



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

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**MAJIDA ADNAN**  
**ROBERT G. CAMPBELL**

December 20, 2023

TO: Supervisor Lindsey P. Horvath, Chair  
Supervisor Hilda L. Solis  
Supervisor Holly J. Mitchell  
Supervisor Janice Hahn  
Supervisor Kathryn Barger

FROM: Oscar Valdez  
Auditor-Controller

SUBJECT: **AUDIT OF THE LOS ANGELES COUNTY TREASURY FOR THE YEAR  
ENDED JUNE 30, 2023**

### **Background**

California Government Code Section 26920 requires annual audits of the assets in the Los Angeles County (County) Treasury with an opinion on whether the Treasurer's Statement of Assets (i.e., Statement of Net Position) is presented fairly and in accordance with generally accepted accounting principles.

### **Audit Scope and Objectives**

We contracted with an independent Certified Public Accounting firm, Macias Gini & O'Connell LLP (MGO), to audit the financial statements of the County Treasury for the year ended June 30, 2023. MGO conducted the audit under the Auditor-Controller's Master Agreement.

### **Review Summary**

MGO issued an unmodified opinion on the Treasurer's financial statements indicating the statements present fairly, in all material respects, the financial position of the Treasury and the changes in its financial position in accordance with accounting principles generally accepted in the United States of America (Attachment).

Board of Supervisors

December 20, 2023

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As part of the audit, MGO reviewed the Treasurer's internal control over financial reporting and did not identify any deficiencies that they consider to be material weaknesses. MGO tested the Treasurer's compliance with legal provisions, regulations, and contracts. MGO noted no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

If you have any questions please call me, or your staff may contact Mike Pirolo at [mpirolo@auditor.lacounty.gov](mailto:mpirolo@auditor.lacounty.gov).

OV:RGC:MP:YK

Attachment

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**

Management's Discussion and Analysis and  
Financial Statements with Independent Auditor's Report

For the Year Ended June 30, 2023

**LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR**  
Management's Discussion and Analysis and  
Financial Statements with Independent Auditor's Report

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## Independent Auditor's Report

The Honorable Board of Supervisors  
County of Los Angeles, California

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the total columns of the Statement of Net Position and the Statement of Changes in Net Position (financial statements) of the total investment portfolio administered by the Los Angeles County Treasurer and Tax Collector (Treasury), as of and for the year ended June 30, 2023, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the total investment portfolio administered by the Treasury, as of June 30, 2023, and the changes in its financial position for the year then ended in accordance 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the Treasury 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.

#### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, the accompanying financial statements present only the statement of net position and statement of changes in net position of the total investment portfolio administered by the Treasury, and do not purport to, and do not, present fairly, the financial position of the County of Los Angeles, as of June 30, 2023, the changes in financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

Treasury's management is responsible for the preparation and fair presentation of the 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.

***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 opinion. 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 GAAS 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 GAAS 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 the Treasury'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.

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 as listed in the table of contents be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 financial statements, and other knowledge we obtained during our audit of the 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 December 5, 2023, on our consideration of the Treasury'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 solely 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 effectiveness of 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 Treasury's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Los Angeles, California  
December 5, 2023

**LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR**

Management's Discussion and Analysis  
For the Year Ended June 30, 2023  
(Unaudited)

The Los Angeles County Treasurer and Tax Collector (Treasury) maintains two investment portfolios, the External Investment Pool (Pool) and the Specific Purpose Investments (SPI) portfolios. The Treasury manages the Pool on behalf of Pool participants through the authority delegated to it annually by the Los Angeles County Board of Supervisors. The primary objective of the Treasury's Investment Policy is to ensure the safety of principal. The secondary objective is to meet the liquidity needs of the Pool participants. The tertiary objective is to achieve a return on funds invested. The Treasury accomplishes these objectives through the purchase of high-quality fixed income investments, held to a designated maturity.

Mandatory Pool participants include the County of Los Angeles (County), local school and community college districts within the County, 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. There were approximately 2,199 Pool participants for the year ended June 30, 2023. The Treasury also maintains a SPI portfolio to manage specific investment objectives of certain Pool participants and voluntary participants. The individual investment strategies of the SPI are established by the needs of the requesting entity.

Other Specific Investments represent assets held by the Treasury, in a custodial capacity, pursuant to Section 1300.76.1, Title 28, California Code of Regulations (State Code).

As management of the Pool, SPI portfolio and Other Specific Investments, we offer readers of the Treasury's financial statements this narrative overview and analysis of the financial activities of the Treasury for the year ended June 30, 2023. We hope that the information presented provides you with a solid understanding of the Treasury's financial status as of June 30, 2023.

**Financial Highlights**

- The Pool's total net position at June 30, 2023, was \$52.31 billion, an increase of \$7 billion (15.44%) from June 30, 2022. The increase in total net position was primarily due to contributions exceeding distributions by Pool participants.
- The interest income of the Pool increased \$204.09 million (98.60%) from \$206.99 million for the year ended June 30, 2022, to \$411.08 million for the year ended June 30, 2023. The increase in interest income was primarily due to an increase in market yield during the year ended June 30, 2023.
- The net increase in the Pool's fair value of investments was \$329.16 million for the year ended June 30, 2023, compared to a net decrease of \$1.65 billion for the year ended June 30, 2022. The change was due to a continuing increase in market yield during the year ended June 30, 2023.
- The Pool's allowable investment expenses totaled \$15.35 million for the year ended June 30, 2023. This represented approximately 3.17 basis points of the average daily investment balance for the year ended June 30, 2023.
- The earnings rate, which includes investment income, net of allowable investment expenses, on all Pool investments held by the Treasury for the year ended June 30, 2023, was 2.93% on an average daily investment balance of the Pool portfolio of \$48.48 billion.



**LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR**  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2023  
(Unaudited)

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Treasury's basic financial statements. The Treasury's basic financial statements consist of three components:

- 1) Statement of Net Position
- 2) Statement of Changes in Net Position
- 3) Notes to the Financial Statements

The Statement of Net Position presents information on the assets and liabilities of the Pool, SPI and Other Specific Investments as of June 30, 2023. The difference between the assets and liabilities is reported as net position.

The Statement of Changes in Net Position presents information on how the net position of the Pool, SPI and Other Specific Investments changed during the year ended June 30, 2023.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Statement of Net Position**

The Pool's net position at June 30, 2023, was \$52.31 billion, an increase of \$7 billion (15.44%) from June 30, 2022. The SPI net position was \$283.55 million, an increase of \$142.08 million (100.44%) from the prior year. The Other Specific Investments net position was \$302 thousand, an increase of \$1 thousand (0.33%) from the prior year.

The Pool, SPI, and Other Specific Investments had no trades payable on June 30, 2023, and June 30, 2022.

LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2023  
(Unaudited)

**Net Position**

A comparative condensed summary of the net position for the Pool, SPI, and Other Specific Investments is presented below:

<b>Condensed Statement of Net Position External Investment Pool (In Thousands)</b>				
	<u>2023</u>	<u>2022</u>	<b>Increase/(Decrease)</b>	
			<u>Amount</u>	<u>Percentage</u>
<b>Assets</b>				
Treasurer Cash	\$ 268,320	\$ 263,213	\$ 5,107	1.94%
Investments at Fair Value	51,936,404	44,996,782	6,939,622	15.42%
Interest Receivable	108,687	55,825	52,862	94.69%
<b>Total Assets</b>	<b>52,313,411</b>	<b>45,315,820</b>	<b>6,997,591</b>	<b>15.44%</b>
<b>Net Position</b>	<b>\$ 52,313,411</b>	<b>\$ 45,315,820</b>	<b>\$ 6,997,591</b>	<b>15.44%</b>
<b>Condensed Statement of Net Position Specific Purpose Investments (In Thousands)</b>				
	<u>2023</u>	<u>2022</u>	<b>Increase/(Decrease)</b>	
			<u>Amount</u>	<u>Percentage</u>
<b>Assets</b>				
Investments at Fair Value	\$ 281,398	\$ 140,645	\$ 140,753	100.08%
Interest Receivable	2,149	818	1,331	162.71%
<b>Total Assets</b>	<b>283,547</b>	<b>141,463</b>	<b>142,084</b>	<b>100.44%</b>
<b>Net Position</b>	<b>\$ 283,547</b>	<b>\$ 141,463</b>	<b>\$ 142,084</b>	<b>100.44%</b>
<b>Condensed Statement of Net Position Other Specific Investments (In Thousands)</b>				
	<u>2023</u>	<u>2022</u>	<b>Increase/(Decrease)</b>	
			<u>Amount</u>	<u>Percentage</u>
<b>Assets</b>				
Investments at Fair Value	\$ 302	\$ 301	\$ 1	0.33%
<b>Total Assets</b>	<b>302</b>	<b>301</b>	<b>1</b>	<b>0.33%</b>
<b>Net Position</b>	<b>\$ 302</b>	<b>\$ 301</b>	<b>\$ 1</b>	<b>0.33%</b>

LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2023  
(Unaudited)

**Changes in Net Position**

The additions include contributions by the Pool participants, investment income, and changes in the fair value of investments. Investment expenses are shown as a reduction to additions to the Pool and to the SPI. Deductions represent distributions to Pool participants.

**Pool**

- Contributions by the Pool participants were \$89.22 billion for the year ended June 30, 2023, an increase of \$3.78 billion (4.42%) from the prior year.
- The interest income of the Pool increased \$204.09 million (98.60%) from \$206.99 million for the year ended June 30, 2022, to \$411.08 million for the year ended June 30, 2023. The increase in interest income was primarily due to an increase in market yield during the year ended June 30, 2023.
- The Pool's investment expenses, which are deducted from investment income, were \$15.35 million for the year ended June 30, 2023, an increase of \$805 thousand (5.54%) from the prior year. The \$15.35 million in total investment expenses represented approximately 3.17 basis points of the average daily investment balance for the year ended June 30, 2023.
- The net increase in the Pool's fair value of investments was \$329.16 million for the year ended June 30, 2023, compared to a net decrease of \$1.65 billion for the year ended June 30, 2022. The resulting increase in the year-to-year changes totaling \$1.98 billion was due to a continuing increase in market yield during the year ended June 30, 2023, coupled with increased maturities during the year of securities with lower market values.
- Distributions to Pool participants were \$82.95 billion for the year ended June 30, 2023, an increase of \$4.70 billion (6.01%) from the prior year.

**SPI**

- There was one new participant in SPI, Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA), during the year ended June 30, 2023.
- Contributions by SPI participants were \$153.74 million for the year ended June 30, 2023, an increase of \$91.10 million (145.45%) from the prior year. The increase was primarily due to contributions from a new participant, First 5 LA.
- SPI interest income increased by \$6.05 million (268.69%) from the prior year. The increase in interest income was primarily due to new investments from First 5 LA and an increase in market interest rates for the year ended June 30, 2023.
- The net decrease in the SPI's fair value of investments was \$8.60 million for the year ended June 30, 2023, compared to a net decrease of \$16.96 million for the year ended June 30, 2022. The resulting increase in the year-to-year changes totaling \$8.35 million is due to new investments from First 5 LA made during the higher interest rate environment throughout the year ended June 30, 2023.

**LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR**

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2023

(Unaudited)

- Distributions to SPI participants totaled \$11.24 million, which is \$13.50 million (54.56%) lower than the prior year's figure of \$24.74 million. The decrease was due to a significant reduction of called securities during the year ended June 30, 2023.

Other Specific Investments

- There were no new contributions by participants during the years ended June 30, 2023 and 2022.
- Distributions to participants were approximately \$10 thousand for the year ended June 30, 2023 compared to approximately \$1 thousand for the year ended June 30, 2022. The increase in distributions was due to an increase in the market interest rates for the year ended June 30, 2022.

All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, additions and deductions are reported in this statement for some items that will result in cash flows only in future fiscal periods.

LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2023  
(Unaudited)

A summary of the changes in net position for the Pool, SPI, and Other Specific Investments is presented below.

<b>Statement of Changes in Net Position</b>						
<b>External Investment Pool</b>						
<b>(In Thousands)</b>						
	<b>2023</b>		<b>2022</b>		<b>Increase/(Decrease)</b>	
					<b>Amount</b>	<b>Percentage</b>
<b>Additions:</b>						
Contributions by Pool Participants	\$	89,223,832	\$	85,448,791	\$	3,775,041
Investment Income (Loss):						
Interest Income		411,082		206,992	204,090	98.60%
Investment Expenses		(15,346)		(14,541)	(805)	-5.54%
Net Increase/Decrease in Fair Value of Investments		329,156		(1,652,989)	1,982,145	119.91%
Net Investment Income (Loss)		724,892		(1,460,538)	2,185,430	149.63%
<b>Total Additions</b>		<b>89,948,724</b>		<b>83,988,253</b>	<b>5,960,471</b>	<b>7.10%</b>
<b>Deductions:</b>						
Distributions to Pool Participants		82,951,133		78,247,197	4,703,936	6.01%
Net Increase in Net Position		6,997,591		5,741,056	1,256,535	21.89%
Net Position, Beginning of Year		45,315,820		39,574,764	5,741,056	14.51%
Net Position, End of Year	\$	52,313,411	\$	45,315,820	\$	6,997,591
						15.44%

LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2023  
(Unaudited)

Statement of Changes in Net Position Specific Purpose Investments (In Thousands)							
	<u>2023</u>		<u>2022</u>		Increase/(Decrease)		
					<u>Amount</u>	<u>Percentage</u>	
Additions:							
Contributions by SPI Participants	\$	153,736	\$	62,635	\$	91,101	145.45%
Investment Income (Loss):							
Interest Income		8,303		2,252		6,051	268.69%
Investment Expenses		(110)		(48)		(62)	-129.17%
Net Decrease in							
Fair Value of Investments		(8,603)		(16,955)		8,352	49.26%
Net Investment Income (Loss)		(410)		(14,751)		14,341	97.22%
Total Additions		153,326		47,884		105,442	220.20%
Deductions:							
Distributions to SPI Participants		11,242		24,743		(13,501)	-54.56%
Net Increase in Net Position		142,084		23,141		118,943	513.99%
Net Position, Beginning of Year		141,463		118,322		23,141	19.56%
Net Position, End of Year	\$	283,547	\$	141,463	\$	142,084	100.44%

Statement of Changes in Net Position Other Specific Investments (In Thousands)							
	<u>2023</u>		<u>2022</u>		Increase/(Decrease)		
					<u>Amount</u>	<u>Percentage</u>	
Additions							
Net Increase in Fair Value of Investments	\$	11	\$	-	\$	11	0.00%
Deductions							
Distributions to Participants		10		1		9	0.00%
Net Decrease in Net Position		1		(1)		2	0.00%
Net Position, Beginning of Year		301		302		(1)	-0.33%
Net Position, End of Year	\$	302	\$	301	\$	1	0.33%

**Request for Information**

This financial report is designed to provide a general overview of the Treasury's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Los Angeles County Treasurer and Tax Collector, 500 West Temple Street, Room 437, Los Angeles, California 90012-2766.

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**LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR  
Statement of Net Position  
June 30, 2023  
(In Thousands)**

	<b>External Investment Pool</b>	<b>Specific Purpose Investments</b>	<b>Other Specific Investments</b>	<b>Total</b>
Assets				
Treasurer Cash	\$ 268,320	\$ -	\$ -	\$ 268,320
Investments:				
Commercial Paper	13,701,956	-	-	13,701,956
Corporate and Deposit Notes	10,480	-	-	10,480
Local Agency Investment Fund	-	40,634	-	40,634
Los Angeles County Securities	4,725	2,588	-	7,313
Negotiable Certificates of Deposit	2,948,935	-	-	2,948,935
U.S. Agency Securities	25,342,975	199,199	-	25,542,174
U.S. Treasury Securities:				
U.S. Treasury Notes	2,544,684	38,977	-	2,583,661
U.S. Treasury Bills	7,360,319	-	302	7,360,621
Municipals	22,330	-	-	22,330
Total Investments	<u>51,936,404</u>	<u>281,398</u>	<u>302</u>	<u>52,218,104</u>
Interest Receivable	108,687	2,149	-	110,836
Total Assets	<u>52,313,411</u>	<u>283,547</u>	<u>302</u>	<u>52,597,260</u>
Net Position	<u>\$ 52,313,411</u>	<u>\$ 283,547</u>	<u>\$ 302</u>	<u>\$ 52,597,260</u>

The accompanying notes are an integral part of these financial statements.



**LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR**  
**Statement of Changes in Net Position**  
For the Year Ended June 30, 2023  
(In Thousands)

	<b>External Investment Pool</b>	<b>Specific Purpose Investments</b>	<b>Other Specific Investments</b>	<b>Total</b>
Additions:				
Contributions by Participants	\$ 89,223,832	\$ 153,736	\$ -	\$ 89,377,568
Investment Income (Loss):				
Interest Income	411,082	8,303	-	419,385
Investment Expenses	(15,346)	(110)	-	(15,456)
Net Increase (Decrease) in Fair Value of Investments	<u>329,156</u>	<u>(8,603)</u>	<u>11</u>	<u>320,564</u>
Net Investment Income (Loss)	<u>724,892</u>	<u>(410)</u>	<u>11</u>	<u>724,493</u>
 Total Additions	 <u>89,948,724</u>	 <u>153,326</u>	 <u>11</u>	 <u>90,102,061</u>
Deductions:				
Distributions to Participants	<u>82,951,133</u>	<u>11,242</u>	<u>10</u>	<u>82,962,385</u>
Net Changes in Net Position	6,997,591	142,084	1	7,139,676
Net Position, Beginning of Year	<u>45,315,820</u>	<u>141,463</u>	<u>301</u>	<u>45,457,584</u>
Net Position	<u>\$ 52,313,411</u>	<u>\$ 283,547</u>	<u>\$ 302</u>	<u>\$ 52,597,260</u>

The accompanying notes are an integral part of these financial statements.

**LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Financial Reporting Entity

The Los Angeles County Treasurer and Tax Collector (Treasury) is responsible for tax collection, banking, investment and accountability of public funds. The Treasury maintains two investment portfolios, the External Investment Pool portfolio (Pool) and the Specific Purpose Investments (SPI) portfolio with approximately \$52.31 billion and \$283.55 million, respectively, in total net position as of June 30, 2023. The Treasury also maintains Other Specific Investments totaling approximately \$302 thousand at June 30, 2023. The State of California allows the Board of Supervisors (Board) the ability to delegate the investment authority to the Treasury in accordance with Section 53607 of the California Government Code. The Board delegates the investment authority to the Treasury on an annual basis.

**External Investment Pool**

The Pool is managed by the Treasury on behalf of the Pool participants that include the County of Los Angeles, California (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 purpose of the Pool is to provide safe, liquid investment opportunities for pooled surplus funds deposited into the Treasury. Net earnings on Pool investments are allocated monthly to Pool participants by the County Auditor-Controller based upon each participant's average daily cash balance in the allocation period. Investment gains and losses are proportionately shared by participants as an increase or reduction in investment, net of investment expenses. Section 27013 of the California Government Code authorizes the Treasury to deduct certain Treasury-related administrative fees. The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The Pool does not have any legally binding guarantees of share values.

**Specific Purpose Investments**

The Treasury maintains the SPI portfolio to manage specific investments requested by specific entities with the approval of the Treasury. Proceeds from matured or called investments are treated as distributions to the specific entity participating in the SPI portfolio. Investment income/loss distribution is credited/debited to the specific entity for which the investment was made.

**Other Specific Investments**

Other Specific Investments represents assets held by the Treasury pursuant to Section 1300.76.1, Title 28, California Code of Regulations (State Code). The investments are held in the Treasury's Special Safekeeping Account on behalf of the County's Community Health Plan (CHP). Earnings are credited to the CHP. The funds were assigned to the California Commission of Corporations to meet CHP deposit requirements imposed by the State Code.

LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2023

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Treasury's Investment Strategy

The Treasury's investment strategy is based on three prioritized objectives. The primary objective is to ensure the safety of principal, the secondary objective is to provide sufficient cash to meet disbursement needs, and the tertiary objective is 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 public entities. The individual investment strategies are targeted for the needs of the requesting entity.

The Other Specific Investments are used to account for the assets placed with the Treasury pursuant to State Code. The investment activity occurs separately from the County's Pool and the related investment strategies are governed by State Code.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The accompanying financial statements present only the statement of net position and statement of changes in net position of the Pool, SPI and Other Specific Investments, and are not intended to present fairly, the financial position and changes in financial position of the County as a whole in conformity with accounting principles generally accepted in the United States of America (GAAP). Contributions from pool participants are recognized in the period in which they are received. Distributions to pool participants are recognized in the period in which they are disbursed.

Earnings on investments are recognized as revenue in the period in which they are earned and investment costs are recognized as an expense when incurred, regardless of the timing of related cash flows. In accordance with GAAP, the Treasury records investment purchases and sales on the trade date. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB Statement No. 31) and GASB Statement No. 72, *Fair Value Measurement and Application* (GASB Statement No. 72), the accompanying financial statements reflect the fair value of investments. Disclosures related to GASB Statement No. 31 and GASB Statement No. 72 appear in Note 3. Pool participants' cash balances and withdrawals are based on cost. Pool revenue/loss distribution is shared on a pro-rata basis with the Pool participants. Pool revenue/loss distribution is performed monthly, net of administrative costs authorized by Government Code Section 27013. This method used to determine participants shares sold and redeemed differs from the method used to report investments. The Treasury has prepared its deposit and investment disclosures in accordance with the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*. The related disclosures appear in Note 3.

**LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Trades Payable

Trades payable represent the purchase of investments by the Treasury where payment has not been made as of June 30, 2023. There were no trades payable for the Pool, SPI, and Other Specific Investments at June 30, 2023.

Use of Estimates

The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ from the estimates.

**NOTE 2 – TREASURER CASH**

As of June 30, 2023, the Treasury maintained accounts in six banks. The carrying amount of the Treasury's total deposits in financial institutions was \$268.13 million plus \$188.56 thousand in cash in the Treasury's vault.

Under California 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. California Government Code Section 53651 delineates the types of eligible securities, and the required collateral percentage, generally at 110%. In addition, under California Government Code Section 53653, the Treasury has discretion to waive security for the portion of any deposits as 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 Department of Financial Protection and Innovation (DFPI). DFPI confirmed that the pools of collateral related to the County Treasury's deposits were maintained at required levels as of June 30, 2023.

**LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR**

Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2023

**NOTE 3 – INVESTMENTS**

California Government Code Sections 53601 and 53635 authorize the Treasury to invest the Pool and SPI funds (Note 1) in obligations of the United States Treasury; federal agencies; municipalities; asset-backed securities; bankers' acceptances; commercial paper; negotiable certificates of deposit; medium-term notes; corporate notes; repurchase agreements; reverse repurchase agreements; forwards, futures, and options; shares of beneficial interest of a Joint Powers Authority that invests in authorized securities; shares of beneficial interest issued by diversified management companies known as money market mutual funds registered with the SEC; securities lending agreements; the State of California's Local Agency Investment Fund (LAIF); and supranational institutions. California Government Code Section 53534 also authorizes the Treasury to enter into interest rate swaps agreements. However, these agreements are only used in conjunction with the sale of the bonds approved by the Board.

As permitted by the California Government Code, the Treasury developed, and the Board adopted, an Investment Policy that further defines and restricts the limits within which the Treasury may invest. The investments are managed by the Treasury, which reports investment activity to the Board on a monthly basis. The Treasury also maintains Other Specific Investments which are invested pursuant to the State Code.

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

**LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2023

**NOTE 3 – INVESTMENTS (Continued)**

The Treasury has the following recurring fair value measurements as of June 30, 2023 (in thousands):

<b>Pool</b>	<b>Fair Value</b>	<b>Fair Value Measurement Using</b>			
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>External Government Investments Pool</b>
Commercial Paper	\$ 13,701,956	\$ -	\$ 13,701,956	\$ -	\$ -
Corporate and Deposit Notes	10,480	-	10,480	-	-
Los Angeles County Securities	4,725	-	-	4,725	-
Negotiable Certificates of Deposit	2,948,935	-	2,948,935	-	-
U.S. Agency Securities	25,342,975	-	25,342,975	-	-
U.S. Treasury Securities:		-			
U.S. Treasury Notes	2,544,684	-	2,544,684	-	-
U.S. Treasury Bills	7,360,319	-	7,360,319	-	-
Municipals	22,330	-	22,330	-	-
<b>Total Investments</b>	<b>\$ 51,936,404</b>	<b>\$ -</b>	<b>\$ 51,931,679</b>	<b>\$ 4,725</b>	<b>\$ -</b>
<b>SPI</b>					
Local Agency Investments Fund	\$ 40,634	\$ -	\$ -	\$ -	\$ 40,634
Los Angeles County Securities	2,588	-	-	2,588	-
Negotiable Certificates of Deposit	-	-	-	-	-
U.S. Agency Securities	199,199	-	199,199	-	-
U.S. Treasury Securities:					
U.S. Treasury Notes	38,977	-	38,977	-	-
<b>Total Investments</b>	<b>\$ 281,398</b>	<b>\$ -</b>	<b>\$ 238,176</b>	<b>\$ 2,588</b>	<b>\$ 40,634</b>
<b>Other Specific Investments</b>					
U.S. Treasury Bills	\$ 302	\$ -	\$ 302	\$ -	\$ -
<b>Total Investments</b>	<b>\$ 302</b>	<b>\$ -</b>	<b>\$ 302</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Investment Portfolio</b>					
<b>Adminstrated by the Treasury</b>	<b>\$ 52,218,104</b>	<b>\$ -</b>	<b>\$ 52,170,157</b>	<b>\$ 7,313</b>	<b>\$ 40,634</b>

Investments in LAIF are governed by the California Government Code and overseen by a five-member Local Investment Advisory Board as designated by the California Government Code. As of June 30, 2023, the total amount invested by all California local governments and special districts in LAIF was \$25.68 billion. LAIF is part of the State of California’s Pooled Money Investment Account (PMIA), which as of June 30, 2023, had a balance of \$178.38 billion. The PMIA is not SEC registered but is required to invest according to the California Government Code. Included in the PMIA’s investment portfolio are structured notes and asset-backed securities totaling \$4.96 billion at June 30, 2023. Collectively, these represent 2.78% of the PMIA balance of \$178.38 billion. The SPI holdings in the LAIF investment pool as of June 30, 2023, were \$40.63 million, which were valued using a fair value factor provided by LAIF.

**LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2023

**NOTE 3 – INVESTMENTS (Continued)**

The table below identifies the investment types that are authorized by the County, along with the related concentration of credit limits:

Authorized Investment Type	Maximum Maturity		Maximum Percentage of Portfolio		Maximum Investment In One Issuer		Minimum Rating	
	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy
U. S. Treasury Notes, Bills and Bonds	5 years	None (1)	None	None	None	None	None	None
U.S. Agency Securities	5 years	None (1)	None	None	None	None	None	None
Local Agency Obligations	5 years	5 years (2)	None	10%*	None	None	None	None (2)
Asset-Backed Securities	5 years	5 years	20%	20%	None	\$750 million*	AA	AA (3)*
Bankers' Acceptances	180 days	180 days	40%	40%	30%	\$750 million*	None	A-1/P-1/F1*
Negotiable Certificates of Deposit (4)	5 years	3 years*	30%	30%	None	\$750 million*	None	A-1/P-1/F1*
Commercial Paper	270 days	270 days	40%	40%	10%	\$1.5 billion*	A-1	A-1/P-1/F1
Corporate and Depository Medium-Term Notes (5)	5 years	3 years*	30%	30%	None	\$750 million*	A	A-1/P-1/F1*
LAIF	N/A	N/A	None	\$75 million (6)	None	None	None	None
Shares of Beneficial Interest	N/A	N/A	20%	15%*	10%	10%	AAA	AAA
Repurchase Agreements	1 year	30 days*	None	\$1 billion*	None	\$500 million*	None	None
Reverse Repurchase Agreements	92 days	92 days	20%	\$500 million*	None	\$250 million*	None	None
Forwards, Futures, and Options	N/A	90 days*	None	\$100 million*	None	\$50 million*	None	A*
Interest Rate Swaps	N/A	None	None	None	None	None	A	A
Securities Lending Agreements	92 days	92 days	20%	20% (7)	None	None	None	None
Supranationals	5 years	5 years	30%	30%	None	None	AA	AA

\*Represents restriction in which the Pool Policy is more restrictive than the California Government Code.

- (1) Pursuant to California Government Code 53601, the Board granted authority to make investments in U.S. Treasury Notes, Bills and Bonds, and U.S. Agency Securities that have maturities beyond 5 years.
- (2) Any obligation issued or caused to be issued on behalf of other County affiliates must have a minimum rating of "A3" (Moody's) or "A-" (S&P or Fitch) and the maximum maturity is limited to thirty years. Any short- or medium-term obligation issued by the State of California or a California local agency must have a minimum rating of "MIG-1" or "A2" (Moody's) or "SP-1" or "A" (S&P) and the maximum maturity is limited to 5 years.
- (3) All Asset-Backed securities must be rated at least "AA." Pool Policy also requires that Asset-Backed securities issuers' debts be rated "A" or its equivalent or better.
- (4) Euro Certificate of Deposits are further restricted to a maximum maturity of one year and a maximum percentage of portfolio of 10%.
- (5) Floating Rate Notes are further restricted to a maximum maturity of five years, maximum of 10% of the portfolio, and maximum investment in one issuer of \$750 million. The maximum maturity may be seven years, provided that the Board's authorization to exceed maturities in excess of five years is in effect, of which \$100 million par value may be greater than five years to maturity.
- (6) The maximum percentage of the portfolio is based on the investment limit established by LAIF for each account, not by Pool Policy.
- (7) The maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.

**LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2023

**NOTE 3 – INVESTMENTS (Continued)**

Risk Disclosures

As of June 30, 2023, the major classes of the investments consisted of the following (in thousands):

<u>Pool</u>	<u>Fair Value</u>	<u>Principal</u>	<u>% of Portfolio</u>	<u>Interest Rate Range (%)</u>	<u>Maturity Range</u>	<u>Weighted Average Maturity In Years</u>
Commercial Paper	\$ 13,701,956	\$ 13,704,557	26.38%	4.77% - 5.50%	07/03/23 - 11/03/23	0.12
Corporate and Deposit Notes	10,480	10,996	0.02%	0.50%	06/18/24	0.97
Los Angeles County Securities	4,725	5,000	0.01%	5.83%	06/30/25	2.00
Negotiable Certificates of Deposit	2,948,935	2,950,000	5.68%	4.95% - 5.91%	07/03/23 - 04/01/24	0.23
Municipals	22,330	23,462	0.04%	2.96%	08/01/24	1.09
U.S. Agency Securities	25,342,975	27,673,715	48.80%	0.50% - 6.00%	07/03/23 - 01/05/34	3.32
U.S. Treasury Securities:						
U.S. Treasury Notes	2,544,684	2,842,726	4.90%	0.25% - 1.13%	05/15/24 - 11/15/30	3.14
U.S. Treasury Bills	7,360,319	7,363,691	14.17%	4.33% - 5.26%	07/05/23 - 06/13/24	0.29
<b>Total Investments</b>	<b>\$ 51,936,404</b>	<b>\$ 54,574,148</b>	<b>100.00%</b>			1.86

<u>SPI</u>	<u>Fair Value</u>	<u>Principal</u>	<u>% of Portfolio</u>	<u>Interest Rate Range (%)</u>	<u>Maturity Range</u>	<u>Weighted Average Maturity In Years</u>
Local Agency Investment Fund	\$ 40,634	\$ 41,260	14.44%	N/A	N/A	
Los Angeles County Securities	2,588	2,475	0.92%	5.00%	12/02/27	4.43
U.S. Agency Securities	199,199	222,542	70.79%	2.00% - 5.21%	11/15/23 - 08/27/43	6.26
U.S. Treasury Notes	38,977	39,940	13.85%	1.50%	02/29/24	0.67
<b>Total Investments</b>	<b>\$ 281,398</b>	<b>\$ 306,217</b>	<b>100.00%</b>			4.46

<u>Other Specific Investments</u>	<u>Fair Value</u>	<u>Principal</u>	<u>% of Portfolio</u>	<u>Interest Rate Range (%)</u>	<u>Maturity Range</u>	<u>Weighted Average Maturity In Years</u>
U.S. Treasury Bills	\$ 302	\$ 302	100.00%	5.07%	11/24/23	0.40
<b>Total Investments</b>	<b>\$ 302</b>	<b>\$ 302</b>	<b>100.00%</b>			

	<u>Fair Value</u>	<u>Principal</u>
<b>Total Investment Portfolio Administered by the Treasury</b>	<b>\$ 52,218,104</b>	<b>\$ 54,880,667</b>

Interest Rate Risk

The Treasury Pool maintained the weighted average maturity range of 1.0 and 4.0 years. For purposes of computing weighted average maturity, the maturity date of variable-rate notes is the stated maturity. 61.38% of the Pool's \$51.94 billion in investments at June 30, 2023, mature in six months or less. Of the remainder, 35.44% have a maturity of more than one year. At June 30, 2023, the weighted average maturity in years for the Pool was 1.86.



**LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

**NOTE 3 – INVESTMENTS (Continued)**

The California Government Code and the Investment Policy allow the Treasury to purchase floating rate notes, that is, any instruments that have a coupon interest rate that is adjusted periodically due to changes in a base or benchmark rate. The Investment Policy limits the amount invested in floating rate notes to 10% of the Pool portfolio. The Investment Policy prohibits the purchase of inverse floating rate notes and hybrid or complex structured investments. At June 30, 2023, the Pool contained floating rate notes at fair value of \$5 million (0.01% of the Pool). The notes are tied to the six-month U.S. Treasury Bill and Bank of America prime rates. The fair value of variable securities is generally less susceptible to changes in value than fixed rate securities because the variable-rate coupon resets back to the market rate on a periodic basis. There were no variable notes in the SPI and Other Specific Investments.

Fair value fluctuates with interest rates and increasing interest rates could cause fair value to decline below original cost. County management believes the liquidity in the portfolios is adequate to meet cash flow requirements and to preclude the County from having to sell investments below original cost for that purpose.

Custodial Credit Risk

Custodial credit risk for investments is the risk that the Treasury will not be able to recover the value of investment securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Treasury and are held by either the counterparty, or the counterparty's trust department or agent but not in the Treasury's name. At June 30, 2023, all Pool, SPI and Other Specific Investment securities, except for the Rancho Palos Verdes Redevelopment Agency Tax Allocation Bond (RPV Bond), Bond Anticipation Notes (BANs) and LAIF, were held by the custodian bank in the name of the Treasury. The RPV Bond and the BANs were held in the Treasury's vault and are recorded in the Los Angeles County Securities line item. The LAIF investments were managed by the State of California and the County is considered a pool participant.

**LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

**NOTE 3 – INVESTMENTS (Continued)**

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer, or other counterparty to an investment, will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County mitigates these risks by holding a diversified portfolio of high-quality investments.

The Investment Policy establishes acceptable credit ratings for investments from any two of three Nationally Recognized Statistical Rating Organizations (NRSRO). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody’s), and F1 (Fitch) while an issuer of long-term debt shall be rated no less than an “A.” All investments purchased during the year ended June 30, 2023, met the credit rating criteria in the Investment Policy, at the issuer level. However, while the NRSROs did rate the issuer of the investments purchased, the NRSROs did not, in all instances, rate the investment itself (e.g., commercial paper, corporate and deposit notes, negotiable certificates of deposit, and U.S. Treasury bills, bonds, and notes). Accordingly, for purposes of reporting the credit quality distribution of investments in the table shown on page 23, some investments are reported as not rated.

The Investment Policy also permits investments in LAIF, pursuant to California Government Code Section 16429.1. At June 30, 2023, a portion of the SPI was invested in LAIF, which is unrated as to credit quality.

The Pool and SPI had the following investments in a single issuer that represent 5 percent or more of the total investments at June 30, 2023 (in thousands):

Issuer	Pool		SPI	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio
Federal Farm Credit Bank	\$ 6,496,390	12.51%	\$ 39,258	13.95%
Federal Home Loan Bank	9,613,105	18.51%	104,718	37.21%
Federal Home Loan Mortgage Corporation	6,581,349	12.67%	55,223	19.63%
Federal National Mortgage Association	2,652,131	5.11%	-	0.00%
United States Treasury	9,905,003	19.07%	38,977	13.85%

**LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

**NOTE 3 – INVESTMENTS (Continued)**

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each portfolio's fair value at June 30, 2023:

<u>Pool</u>	<u>S&amp;P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
Commercial Paper	Not Rated	Not Rated	Not Rated	\$ 13,701,956	26.38%
Corporate and Deposit Notes	A+	A1	A+	10,480	0.02%
Municipals:					
Los Angeles County Securities	Not Rated	Not Rated	Not Rated	4,725	0.01%
State of California Muni Bond	AA	Not Rated	AA	22,330	0.04%
Negotiable Certificates of Deposit	Not Rated	Not Rated	Not Rated	2,948,935	5.68%
U.S. Agency Securities	AA+	Aaa	AAA	9,106,004	17.53%
	AA+	Aaa	Not Rated	4,540,809	8.74%
	AA+	Not Rated	AAA	24,721	0.05%
	AA+	WR	AAA	133,606	0.26%
	Not Rated	Aaa	A+	45,016	0.09%
	Not Rated	Aaa	AAA	2,902,977	5.59%
	Not Rated	Aaa	Not Rated	24,921	0.05%
	Not Rated	Not Rated	Not Rated	8,564,921	16.49%
U.S. Treasury Securities*				9,905,003	19.07%
				<u>\$ 51,936,404</u>	<u>100.00%</u>
<u>SPI</u>	<u>S&amp;P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
Local Agency Investment Fund	Not Rated	Not Rated	Not Rated	\$ 40,634	14.44%
Los Angeles County Securities	Not Rated	Not Rated	Not Rated	2,588	0.92%
U.S Agency Securities	AA+	Aaa	AAA	55,604	19.76%
	AA+	Aaa	Not Rated	84,446	30.01%
	Not Rated	Aaa	AAA	3,925	1.39%
	Not Rated	Aaa	Not Rated	5,813	2.07%
	Not Rated	Not Rated	Not Rated	49,411	17.56%
U.S. Treasury Securities*				38,977	13.85%
				<u>\$ 281,398</u>	<u>100.00%</u>
<u>Other Specific Investments</u>	<u>S&amp;P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasury Bills	Not Rated	Not Rated	Not Rated	\$ 302	100.00%
				<u>\$ 302</u>	<u>100.00%</u>

\*Pursuant to GASB Statement No. 40, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

**LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR**

Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2023

**NOTE 3 – INVESTMENTS (Continued)**

Investment Income (Loss)

The earnings rate, which includes investment income, net of allowable investment expenses, on all Pool investments held by the Treasury for the year ended June 30, 2023, was 2.93% on an average daily investment balance of the Pool portfolio of \$48.48 billion.

Investment expenses allocated by the County to the Pool include custodial bank fees, rating agency fees, banking fees, as well as administrative costs such as salaries and benefits, services, and supplies, overhead and equipment totaling \$15.35 million for the year ended June 30, 2023. This represented approximately 3.17 basis points of the average daily investment balance for the year ended June 30, 2023.

The change in fair value of investments consists of both unrealized and realized gains and losses. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) (as an unrealized gain or loss) and the current year (as a realized gain or loss). A security in the amount of \$5 million in the Pool was redeemed with no net gain/loss, and there was no SPI called or sold during the year. The net change in the fair value of investments for the year ended June 30, 2023, was an increase of \$329.16 million for the Pool, a decrease of \$8.60 million for the SPI, and an increase of \$11 thousand for the Other Specific Investments. Due to the Treasury's investment strategy of buying and holding investments until maturity, gains and/or losses resulting from fair value fluctuations do not impact proceeds received and therefore are not reflected in the distributions to participants.

**NOTE 4 – INTEREST RECEIVABLES**

Interest receivables consist of interest accrued on investments including interest purchased with certain securities. At June 30, 2023, the Pool had \$108.69 million of interest receivable with no accrued interest purchased. At June 30, 2023, the SPI portfolio had \$2.15 million of interest receivable and no accrued interest purchased.

**NOTE 5 – RELATED PARTY**

Los Angeles County Securities – External Investment Pool

The Board authorized the Treasury to purchase Los Angeles County Capital Asset Leasing Corporation's (LACCAL) BANs for the Pool, which are floating rate notes. The LACCAL BANs comprised 100.00% of the total floating rate notes as of June 30, 2023. LACCAL is a nonprofit corporation established by the Board to issue tax-exempt bonds to finance the purchase of certain equipment on behalf of the County. The BANs were created to provide LACCAL with operating cash prior to the sale of financing bonds. LACCAL issues BANs and sells them to the Treasury periodically, based on cash needs. The Board authorized the issuance of an aggregated amount of BANs not to exceed \$88 million for the year ended June 30, 2023. LACCAL issued \$10 million in BANs during the year ended June 30, 2023. There was a total of \$5 million BANs redeemed during the year ended June 30, 2023. As of June 30, 2023, there was \$5 million of LACCAL BANs outstanding.

BANs are payable within five years of the purchase date. In addition, the BANs are issued with a formal agreement that, in the event they are not liquidated by the end of the five-year period, they convert to capital leases with a three-year term secured by County real property.

**LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

**NOTE 5 – RELATED PARTY (Continued)**

Los Angeles County Securities – Specific Purpose Investments (SPI)

The Los Angeles County Securities category included the Rancho Palos Verdes Redevelopment Agency Tax Allocation Bond (RPV Bond) for \$5.17 million issued on December 2, 1997, with \$2.48 million outstanding at June 30, 2023. The RPV Bond earns an interest rate of 5% per annum and matures in December 2027. The original loan provided funding for landslide mitigation measures in the Abalone Cove area pursuant to a 1987 settlement agreement. As of June 30, 2023, the fair value of the RPV Bond was \$2.59 million.

**NOTE 6 – INTEREST APPORTIONMENT**

Earnings realized on investments based on amortized cost are distributed to Pool participants and are calculated using the accrual basis of accounting. Section 27013 of the California Government Code authorizes the Treasury to deduct administrative fees related to investments. The net realized earnings on investments are apportioned by the Auditor-Controller to the Pool participants monthly, based on the participants’ average daily cash balances. During the year ended June 30, 2023, the Pool apportioned \$1.42 billion of investment earnings, compared to the previous year’s apportionment of \$259.97 million.

**NOTE 7 – INVESTMENT POOL COMPOSITION**

As of June 30, 2023, the Investment Pool participants by percentage of net position consist of:

<b>Participant Allocation</b>	
Consolidated School Districts	53.89%
County of Los Angeles, including Superior Courts	40.03%
County Bond Proceeds and Repayment Funds	0.15%
Consolidated Sanitation Districts	1.52%
South Coast Air Quality Management District	2.23%
Los Angeles County Metropolitan Transportation Authority	1.13%
Other Municipal Agencies	1.05%
Total	100.00%

The School Districts and the Superior Courts are required by legal provisions to participate in the Pool. At June 30, 2023, the total percentage share of the Pool that relates to these participants in addition to Los Angeles County and related entities whose participation is required was 93.92%. Voluntary participants in the Treasury consist of the Sanitation Districts, the Los Angeles County Metropolitan Transportation Authority, the South Coast Air Quality Management District, County Bond Proceeds and Repayment Funds, and certain municipal agencies. The total percentage share of the Pool for voluntary participants was 5.93% at June 30, 2023.

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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 Audit Standards***

The Honorable Board of Supervisors  
County of Los Angeles, California

We have audited, 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 (*Government Auditing Standards*), the total columns of the statement of net position and the statement of changes in net position (financial statements) of the total investment portfolio administered by the Los Angeles County Treasurer and Tax Collector (Treasury), as of and for the year ended June 30, 2023, and the related notes to the financial statements and have issued our report thereon dated December 5, 2023. Our report included an emphasis of matter paragraph that the accompanying financial statements present only the statement of net position and statement of changes in net position of the total investment portfolio administered by the Treasury, and do not purport to, and do not, present fairly, the financial position of the County of Los Angeles, as of June 30, 2023, the changes in financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Treasury’s internal control over financial reporting (internal control) as a basis for designing 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 the Treasury’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Treasury’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 or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Treasury'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 financial statements. 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.

Macias Gini & O'Connell LLP

Los Angeles, California  
December 5, 2023