



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

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August 5, 2024

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

Robert G. Campbell
Assistant Auditor-Controller / Chief Audit Executive

SUBJECT: **REVIEW OF THE COUNTY TREASURER'S STATEMENTS OF NET POSITION AND AGREED-UPON PROCEDURES FOR THE QUARTER ENDED DECEMBER 31, 2023**

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 Accountant 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 December 31, 2023. 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.

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

1. Obtained TTC's bank reconciliations on December 31, 2023, 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 on December 31, 2023, 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 October 31, 2023, November 30, 2023, and December 31, 2023, 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 on December 31, 2023 to TTC's records.

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

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

OV:CY:RGC:MP:YK:hs

Attachments

c: Fesia A. Davenport, Chief Executive Officer
Edward Yen, Executive Officer, Board of Supervisors
Elizabeth Buenrostro Ginsberg, Treasurer and Tax Collector
Audit Committee
Countywide Communications

**LOS ANGELES COUNTY TREASURER
AND TAX COLLECTOR**

Independent Accountant's Review Report and
Statements of Net Position

December 31, 2023

LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR
Independent Accountant's Review Report and Statements of Net Position
December 31, 2023

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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 December 31, 2023, and the related notes to the statements of net position. The Treasury's management is responsible for the preparation and fair presentation of the statements of net position in accordance with California Government Code Section 26920. Our responsibility is to express a conclusion on the statements of net position based on our review.

Our review was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to the accompanying statements of net position in order for it to be in accordance with the criteria. The procedures performed in a review vary in nature and timing from and are substantially less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether the accompanying statements of net position is in accordance with the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

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.

Based on our review, we are not aware of any material modifications that should be made to the accompanying statements of net position of the Treasury as of December 31, 2023, in order for it to be in accordance with California Government Code Section 26920.

This report is intended solely for the information and use of the management 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.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
July 5, 2024

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LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR
Statements of Net Position
December 31, 2023

	<u>External Investment Pool</u>	<u>Specific Purpose Investment</u>	<u>Other Specific Investments</u>
Assets			
Treasurer Cash	\$ 192,937,562	\$ -	\$ -
Investments (Fair Value)	58,313,592,375	346,341,539	302,783
Interest Receivable	60,039,107	1,250,093	-
	<u>58,566,569,044</u>	<u>347,591,632</u>	<u>302,783</u>
Total Assets			
	<u>58,566,569,044</u>	<u>347,591,632</u>	<u>302,783</u>
Total Net Position Held in Trust	<u>\$ 58,566,569,044</u>	<u>\$ 347,591,632</u>	<u>\$ 302,783</u>

See accompanying notes and independent accountant's review report.

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LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR

Notes to the Statements of Net Position
December 31, 2023

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 \$58.57 billion, \$347.59 million and \$302.78 thousand, respectively, in total net position held in trust as of December 31, 2023. 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 in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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 disclosures required by GASB Statement No. 72, *Fair Value Measurement and Application*, since such disclosures are not required by the Government Code Section 26920.

Cash and Deposits

As of December 31, 2023, the Treasury maintained accounts in five banks. The carrying amount of the Treasury's total deposits in financial institutions was \$192.68 million plus \$253.42 thousand in cash in the Treasury's vault.

LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR

Notes to the Statements of Net Position (Continued)

December 31, 2023

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. However, for the letters of credit issued by the Federal Home Loan Bank of San Francisco with the consent of the Treasury, the Government Code Section 53652 only requests the collateral percentage to be 105%. 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, subject to compliance with the Government Code and County’s investment policy.

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 as of December 31, 2023:

<u>Pool</u>	<u>Fair Value</u>	<u>Cost</u>
Commercial Paper	\$ 17,037,517,807	\$ 17,044,046,002
Corporate and Deposit Notes	10,744,910	10,997,982
Los Angeles County Securities	5,000,000	5,000,000
Negotiable Certificates of Deposit	2,201,178,500	2,200,000,000
U.S. Agency Securities	27,995,584,854	29,964,147,044
U.S. Treasury Securities:		
U.S. Treasury Notes	2,615,038,500	2,844,112,640
U.S. Treasury Bills	8,425,811,854	8,425,065,861
Municipals	22,715,950	23,247,914
Total Pool Investments	\$ 58,313,592,375	\$ 60,516,617,443

LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR

Notes to the Statements of Net Position (Continued)

December 31, 2023

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 portfolios as of December 31, 2023:

<u>SPI</u>	<u>Fair Value</u>	<u>Cost</u>
Local Agency Investment Fund	\$ 41,687,830	\$ 41,958,752
Los Angeles County Securities	2,060,000	2,060,000
U.S. Agency Securities	195,231,709	217,413,440
U.S. Treasury Securities:		
U.S. Treasury Notes	39,757,200	39,985,600
U.S. Treasury Bills	<u>67,604,800</u>	<u>67,551,900</u>
Total SPI Investments	<u>\$ 346,341,539</u>	<u>\$ 368,969,692</u>

<u>OSI</u>	<u>Fair Value</u>	<u>Cost</u>
U.S. Treasury Bills	<u>\$ 302,783</u>	<u>\$ 302,630</u>
Total OSI Investments	<u>\$ 302,783</u>	<u>\$ 302,630</u>

**LOS ANGELES COUNTY TREASURER
AND TAX COLLECTOR**

Independent Accountant's Report
on Applying Agreed Upon Procedures

December 31, 2023



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 on the review of the statements of net position (Statements) of the Los Angeles County Treasurer and Tax Collector (Treasury) for the quarter ended December 31, 2023. The Treasury is responsible for the Statements.

The Los Angeles County Auditor-Controller (Auditor-Controller) and the Treasury have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting the Auditor-Controller and Treasury with the requirements of California Government Code Section 26920 for review of the Statements as of December 31, 2023. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

1. Obtained Treasury's bank reconciliations at December 31, 2023, 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 December 31, 2023.

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 December 31, 2023, 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 December 31, 2023. 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 December 31, 2023.
- For the Specific Purpose Investment portfolio, we reconciled the Treasury's records to the Treasury's custodial bank as of December 31, 2023, 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 Local Agency Investment Fund statements as of December 31, 2023, Los Angeles County Capital Asset Leasing 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 October 31, 2023, November 30, 2023, and December 31, 2023, 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 December 31, 2023, to the records of the Treasury.

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

We were engaged by the Auditor-Controller to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by AICPA. We were not engaged to, and did not, conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Statements. 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.

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 the agreed-upon procedures engagement.

This report is intended solely for the information and use of the Auditor-Controller and Treasurer 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 É O'Connell LAP
Los Angeles, California
July 5, 2024