles, California
April 28, 2021

LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR

Statements of Net Position

September 30, 2020

	External Investment Pool	Specific Purpose Investment	Other Specific Investments
Assets			
Treasurer Cash	\$ 284,935,991	\$ -	\$ -
Investments (Fair Value)	32,858,886,508	122,786,236	301,955
Interest Receivable	14,684,636	255,706	-
Total Assets	33,158,507,135	123,041,942	301,955
Liabilities			
Trades Payable	438,182,568	-	-
Total Liabilities	438,182,568	-	-
Total Net Position Held in Trust	\$ 32,720,324,567	\$ 123,041,942	\$ 301,955

See accompanying note and independent accountant's review report.

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LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR

Notes to the Statements of Net Position
September 30, 2020

Note 1 – Summary of Significant Accounting Policies

The Financial Reporting Entity

The Los Angeles County Treasurer and Tax Collector (Treasury) is responsible for billing, tax collection, banking, investment and accountability of public funds. The Treasury maintains three investment portfolios, the External Investment Pool portfolio (the Pool), the Specific Purpose Investment portfolio (SPI) and Other Specific Investments portfolio (OSI) with approximately \$32.7 billion, \$123.04 million and \$301.10 thousand, respectively, in total net position held in trust as of September 30, 2020. The Pool is managed by the Treasury on behalf of the Pool participants that include the County of Los Angeles (County) and other entities that are required by State statutes to participate in the Pool, such as, local school districts, community colleges, and the Superior Courts. Voluntary participants in the Treasury consist of the Sanitation Districts, the Metropolitan Transportation Authority, the South Coast Air Quality Management District, and certain other municipal agencies. The deposits held for these entities are invested in the Pool and SPI portfolios. The assets in OSI are held by the Treasury for a County Department pursuant to Section 1300.76.1, Title 28, California Code of Regulations (State Code).

The State of California allows the County Board of Supervisors (Board) the ability to delegate the investment authority to the Treasury in accordance with Section 53607 of the California Government Code (Government Code). On an annual basis, the Board delegates the investment authority to the Treasury.

The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company.

Financial Statement Presentation

The accompanying statements of net position are prepared on an accrual basis of accounting by the Treasury to comply with the financial reporting provisions of the Government Code Section 26920, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. Investment transactions are recorded on the trade date and at fair value. Deposits and investments held by the Treasury are exposed to risks such as credit risk, concentration of credit risk, custodial credit risk, and interest rate risk.

Treasury management has elected to omit risk disclosures required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3* and the fair value disclosure required by GASB Statement No. 72, *Fair Value Measurement and Application*, since such disclosures are not required by the California Government Code Section 26920.

Cash and Deposits

As of September 30, 2020, the Treasury maintained accounts in six banks. The carrying amount of the Treasury's total deposits in financial institutions was \$284.84 million plus \$97.50 thousand in cash in the Treasury's vault.

LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR
Notes to the Statements of Net Position (Continued)
September 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

Under Government Code Section 53652, each financial institution in California is required to pledge a pool of securities as collateral against all of its public deposits. Government Code Section 53651 and 53652 delineates the types of eligible securities and the required collateral percentage of at least 110%, respectively. In addition, under Government Code Section 53653, the Treasury has discretion to waive security for the portion of any deposits insured pursuant to federal law. Through contractual agreement, the Treasury has opted to waive security for the portions of deposits that are federally insured.

The total balance of deposits in financial institutions was covered by federal depository insurance or collateralized with securities monitored by the Local Agency Security Program (LASP) of the California Department of Business Oversight.

Treasury’s Investment Strategy

The Treasury’s investment strategy for the Pool is to ensure the safety of principal, to provide sufficient cash to meet disbursement needs and to achieve a return. The cash flow needs of the Pool participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of participants. The Treasury’s basic investment strategy is to buy and hold, to a designated maturity, high quality fixed income investments.

The SPI portfolio is used to account for the net position of individual investment accounts, in aggregate. The related investment activity occurs separately from the Pool and is provided as a service to Pool participants and external investors. The individual investment strategies are based on the requests from the participants.

The OSI portfolio is used to account for the assets placed with the Treasury pursuant to State Code. The investment activity occurs separately from the Treasury’s Pool and the related investment strategies are governed by State Code.

The investments in the accompanying statements of net position are reported at fair value. The table below summarizes the investments stated at fair value and cost for the Pool:

<u>Pool</u>	<u>Fair Value</u>	<u>Cost</u>
Commercial Paper	\$ 9,878,722,693	\$ 9,878,830,397
Corporate and Deposit Notes	103,401,613	102,011,243
Los Angeles County Securities	5,000,000	5,000,000
Negotiable Certificates of Deposit	2,650,449,000	2,650,000,873
U.S. Agency Securities	18,044,780,702	17,981,124,287
U.S. Treasury Securities:		
U.S. Treasury Notes	101,996,000	99,952,151
U.S. Treasury Bills	2,049,501,000	2,049,156,374
Municipals	<u>25,035,500</u>	<u>24,629,485</u>
 Total Pool Investments	 <u><u>\$ 32,858,886,508</u></u>	 <u><u>\$ 32,790,704,810</u></u>

LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR
Notes to the Statements of Net Position (Continued)
September 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

The tables below summarize the investments stated at fair value and cost for the SPI and OSI portfolio:

<u>SPI</u>	<u>Fair Value</u>	<u>Cost</u>
Local Agency Investment Fund	\$ 43,405,789	\$ 43,227,927
Los Angeles County Securities	3,510,000	3,510,000
U.S. Agency Securities	<u>75,870,447</u>	<u>73,404,574</u>
 Total SPI Investments	 <u>\$ 122,786,236</u>	 <u>\$ 120,142,501</u>

<u>OSI</u>	<u>Fair Value</u>	<u>Cost</u>
U.S. Treasury Bills	<u>\$ 301,955</u>	<u>\$ 301,921</u>
 Total OSI Investments	 <u>\$ 301,955</u>	 <u>\$ 301,921</u>

Note 2 – Subsequent Event

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments have adversely affected workforces, customers, economies, and financial markets globally. On March 19, 2020, Governor Gavin Newsom issued the Stay at Home Order and the Treasury has been diligently working to maintain normal operations remotely. There has been no significant disruption to the Treasury’s operations since the Stay at Home Order and the Treasury’s investment portfolios are being monitored daily. There has not been any significant decline in the investment portfolios’ valuation and the Treasury continues to maintain sufficient cash flow to meet its disbursement requirements for the next six months as of the accountant’s conclusion date.

**LOS ANGELES COUNTY TREASURER
AND TAX COLLECTOR**

Independent Accountant's Report on Applying Agreed
Upon Procedures

September 30, 2020



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Independent Accountant's Report on Applying Agreed-Upon Procedures

The Honorable Board of Supervisors of the
County of Los Angeles, California

We have performed the procedures enumerated below, which were agreed to by the Los Angeles County Auditor-Controller (Auditor-Controller) and the Los Angeles County Treasurer and Tax Collector (Treasury), solely to assist you with the requirements of California Government Code Section 26920 for review of the statements of net position of the Treasury as of September 30, 2020 (Statements). The Treasury's management is responsible for the Statements. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and related findings are as follows:

1. Obtained Treasury's bank reconciliations at September 30, 2020, verified that the bank accounts were reconciled to the Treasury's accounting records, and confirmed Treasury's cash held by banks. Tested the mathematical accuracy of the reconciliations and traced reconciling items of \$500,000 and greater to supporting documents, including bank statements subsequent to September 30, 2020.

Finding: No exceptions were noted as a result of applying this procedure.

2. Obtained Treasury's reconciliations of investments and other safe kept securities at September 30, 2020, verified that the investments recorded in Treasury's records were reconciled to, and confirmed with, Treasury's custodial bank, safekeeping agent, and other custodians as of September 30, 2020. Tested the mathematical accuracy of the reconciliations and traced reconciling items of \$500,000 and greater to supporting documents.

Supporting documentation was defined as follows:

- For the External Investment Pool and Other Specific Investment portfolios, we reconciled Treasury's records to Treasury's custodial bank statements as of September 30, 2020.
- For the Specific Purpose Investment portfolio, we reconciled the Treasury's records to the Treasury's custodial bank as of September 30, 2020, for the investments safe kept by the custodial bank. Investments that are not safe kept by the custodial bank were traced and agreed to supporting documents including LAIF statements as of September 30, 2020, LAC-CAL Bond Anticipation Notes Board Resolution and Rancho Palos Verdes Redevelopment Agency Project Area No. 1 Tax Allocation Bond issuance document of 1997.

Finding: No exceptions were noted as a result of applying this procedure.

3. Obtained Treasury's reconciliations of cash and investments as of July 31, 2020, August 31, 2020, and September 30, 2020, and verified that cash and investments were reconciled between Treasury's records and the Auditor-Controller's records pursuant to Government Code Section 26905. Tested the mathematical accuracy of the reconciliations and traced reconciling items of \$500,000 or greater to supporting documents, including deposit permits and journal vouchers generated from the County's general ledger system, concentration banks' daily activity reports, bank statement details, and daily cash reports generated by the Cashier's Office.

Finding: No exceptions were noted as a result of applying this procedure.

4. Agreed amounts reported on the Statements of Net Position at September 30, 2020, to the records of the Treasury.

Finding: No exceptions were noted as a result of applying this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the statements of net position. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the managements of the County of Los Angeles and the Board of Supervisors of the County of Los Angeles and is not intended to be, and should not be, used by anyone other than those specified parties.

Macias Gini & O'Connell LLP

Los Angeles, California
April 28, 2021