



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

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

JOHN NAIMO
ACTING AUDITOR-CONTROLLER

April 7, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: John Naimo
Acting Auditor-Controller

A handwritten signature in black ink that reads "John Naimo". The signature is written in a cursive, flowing style.

SUBJECT: **FISCAL YEAR 2012-13 SINGLE AUDIT REPORT**

Attached is the County's Single Audit Report (Report) for Fiscal Year 2012-13. The audit was performed by the independent accounting firm Macias Gini & O'Connell LLP. Federal law requires the County to have an annual audit of all expenditures that were funded by federal assistance received by the County. This year, the audit covered expenditures of approximately \$2.57 billion.

The Report identifies a number of areas with internal control weaknesses and where County departments are not in compliance with federal assistance requirements. County departments are in general agreement with the auditors' findings and have taken, or will take, corrective action. The Report also includes the statuses of the prior year's audit findings. In most cases, the prior year recommendations have been implemented or are in progress.

To comply with federal reporting requirements, we submit this Report to the State Controller and federal clearinghouse agency. It is subject to further review and follow-up action by the State Controller and/or federal agencies that provided the funding to the County.

If you have any questions, please contact me, or your staff may contact Connie Yee at (213) 974-8321 or cye@auditor.lacounty.gov.

JN:RGC:CY:EJ:FL

FY 12-13 Single Audit Board Transmittal Letter.docx

Attachment

c: William T Fujioka, Chief Executive Officer
Sachi A. Hamai, Executive Officer of the Board of Supervisors
Audit Committee
Public Information Office
Each Department Head

COUNTY OF LOS ANGELES
BASIC FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORTS

For the Year Ended June 30, 2013



Certified Public Accountants.



**COUNTY OF LOS ANGELES
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Table of Contents</u>	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis (Required Supplementary Information – Unaudited)	4
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	23
Statement of Activities	24
Fund Financial Statements:	
Balance Sheet – Governmental Funds	26
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	28
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	32
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual on Budgetary Basis:	
General Fund	33
Fire Protection District	34
Flood Control District	35
Public Library	36
Regional Park and Open Space District	37
Statement of Net Position – Proprietary Funds	38
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	40
Statement of Cash Flows – Proprietary Funds	42
Statement of Fiduciary Net Position – Fiduciary Funds	46
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	47
Statement of Net Position – Discretely Presented Component Units	48
Statement of Activities – Discretely Presented Component Units	49
Notes to the Basic Financial Statements	51
Required Supplementary Information – Unaudited:	
Schedule of Funding Progress – Pension Plan	121
Schedule of Funding Progress – Other Post Employment Benefits	122
Single Audit:	
Schedule of Expenditures of Federal Awards	123
Notes to the Schedule of Expenditures of Federal Awards	133
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	143
Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance	146
Schedule of Findings and Questioned Costs	150
Status of Prior Years' Findings	168
Supplementary Information:	
Community Services Block Grant Supplementary Schedules of Revenue and Expenditures	182



INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Supervisors
County of Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Community Development Commission (CDC) (discretely presented component unit), Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA) (discretely presented component unit), and the Los Angeles County Employees Retirement Association (LACERA), which represent the following percentages of the assets, net position/fund balances and revenues/additions of the following opinion units:

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/Additions
Discretely presented component units	100%	100%	100%
Aggregate remaining fund information	68%	70%	11%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for CDC, First 5 LA, and LACERA, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the

audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Fire Protection District Fund, Flood Control District Fund, Public Library Fund, and Regional Park and Open Space District Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, effective July 1, 2012, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement No. 66, *Technical Corrections - 2012, An Amendment of GASB Statements No. 10 and No. 62*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 22 and the schedules of funding progress on pages 121 and 122 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial

statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards and the community services block grant supplementary schedules of revenue and expenditures are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the California Department of Community Services and Development, respectively, and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the community services block grant supplementary schedules of revenue and expenditures are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 County's internal control over financial reporting and compliance.

Macias Jini & O'Connell LLP

Los Angeles, California

December 16, 2013, except for the report on the schedule of expenditures of federal awards and the community services block grant supplementary schedules of revenue and expenditures, as to which the date is March 28, 2014

COUNTY OF LOS ANGELES MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of financial activities for the year ended June 30, 2013. We recommend that this information be used in conjunction with additional information contained in the letter of transmittal.

Financial Highlights

At the end of the current year, the net position (total assets, reduced by total liabilities and deferred inflows of resources) of the County was positive \$10.956 billion. However, net position is classified into three categories and the unrestricted component is negative \$8.641 billion. See further discussion on page 8.

During the current year, the County's net position decreased by a total of \$758 million. Net position related to governmental activities decreased by \$679 million, while net position related to business-type activities decreased by \$79 million. Growth in liabilities associated with postemployment health insurance benefits was \$1.235 billion during the current year and represented the single largest factor in reducing the County's net position. See further discussion on page 8.

At the end of the current year, the County's General Fund reported a total fund balance of \$2.880 billion. The fund balance categories and amounts consisted of nonspendable fund balance of \$254 million, restricted fund balance of \$60 million, committed fund balance of \$529 million, assigned fund balance of \$376 million, and \$1.661 billion of unassigned fund balance.

The County's capital asset balances were \$18.668 billion at year-end and increased by \$334 million during the year, after restatement of prior year balances.

During the current year, the County's total long-term debt increased by \$178 million, after restatement of prior year balances. Newly issued and accreted long-term debt of \$701 million exceeded long-term debt maturities of \$523 million.

Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements, which are comprised of the following three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

This report also includes other supplementary information in addition to the basic financial statements.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued
(UNAUDITED)**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all County assets, liabilities, and deferred inflows of resources, with the difference representing net position. Over time, increases and decreases in net position may serve as an indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information that indicates how the County's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that affect cash flows in future periods. For example, property tax revenues have been recorded that have been earned but not yet collected and workers' compensation expenses have been accrued but not yet paid.

The government-wide financial statements report the following different types of programs or activities:

- **Governmental Activities** - The majority of County services are reported under this category. Taxes and intergovernmental revenues are the major revenue sources that fund these activities which include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, recreation and cultural services, and interest on long-term debt.
- **Business-type Activities** - County services that are intended to recover costs through user charges and fees are reported under this category. The County Hospitals, the Waterworks Districts, and the Aviation Fund represent the County's business activities. In the prior year, the Community Development Commission was also reflected among the County's business activities. See further discussion below under "Discretely Presented Component Units."
- **Discretely Presented Component Units** - Component units are separate entities for which the County is financially accountable. As discussed in Note 2 to the basic financial statements, the County implemented GASB Statement No. 61 in the current year and the Community Development Commission, which was reported as a blended component unit in the prior year, is now regarded as a discretely presented component unit. In addition, First 5 LA continues to be discretely presented in the financial statements.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued
(UNAUDITED)**

FUND FINANCIAL STATEMENTS

The fund financial statements contain information regarding major individual funds. A fund is a fiscal and accounting entity with a balanced set of accounts. The County uses separate funds to ensure compliance with fiscal and legal requirements.

The County's funds are classified into the following three categories:

- **Governmental Funds** - These funds are used to account for essentially the same services that were previously described as governmental activities above. However, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Governmental funds include the General Fund, as well as Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent Funds.
- **Proprietary Funds** - These funds are used to account for functions that were classified as "business-type activities" in the government-wide financial statements. The County's Internal Service Funds are also reported within the proprietary fund section. The County's four Hospital Funds and Waterworks Funds are all considered major funds for presentation purposes. There is one nonmajor enterprise fund (Aviation Funds) and it is displayed with the other major enterprise funds.
- **Fiduciary Funds** - These funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support the County's programs. The Pension and Other Postemployment Benefit Trust Funds, the Investment Trust Funds, and Agency Funds are reported in this fund category, using the accrual basis of accounting.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits and other postemployment benefits to employees.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued
(UNAUDITED)**

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities and deferred inflows of resources by \$10.956 billion at the close of the most recent fiscal year.

Summary of Net Position
As of June 30, 2013 and 2012 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 7,947,075	\$ 8,411,714	\$ 1,423,547	\$ 1,073,713	\$ 9,370,622	\$ 9,485,427
Capital assets	<u>15,838,545</u>	<u>15,701,869</u>	<u>2,829,716</u>	<u>2,787,9666</u>	<u>18,668,261</u>	<u>18,489,835</u>
Total assets	<u>23,785,620</u>	<u>24,113,583</u>	<u>4,253,263</u>	<u>3,861,679</u>	<u>28,038,883</u>	<u>27,975,262</u>
Current and other liabilities	1,326,042	1,761,689	401,345	268,362	1,727,387	2,030,051
Long-term liabilities	<u>11,966,513</u>	<u>10,977,896</u>	<u>3,286,521</u>	<u>2,836,246</u>	<u>15,253,034</u>	<u>13,814,142</u>
Total liabilities	<u>13,292,555</u>	<u>12,739,585</u>	<u>3,687,866</u>	<u>3,104,608</u>	<u>16,980,421</u>	<u>15,844,193</u>
Deferred inflows of resources	<u>102,089</u>				<u>102,089</u>	
Net position:						
Net investment in capital assets	14,654,785	14,593,171	2,218,647	2,241,059	16,873,432	16,834,230
Restricted	2,655,717	2,908,564	68,169	104,997	2,723,886	3,013,561
Unrestricted (deficit)	<u>(6,919,526)</u>	<u>(6,127,737)</u>	<u>(1,721,419)</u>	<u>(1,588,985)</u>	<u>(8,640,945)</u>	<u>(7,716,722)</u>
Total net position	<u>\$ 10,390,976</u>	<u>\$ 11,373,998</u>	<u>\$ 565,397</u>	<u>\$ 757,071</u>	<u>\$ 10,956,373</u>	<u>\$ 12,131,069</u>

Significant changes in assets, liabilities, and deferred inflows included the following:

Current and Other Assets

Current and other assets decreased by \$465 million for governmental activities and increased by \$350 million for business-type activities. For governmental activities, there was a reduction of \$435 million in investment purchase transactions which took place at the end of the current year and settled subsequent to the statement of net position date. This decrease was offset by corresponding reductions in liabilities (Other Payables) of like amount. For business-type activities, current and other assets increased by \$350 million, largely due to a \$329 million increase in the Hospitals' accounts receivable.

Liabilities

Current and other liabilities decreased by \$436 million for governmental activities, largely due to the previously mentioned \$435 million reduction of liabilities associated with investment purchase transactions pending settlement at year-end. For business-type activities, a net increase of \$133 million in current and other liabilities was primarily due to a \$136 million increase in accounts payable for intergovernmental transfer expenses associated with the

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued
(UNAUDITED)**

Liabilities-Continued

Hospitals. Long-term liabilities increased by \$989 million for governmental activities and by \$450 million for business-type activities. Liabilities for other postemployment benefits (OPEB), although partially funded beyond a pay-as-you-go basis in the current year, increased for both governmental and business-type activities by \$1.035 billion and \$199 million, respectively. Additional significant factors increasing liabilities were newly issued capital improvement bonds and third party payor liabilities for the business-type activities. Specific disclosures related to OPEB and other changes in long-term liabilities are discussed and referenced in Notes 9 and 11 to the basic financial statements.

Deferred Inflows of Resources

As discussed in Notes 2 and 7 to the basic financial statements, the County implemented GASB Statements Nos. 60 and 63 in the current year. Sixteen of the County's golf courses are managed by private operators and were determined to be service concession arrangements. The County receives installment payments from the private operators and the present value of such payments was \$102 million and is recorded as a deferred inflow of resources, which is a newly established segment of the Statement of Net Position.

The County's total net position consists of the following three components:

Net Investment in Capital Assets

The largest portion of the County's net position (\$16.873 billion) represents its investment in capital assets (i.e., land, structures and improvements, infrastructure, software and equipment, net of related depreciation), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Position

The County's restricted net position at year-end was \$2.724 billion. Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. Net position that pertains to the various separate legal entities included in the basic financial statements is also generally restricted because the entities' funding sources require that funds be used for specific purposes.

Unrestricted Net Position (Deficit)

The County's total unrestricted net position is negative \$8.641 billion. Both governmental and business-type activities reported deficits in this category of \$6.920 billion and \$1.721 billion, respectively. The deficits closely parallel the OPEB related liabilities of \$6.812 billion for governmental activities and \$1.341 billion for business-type activities. Other unfunded liabilities are also factors, such as workers' compensation, compensated absences, and litigation and self-insurance claims. As discussed in Note 9 to the basic financial statements, the County funded OPEB by \$449 million beyond the pay-as-you-go amount during the current year.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued
(UNAUDITED)**

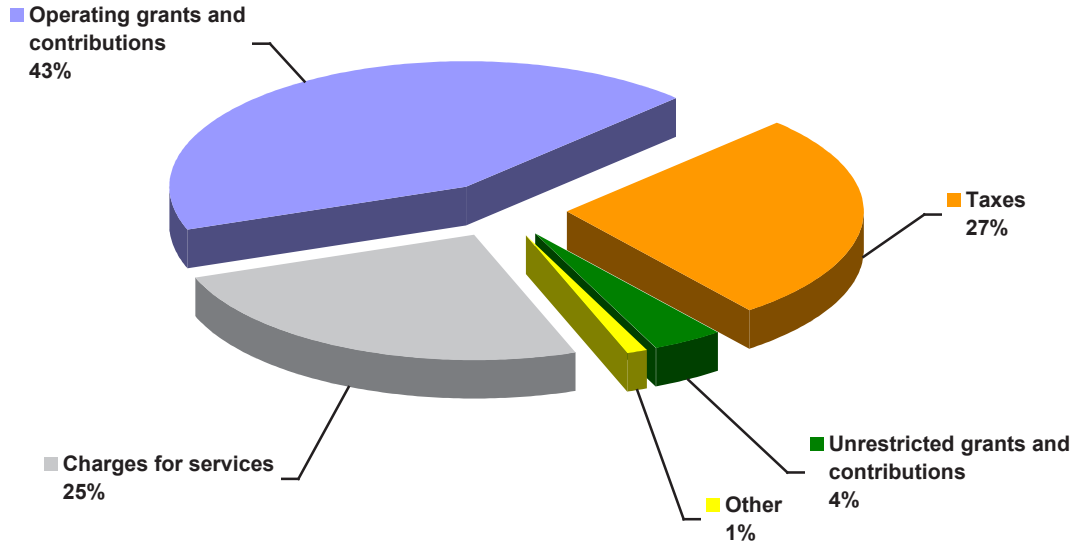
The following table indicates the changes in net position for governmental and business-type activities:

Summary of Changes in Net Position
For the Years Ended June 30, 2013 and 2012
(in thousands)

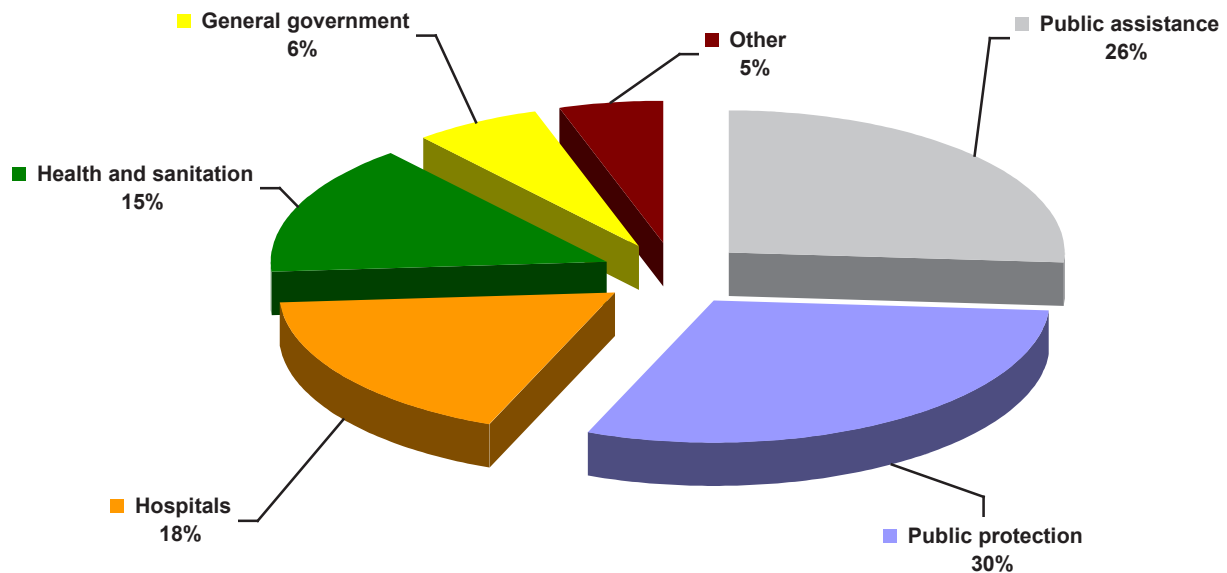
	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,589,542	\$ 2,712,525	\$ 2,446,892	\$ 2,262,644	\$ 5,036,434	\$ 4,975,169
Operating grants and contributions	8,186,681	7,715,282	522,112	776,779	8,708,793	8,492,061
Capital grants and contributions	104,486	38,352	47	1,311	104,533	39,663
General revenues:						
Taxes	5,570,043	5,192,668	4,347	4,382	5,574,390	5,197,050
Unrestricted grants and contributions	745,406	608,967	37	51	745,443	609,018
Investment earnings (loss)	(920)	82,271	(171)	1,770	(1,091)	84,041
Miscellaneous	<u>150,957</u>	<u>134,827</u>	<u>13,171</u>	<u>21,657</u>	<u>164,128</u>	<u>156,484</u>
Total revenues	<u>17,346,195</u>	<u>16,484,892</u>	<u>2,986,435</u>	<u>3,068,594</u>	<u>20,332,630</u>	<u>19,553,486</u>
Expenses:						
General government	1,274,689	1,315,662			1,274,689	1,315,662
Public protection	6,309,193	6,608,319			6,309,193	6,608,319
Public ways and facilities	381,211	355,527			381,211	355,527
Health and sanitation	3,066,172	3,036,296			3,066,172	3,036,296
Public assistance	5,538,106	5,599,244			5,538,106	5,599,244
Education	119,680	112,497			119,680	112,497
Recreation and cultural services	316,372	310,369			316,372	310,369
Interest on long-term debt	105,491	110,541			105,491	110,541
Hospitals			3,889,206	3,768,699	3,889,206	3,768,699
Waterworks			84,824	94,651	84,824	94,651
Aviation			5,332	5,022	5,332	5,022
Community Development Commission				<u>289,924</u>		<u>289,924</u>
Total expenses	<u>17,110,914</u>	<u>17,448,455</u>	<u>3,979,362</u>	<u>4,158,296</u>	<u>21,090,276</u>	<u>21,606,751</u>
Excess (deficiency) before transfers and extraordinary item	235,281	(963,563)	(992,927)	(1,089,702)	(757,646)	(2,053,265)
Transfers	(913,686)	(818,923)	913,686	818,923		
Extraordinary item		<u>(6,282)</u>				<u>(6,282)</u>
Changes in net position	(678,405)	(1,788,768)	(79,241)	(270,779)	(757,646)	(2,059,547)
Net position – beginning, as restated	<u>11,069,381</u>	<u>13,162,766</u>	<u>644,638</u>	<u>1,027,850</u>	<u>11,714,019</u>	<u>14,190,616</u>
Net position – ending	<u>\$ 10,390,976</u>	<u>\$ 11,373,998</u>	<u>\$ 565,397</u>	<u>\$ 757,071</u>	<u>\$ 10,956,373</u>	<u>\$ 12,131,069</u>

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

**REVENUES BY SOURCE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**



**EXPENSES BY TYPE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**



**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued
(UNAUDITED)**

Governmental Activities

Revenues from governmental activities increased by \$861 million (5.2%) when compared with the prior year. The most significant changes in specific revenue sources were experienced in the following areas:

- Program revenues recognized from operating grants and contributions increased by \$471 million. State Assembly Bill 109 public safety realignment revenues grew by \$143 million, as this program expanded in the current year. There was also growth of \$130 million associated with the State Mental Health Services Act (Proposition 63). Proposition 63 revenue growth was attributable to higher State income taxes and positive State adjustments to prior year revenues. Public assistance programs experienced net revenue growth of \$122 million, as State revenues grew by \$219 million and federal revenues were lower by \$97 million. Program revenue growth of \$75 million was due to the federal Delivery System Incentive Pool revenues, which were a newly recognized funding source for the County's health services administration program.
- Taxes, the County's largest general revenue source, were \$377 million higher than the previous year. The additional growth in tax revenues was concentrated in property taxes, which grew by \$348 million. The County's assessed property tax roll grew for the second consecutive year and was 2.2% higher in the current year. Property tax revenues were also recognized in conjunction with the prior year dissolution of redevelopment agencies, which shifted residual property taxes to local government agencies, including the County. The County's share of such residual tax revenues in the current year was \$125 million and grew by \$25 million. Current year revenues of \$241 million, referred to as "pass through" payments from redevelopment dissolution, are apportioned directly to the County and are classified as property tax revenues. In the prior year, such revenues were \$101 million and classified as Other Intergovernmental Revenues. The redevelopment dissolution process places high priority on pass through revenues and resulted in more timely recognition of such revenues.
- An investment loss of nearly \$1 million was recognized in the current year, as compared with positive investment earnings of \$82 million in the prior year. As discussed in Note 5 to the basic financial statements, the County Treasury Pool incurred unrealized losses of \$179 million at the end of the current year. Although Treasury Pool investments are generally held to maturity, the amount of unrealized losses exceeded realized gains on matured investments.

Expenses related to governmental activities decreased by \$338 million (1.9%) during the current year. There were two major factors contributing to lower overall expenses. As discussed in Note 9 to the basic financial statements, the County utilized savings from LACERA pension reserves to fund \$449 million of OPEB costs beyond the pay-as-you-go amount in the current year. The additional funding source was offset by growth in current year OPEB costs of \$174 million, resulting in a net reduction of current year OPEB costs of \$275 million. In the prior year, the County reevaluated its liabilities for accrued vacation and sick leave and recognized higher one-time costs for these benefits in the prior year. In the current year, these expenses

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued
(UNAUDITED)**

Governmental Activities-Continued

were comparatively lower by \$322 million. The current year cost reductions of \$597 million noted above were partially offset by increases in salaries and other employee benefits of \$306 million. Although there were no cost of living wage increases in the current year, expenses were generally higher due to costs associated with new employees, promotions, employee health care benefits and pension contributions.

Business-type Activities

Revenues from business-type activities decreased in comparison to the prior year by \$82 million (2.7%). As previously discussed, the Community Development Commission (CDC) is discretely presented in the current year and represented \$296 million of business-type revenues in the prior year. Adjusting for this change, business-type revenues were otherwise higher by \$214 million. This increase was associated with the County's Hospitals, which recognized a year-over-year increase of \$246 million from a revenue source known as "Managed Care for Seniors and Persons with Disabilities." This amount was partially offset by lower revenues from the Medi-Cal demonstration project. Hospital revenue sources are discussed in more detail in Note 14 to the basic financial statements.

Expenses related to business-type activities decreased from the previous year by \$179 million (4.3%). CDC business-type expenses were \$290 million in the prior year. Similar to the adjustment discussed in the preceding paragraph for CDC, business-type expenses were otherwise higher by \$111 million. Intergovernmental transfer expenses were \$130 million higher and these increases were associated with the County Hospitals' managed care programs. For all Hospital facilities, the average patient census during the current year was 1,234 patients per day, which was lower in comparison with 1,263 for the prior year.

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. Types of governmental funds reported by the County include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and the Permanent Funds.

As of the end of the current fiscal year, the County's governmental funds reported combined total fund balances of \$6.107 billion, an increase of \$229 million in comparison with the prior year. Of the total fund balances, \$265 million is nonspendable to indicate the extent that funds are not in spendable form or are required to remain intact. An additional \$2.980 billion is classified as restricted, \$653 million as committed, and \$548 million as assigned. The remaining balance of \$1.661 billion is classified as unassigned and is entirely associated with the General Fund.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued
(UNAUDITED)**

Governmental Funds-Continued

Revenues from all governmental funds for the current year were \$17.251 billion, an increase of \$795 million (4.8%) from the previous year. Expenditures for all governmental funds in the current year were \$16.409 billion, an increase of \$459 million (2.9%) from the previous year. In addition, other financing uses exceeded other financing sources by \$613 million as compared to \$560 million in the prior year.

The General Fund is the County's principal operating fund. During the current year, the fund balance in the General Fund increased by \$238 million (9.0%). At the end of the current fiscal year, the General Fund's total fund balance was \$2.880 billion. Of this amount, \$254 million is classified as nonspendable, \$60 million as restricted, \$529 million as committed, \$376 million as assigned and the remaining \$1.661 billion is classified as unassigned.

General Fund revenues during the current year were \$14.607 billion, an increase of \$781 million (5.6%) from the previous year. General Fund expenditures during the current year were \$14.014 billion, an increase of \$394 million (2.9%) from the previous year. Other financing sources/uses-net was negative \$356 million in the current year as compared to negative \$287 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Intergovernmental revenues increased overall by \$550 million, with growth in all segments, led by increases in State revenues of \$388 million, federal revenues of \$86 million and "other" intergovernmental revenues of \$76 million. State revenue growth of \$388 million was largely associated with public assistance programs, which grew by \$219 million, due to higher levels of reimbursable program and administrative costs. There was also growth of \$143 million associated with the State's Assembly Bill 109 public safety realignment initiative as the program continues to expand, especially in the Sheriff's and Probation Departments, which recognized increased revenues of \$75 million and \$49 million, respectively. There were also year-over-year increases in State Proposition 172 revenues of \$36 million. Federal revenue growth of \$86 million was principally due to the federal Delivery System Incentive Pool revenues, which were a newly recognized funding source of \$75 million for the County's health services administration program. Excess assets from redevelopment agencies are not derived from current property taxes and are classified as "other" intergovernmental revenues. The General Fund's share of such revenues in the current year was \$135 million, was offset by the reclassification of \$74 million of pass through revenues, and these were the major factors that led to the net increase of "other" intergovernmental revenues.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued
(UNAUDITED)**

Governmental Funds-Continued

- Revenues from taxes increased by \$287 million and property taxes comprised \$262 million of this increase. Current year revenues of \$191 million, referred to as “pass through” payments from redevelopment dissolution, are apportioned directly to the County’s General Fund and are classified as property tax revenues. In the prior year, such revenues were \$74 million and classified as “other” intergovernmental revenues. As previously mentioned, assessed property values were higher in the current year and additional property tax revenues were \$55 million. Residual property tax revenues from redevelopment dissolution were \$16 million higher in the current year, growing from \$88 million to \$104 million.
- General fund expenditures increased by a total of \$394 million, or 2.9%. Within this total, there were increases of \$400 million in current expenditures, increases in debt service expenditures of \$6 million, and capital outlay expenditures were lower by \$12 million. The most significant increase in current expenditures was in the public protection category, where expenditures were higher by \$157 million. Of this amount, salaries and employee benefits increased by \$112 million and were largely associated with the Sheriff’s and Probation Departments. Current expenditures were also higher by \$139 million in the public assistance category and \$123 million was related to administering a variety of assistance programs. Expenditures were also higher by \$91 million for health and sanitation programs.

The Fire Protection District reported a year-end fund balance of \$237 million, which represented an increase of \$33 million from the previous year. The increase in fund balance also brought additional liquidity to the District, as total pooled cash and investments increased by \$45 million. Revenues increased by \$63 million, of which \$57 million was attributable to property taxes. Expenditures were higher by \$27 million, of which \$18 million was related to salaries and benefits.

The Flood Control District reported a year-end fund balance of \$243 million, which was \$48 million higher than the previous year. Revenues were \$9 million higher in the current year and the increase was associated with property tax growth. Expenditures were nearly unchanged, as the current year expenditures were \$187 million, or \$3 million lower than the prior year amount of \$190 million.

The Public Library Fund reported a year-end fund balance of \$59 million, which was \$5 million higher than the previous year. Revenues grew by \$5 million, due to higher property tax revenues. Expenditures increased in the current year by \$7 million. There was a net decrease of \$8 million for “transfers in,” as contributions from the County’s General Fund were \$42 million in the current year, as compared to \$50 million in the prior year.

The Regional Park and Open Space District reported a year-end fund balance of \$330 million, which was \$8 million higher than the previous year. Current year revenues were lower by \$6 million, as investment losses in the current period were nearly \$2 million compared with positive investment income of \$5 million in the prior year. Expenditures were nearly unchanged, at \$35 million in the current year versus \$36 million in the prior year.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued
(UNAUDITED)**

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The County's principal proprietary funds consist of four hospital enterprise funds and each one is reported as a major fund. All of the aforementioned funds incurred a net loss prior to contributions and transfers.

The County is legally required to provide local matching funds to the health care system in order to remain eligible for federal and State assistance. Such funds were provided to the hospitals as operating subsidies from the County General Fund during the year. The amount of subsidy, per facility, ranged from \$71 million for Rancho Los Amigos National Rehabilitation Center to \$331 million for the LAC+USC Medical Center. The total subsidy amount was \$718 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Position as "transfers in." By comparison, the total General Fund subsidy in the prior year was \$643 million.

An additional source of local funding for the Hospitals is the Health Services Measure B Special Revenue Fund ("Measure B Fund"). The Measure B Fund receives voter approved property taxes for trauma and emergency services. In the current year, the Measure B Fund provided transfers to the LAC+USC Medical Center (\$116 million), Harbor-UCLA Medical Center (\$61 million), and Olive-View UCLA Medical Center (\$38 million). The total amount of current year Measure B transfers (\$215 million) was higher than the prior year amount of \$194 million.

Waterworks Funds reported year-end net position of \$820 million, an \$8 million reduction from the previous year. Current year operating revenues of \$72 million were \$4 million higher than the previous year's amount of \$68 million. Current year operating expenses of \$85 million were \$10 million lower than the previous year's amount of \$95 million.

General Fund Budgetary Highlights

The accompanying basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis for the County's General Fund. The County's budgetary basis of accounting is discussed in Notes 1 and 16 to the basic financial statements. There are approximately 100 separate budget units within the General Fund, excluding capital improvement projects, which are individually budgeted. The data presented below represents the net budgetary changes for the General Fund in a highly summarized format. Accordingly, in certain instances, budgets have been increased for programs within a category even though actual amounts have not been realized for the category in its entirety. Under the budgetary basis, there was a net decrease of \$68 million in the General Fund's available (unassigned) fund balance from the previous year.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued
(UNAUDITED)**

Budgetary Summary - Revenues/Financing Sources

Following is a summary of current year budgetary changes and actual results (on the County's budgetary basis) for General Fund revenues and other financing sources (in thousands):

<u>Category</u>	Increase (Decrease) From Original <u>Budget</u>	Final Budget <u>Amount</u>	Actual <u>Amount</u>	Variance- Positive (Negative)
Taxes	\$ 264,749	\$ 4,250,866	\$ 4,263,363	\$ 12,497
Intergovernmental revenues	282,836	8,976,288	8,158,498	(817,790)
Charges for services	(28,232)	1,737,959	1,572,231	(165,728)
All other revenues	63,641	618,327	600,932	(17,395)
Other sources and transfers in	14,139	736,892	492,185	(244,707)
Total	<u>\$ 597,133</u>	<u>\$ 16,320,332</u>	<u>\$ 15,087,209</u>	<u>\$ (1,233,123)</u>

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources approximated \$597 million. The most significant changes occurred in the following areas:

- Estimated intergovernmental revenues increased by \$283 million. Of this amount, there were federal and State revenues of \$97 million added to the budget for public assistance programs due to rate increases for adoptions and foster care and increases to the In-Home Supportive Services program for higher levels of reimbursable costs. Budgeted Federal revenues, referred to as "Delivery System Reform Incentive Pool," were increased by \$81 million to reflect over-realized revenue amounts. There was a \$51 million increase to budgeted federal and State revenues associated with reimbursement of disaster recovery expenditures incurred in previous years. Net additions of \$38 million were made to budgeted intergovernmental revenues associated with redevelopment dissolution. There were other net additions to budgeted intergovernmental revenues of \$16 million.
- The budget for tax revenues was increased by \$265 million. Of this increase, \$159 million was added to the budget for unanticipated property tax revenues recognized in conjunction with redevelopment dissolution. Additionally, \$89 million was associated with year-end budgetary changes that are designed to demonstrate compliance with legal provisions related to the appropriation of revenues from property taxes and certain other tax related revenues. The remaining \$17 million of increased tax revenues was appropriated for a variety of programs.
- There was a net increase of \$64 million related to "all other revenues" and \$37 million of this amount was attributable to tobacco settlement revenues, which exceeded the original budget amount. There were a variety of revenue increases accounting for the remaining \$27 million.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued
(UNAUDITED)**

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately \$15.087 billion, or 7.6%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues and "other sources and transfers in."

- Actual intergovernmental revenues were \$818 million lower than the amount budgeted. Budgeted intergovernmental revenues of \$272 million were not realized for various capital improvements, disaster recovery programs and emergency preparedness projects, as these initiatives were not completed prior to year-end. Mental health programs accounted for approximately \$208 million of this variance, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues. Approximately \$160 million was associated with social service, child and family programs, where reimbursable costs were lower than anticipated due to hiring and promotion delays, reduced contractual spending for services and child care provider payments, and delays in implementing new systems. Public health related programs experienced budgeted revenue shortfalls of \$56 million, most of which was associated with federal grants and offset by a comparable amount of cost savings. The Probation Department under-realized revenues of \$47 million due to lower than expected reimbursement of salaries, services and supplies. The Registrar-Recorder did not realize \$24 million of federal funds (Help America Vote Act) due to lower than anticipated eligible costs. The remaining variance of \$51 million was related to a variety of other programs.
- The actual amount of "other sources and transfers in" was \$245 million lower than the amount budgeted. Of this amount, mental health programs funded by the Mental Health Services Act Special Revenue Fund (Proposition 63) did not fully materialize at the budgeted level and "transfers in" were \$134 million lower than budgeted. In addition, "transfers in" totaling \$90 million were assumed in the budget for capital improvements and extraordinary building maintenance projects which did not incur expected costs. There were various other sources and transfers that comprised the remaining variance of \$21 million.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued
(UNAUDITED)**

Budgetary Summary - Expenditures/Other Financing Uses

Following is a summary of current year budgetary changes and actual results (on the County's budgetary basis) for General Fund expenditures, transfers out, and changes in fund balance components (in thousands):

<u>Category</u>	<u>Increase (Decrease) From Original Budget</u>	<u>Final Budget Amount</u>	<u>Actual Amount</u>	<u>Variance- Positive</u>
General government	\$ (46,960)	\$ 1,581,512	\$ 969,912	\$ 611,600
Public protection	11,133	4,963,094	4,701,404	261,690
Health and sanitation	24,306	3,381,053	2,946,179	434,874
Public assistance	108,383	5,648,187	5,289,991	358,196
All other expenditures	(8,996)	1,201,615	384,714	816,901
Transfers out	128,854	716,512	698,521	17,991
Contingencies	88,839	88,839		88,839
Fund balance changes-net	291,574	305,022	164,409	140,613
Total	<u>\$ 597,133</u>	<u>\$ 17,885,834</u>	<u>\$15,155,130</u>	<u>\$ 2,730,704</u>

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations and fund balance component changes were approximately \$597 million. As discussed below, the most significant increases occurred in the following areas:

- Net budgetary changes of \$292 million were made to various fund balance components. Increases were made to fund balance commitments to augment the County's "rainy day" fund by \$94 million and to provide \$64 million for low and moderate income housing. Fund balance committed for health services, funded by tobacco settlement revenues, was increased by \$43 million. Fund balance commitments were also established for budgetary uncertainties and Sheriff's operations by \$38 million and \$31 million, respectively. Miscellaneous increases of \$22 million were made to other fund balance categories, which had the effect of reducing unassigned fund balance.
- Appropriations for "transfers out" were increased by \$129 million. Of this amount, \$57 million was appropriated to augment the amount of fund transfers from the General Fund to various Hospital Funds. An additional \$51 million of one-time federal and State disaster reimbursement funds were allocated to fund transfers to debt service funds for purposes of redeeming long-term debt obligations. The remaining \$21 million was appropriated to fund transfers out to various other funds.
- Public assistance appropriations were increased by \$108 million. As previously mentioned, estimated revenues of \$97 million were added to the budget to augment appropriations for public assistance programs, primarily to fund cost increases in the adoptions, foster care, and in-home supportive services programs. Various increases in public assistance appropriations comprised the remaining \$11 million.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued
(UNAUDITED)**

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were \$2.731 billion lower (15.3%) than the final total budget of \$17.886 billion. There were budgetary savings in all functional expenditure categories. Following are the functional areas that recognized the largest variations from the final budget:

- The category referred to as “all other expenditures” reflected actual spending of \$817 million less than the budgeted amount. Nearly all (\$808 million) of this variance was related to the capital outlay category. There were many capital improvements anticipated in the budget that remained in the planning stages and did not incur expenditures during the year. Most of the unused balance has been reestablished in the following year’s budget to ensure the continuity of the projects, many of which are multi-year in nature.
- The general government function reported actual expenditures that were \$612 million less than the amount budgeted. Of this amount, \$446 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations and central non-departmental appropriations. The remaining \$166 million was spread across virtually every department comprising general government and was mostly related to savings in the areas of salaries and services and supplies.
- Overall expenditures for the health and sanitation category were \$435 million less than the budgeted amount. Appropriations related to mental health services exceeded actual expenditures by \$297 million, primarily due to less than anticipated costs for contracted services and to a lesser extent, salary savings. The public health program recognized budgetary savings of \$63 million, with approximately half of the budgeted savings in the salaries and benefits category and the remaining half due to lower than expected contract service costs. The County’s managed care program recognized budgetary savings of \$45 million, nearly all of which was contracted services. The remaining variance of \$30 million was associated with other health programs.
- Actual public assistance expenditures were \$358 million lower than the final budget. Of this amount, \$297 million was concentrated in social service, children, and family programs. Administrative costs in these areas were lower than anticipated due to overall cost containment efforts, vacant positions, and delays in implementing new technology initiatives. There were also direct program savings associated with lower than anticipated caseloads. There were \$41 million of savings related to homeless and housing programs due to delays in carrying out multi-year projects. The remaining variance amount of \$20 million was related to other public assistance programs.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued
(UNAUDITED)**

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2013 were \$18.668 billion (net of depreciation). Capital assets include land, easements, buildings and improvements, equipment, software, and infrastructure. The major infrastructure network elements are roads, sewers, water, flood control, and aviation. Specific capital asset changes during the current year are presented in Note 6 to the basic financial statements.

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was \$334 million, as shown in the following table.

Changes in Capital Assets, Net of Depreciation
Primary Government - All Activities
(in thousands)

	<u>Current Year</u>	<u>Prior Year, As Restated</u>	<u>Increase (Decrease)</u>
Land and easements	\$ 7,533,653	\$ 7,441,982	\$ 91,671
Buildings and improvements	3,934,494	3,879,751	54,743
Infrastructure	5,037,495	5,106,802	(69,307)
Equipment	510,535	500,572	9,963
Software	319,782	337,633	(17,851)
Capital assets, in progress	<u>1,332,302</u>	<u>1,067,151</u>	<u>265,151</u>
Total	<u>\$ 18,668,261</u>	<u>\$ 18,333,891</u>	<u>\$ 334,370</u>

The County's major capital asset initiatives during the current year continued to focus on new medical facilities and major improvements for the Hospitals. There was significant construction-in-progress at Harbor/UCLA Medical Center, as \$71 million was capitalized for surgical facilities and seismic retrofit projects. There were an additional \$84 million of capitalized construction costs for the Martin Luther King, Jr. inpatient tower project, and \$62 million for the Martin Luther King, Jr. Multi-Service Ambulatory Care Center project. As of the end of the current year, there were \$657 million of capital construction commitments outstanding.

Debt Administration

During the current year, the County's liabilities for long-term debt, including accreted interest, increased by \$178 million, as newly issued debt and accretions of \$701 million exceeded debt maturities of \$523 million. Specific changes related to governmental and business-type activities are presented in Note 11 (Long-Term Obligations) to the basic financial statements. During the current year, significant long-term debt transactions were as follows:

- Lease revenue obligation notes of \$302 million were issued for governmental and business-type activities in the amounts of \$256 million and \$46 million, respectively. For governmental activities, debt was issued to finance a new hospital facility that will be operated by a non-profit organization (see Note 14 to the basic financial statements) and fire department facilities. For business-type activities, debt was issued to finance hospital and ambulatory care improvements.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued
(UNAUDITED)**

Debt Administration-Continued

- New debt of \$15 million was issued to finance the acquisition of equipment. Equipment debt totaling \$19 million was redeemed during the year in accordance with maturity schedules.
- New debt of \$339 million was issued for governmental and business-type activities in the amounts of \$36 million and \$303 million, respectively. New debt related to governmental activities is for fire stations and, for business-type activities, the debt proceeds are for the High Desert and Martin Luther King, Jr., ambulatory care centers.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling \$1.1 billion in tax and revenue anticipation notes, with maturities of \$300 million on February 28, 2013, \$400 million on March 29, 2013, and \$400 million on June 28, 2013. The General Fund also relied upon periodic borrowing from available agency funds.

Bond Ratings

The County's debt is rated by Moody's, Standard & Poor's, and Fitch. The following is a schedule of ratings:

	<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch</u>
General Obligation Bonds	Aa2	AA	AA-
Facilities	A1	AA-	A+
Equipment/Non-Essential Leases	A2	AA-	A+
Operating/Non-Essential Leases	A2	AA-	A
Short-Term	MIG1	SP-1+	F1+
Flood Control District Revenue Bonds	Aaa	AA	AAA
Regional Park and Open Space District Bonds	Aa1	AA	AAA

During the current year, the County's bond ratings remained the same as the previous year.

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2013-2014 Budget on June 24, 2013. The Budget was adopted based on estimated fund balances that would be available at the end of 2012-2013. The Board updated the Budget on October 8, 2013 to reflect final 2012-2013 fund balances and other pertinent financial information. For the County's General Fund, the 2013-2014 Budget, as updated in October 2013, utilized \$1.498 billion of fund balance, which exceeded the previously estimated fund balance of \$1.135 billion. Of the additional fund balance of \$363 million, \$173 million was used to carryover lapsed appropriations and the remaining \$190 million was used to fund one-time projects and programs.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued
(UNAUDITED)**

The County's 2013-2014 Budget anticipates the continuation of moderate growth that began to emerge in 2012-2013. Improvements in the housing market and the continued downward trend in unemployment have strengthened consumer confidence and increased consumer spending. Revenues associated with sales taxes are trending higher and assessed property values are 4.66% higher, marking the third consecutive year of increased value, which will provide additional property tax revenues to the County. Among the fiscal challenges facing the County are restoration of fund balance and capital outlay appropriations in the General Fund that were drawn upon to withstand the economic downturn. The County also faces salary increases that have been negotiated or for which negotiations are in progress.

The County's budget outlook, while favorable, continues to depend on the fiscal condition and outlook of the State of California. In this regard, the State Legislative Analyst's Office (LAO) reports that State revenues are growing at a faster pace than expenditures and projects State budget surpluses at least through 2017-2018. This forecast for the State should enable the County to more reliably develop its own financial forecast and spending plans for the near future.

Obtaining Additional Information

This financial report is designed to provide a general overview of the County's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-2766.

BASIC FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
JUNE 30, 2013 (in thousands)

	PRIMARY GOVERNMENT			DISCRETELY
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	PRESENTED
	ACTIVITIES	ACTIVITIES		COMPONENT UNITS
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating	\$ 4,022,769	66,051	\$ 4,088,820	\$ 830,841
Other	843,194	28,632	871,826	
Total pooled cash and investments	4,865,963	94,683	4,960,646	830,841
Other investments (Note 5)	63,719		63,719	194,760
Taxes receivable	250,297	787	251,084	
Accounts receivable - net (Note 14)		1,458,937	1,458,937	33,721
Interest receivable	17,003	385	17,388	684
Other receivables	1,982,376	264,604	2,246,980	57,724
Internal balances (Note 15)	689,964	(689,964)		
Inventories	66,240	20,118	86,358	22,528
Restricted assets (Note 5)	11,513	273,997	285,510	
Net pension obligation				589
Capital assets: (Notes 6 and 10)				
Capital assets, not being depreciated	8,100,366	765,589	8,865,955	103,427
Capital assets, net of accumulated depreciation	7,738,179	2,064,127	9,802,306	87,310
Total capital assets	15,838,545	2,829,716	18,668,261	190,737
TOTAL ASSETS	23,785,620	4,253,263	28,038,883	1,331,584
LIABILITIES				
Accounts payable	372,995	290,413	663,408	51,954
Accrued payroll	361,108	74,583	435,691	
Other payables (Note 5)	94,718	11,266	105,984	4,606
Accrued interest payable	20,680	24,287	44,967	
Unearned revenue	64,951	320	65,271	202
Advances payable	411,590	476	412,066	
Long-term liabilities: (Note 11)				
Due within one year	938,639	162,290	1,100,929	6,124
Due in more than one year	11,027,874	3,124,231	14,152,105	70,808
TOTAL LIABILITIES	13,292,555	3,687,866	16,980,421	133,694
DEFERRED INFLOWS OF RESOURCES				
Deferred service concession arrangements (Note 7)	102,089		102,089	
NET POSITION				
Net investment in capital assets (Notes 6 and 11)	14,654,785	2,218,647	16,873,432	148,435
Restricted for:				
Capital projects	63,308		63,308	
Debt service	58,411	6,148	64,559	
Permanent funds - nonspendable	2,230		2,230	
Permanent funds - spendable	290		290	
General government	538,308		538,308	
Public protection	544,075		544,075	
Public ways and facilities	443,144	62,021	505,165	
Health and sanitation	662,118		662,118	
Recreation	336,326		336,326	
Community development				276,834
First 5 LA				723,253
Other	7,507		7,507	
Unrestricted (deficit)	(6,919,526)	(1,721,419)	(8,640,945)	49,368
TOTAL NET POSITION	\$ 10,390,976	565,397	\$ 10,956,373	\$ 1,197,890

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

FUNCTIONS		PROGRAM REVENUES		
		CHARGES FOR	OPERATING	CAPITAL
PRIMARY GOVERNMENT:	EXPENSES	SERVICES	GRANTS AND	GRANTS AND
Governmental activities:			CONTRIBUTIONS	CONTRIBUTIONS
General government	\$ 1,274,689	473,047	46,272	4,530
Public protection	6,309,193	1,248,402	1,421,567	10,318
Public ways and facilities	381,211	35,107	185,658	89,436
Health and sanitation	3,066,172	615,531	1,959,545	138
Public assistance	5,538,106	13,661	4,569,892	
Education	119,680	2,967	2,167	
Recreation and cultural services	316,372	200,827	1,580	64
Interest on long-term debt	105,491			
Total governmental activities	17,110,914	2,589,542	8,186,681	104,486
Business-type activities:				
Hospitals	3,889,206	2,371,130	521,292	
Waterworks	84,824	71,956	606	
Aviation	5,332	3,806	214	47
Total business-type activities	3,979,362	2,446,892	522,112	47
Total primary government	\$ 21,090,276	5,036,434	8,708,793	104,533
DISCRETELY PRESENTED COMPONENT UNITS	\$ 629,238	63,947	494,083	

GENERAL REVENUES:

Taxes:

Property taxes

Utility users taxes

Voter approved taxes

Documentary transfer taxes

Other taxes

Sales and use taxes, levied by the State

Grants and contributions not restricted
to special programs

Investment loss

Miscellaneous

TRANSFERS - NET

Total general revenues and transfers

CHANGE IN NET POSITION

NET POSITION, JULY 1, 2012, AS RESTATED (Note 2)

NET POSITION, JUNE 30, 2013

NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION			
PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
\$ (750,840)		\$ (750,840)	
(3,628,906)		(3,628,906)	
(71,010)		(71,010)	
(490,958)		(490,958)	
(954,553)		(954,553)	
(114,546)		(114,546)	
(113,901)		(113,901)	
(105,491)		(105,491)	
(6,230,205)		(6,230,205)	
	(996,784)	(996,784)	
	(12,262)	(12,262)	
	(1,265)	(1,265)	
	(1,010,311)	(1,010,311)	
(6,230,205)	(1,010,311)	(7,240,516)	
			\$ (71,208)
			DISCRETELY PRESENTED COMPONENT UNITS
			FUNCTIONS
			PRIMARY GOVERNMENT:
			Governmental activities:
			General government
			Public protection
			Public ways and facilities
			Health and sanitation
			Public assistance
			Education
			Recreation and cultural services
			Interest on long-term debt
			Total governmental activities
			Business-type activities:
			Hospitals
			Waterworks
			Aviation
			Total business-type activities
			Total primary government
			GENERAL REVENUES:
			Taxes:
			Property taxes
			Utility users taxes
			Voter approved taxes
			Documentary transfer taxes
			Other taxes
			Sales and use taxes, levied by the State
			Grants and contributions not restricted to special programs
			Investment loss
			Miscellaneous
			TRANSFERS - NET
			Total general revenues and transfers
			CHANGE IN NET POSITION
			NET POSITION, JULY 1, 2012, AS RESTATED (Note 2)
			NET POSITION, JUNE 30, 2013

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating	\$ 866,912	211,307	260,619	60,441
Other	770,853	16,348	2,485	1,548
Total pooled cash and investments	1,637,765	227,655	263,104	61,989
Other investments (Notes 4 and 5)	5,676			119
Taxes receivable	171,919	42,025	13,013	6,123
Interest receivable	8,668	626	749	178
Other receivables	1,768,366	38,480	8,284	1,390
Due from other funds (Note 15)	391,605	2,046	10,594	1,955
Advances to other funds (Note 15)	754,376		6,473	
Inventories	47,375	8,045		916
TOTAL ASSETS	\$ 4,785,750	318,877	302,217	72,670
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 321,509	4,649	4,130	1,235
Accrued payroll	309,926	32,788		3,313
Other payables (Note 5)	89,852	2,289		431
Due to other funds (Note 15)	461,480	10,980	19,428	4,105
Deferred revenue	302,656	31,424	35,678	4,590
Advances payable	404,975			
Third party payor (Notes 11 and 14)	15,702			
TOTAL LIABILITIES	1,906,100	82,130	59,236	13,674
FUND BALANCES (Note 20):				
Nonspendable	253,836	8,045		916
Restricted	59,786	228,702	242,882	9,841
Committed	528,865			
Assigned	376,181		99	48,239
Unassigned	1,660,982			
TOTAL FUND BALANCES	2,879,650	236,747	242,981	58,996
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,785,750	318,877	302,217	72,670

The notes to the basic financial statements are an integral part of this statement.

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				ASSETS
				Pooled cash and investments: (Notes 1 and 5)
\$ 329,344	2,264,216		\$ 3,992,839	Operating
1,417	45,424		838,075	Other
330,761	2,309,640		4,830,914	Total pooled cash and investments
	200,794	(142,870)	63,719	Other investments (Notes 4 and 5)
2,422	14,795		250,297	Taxes receivable
1,030	5,629		16,880	Interest receivable
5,335	47,703		1,869,558	Other receivables
806	321,112		728,118	Due from other funds (Note 15)
	12,088		772,937	Advances to other funds (Note 15)
			56,336	Inventories
\$ 340,354	2,911,761	(142,870)	\$ 8,588,759	TOTAL ASSETS
				LIABILITIES AND FUND BALANCES
				LIABILITIES:
\$ 1,469	30,946		\$ 363,938	Accounts payable
	88		346,115	Accrued payroll
	100		92,672	Other payables (Note 5)
3,167	340,064		839,224	Due to other funds (Note 15)
5,878	31,967		412,193	Deferred revenue
	6,248		411,223	Advances payable
	654		16,356	Third party payor (Notes 11 and 14)
10,514	410,067		2,481,721	TOTAL LIABILITIES
				FUND BALANCES (Note 20):
	2,230		265,027	Nonspendable
329,840	2,251,854	(142,870)	2,980,035	Restricted
	123,956		652,821	Committed
	123,654		548,173	Assigned
			1,660,982	Unassigned
329,840	2,501,694	(142,870)	6,107,038	TOTAL FUND BALANCES
\$ 340,354	2,911,761	(142,870)	\$ 8,588,759	TOTAL LIABILITIES AND FUND BALANCES

COUNTY OF LOS ANGELES
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013 (in thousands)

Fund balances - total governmental funds (page 27) \$ 6,107,038

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not reported in governmental funds:

Land and easements	\$ 7,350,011	
Construction-in-progress	750,355	
Buildings and improvements - net	2,703,462	
Equipment - net	305,343	
Intangible software - net	279,394	
Infrastructure - net	<u>4,317,292</u>	15,705,857

Other long-term assets are not available to pay for current-period expenditures and are unearned, or not recognized, in governmental funds:

Deferred revenue - taxes	\$ 188,305	
Long-term receivables	<u>160,793</u>	349,098

Installment receivables from service concession arrangements. 102,089

Accrued interest payable is not recognized in governmental funds. (20,513)

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Bonds and notes	\$ (1,496,695)	
Unamortized premiums on bonds and notes	(32,107)	
Unamortized loss on bond refunding	23,165	
Accreted interest on bonds and notes	(172,142)	
Capital lease obligations	(183,056)	
Accrued compensated absences	(1,146,316)	
Workers' compensation	(1,792,881)	
Litigation and self-insurance	(177,078)	
Pollution remediation obligations	(15,886)	
OPEB obligation	<u>(6,520,427)</u>	(11,513,423)

Deferred inflows from service concession arrangements. (102,089)

Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net position. (237,081)

Net position of governmental activities (page 23) \$ 10,390,976



COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
REVENUES:				
Taxes	\$ 4,267,858	686,402	112,453	72,792
Licenses, permits and franchises	61,412	13,370	769	
Fines, forfeitures and penalties	222,226	3,976	1,696	555
Revenue from use of money and property:				
Investment income (loss) (Note 5)	8,011	(1,264)	513	(227)
Rents and concessions (Note 10)	80,046	115	6,956	15
Royalties	1,784		1,240	
Intergovernmental revenues:				
Federal	3,167,738	8,989	1,421	9
State	4,851,855	11,937	3,771	2,628
Other	163,094	29,847	4,356	2,505
Charges for services	1,565,937	169,337	117,399	2,374
Miscellaneous	216,977	651	5,169	488
TOTAL REVENUES	14,606,938	923,360	255,743	81,139
EXPENDITURES:				
Current:				
General government	979,989			
Public protection	4,694,982	883,456	187,368	
Public ways and facilities				
Health and sanitation	2,779,870			
Public assistance	5,247,031			
Education				115,750
Recreation and cultural services	272,835			
Debt service:				
Principal	10,065	773		228
Interest and other charges	20,751	101		6
Capital outlay	8,065			
TOTAL EXPENDITURES	14,013,588	884,330	187,368	115,984
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	593,350	39,030	68,375	(34,845)
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 15)	504,567	387	171	42,103
Transfers out (Note 15)	(863,738)	(6,421)	(20,364)	(2,621)
Issuance of debt (Note 11)				
Bond premium proceeds (Note 11)				
Proceeds from capital leases (Note 10)	2,780			
Sales of capital assets	740	186	128	6
TOTAL OTHER FINANCING SOURCES (USES)	(355,651)	(5,848)	(20,065)	39,488
NET CHANGE IN FUND BALANCES	237,699	33,182	48,310	4,643
FUND BALANCES, JULY 1, 2012, AS RESTATED (Note 2)	2,641,951	203,565	194,671	54,353
FUND BALANCES, JUNE 30, 2013	\$ 2,879,650	236,747	242,981	58,996

The notes to the basic financial statements are an integral part of this statement.

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
\$	347,234		\$ 5,486,739	REVENUES:
	16,282		91,833	Taxes
808	73,049		302,310	Licenses, permits and franchises
				Fines, forfeitures and penalties
				Revenue from use of money and property:
(1,809)	2,150	(7,925)	(551)	Investment income (loss) (Note 5)
	31,092		118,224	Rents and concessions (Note 10)
	5		3,029	Royalties
				Intergovernmental revenues:
	27,480		3,205,637	Federal
	586,662		5,456,853	State
	15,343		215,145	Other
80,380	152,602		2,088,029	Charges for services
	60,233		283,518	Miscellaneous
79,379	1,312,132	(7,925)	17,250,766	TOTAL REVENUES
				EXPENDITURES:
				Current:
	17,701		997,690	General government
	76,480		5,842,286	Public protection
	326,159		326,159	Public ways and facilities
	149,281		2,929,151	Health and sanitation
	8,624		5,255,655	Public assistance
			115,750	Education
36,215	10,813		319,863	Recreation and cultural services
				Debt service:
	140,370	(27,855)	123,581	Principal
	88,156	(7,925)	101,089	Interest and other charges
	389,742		397,807	Capital outlay
36,215	1,207,326	(35,780)	16,409,031	TOTAL EXPENDITURES
43,164	104,806	27,855	841,735	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES):
	235,236		782,464	Transfers in (Note 15)
(35,488)	(767,636)		(1,696,268)	Transfers out (Note 15)
	293,284		293,284	Issuance of debt (Note 11)
	3,848		3,848	Bond premium proceeds (Note 11)
			2,780	Proceeds from capital leases (Note 10)
	305		1,365	Sales of capital assets
(35,488)	(234,963)		(612,527)	TOTAL OTHER FINANCING SOURCES (USES)
7,676	(130,157)	27,855	229,208	NET CHANGE IN FUND BALANCES
322,164	2,631,851	(170,725)	5,877,830	FUND BALANCES, JULY 1, 2012, AS RESTATED (Note 2)
\$ 329,840	2,501,694	(142,870)	\$ 6,107,038	FUND BALANCES, JUNE 30, 2013

COUNTY OF LOS ANGELES
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

Net change in fund balances - total governmental funds (page 31) \$ 229,208

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Expenditures for general capital assets, infrastructure and other related capital asset adjustments	\$ 432,727	
Less - current year depreciation expense	<u>(357,705)</u>	75,022

In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported as an increase in financial resources. Thus, the change in net position differs from the change in fund balance.		(1,378)
--	--	---------

Contribution of capital assets is not recognized in the governmental funds.		99,377
---	--	--------

Timing differences result in more or less revenues and expenses in the statement of activities.

Change in deferred revenues	\$ (52,201)	
Change in unamortized premiums	4,000	
Change in unamortized refunding losses	<u>(2,784)</u>	(50,985)

Issuance of long-term debt provides resources in the governmental funds, but increases long-term liabilities in the statement of net position.		(298,302)
--	--	-----------

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:

Certificates of participation and bonds	\$ 84,660	
Notes, loans, and lease revenue obligation notes	189,065	
Assessment bonds	27,855	
Other long-term notes, loans and capital leases	<u>11,066</u>	312,646

Some expenses reported in the accompanying statement of activities do not require (or provide) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in workers' compensation	\$ 18,782	
Change in litigation and self-insurance	(20,345)	
Change in pollution remediation obligations	9,408	
Change in accrued compensated absences	(16,190)	
Change in OPEB obligation	(991,118)	
Change in accrued interest payable	(277)	
Change in accretion of bonds and notes	2,991	
Change in accretion of tobacco settlement bonds	(2,471)	
Transfer of capital assets from governmental fund to enterprise fund	<u>(41)</u>	(999,261)

The portion of internal service funds that is reported with governmental activities.		<u>(44,732)</u>
--	--	-----------------

Change in net position of governmental activities (page 25)		<u><u>\$ (678,405)</u></u>
---	--	----------------------------

COUNTY OF LOS ANGELES
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 3,986,117	4,250,866	4,263,363	12,497
Licenses, permits and franchises	49,767	49,767	61,412	11,645
Fines, forfeitures and penalties	216,892	217,769	222,226	4,457
Revenue from use of money and property:				
Investment income	39,980	40,495	32,494	(8,001)
Rents and concessions	92,110	105,778	80,046	(25,732)
Royalties	225	225	1,784	1,559
Intergovernmental revenues:				
Federal	3,698,294	3,878,878	3,171,764	(707,114)
State	4,823,288	4,886,877	4,814,183	(72,694)
Other	171,870	210,533	172,551	(37,982)
Charges for services	1,766,191	1,737,959	1,572,231	(165,728)
Miscellaneous	155,712	204,293	202,970	(1,323)
TOTAL REVENUES	15,000,446	15,583,440	14,595,024	(988,416)
EXPENDITURES:				
Current:				
General government	1,628,472	1,581,512	969,912	(611,600)
Public protection	4,951,961	4,963,094	4,701,404	(261,690)
Health and sanitation	3,356,747	3,381,053	2,946,179	(434,874)
Public assistance	5,539,804	5,648,187	5,289,991	(358,196)
Recreation and cultural services	282,240	284,038	274,912	(9,126)
Debt service-				
Interest	2,988	2,988	2,988	
Capital outlay	925,383	914,589	106,814	(807,775)
TOTAL EXPENDITURES	16,687,595	16,775,461	14,292,200	(2,483,261)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,687,149)	(1,192,021)	302,824	1,494,845
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	354	354	740	386
Transfers in	722,399	736,538	491,445	(245,093)
Transfers out	(587,658)	(716,512)	(698,521)	17,991
Appropriation for contingencies		(88,839)		88,839
Changes in fund balance	(13,448)	(305,022)	(164,409)	140,613
OTHER FINANCING SOURCES (USES) - NET	121,647	(373,481)	(370,745)	2,736
NET CHANGE IN FUND BALANCE	(1,565,502)	(1,565,502)	(67,921)	1,497,581
FUND BALANCE, JULY 1, 2012 (Note 16)	1,565,502	1,565,502	1,565,502	
FUND BALANCE, JUNE 30, 2013 (Note 16)	\$		1,497,581	1,497,581

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 FIRE PROTECTION DISTRICT
 FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 623,995	677,134	685,136	8,002
Licenses, permits and franchises	13,058	13,058	13,370	312
Fines, forfeitures and penalties	4,131	4,131	3,976	(155)
Revenue from use of money and property:				
Investment income	1,500	1,500	782	(718)
Rents and concessions	85	85	115	30
Intergovernmental revenues:				
Federal	15,112	15,112	8,989	(6,123)
State	13,796	13,796	11,937	(1,859)
Other	30,028	4,019	29,847	25,828
Charges for services	171,840	171,840	169,337	(2,503)
Miscellaneous	415	415	651	236
TOTAL REVENUES	873,960	901,090	924,140	23,050
EXPENDITURES:				
Current-Public protection:				
Salaries and employee benefits	779,402	779,434	758,587	(20,847)
Services and supplies	123,699	123,837	102,843	(20,994)
Other charges	6,091	6,091	2,363	(3,728)
Capital assets	21,027	21,244	13,756	(7,488)
TOTAL EXPENDITURES	930,219	930,606	877,549	(53,057)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(56,259)	(29,516)	46,591	76,107
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	297	297	186	(111)
Transfers in		387	387	
Transfers out	(4,815)	(4,815)	(4,815)	
Appropriation for contingencies		(27,130)		27,130
Changes in fund balance	13,966	13,966	15,216	1,250
OTHER FINANCING SOURCES (USES) - NET	9,448	(17,295)	10,974	28,269
NET CHANGE IN FUND BALANCE	(46,811)	(46,811)	57,565	104,376
FUND BALANCE, JULY 1, 2012 (Note 16)	46,811	46,811	46,811	
FUND BALANCE, JUNE 30, 2013 (Note 16)	\$		104,376	104,376

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 FLOOD CONTROL DISTRICT
 FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 96,827	109,380	108,635	(745)
Licenses, permits and franchises	711	711	769	58
Fines, forfeitures and penalties	1,824	1,824	1,696	(128)
Revenue from use of money and property:				
Investment income	1,901	1,901	3,080	1,179
Rents and concessions	7,567	7,567	6,956	(611)
Royalties	700	700	1,240	540
Intergovernmental revenues:				
Federal			1,421	1,421
State	839	839	3,771	2,932
Other	4,957	726	4,356	3,630
Charges for services	112,668	112,668	117,128	4,460
Miscellaneous	1,771	1,771	5,169	3,398
TOTAL REVENUES	229,765	238,087	254,221	16,134
EXPENDITURES:				
Current-Public protection:				
Services and supplies	204,721	198,373	180,788	(17,585)
Other charges	21,047	21,397	19,495	(1,902)
Capital assets	519	277	104	(173)
Capital outlay	19,775	25,773	9,057	(16,716)
TOTAL EXPENDITURES	246,062	245,820	209,444	(36,376)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,297)	(7,733)	44,777	52,510
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	70	70	128	58
Transfers out	(3,266)	(3,508)	(1,105)	2,403
Appropriation for contingencies		(8,322)		8,322
Changes in fund balance	(34,156)	(34,156)	(20,875)	13,281
OTHER FINANCING SOURCES (USES) - NET	(37,352)	(45,916)	(21,852)	24,064
NET CHANGE IN FUND BALANCE	(53,649)	(53,649)	22,925	76,574
FUND BALANCE, JULY 1, 2012 (Note 16)	53,649	53,649	53,649	
FUND BALANCE, JUNE 30, 2013 (Note 16)	\$		76,574	76,574

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 PUBLIC LIBRARY
 FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 69,233	71,198	71,364	166
Fines, forfeitures and penalties			555	555
Revenue from use of money and property:				
Investment income	400	400	388	(12)
Rents and concessions	15	15	15	
Intergovernmental revenues:				
Federal	61	61	9	(52)
State	857	857	2,628	1,771
Other	1,575	165	2,505	2,340
Charges for services	3,082	3,082	2,374	(708)
Miscellaneous	1,021	1,021	488	(533)
TOTAL REVENUES	76,244	76,799	80,326	3,527
EXPENDITURES:				
Current-Education:				
Salaries and employee benefits	81,982	82,723	74,029	(8,694)
Services and supplies	68,642	72,803	43,210	(29,593)
Other charges	434	434	275	(159)
Capital assets	580	580	299	(281)
TOTAL EXPENDITURES	151,638	156,540	117,813	(38,727)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(75,394)	(79,741)	(37,487)	42,254
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	13	13	6	(7)
Transfers in	47,449	51,383	42,103	(9,280)
Transfers out	(1,563)	(2,621)	(2,621)	
Appropriation for contingencies		(555)		555
Changes in fund balance	(683)	1,343	5,109	3,766
OTHER FINANCING SOURCES (USES) - NET	45,216	49,563	44,597	(4,966)
NET CHANGE IN FUND BALANCE	(30,178)	(30,178)	7,110	37,288
FUND BALANCE, JULY 1, 2012 (Note 16)	30,178	30,178	30,178	
FUND BALANCE, JUNE 30, 2013 (Note 16)	\$		37,288	37,288

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 REGIONAL PARK AND OPEN SPACE DISTRICT
 FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Fines, forfeitures and penalties	\$ 931	931	808	(123)
Revenue from use of money and property-				
Investment income	3,136	3,136	1,960	(1,176)
Charges for services	80,398	80,398	80,133	(265)
TOTAL REVENUES	84,465	84,465	82,901	(1,564)
EXPENDITURES:				
Current-Recreation and cultural services:				
Services and supplies	5,721	5,721	4,747	(974)
Other charges	227,101	227,271	46,564	(180,707)
TOTAL EXPENDITURES	232,822	232,992	51,311	(181,681)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(148,357)	(148,527)	31,590	180,117
OTHER FINANCING SOURCES (USES):				
Transfers in	91,218	91,218	87,446	(3,772)
Transfers out	(127,254)	(127,254)	(122,934)	4,320
Appropriation for contingencies	(8,379)	(8,209)		8,209
Changes in fund balance	(7,515)	(7,515)	(3,761)	3,754
OTHER FINANCING SOURCES (USES) - NET	(51,930)	(51,760)	(39,249)	12,511
NET CHANGE IN FUND BALANCE	(200,287)	(200,287)	(7,659)	192,628
FUND BALANCE, JULY 1, 2012 (Note 16)	200,516	200,516	200,516	
FUND BALANCE, JUNE 30, 2013 (Note 16)	\$ 229	229	192,857	192,628

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
ASSETS				
Current assets:				
Pooled cash and investments: (Notes 1 and 5)				
Operating	\$ 1,547	604	1,495	280
Other	7,462	4,598	13,431	2,126
Total pooled cash and investments	9,009	5,202	14,926	2,406
Taxes receivable				
Accounts receivable - net (Note 14)	454,028	283,138	588,965	118,860
Interest receivable	97	81	21	5
Other receivables	16,052	13,031	25,174	5,723
Due from other funds (Note 15)	70,045	39,297	114,821	30,795
Advances to other funds (Note 15)				
Inventories	6,500	4,162	8,308	1,145
Total current assets	555,731	344,911	752,215	158,934
Noncurrent assets:				
Restricted assets (Note 5)	185,879	78,514	4,804	2,768
Other receivables (Note 14 and 15)	49,207	34,122	80,428	40,867
Capital assets: (Notes 6 and 10)				
Land and easements	3,276	16,426	18,183	217
Buildings and improvements	272,319	203,865	1,080,000	187,179
Equipment	77,288	44,820	94,955	16,043
Intangible - software	15,991	14,359	20,167	5,616
Infrastructure				
Construction in progress	460,563	87,440	537	11,499
Less accumulated depreciation	(223,217)	(128,053)	(275,091)	(115,077)
Total capital assets - net	606,220	238,857	938,751	105,477
Total noncurrent assets	841,306	351,493	1,023,983	149,112
TOTAL ASSETS	1,397,037	696,404	1,776,198	308,046
LIABILITIES				
Current liabilities:				
Accounts payable	95,565	43,210	120,777	26,194
Accrued payroll	22,805	14,049	31,487	6,242
Other payables	4,236	2,017	3,576	1,077
Accrued interest payable	17,248	6,818	53	138
Due to other funds (Note 15)	43,568	35,847	77,471	33,222
Advances from other funds (Note 15)	281,542	194,786	228,184	47,776
Advances payable			476	
Unearned revenue			208	45
Current portion of long-term liabilities (Note 11)	32,174	13,443	93,281	18,607
Total current liabilities	497,138	310,170	555,513	133,301
Noncurrent liabilities:				
Accrued compensated absences (Note 11)	53,841	28,612	67,022	13,399
Bonds and notes (Note 11)	575,195	213,815	4,005	9,311
Premiums on bonds and notes payable (Note 11)	19,216	14,917	286	665
Workers' compensation (Notes 11 and 18)	66,724	21,333	107,417	19,994
Litigation and self-insurance (Notes 11 and 18)	26,269	927	47,330	3,451
OPEB obligation (Notes 9 and 11)	377,637	264,520	574,585	124,701
Third party payor (Notes 11 and 14)	94,777	49,894	283,376	47,806
Total noncurrent liabilities	1,213,659	594,018	1,084,021	219,327
TOTAL LIABILITIES	1,710,797	904,188	1,639,534	352,628
NET POSITION				
Net investment in capital assets (Notes 6 and 11)	210,885	102,212	894,597	85,950
Restricted:				
Debt service		1,344	4,804	
Public ways and facilities				
Unrestricted (deficit)	(524,645)	(311,340)	(762,737)	(130,532)
TOTAL NET POSITION (Note 3)	\$ (313,760)	(207,784)	136,664	(44,582)

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds
\$ 53,119	8,102	\$ 65,147	\$ 30,834
1,005	8	28,630	5,121
54,124	8,110	93,777	35,955
787		787	
13,650	296	1,458,937	
155	24	383	125
		59,980	10,064
1,108	7	256,073	73,867
1,351		1,351	
3		20,118	9,904
71,178	8,437	1,891,406	129,915
		271,965	13,545
		204,624	
11,328	134,212	183,642	
119,091	34,437	1,896,891	1,734
1,106	1,278	235,490	273,360
1,222		57,355	
1,179,881	53,771	1,233,652	
21,520	388	581,947	
(567,811)	(58,991)	(1,368,240)	(133,427)
766,337	165,095	2,820,737	141,667
766,337	165,095	3,297,326	155,212
837,515	173,532	5,188,732	285,127
4,035	67	289,848	9,622
		74,583	14,993
	360	11,266	2,045
		24,257	197
4,784	211	195,103	23,731
		752,288	22,000
		476	
67		320	1,559
271		157,776	38,124
9,157	638	1,505,917	112,271
		162,874	44,232
8,111		810,437	35,250
		35,084	
		215,468	36,862
		77,977	
		1,341,443	291,875
		475,853	
8,111		3,119,136	408,219
17,268	638	4,625,053	520,490
758,226	165,095	2,216,965	93,023
		6,148	
62,021		62,021	
	7,799	(1,721,455)	(328,386)
\$ 820,247	172,894	563,679	\$ (235,363)
		1,718	
		\$ 565,397	

ASSETS

Current assets:

Pooled cash and investments: (Notes 1 and 5)

Operating

Other

Total pooled cash and investments

Taxes receivable

Accounts receivable - net (Note 14)

Interest receivable

Other receivables

Due from other funds (Note 15)

Advances to other funds (Note 15)

Inventories

Total current assets

Noncurrent assets:

Restricted assets (Note 5)

Other receivables (Note 14 and 15)

Capital assets: (Notes 6 and 10)

Land and easements

Buildings and improvements

Equipment

Intangible - software

Infrastructure

Construction in progress

Less accumulated depreciation

Total capital assets - net

Total noncurrent assets

TOTAL ASSETS

LIABILITIES

Current liabilities:

Accounts payable

Accrued payroll

Other payables

Accrued interest payable

Due to other funds (Note 15)

Advances from other funds (Note 15)

Advances payable

Unearned revenue

Current portion of long-term liabilities (Note 11)

Total current liabilities

Noncurrent liabilities:

Accrued compensated absences (Note 11)

Bonds and notes (Note 11)

Premiums on bonds and notes payable (Note 11)

Workers' compensation (Notes 11 and 18)

Litigation and self-insurance (Notes 11 and 18)

OPEB obligation (Notes 9 and 11)

Third party payor (Notes 11 and 14)

Total noncurrent liabilities

TOTAL LIABILITIES

NET POSITION

Net investment in capital assets (Notes 6 and 11)

Restricted:

Debt service

Public ways and facilities

Unrestricted (deficit)

TOTAL NET POSITION (Note 3)

Adjustment to reflect the consolidation of internal
service fund activities related to enterprise funds

NET POSITION OF BUSINESS-TYPE ACTIVITIES (PAGE 23)

COUNTY OF LOS ANGELES
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
OPERATING REVENUES:				
Net patient service revenues (Note 14)	\$ 688,033	419,691	1,057,167	205,286
Rentals				
Charges for services				
Other (Note 14)	184,570	112,077	214,938	23,663
TOTAL OPERATING REVENUES	872,603	531,768	1,272,105	228,949
OPERATING EXPENSES:				
Salaries and employee benefits	584,952	368,304	813,044	164,244
Services and supplies	127,941	85,993	203,418	26,828
Other professional services	183,813	119,851	345,547	39,195
Depreciation and amortization (Note 6)	7,579	6,946	26,005	3,073
Medical malpractice	5,555		12,021	3,713
Rent	7,793	3,996	4,651	2,020
TOTAL OPERATING EXPENSES	917,633	585,090	1,404,686	239,073
OPERATING LOSS	(45,030)	(53,322)	(132,581)	(10,124)
NONOPERATING REVENUES (EXPENSES):				
Taxes				
Investment income (loss)	(10)	68	(5)	(21)
Interest expense	(36,486)	(11,513)	(4,019)	(1,785)
Intergovernmental transfers expense (Note 14)	(207,331)	(101,072)	(324,332)	(55,379)
Intergovernmental revenues:				
State				
Federal				
Other				
TOTAL NONOPERATING REVENUES (EXPENSES)	(243,827)	(112,517)	(328,356)	(57,185)
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(288,857)	(165,839)	(460,937)	(67,309)
Capital contributions	41			
Transfers in (Note 15)	287,368	127,720	447,332	71,031
Transfers out (Note 15)	(3,822)	(1,074)	(16,506)	
CHANGE IN NET POSITION	(5,270)	(39,193)	(30,111)	3,722
TOTAL NET POSITION, JULY 1, 2012, AS RESTATED (Note 2)	(308,490)	(168,591)	166,775	(48,304)
TOTAL NET POSITION, JUNE 30, 2013	\$ (313,760)	(207,784)	136,664	(44,582)

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	ACTIVITIES
\$		\$ 2,370,177	\$	OPERATING REVENUES:
	3,423	3,423	26,323	Net patient service revenues (Note 14)
71,948	383	72,331	440,803	Rentals
83	77	535,408		Charges for services
				Other (Note 14)
72,031	3,883	2,981,339	467,126	TOTAL OPERATING REVENUES
		1,930,544	393,787	OPERATING EXPENSES:
59,785	2,419	506,384	42,262	Salaries and employee benefits
2,973	1,005	692,384	40,930	Services and supplies
21,928	1,908	67,439	33,587	Other professional services
		21,289		Depreciation and amortization (Note 6)
		18,460		Medical malpractice
				Rent
84,686	5,332	3,236,500	510,566	TOTAL OPERATING EXPENSES
(12,655)	(1,449)	(255,161)	(43,440)	OPERATING LOSS
4,347		4,347		NONOPERATING REVENUES (EXPENSES):
(168)	(35)	(171)	(351)	Taxes
(138)		(53,941)	(1,891)	Investment income (loss)
		(688,114)		Interest expense
				Intergovernmental transfers expense (Note 14)
264	30	294		Intergovernmental revenues:
377	184	561		State
2		2		Federal
				Other
4,684	179	(737,022)	(2,242)	TOTAL NONOPERATING REVENUES (EXPENSES)
(7,971)	(1,270)	(992,183)	(45,682)	LOSS BEFORE CONTRIBUTIONS AND TRANSFERS
	47	88		Capital contributions
154		933,605	6,120	Transfers in (Note 15)
(113)		(21,515)	(4,406)	Transfers out (Note 15)
(7,930)	(1,223)	(80,005)	(43,968)	CHANGE IN NET POSITION
828,177	174,117		(191,395)	TOTAL NET POSITION, JULY 1, 2012, AS RESTATED (Note 2)
\$ 820,247	172,894		\$ (235,363)	TOTAL NET POSITION, JUNE 30, 2013
		764		Adjustment to reflect the consolidation of internal
				service fund activities related to enterprise funds
		\$ (79,241)		CHANGE IN NET POSITION OF BUSINESS-TYPE
				ACTIVITIES (PAGE 25)

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from patient services	\$ 588,368	388,919	894,042	154,677
Rentals received				
Rentals received from other funds				
Cash received from charges for services				
Other operating revenues	184,577	112,086	214,954	23,668
Cash received for services provided to other funds	17,606	14,207	25,566	905
Cash paid for salaries and employee benefits	(507,877)	(325,076)	(684,656)	(143,817)
Cash (paid) refunded for services and supplies	(9,841)	(25,899)	(18,606)	29,197
Other operating expenses	(218,663)	(127,371)	(417,087)	(41,310)
Cash paid for services from other funds	(126,172)	(52,050)	(131,215)	(21,996)
Net cash provided by (required for) operating activities	(72,002)	(15,184)	(117,002)	1,324
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash advances received/returned from other funds	623,919	363,957	859,644	121,157
Cash advances paid/returned to other funds	(594,611)	(373,903)	(819,748)	(130,490)
Interest paid on advances	(1,036)	(556)	(968)	(244)
Intergovernmental transfers	(207,331)	(101,072)	(324,332)	(55,379)
Intergovernmental receipts				
Transfers in	287,368	127,720	447,332	71,031
Transfers out	(3,822)	(1,074)	(16,506)	
Net cash provided by noncapital financing activities	104,487	15,072	145,422	6,075
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from taxes				
Capital contributions				
Proceeds from bonds and notes	166,725	136,960	38,147	7,804
Interest paid on capital borrowing	(30,322)	(6,389)	(3,195)	(1,912)
Principal payments on bonds and notes	(61,093)	(32,340)	(91,165)	(8,946)
Proceeds from bond premiums	18,161	14,917		
Acquisition and construction of capital assets	(136,876)	(55,480)	6,261	(3,121)
Net cash provided by (required for) capital and related financing activities	(43,405)	57,668	(49,952)	(6,175)
CASH FLOWS FROM INVESTING ACTIVITIES -				
Investment income (losses)	(6)	(5)	26	(22)
Net increase (decrease) in cash and cash equivalents	(10,926)	57,551	(21,506)	1,202
Cash and cash equivalents, July 1, 2012, as restated (Note 2)	205,814	26,165	41,236	3,972
Cash and cash equivalents, June 30, 2013	\$ 194,888	83,716	19,730	5,174

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds
\$		\$ 2,026,006	\$
	3,423	3,423	14
			26,306
70,651	1,729	72,380	35,767
83	77	535,445	
		58,284	395,760
		(1,661,426)	(347,616)
(58,516)	(2,889)	(86,554)	(36,512)
(2,702)	(1,005)	(808,138)	(40,930)
		(331,433)	
9,516	1,335	(192,013)	32,789
94		1,968,771	
		(1,918,752)	
		(2,804)	
		(688,114)	
643	214	857	
154		933,605	6,120
(113)		(21,515)	(4,406)
778	214	272,048	1,714
4,551		4,551	
	47	47	
3,079		352,715	15,000
(155)		(41,973)	(1,885)
(24)		(193,568)	(19,410)
		33,078	
(9,029)	(721)	(198,966)	(30,169)
(1,578)	(674)	(44,116)	(36,464)
(216)	(42)	(265)	(367)
8,500	833	35,654	(2,328)
45,624	7,277	330,088	51,828
\$ 54,124	8,110	\$ 365,742	\$ 49,500

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from patient services

Rentals received

Rentals received from other funds

Cash received from charges for services

Other operating revenues

Cash received for services provided to other funds

Cash paid for salaries and employee benefits

Cash (paid) refunded for services and supplies

Other operating expenses

Cash paid for services from other funds

Net cash provided by (required for) operating activities

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Cash advances received/returned from other funds

Cash advances paid/returned to other funds

Interest paid on advances

Intergovernmental transfers

Intergovernmental receipts

Transfers in

Transfers out

Net cash provided by noncapital financing activities

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from taxes

Capital contributions

Proceeds from bonds and notes

Interest paid on capital borrowing

Principal payments on bonds and notes

Proceeds from bond premiums

Acquisition and construction of capital assets

Net cash provided by (required for) capital and related financing activities

CASH FLOWS FROM INVESTING ACTIVITIES -

Investment income (losses)

Net increase (decrease) in cash and cash equivalents

Cash and cash equivalents, July 1, 2012, as restated (Note 2)

Cash and cash equivalents, June 30, 2013

Continued...

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:				
Operating loss	\$ (45,030)	(53,322)	(132,581)	(10,124)
Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:				
Depreciation and amortization	7,579	6,946	26,005	3,073
Other revenues (expenses) - net	(27,268)	(806)	(2,012)	55
(Increase) decrease in:				
Accounts receivable - net	(77,730)	(64,263)	(174,723)	(12,407)
Other receivables	22,861	15,311	(12,336)	(10,692)
Due from other funds	(13,673)	11,837	(58,858)	(25,177)
Inventories	(68)	58	(2,529)	(43)
Increase (decrease) in:				
Accounts payable	42,479	15,986	54,111	14,130
Accrued payroll	406	261	585	142
Other payables	(97)	(5)	(90)	(28)
Accrued compensated absences	(844)	(664)	(1,185)	465
Due to other funds	(22,861)	(6,883)	4,422	20,001
Unearned revenue			(1,215)	45
Workers' compensation	(3,465)	(460)	(2,954)	(168)
Litigation and self-insurance	3,672	(1,480)	(5,924)	3,618
OPEB obligation	56,316	41,545	81,630	19,806
Third party payor	(14,279)	20,755	110,652	(1,372)
TOTAL ADJUSTMENTS	(26,972)	38,138	15,579	11,448
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	<u>\$ (72,002)</u>	<u>(15,184)</u>	<u>(117,002)</u>	<u>1,324</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-				
Capital contributions	<u>\$ 41</u>			
TOTAL	<u>\$ 41</u>			
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:				
Pooled cash and investments	\$ 9,009	5,202	14,926	2,406
Restricted assets	<u>185,879</u>	<u>78,514</u>	<u>4,804</u>	<u>2,768</u>
TOTAL	<u>\$ 194,888</u>	<u>83,716</u>	<u>19,730</u>	<u>5,174</u>

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES		
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds		
\$ (12,655)	(1,449)	\$ (255,161)	\$ (43,440)		RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
					Operating loss
					Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:
21,928	1,908	67,439	33,587		Depreciation and amortization
	150	(29,881)	(691)		Other revenues (expenses) - net
(1,298)	1,351	(329,070)			(Increase) decrease in:
348		15,492	(1,468)		Accounts receivable - net
(349)	(5)	(86,225)	(9,851)		Other receivables
		(2,582)	749		Due from other funds
					Inventories
					Increase (decrease) in:
552	(536)	126,722	55		Accounts payable
		1,394	415		Accrued payroll
	37	(183)	(27)		Other payables
		(2,228)	(435)		Accrued compensated absences
717	(121)	(4,725)	5,637		Due to other funds
2		(1,168)	1,436		Unearned revenue
		(7,047)	2,612		Workers' compensation
271		157			Litigation and self-insurance
		199,297	44,210		OPEB obligation
		115,756			Third party payor
22,171	2,784	63,148	76,229		TOTAL ADJUSTMENTS
\$ 9,516	1,335	\$ (192,013)	\$ 32,789		NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
					NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-
\$		\$ 41	\$		Capital contributions
\$		\$ 41	\$		TOTAL
					RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:
\$ 54,124	8,110	\$ 93,777	\$ 35,955		Pooled cash and investments
		271,965	13,545		Restricted assets
\$ 54,124	8,110	\$ 365,742	\$ 49,500		TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 5)	\$ 67,519	\$ 15,335,934	\$ 1,472,480
Other investments: (Note 5)		95,200	29,606
Stocks	21,585,974		
Bonds	9,868,608		
Short-term investments	1,828,105		
Commodities	1,194,331		
Real estate	4,108,198		
Mortgages	104,771		
Alternative assets	4,224,741		
Cash collateral on loaned securities	138,273		
Taxes receivable			309,215
Interest receivable	89,930	47,843	21,291
Other receivables	964,520		
TOTAL ASSETS	44,174,970	15,478,977	1,832,592
LIABILITIES			
Accounts payable	1,743,312		
Other payables (Note 5)	209,284	115,000	
Due to other governments			1,832,592
TOTAL LIABILITIES	1,952,596	115,000	1,832,592
NET POSITION			
Restricted for pension benefits and other purposes	\$ 42,222,374	\$ 15,363,977	\$

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS
ADDITIONS:		
Contributions:		
Pension and OPEB trust contributions:		
Employer	\$ 1,172,014	\$
Member	679,572	
Contributions to investment trust funds		48,689,093
Total contributions	1,851,586	48,689,093
Investment earnings (losses):		
Investment income (loss)	2,085,006	(67,935)
Net increase in the fair value of investments	2,659,788	
Securities lending income (Note 5)	4,689	
Total investment earnings (losses)	4,749,483	(67,935)
Less - Investment expenses-		
Expense from investing activities	90,259	
Net investment earnings (losses)	4,659,224	(67,935)
Miscellaneous	385	
TOTAL ADDITIONS	6,511,195	48,621,158
DEDUCTIONS:		
Salaries and employee benefits	40,088	
Services and supplies	13,948	
Benefit payments	2,516,339	
Distributions from investment trust funds		47,274,065
Miscellaneous	25,202	
TOTAL DEDUCTIONS	2,595,577	47,274,065
CHANGE IN NET POSITION	3,915,618	1,347,093
NET POSITION, JULY 1, 2012, AS RESTATED (Note 2)	38,306,756	14,016,884
NET POSITION, JUNE 30, 2013	\$ 42,222,374	\$ 15,363,977

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2013 (in thousands)

	COMMUNITY DEVELOPMENT COMMISSION	FIRST 5 LA	TOTAL
ASSETS			
Pooled cash and investments-			
Operating	\$ 123,569	707,272	\$ 830,841
Total pooled cash and investments	123,569	707,272	830,841
Other investments	193,176	1,584	194,760
Accounts receivable - net	33,721		33,721
Interest receivable		684	684
Other receivables	11,161	46,563	57,724
Inventories	22,528		22,528
Net pension obligation	589		589
Capital assets:			
Capital assets, not being depreciated	101,388	2,039	103,427
Capital assets, net of accumulated depreciation	76,994	10,316	87,310
Total capital assets	178,382	12,355	190,737
TOTAL ASSETS	563,126	768,458	1,331,584
LIABILITIES			
Accounts payable	23,240	28,714	51,954
Other payables	946	3,660	4,606
Unearned revenue	202		202
Long-term liabilities:			
Due within one year	6,056	68	6,124
Due in more than one year	70,400	408	70,808
TOTAL LIABILITIES	100,844	32,850	133,694
NET POSITION			
Net investment in capital assets	136,080	12,355	148,435
Restricted for:			
Community development	276,834		276,834
First 5 LA		723,253	723,253
Unrestricted	49,368		49,368
TOTAL NET POSITION	\$ 462,282	735,608	\$ 1,197,890

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

	COMMUNITY DEVELOPMENT COMMISSION	FIRST 5 LA	TOTAL
PROGRAM (EXPENSES) REVENUES:			
Expense	\$ (429,163)	(200,075)	\$ (629,238)
Program revenues:			
Charges for services	63,947		63,947
Operating grants and contributions	396,905	97,178	494,083
Net program (expenses) revenues	31,689	(102,897)	(71,208)
GENERAL REVENUES:			
Investment loss	(41)	(3,402)	(3,443)
Miscellaneous	313	99	412
Total general revenues (losses)	272	(3,303)	(3,031)
CHANGE IN NET POSITION	31,961	(106,200)	(74,239)
NET POSITION, JULY 1, 2012, AS RESTATED (Note 2)	430,321	841,808	1,272,129
NET POSITION, JUNE 30, 2013	\$ 462,282	735,608	\$ 1,197,890

The notes to the basic financial statements are an integral part of this statement.



COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Los Angeles (County), which was established in 1850, is a legal subdivision of the State of California (State) charged with general governmental powers. The County's powers are exercised through an elected five member Board of Supervisors (Board), which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by generally accepted accounting principles (GAAP), these basic financial statements include both those of the County and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

The basic financial statements include both blended and discretely presented component units. The blended component units, although legally separate entities are, in substance, part of the County's operations. The data from these units are combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements.

Blended Component Units

While each of the component units is legally separate from the County, the County is financially accountable for these entities. Financial accountability is primarily demonstrated by the County's Board acting as the governing board for each of the component units and its ability to impose its will or an existence of a financial benefit/burden relationship. County management has determined that the following related entities should be included in the basic financial statements as blended component units:

Fire Protection District	Los Angeles County Capital Asset Leasing
Flood Control District	Corporation (a Non Profit Corporation) (NPC)
Garbage Disposal Districts	Various Joint Powers Authorities (JPAs)
Improvement Districts	Los Angeles County Employees
Regional Park and Open Space District	Retirement Association (LACERA)
Sewer Maintenance Districts	Los Angeles County Securitization Corporation
Street Lighting Districts	(LACSC)
Waterworks Districts	

The various districts are included primarily because the Board is also their governing board. As such, the Board establishes policy, appoints management and exercises budgetary control. The NPC and JPAs have been included because their sole purpose is to finance and construct County capital assets and because they are dependent upon the County for funding. LACERA is reported in the Pension and Other Postemployment Benefit (OPEB) Trust Funds on the Statement of Net Position - Fiduciary Funds of the basic financial statements and has been included because its operations are dependent upon County funding and because its operations, almost exclusively, benefit the County. Separate financial statements are issued by LACERA.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Blended Component Units-Continued

The LACSC is a California public benefit corporation created by the County Board of Supervisors in January 2006. Three directors, the County's Auditor-Controller, Treasurer and Tax Collector, and an independent party designated by at least one of the County directors, govern the LACSC. The LACSC purpose is to acquire the County's rights in relation to future tobacco settlement payments and to facilitate the issuance of long-term bonds secured by the County Tobacco Assets. The LACSC provides service solely to the County and is reported as a blended component unit of the County.

Discretely Presented Component Units

Community Development Commission (CDC) of the County of Los Angeles

Due to the implementation of GASB Statement No. 61, the County determined that the CDC is a discretely presented component unit rather than a blended component unit.

CDC, established on July 1, 1982 by ordinance of the Board of Supervisors, is responsible for:

- Directing the County's housing programs, including planning, housing finance, production and conservation, and management of the County's public housing developments;
- Financing community improvements such as resurfacing streets, rehabilitating homes and businesses, and removing graffiti;
- Providing economic development and business revitalization services;
- Redeveloping housing, business, and industry in designated areas; and
- Providing comprehensive planning systems for housing and economic development.

While its Board members are the same as the County Board of Supervisors, CDC does not meet the criteria for blending due to the following: 1) there is no financial burden or benefit relationship with the County nor does management of the County have operational responsibilities over it; 2) the CDC does not provide services entirely or almost entirely to the County; and 3) the CDC total debt outstanding is not expected to be repaid with resources of the County. The financial activity of the CDC is reported on the Statement of Net Position - Discretely Presented Component Units of the basic financial statements. Separate financial statements are issued by CDC.

Los Angeles County Children and Families First – Proposition 10 Commission

First 5 LA (First 5) was established by the County as a separate legal entity to administer the County's share of tobacco taxes levied by the State pursuant to Proposition 10. The County's Board established First 5 with nine voting members and four non-voting representatives. Of the nine voting members, one is a member of the Board of Supervisors, three are heads of County Departments (Public Health Services, Mental Health, and Children and Family Services), and five are public members appointed by the Board. The non-voting representatives are from other County commissions and planning groups.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Units-Continued

First 5 services are focused on the development and well-being of all children, from the prenatal stage until age five. First 5 is a discretely presented component unit of the County because the County's Board appoints the voting Commissioners and the County has the ability to impose its will by removing those Commissioners at will. First 5 hires its own employees, including an Executive Director and functions independent of the County. It is discretely presented because its governing body is not substantially the same as the County's governing body and it does not provide services entirely or exclusively to the County. The financial activity of First 5 is reported on the Statement of Net Position – Discretely Presented Component units of the basic financial statements. Separate financial statements are issued by First 5.

Related Organization

Los Angeles County Office of Education (LACOE) is a legally separate entity from the County. LACOE is governed by a seven-member Board of Education appointed by the County Board of Supervisors. However, the County's accountability for LACOE does not extend beyond making appointments and no financial benefit/burden relationship exists between the County and LACOE. Therefore, LACOE is deemed to be a related organization. Separate financial statements are issued by LACOE.

Component Units Financial Statements

Separate financial statements or additional financial information for each of the component units may be obtained from the Auditor-Controller at 500 West Temple Street, Room 525, Los Angeles, California 90012.

Basic Financial Statements

In accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34), the basic financial statements consist of the following:

- Government-wide financial statements;
- Fund financial statements; and
- Notes to the basic financial statements.

Government-wide Financial Statements

The statement of net position and statement of activities display information about the primary government, the County, and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, except for services provided among funds (other than internal service funds). These statements distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements-Continued

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs. Grants and contributions that are restricted to meeting the operational or capital requirements of a particular program are also recognized as program revenues. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Net position is classified into the following three components: 1) net investment in capital assets; 2) restricted and 3) unrestricted. Net position is reported as restricted when it has external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2013, the restricted net position balances were \$2.656 billion and \$68.17 million for governmental activities and business-type activities, respectively. For governmental activities, \$705.83 million was restricted by enabling legislation.

When both the restricted and unrestricted components of net position are available, restricted resources are used first and then unrestricted resources are used to the extent necessary.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category - governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

General Fund

The General Fund is available for any authorized purpose and is used to account for and report all financial resources not accounted for and reported in another fund.

Fire Protection District Fund

The Fire Protection District Fund is used to account for fire prevention and suppression, rescue service, management of hazardous materials incidents, ocean lifeguard services, and acquisition and maintenance of District property and equipment. Funding comes primarily from the District's statutory share of the Countywide tax levy, voter-approved taxes and charges for services.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Flood Control District Fund

The Flood Control District Fund is used to account for the control and conservation of flood, storm and other waste waters, to conserve such waters for beneficial and useful purposes, and to protect the harbors, waterways, public highways and property located within the District from damage from such flood and storm waters. Funding comes primarily from the District's statutory share of the Countywide tax levy and benefit assessments (charges for services).

Public Library Fund

The Public Library Fund is used to account for free library services to the unincorporated areas of the County and to cities that contract for these services. Funding comes primarily from the District's statutory share of the Countywide tax levy and voter-approved taxes.

Regional Park and Open Space District Fund

The Regional Park and Open Space District Fund is used to account for the programs designed to preserve beaches, parks, and wild lands, to acquire and renovate new and existing recreational facilities, and to restore rivers, streams, and trails in the County. Funding comes primarily from voter-approved assessments, charges for services and long-term debt proceeds.

The County's enterprise funds consist of four Hospital Funds, Waterworks Enterprise Funds and Nonmajor Aviation Enterprise Funds. The Hospital Enterprise funds provide health services to County residents. Revenues are principally patient service fees. Subsidies are also received from the General Fund. The Waterworks Enterprise Funds provide water services to County residents. Revenues are derived primarily from the sale of water and water service standby charges. The Aviation Enterprise Funds provide airport services for five County airports. Revenues are derived primarily from airport charges and rentals. A description of each Enterprise Fund is provided below:

Harbor-UCLA Medical Center

The Harbor-UCLA Medical Center (H/UCLA) provides acute and intensive care unit medical/surgical inpatient and outpatient services, trauma and emergency room services, acute psychiatric services, pediatric and obstetric services, and transplants.

Olive View-UCLA Medical Center

The Olive View-UCLA Medical Center (OV/UCLA) provides acute and intensive care, emergency services, medical/surgical inpatient and outpatient health care services, obstetric and gynecological services, and psychiatric services.

LAC+USC Medical Center

The LAC+USC Medical Center (LAC+USC) provides acute and intensive care unit medical/surgical inpatient and outpatient services, trauma and emergency room services, a burn center, psychiatric services, renal dialysis, AIDS services, pediatric and obstetric services, and communicable disease services.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Rancho Los Amigos National Rehabilitation Center

The Rancho Los Amigos National Rehabilitation Center (Rancho) specializes in the rehabilitation for victims of spinal cord injuries and strokes, pathokinesiology and polio services, services for liver diseases, pediatrics, ortho diabetes, dentistry, and neuro-science.

Waterworks Funds

The Waterworks Enterprise funds are used to account for the administration, maintenance, operation and improvement of district water systems.

Aviation Funds

The Aviation Enterprise Funds are used to account for the administration, maintenance, operation and improvement of the five airports which are owned by the County.

The following fund types have also been reported:

Internal Service Funds

The Internal Service Funds are used to account for the financing of services provided by a department or agency to other departments or agencies on a cost-reimbursement basis. The County's principal Internal Service Fund is used to account for the cost of services provided by the Department of Public Works to various other County funds and agencies.

Fiduciary Fund Types

Pension and Other Postemployment Benefit Trust Funds

The Pension Trust Fund is used to account for financial activities of the County's Pension Plan administered by LACERA.

The Other Postemployment Benefit (OPEB) Trust Fund is used to account for the financial activities of the OPEB trust for the purpose of holding and investing assets to pre-fund the Retiree Health Program administered by LACERA.

Investment Trust Funds

The Pooled Investment Trust Fund is used to account for the net position of the County's external investment pool.

The Specific Investment Trust Fund is used to account for the net position of individual investment accounts, in aggregate. The related investment activity occurs separately from the County's investment pool and is provided as a service to external investors.

Agency Funds

The Agency Funds are used primarily to account for assets held by the County in an agency capacity pending transfer or distribution to individuals, private organizations, other governmental entities, and other funds. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds (including property taxes and departmental funds) account for assets held by the County in an agency capacity for individuals or other government units.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting

The government-wide, proprietary, pension and other postemployment benefit, and investment trust funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and similar items are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers revenues to be available if collectible within one year after year-end, except for property taxes, which are considered available to the extent that they are collectible within 60 days after year-end. When property taxes are measurable but not available, the collectible portion (taxes levied less estimated uncollectibles) is recorded as deferred revenue in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims (including workers' compensation) and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital lease obligations are reported as other financing sources.

For the governmental funds financial statements, revenues are recorded when they are susceptible to accrual. Specifically, ad valorem property taxes (except for redevelopment agency dissolution), sales taxes, investment income (loss), charges for services, and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met. All other revenues are not considered susceptible to accrual and are recognized when received, including property tax revenues derived from redevelopment agency dissolution.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's four Hospital Enterprise Funds (Hospitals) are from patient services. The principal operating revenues for the Waterworks Enterprise Funds are from charges for services. The principal operating revenues for the Nonmajor Aviation Enterprise Funds and Internal Service Funds are charges for services and rental revenues. Operating expenses for all Enterprise Funds and the Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Medical malpractice expenses, which are self-insured, are classified as operating expenses of the Hospitals. All other revenues and expenses not meeting this definition are reported as nonoperating items. As discussed in Note 14, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

Agency funds do not have a measurement focus because they report only assets and liabilities. They do however, use the accrual basis of accounting to recognize receivables and payables.

Budgetary Data

In accordance with the provisions of Sections 29000-29144 of the Government Code of the State of California (Government Code), commonly known as the County Budget Act, the County prepares and adopts a budget on or before October 2 for each fiscal year. Budgets are adopted for the major governmental funds and certain nonmajor governmental funds on a basis of accounting, which is different from GAAP. Annual budgets were not adopted for the JPAs, Public Buildings and the LACSC debt service funds, the capital project funds and the permanent funds.

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled at the object level for all budget units within the County, except for capital asset expenditures, which are controlled at the sub-object level. The total budget exceeds \$26.395 billion and is currently controlled through the use of approximately 400 separate budget units. There were no excesses of expenditures over the related appropriations within any fund for the year ended June 30, 2013. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control.

Transfers of appropriations between budget units must be approved by the Board. Supplemental appropriations financed by unanticipated revenue during the year must also be approved by the Board. Transfers of appropriations between objects of expenditure within the same budget unit must be approved by the Board or the Chief Executive Office, depending upon the amount transferred. The original and final budget amounts are reported in the accompanying basic financial statements. Any excess of budgetary expenditures and other financing uses over revenues and other financing sources is financed by beginning available fund balances as provided for in the County Budget Act.

Note 16 describes the differences between the budgetary basis of accounting and GAAP. A reconciling schedule is also presented for the major governmental funds.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed at 100% of full cash or market value (with some exceptions) pursuant to Article XIII A of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization. The total FY 2012-2013 assessed valuation of the County of Los Angeles approximated \$1.094 trillion.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

The property tax levy to support general operations of the various jurisdictions is limited to one percent (1%) of full cash value and is distributed in accordance with statutory formulae. Amounts needed to finance the annual requirements of voter-approved debt are excluded from this limitation and are separately calculated and levied each fiscal year. The rates are formally adopted by either the Board or the city councils and, in some instances, the governing board of a special district.

The County is divided into 12,229 tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved taxes or indebtedness.

Property taxes are levied on both real and personal property. Secured property taxes are levied during September of each year. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. These tax payments can be made in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid. If the delinquent taxes are not paid at the end of five (5) years, the property may be sold at public auction. The proceeds are used to pay the delinquent amounts due, and any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payment and delinquent dates but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on August 1 and become delinquent, if unpaid, on August 31.

Legislation Dissolving Redevelopment Agencies and Affect on Property Taxes

State Assembly Bill (AB) x1 26, also referred to as the "Redevelopment Dissolution Act" was approved in 2011. Under AB x1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as "residual taxes," are distributed as property tax revenue to the appropriate local government agencies, including the County. Oversight Boards have been established for each of the 71 successor agencies within the County. The Oversight Boards are required to evaluate and approve the successor agencies' remaining enforceable legal obligations. The County Auditor-Controller is responsible for disbursing property tax increment revenues in accordance with provisions of AB x1 26 and applicable amendments. For the year ended June 30, 2013, the County's share of residual property tax revenues was \$125.08 million, of which \$104.61 million was recognized in the County's General Fund.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments

In accordance with GASB 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the accompanying basic financial statements reflect the fair value of investments. Specific disclosures related to GASB 31 appear in Note 5.

Deposits and investments are reflected in the following asset accounts:

Pooled Cash and Investments

As provided for by the Government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to participating funds based upon each fund's average daily deposit balance during the allocation period. Each respective fund's share of the total pooled cash and investments is included among asset balances under the caption "Pooled Cash and Investments."

Pooled Cash and Investments are identified within the following categories for all County operating funds:

Operating Pooled Cash and Investments

This account represents amounts reflected in the County's day-to-day financial records. Such amounts are utilized to determine the availability of cash for purposes of disbursing and borrowing funds.

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2013 that were owed to or were more appropriately classified in County operating funds. Accordingly, certain cash balances have been reclassified from the agency funds as required by GASB 34.

"Other Investments" represent Pension and OPEB Trust Fund investments, various JPAs, NPCs and Public Buildings (bond financed capital assets), and amounts on deposit with the County Treasurer, which are invested separately as provided by the Government Code or by specific instructions from the depositing entity.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Restricted Assets

Enterprise Funds' restricted assets represent cash and investments of certain JPAs and Public Buildings projects restricted in accordance with the provisions of the certificates of participation issued. The Internal Service Funds' restricted assets represent cash and investments restricted for debt service in accordance with the provisions of the LAC-CAL bond indenture. All of the above noted assets are included in the various disclosures in Note 5. These restricted assets are presented as noncurrent assets and are generally associated with long-term bonds payable.

Inventories

Inventories, which consist of materials and supplies held for consumption, are valued at cost using the average cost basis. The inventory costs of the governmental funds are accounted for as expenditures when the inventory items are consumed. Reported inventories are categorized as nonspendable fund balance as required by GASB 54 because these amounts are not available for appropriation and expenditure.

Capital Assets

Capital assets, which include land and easements, buildings and improvements, equipment, intangible and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets are divided into the five following networks: road; water; sewer; flood control and aviation. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation. Certain buildings and equipment are being leased under capital leases as defined in GASB Statement No. 62. The present value of the minimum lease obligation has been capitalized in the statement of net position and is also reflected as a liability in that statement.

Capital outlay is recorded as expenditures in the fund financial statements and as assets in the government-wide financial statements to the extent the County's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

The County's capitalization thresholds are \$5,000 for equipment, \$100,000 for buildings and improvements, \$1 million for software intangible assets, \$100,000 for non-software intangible assets, and \$25,000 for infrastructure assets. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation or amortization, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations. Specific disclosures related to capital assets appear in Note 6. Amortization for software and other intangible assets is included in the reporting of depreciation.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 to 50 years
Equipment	2 to 35 years
Software	5 to 25 years
Infrastructure	15 to 100 years

Works of art and historical treasures held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, encumbered, conserved, and preserved by the County. It is the County's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

Deferred Outflows and Inflows of Resources

Pursuant to GASB 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," the County recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Note 7 for a detailed listing of the deferred inflows of resources the County has recognized.

Advances Payable

The County uses certain agency funds as clearing accounts for the distribution of financial resources to other County funds. Pursuant to GASB 34, for external financial reporting purposes, the portions of the clearing account balances that pertain to other County funds should be reported as cash of the appropriate funds. The corresponding liability is included in "Advances Payable."

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Compensated Absences

Vacation pay benefits accrue to employees ranging from 10 to 20 days per year depending on years of service and the benefit plan. Sick leave benefits accrue at the rate of 10 to 12 days per year for union represented employees depending on years of service. Non-represented employees accrue at a rate of up to 8 days per year depending on the benefit plan. Employees can also accumulate unused holiday and compensatory time off benefits throughout the year. All benefits are payable upon termination, if unused, within limits and rates as specified in the County Salary Ordinance.

Liabilities for accrued compensated absences are accrued in the government-wide financial statements and in the proprietary funds. For the governmental funds, expenditures are recorded when amounts become due and payable (i.e., when employees terminate from service).

Long-term Debt

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net position. Bond premiums, discounts and deferred losses on refunding, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium, discount or deferred losses on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental funds financial statements, bond premiums, discounts, and issuance costs, are recognized in the period issued. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. Interest is reported as an expenditure in the period in which the related payment is made. The matured portion of long-term debt (i.e. portion that has come due for payment) is reported as a liability in the fund financial statements of the related fund.

Fund Balances

In the fund financial statements, the governmental funds report the classification of fund balance in accordance with GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions." The reported fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Specific details related to Fund Balances appear in Note 20.

Nonspendable Fund Balance - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories and long-term notes receivable.

Restricted Fund Balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only by changing the condition of the constraint.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balances-Continued

Committed Fund Balance - amounts that can only be used for the specific purposes determined by a formal action of the County's highest level of decision-making authority, the County's Board. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally. The underlying action that imposed the limitation needs to occur no later than the close of the fiscal year.

Assigned Fund Balance - amounts intended to be used by the County for specific purposes that are neither restricted nor committed. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. Authorization to assign fund balance rests with the County's Board through the budget process. The Board has also delegated authority to the Chief Executive Officer and County Department Heads for contracts and purchasing authority.

Unassigned Fund Balance - the residual classification for the County's General Fund that includes amounts not contained in other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Supervisors establishes, modifies, or rescinds fund balance commitments by passage of an ordinance or resolution. In the FY 2012-2013 budget, the County adopted the GASB 54 criteria and determined that an ordinance or resolution is equally binding, and either action can establish a fund balance commitment. This is done through the adoption of the budget and subsequent amendments that occur throughout the fiscal year.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Cash Flows

For purposes of reporting cash flows, all amounts reported as "Pooled Cash and Investments," "Other Investments", and "Restricted Assets" are considered cash equivalents. Pooled cash and investment amounts represent funds held in the County Treasurer's cash management pool. Other investments and restricted assets are invested in money market mutual funds held by outside trustees. Such amounts are similar in nature to demand deposits (i.e., funds may be deposited and withdrawn at any time without prior notice or penalty).

Use of Estimates

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

2. NEW PRONOUNCEMENTS

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current basic financial statements:

GASB 60	Accounting and Financial Reporting for Service Concession Arrangements	Improving financial reporting by addressing issues related to service concession arrangements. (Note 7)
GASB 61	The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34	Clarifies the reporting equity interest in legally separate organizations and requires the primary government to report its equity interest in a component unit as an asset and changes the criteria for reporting blended versus discretely presented component units. (Notes 1, 2, 6 and 11)
GASB 62	Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements	Improves financial reporting by contributing to GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.
GASB 63	Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position	Provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and renames Net Assets as Net Position. (Notes 1 and 7)
GASB 66	Technical Corrections-2012-An Amendment of GASB Statements No. 10 and No. 62	Improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB Statements No. 10 and No. 62.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

2. NEW PRONOUNCEMENTS-Continued

Restatement of Net Position

Due to the implementation of GASB 61, the County made a change in accounting principle which resulted in a restatement of net position due to the CDC becoming a discretely presented component unit rather than a blended component unit. The adjustment to the beginning net position is presented below (in thousands):

	Net Position/ Fund Balance July 1, 2012 as <u>Previously reported</u>	Effect of <u>CDC</u>	Net Position/ Fund Balance July 1, 2012, <u>as restated</u>
Government-Wide:			
Governmental activities	\$ 11,373,998	\$ (304,617)	\$ 11,069,381
Business-type activities	757,071	(112,433)	644,638
Discretely Presented Component Unit	841,808	430,321	1,272,129
Fund Financial Statements:			
Nonmajor Governmental funds	2,897,599	(265,748)	2,631,851
Nonmajor Enterprise funds	286,550	(112,433)	174,117
Nonmajor Internal Service funds	(188,189)	(3,206)	(191,395)
Fiduciary funds	5,971	(5,971)	

3. DEFICIT NET POSITION

The following funds had a deficit net position at June 30, 2013 (in thousands):

	<u>Accumulated Deficit</u>
Enterprise Funds:	
Harbor-UCLA Medical Center	\$ 313,760
Olive View-UCLA Medical Center	207,784
Rancho Los Amigos National Rehab Center	44,582
Internal Service Fund-	
Public Works	247,229

The Enterprise and Internal Service Funds' deficits result primarily from the recognition of certain liabilities including accrued compensated absences, Other Postemployment Benefits (OPEB) obligation, workers' compensation, self-insurance and, for the enterprise funds, medical malpractice, and third party payors, as required by GAAP. Deficits are expected to continue until such liabilities are retired through user charges or otherwise funded.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

4. ELIMINATIONS

The Regional Park and Open Space District (RPOSD), a blended component unit, is authorized to issue assessment bonds to acquire and improve recreational land and facilities. These bonds are secured by voter-approved property tax assessments. The RPOSD executed a financing agreement with the Public Works Financing Authority, another blended component unit referred to in the basic financial statements as "Joint Powers Authorities" (JPAs). Under the terms of the agreement, the RPOSD sold \$510,185,000 of bonds in 1997 that were acquired as an investment by the JPAs. The JPAs financed this investment from proceeds of a simultaneous issuance of an equivalent amount of bonds as a public offering. The structure of the publicly offered JPA bonds was designed to match the RPOSD's bonds relative to principal and interest maturities and interest rates. This series of transactions was conducted to facilitate the issuance of RPOSD related bonds and to minimize the County's overall interest cost. Pursuant to the financing agreement with the JPAs, the RPOSD has pledged all available tax assessments necessary to ensure the timely payment of principal and interest on the bonds issued by the JPAs. The 1997 bonds were partially refunded in 2004-2005 and the remaining 1997 bonds were fully refunded in 2007-2008. The transactions between the two component units have been accounted for as follows:

Fund Financial Statements

At June 30, 2013, the governmental fund financial statements reflect an investment asset (referred to as "Other Investments") held by the JPAs of \$142,870,000 that has been recorded in the Nonmajor Governmental Funds. The governmental fund financial statements do not reflect a liability for the related bonds payable (\$142,870,000), as this obligation is not currently due. Accordingly, the value of the asset represents restricted fund balance in the Nonmajor Governmental Funds.

In order to reflect the economic substance of the transaction described above, an eliminations column has been established in the governmental fund financial statements. The purpose of the column is to remove the duplication of assets, fund balances, revenues and expenditures that resulted from the consolidation of the two component units into the County's overall financial reporting structure.

Government-wide Financial Statements

The government-wide financial statements are designed to minimize the duplicative effects of transactions between funds. Accordingly, the effects of the transaction described above have been eliminated from the amounts presented within governmental activities (as appropriate under the accrual basis of accounting). The specific items eliminated were other investments and bonds payable (\$142,870,000) and investment income and interest expense (\$7,925,000 for each). Accordingly, there are no reconciling differences between the two sets of financial statements (after the effects of eliminations) for this matter.

The bonds payable of \$142,870,000, that were publicly issued, are included among the liabilities presented in the Government-wide Financial Statements. Disclosures related to those outstanding bonds appear in Note 11 and are captioned "Assessment Bonds."

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

5. CASH AND INVESTMENTS

Investments in the County's cash and investment pool, other cash and investments, and Pension and OPEB Trust Funds investments, are stated at fair value. Aggregate pooled cash and investments and other cash and investments are as follows at June 30, 2013 (in thousands):

			Restricted Assets		
	Pooled Cash and Investments	Other Investments	Pooled Cash and Investments	Other Investments	Total
Governmental Funds	\$ 4,830,914	\$ 63,719	\$	\$	\$ 4,894,633
Proprietary Funds	129,732		283,396	2,114	415,242
Fiduciary Funds (excluding Pension and OPEB)	16,808,414	124,806			16,933,220
Pension and OPEB Trust Funds	67,519	43,053,001			43,120,520
Discretely Presented Component Units	830,841	194,760			1,025,601
Total	<u>\$ 22,667,420</u>	<u>\$ 43,436,286</u>	<u>\$ 283,396</u>	<u>\$ 2,114</u>	<u>\$ 66,389,216</u>

Deposits-Custodial Credit Risk

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized.

At June 30, 2013, the carrying amount of the County's deposits was \$91,234,000 and the balance per various financial institutions was \$89,453,000. The County's deposits are not exposed to custodial credit risk since all of its deposits are either covered by federal depository insurance or collateralized with securities held by the County or its agent in the County's name, in accordance with California Government Code Section 53652.

At June 30, 2013, the carrying amount of Pension and OPEB Trust Funds' deposits was \$181,509,000. Pension and OPEB Trust Funds' deposits are held in the custodial bank and, therefore, are not exposed to custodial credit risk since its deposits are eligible for and covered by "pass through insurance" in accordance with applicable law and FDIC rules and regulations.

Investments

State statutes authorize the County to invest pooled funds in certain types of investments including obligations of the United States Treasury, federal, State and local agencies, municipalities, asset-backed securities, mortgaged-backed securities, bankers' acceptances, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, negotiable certificates of deposits, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, floating rate notes, time deposits, 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 (MMF) registered with the Securities and Exchange Commission, State and local agency investment funds, mortgage pass-through securities, and guaranteed investment contracts. The investments are managed by the County Treasurer who reports on a monthly basis to the Board of Supervisors. In addition, Treasury investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial reviews, and annual financial reporting.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

5. CASH AND INVESTMENTS-Continued

Investments-Continued

As permitted by the Government Code, the County Treasurer developed, and the Board adopted, an Investment Policy that further defines and restricts the limits within which the County Treasurer may invest. The table below identifies the investment types that are authorized by the County, along with the related concentration of credit limits:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Notes, Bills and Bonds	None	None	None
U.S. Agency Securities	None	None	None
Local Agency Obligations	5 years	10%*	10%*
Bankers' Acceptances	180 days	40%	\$650 million*
Commercial Paper	270 days	40%	\$1 billion*
Certificates of Deposit	3 years*	30%	\$650 million*
Corporate Medium-Term Notes	3 years*	30%	\$650 million*
Repurchase Agreements	30 days*	\$1 billion*	\$500 million*
Reverse Repurchase Agreements	92 days	\$500 million*	\$250 million*
Securities Lending Agreements	92 days	20%*	None
Money Market Mutual Funds	N/A	15%*	10%
State of California's Local Agency Fund (LAIF)	N/A	\$50 million**	None
Asset-Backed Securities	5 years	20%	\$650 million*

*Represents restriction in which the County's Investment Policy is more restrictive than the California Government Code.

**The maximum percentage of portfolio is based on the investment limit established by LAIF for each account, not by Pool Policy.

Investments held by the County Treasurer are stated at fair value, except for certain non-negotiable securities that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates such as repurchase agreements, mortgage trust deeds, Los Angeles County securities and guaranteed investment contracts. The fair value of pooled investments is determined and provided by the custodian bank based on quoted market prices at month-end. The method used to determine the value of participants' equity withdrawn is based on the book value, which is amortized cost, of the participants' percentage participation at the date of such withdrawals.

At June 30, 2013, the County had open trade commitments with various brokers to purchase investments totaling \$115,000,000 with settlement dates subsequent to year-end. These investments have been included in Pooled Cash and Investments, Other Investments and the corresponding liabilities have been recorded as Other Payables.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

5. CASH AND INVESTMENTS-Continued

Investments-Continued

The Pension and OPEB Trust Funds are managed by LACERA. Pension and OPEB Trust Funds investments are authorized by State Statutes, which are referred to as the "County Employees' Retirement Law of 1937." Statutes authorize a "Prudent Expert" guideline as to form and types of investments, which may be purchased. Examples of the Funds' investments are obligations of the various agencies of the federal government, corporate and private placement bonds, global bonds, domestic and global stocks, domestic and global convertible debentures and real estate. LACERA's investment policy also allows the limited use of derivatives by certain investment managers. The classes of derivatives that are permitted are futures contracts, currency forward contracts, options, and swaps.

The interest rate risk, foreign currency risk, credit risk, concentration of credit risk, and custodial credit risk related to Pension and OPEB Trust Funds investments are different than the corresponding risk on investments held by the County Treasurer. Detailed deposit and investment risk disclosures are included in Note G and Note I of LACERA's Report on Audited Financial Statements for the year ended June 30, 2013.

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-seven percent (87%) of the Treasurer's external investment pool consists of these involuntary participants. Voluntary participants in the County's external investment pool include the Sanitation Districts, Metropolitan Transportation Authority, the South Coast Air Quality Management District and other special districts with independent governing boards. The deposits held for both involuntary and voluntary entities are included in the Pooled Investment Trust Fund. Certain Specific Purpose Investments (SPI) have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's investment pool and is reported in the Specific Investment Trust Fund in the amount of \$55,795,000. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer must follow.

County pooled and other investments (excluding Pension and OPEB Trust Funds other investments) at June 30, 2013 (in thousands) are as follows:

	Fair Value
U.S. Agency securities	\$ 12,034,298
U.S. Treasury securities	697,989
Negotiable certificates of deposit	3,959,649
Commercial paper	6,007,442
Corporate and deposit notes	366,256
Municipal bonds	78,716
Los Angeles County securities	32,000
Money market mutual funds	18,803
Local Agency Investment Fund	49,759
Mortgage trust deeds	69
Total	<u>\$ 23,244,981</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

5. CASH AND INVESTMENTS-Continued

Investments-Continued

Pension and OPEB Trust Funds investments are reported in the basic financial statements at fair value at June 30, 2013 (in thousands) and are as follows:

	<u>Fair Value</u>
Domestic and international equity	\$ 21,542,739
Fixed income	11,801,483
Real estate	4,108,198
Private equity	3,730,991
Commodities	1,194,331
Hedge Funds	493,750
Total	<u>\$ 42,871,492</u>

The Pension and OPEB Trust Funds also had deposits with the Los Angeles County Treasury Pool at June 30, 2013 totaling \$67,519,000. The Pension and OPEB Trust Funds portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of total investments.

The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2013 to support the value of shares in the Treasurer's investment pool.

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

A summary of deposits and investments held by the Treasury Pool at June 30, 2013 is as follows (in thousands):

	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rate % Range</u>	<u>Maturity Range</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Agency securities	\$ 11,906,159	\$ 12,086,733	0.09% - 8.00%	08/01/13 - 07/17/19	3.03
U.S. Treasury bills	99,975	99,940	0.16%	11/14/13	0.38
U.S. Treasury notes	597,611	596,674	0.25% - 2.38%	10/31/13 - 05/31/18	2.47
Negotiable certificates of deposit	3,946,103	3,946,740	0.12% - 1.23%	07/01/13 - 06/25/15	0.25
Commercial paper	6,007,442	6,007,538	0.09% - 0.23%	07/01/13 - 09/19/13	0.05
Corporate and deposit notes	280,080	279,193	0.25% - 2.15%	09/16/13 - 09/28/15	1.27
Los Angeles County securities	32,000	32,000	0.57% - 0.61%	06/30/14 - 06/30/15	1.47
Deposits	81,446	81,446			
	<u>\$ 22,950,816</u>	<u>\$ 23,130,264</u>			

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

5. CASH AND INVESTMENTS-Continued

Investments-Continued

A summary of other (non-pooled) deposits and investments at June 30, 2013, excluding the Pension and OPEB Trust Funds, is as follows (in thousands):

	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rate %</u> <u>Range</u>	<u>Maturity Range</u>	<u>Weighted</u> <u>Average</u> <u>Maturity</u> <u>(Years)</u>
Local Agency Investment Fund \$	49,759	\$ 49,745	0.00% -12.50%	07/01/13 - 10/25/37	0.76
Corporate and deposit notes	86,176	86,153	3.75%	08/19/13 - 11/20/17	4.03
Mortgage trust deeds	69	69	5.50%	01/01/14 - 04/01/17	3.37
Municipal bonds	78,716	78,716	5.00%	08/01/13 - 09/02/21	9.73
U.S. Agency securities	128,139	130,245	0.00% - 3.24%	11/25/13 - 05/30/28	5.20
U.S. Treasury bonds	101	86	7.25%	05/15/16	2.88
U.S. Treasury bills	302	302	0.08%	12/05/13	0.43
Money market mutual funds	18,803	18,803	0.00% - 0.04%	07/01/13	0.00
Negotiable Certificates of Deposit	13,546	13,546		02/22/14 - 02/08/15	1.60
Deposits	<u>9,788</u>	<u>9,788</u>			
	<u>\$ 385,399</u>	<u>\$ 387,453</u>			

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County's Investment Policy limits most investment maturities to less than three years, with the exception of commercial paper and bankers' acceptances, which are limited to 270 days and 180 days, respectively. In addition, U.S. Treasury Notes, Bills, and Bonds may have maturities beyond five years. The County Treasurer manages the Treasury Pool and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding all investments to maturity. The County's investment guidelines limit the weighted average maturity of its portfolios to a target of less than 1.5 years. Of the Pooled Cash and Investments and Other Investments at June 30, 2013, 57.17% have a maturity of six months or less, 7.35% have a maturity of between six and twelve months, and 35.48% have a maturity of more than one year.

As of June 30, 2013, variable-rate notes comprised 3.31% of the Treasury Pool and Other Investment portfolios. The notes are tied to one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable-rate coupon resets back to the market rate on a periodic basis. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

5. CASH AND INVESTMENTS-Continued

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank, except for Bond Anticipation Notes, certain long-term debt proceeds issued by Los Angeles County entities, investment in the State's Local Agency Investment Fund, and mortgage trust deeds, which are held in the County Treasurer's vault. Securities are not held in broker accounts. At June 30, 2013, the County's external investment pools and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

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 Treasurer mitigates these risks by holding a diversified portfolio of high quality investments.

The County's Investment Policy establishes minimum acceptable credit ratings for investments from any two Nationally Recognized Statistical Rating Organizations (NRSROs). For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's) while an issuer of long-term debt shall be rated no less than an "A." All investments purchased in the fiscal year met the credit rating criteria in the Investment Policy, at the issuer level. While the NRSROs rated the issuer of the investments purchased, it did not in all instances rate the investment itself (e.g. commercial paper, corporate and deposit notes, and negotiable certificates of deposit). For purposes of reporting credit quality distribution of investments in the following table, some investments are reported as not rated. At June 30, 2013, a portion of the County's other investments was invested in the State of California's Local Agency Investment Fund, which is unrated as to credit quality.

The County's Investment Policy, approved annually by the Board of Supervisors, limits the maximum total par value for each permissible security type (e.g., commercial paper and certificates of deposit) to a certain percentage of the investment pool. Exceptions to this are obligations of the United States government and United States government agencies or government-sponsored enterprises, which do not have limits. Further, the County restricts investments in any one issuer based on the issuer's NRSRO ratings. For bankers' acceptances, certificates of deposit, corporate notes and floating rate notes, the highest issuer limit was \$650 million, approximately 2.84% of the investment pool's daily investment balance. For commercial paper, the highest issuer limit was \$1 billion, or 4.37% of the investment pool's daily investment balance.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The Treasury Pool and SPI had the following U.S. Agency securities in a single issuer that represent 5 percent or more of total investments at June 30, 2013 (in thousands):

<u>Issuer</u>	<u>Pool</u>	<u>SPI</u>
Federal Farm Credit Bank	\$ 1,945,648	\$ 9,278
Federal Home Loan Bank	4,528,590	54,032
Federal Home Loan Mortgage Corp	2,513,571	2,080
Federal National Mortgage Association	2,918,363	8,081

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, 2013:

	<u>S & P</u>	<u>Moody's</u>	<u>% of Portfolio</u>
Pooled Cash and Investments:			
Commercial paper	Not Rated	Not Rated	26.27%
Corporate and deposit notes			
	AA-	Aa2	0.22%
	AA-	Aa3	0.33%
	AA+	A1	0.46%
	AA-	Not Rated	0.21%
Los Angeles County securities	Not Rated	Not Rated	0.14%
Negotiable certificates of deposit	AA-	Aa3	0.66%
	Not Rated	Aa2	0.75%
	Not Rated	P-1	0.44%
	Not Rated	Not Rated	15.41%
U.S. Agency securities	AA+	Aaa	48.93%
	AA+	Not Rated	3.13%
U.S. Treasury notes	Not Rated	Aaa	2.61%
U.S. Treasury bills	Not Rated	Not Rated	0.44%
			<u>100.00%</u>
Other Investments:			
Local Agency Investment Fund	Not Rated	Not Rated	13.25%
Corporate and deposit notes	AA+	A1	0.41%
	Not Rated	Not Rated	22.53%
Mortgage trust deeds	Not Rated	Not Rated	0.02%
Municipal bonds	Not Rated	Not Rated	20.96%
U.S. Agency securities	AA+	Aaa	27.06%
	Not Rated	Not Rated	7.05%
U.S. Treasury notes	Not Rated	Aaa	0.03%
U.S. Treasury bills	Not Rated	Not Rated	0.08%
Negotiable Certificates of Deposit	Not Rated	Not Rated	3.61%
Money market mutual funds	Not Rated	Not Rated	5.00%
			<u>100.00%</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The method used to apportion the unrealized loss was based on a prorata share of each funds' cash balance as of June 30, 2013 relative to the County Treasury Pool balances. This amount takes into account all changes in fair value (including purchases, sales and redemptions) that occurred during the year. The unrealized loss on investments held in the Treasury Pool was \$179,448,000 as of June 30, 2013. A separate financial report is issued for the Treasury Pool as of June 30, 2013.

Reverse Repurchase Agreements

The California Government Code permits the County Treasurer to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the broker-dealer a margin against a decline in the fair value of the securities. If the broker-dealer defaults on the obligation to resell these securities to the County or provide securities or cash of equal value, the County would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest.

The County's investment guidelines limit the maximum par value of reverse repurchase agreements to \$500,000,000 and proceeds from reverse repurchase agreements may only be reinvested in instruments with maturities at or before the maturity of the reverse repurchase agreement. During the fiscal year, the County did not enter into any reverse repurchase agreements.

Floating Rate Notes

The California Government Code permits the County Treasurer 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 County's investment guidelines limit the amount of floating rate notes to 10% of the Los Angeles County Treasury Pool portfolio and prohibit the purchase of inverse floating rate notes and hybrid or complex structured investments. As of June 30, 2013, there were approximately \$757,880,000 in floating rate notes.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

5. CASH AND INVESTMENTS-Continued

Derivatives

LACERA utilizes forward currency contracts to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. At June 30, 2013, forward currency contracts receivable and payable totaled \$8,324,598,000 and \$8,267,068,000, respectively. All investment derivative positions are included as part of investments at fair value on LACERA's statement of plan net position. All changes in fair value are reported as part of net appreciation/(depreciation) in fair value of investments in the statement of changes in plan net position.

LACERA's Investment Policy Statement and Investment Manager Guidelines allow the limited use of other investment derivatives by certain investment managers. Detailed derivative disclosures are included in Note I of LACERA's Report on Audited Financial Statements for the year ended June 30, 2013.

Securities Lending Transactions

LACERA, as the administering agency for the Pension and OPEB Trust Funds, is authorized to participate in a securities lending program under policies adopted by the LACERA Board of Investments. This program is an investment management activity that mirrors the fundamentals of a loan transaction in which a security is used as collateral. Securities are lent to brokers and dealers (borrowers) and LACERA receives cash as collateral. LACERA pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower.

LACERA's program is managed by one principal borrower and two agent lenders. Under exclusive borrowing and lending arrangements, securities on loan must be collateralized with a fair value of 102% for U.S. securities, and 105% for international securities, of the borrowed securities. Collateral is marked to market daily. Cash collateral is invested by the agent lenders in short-term, liquid instruments.

Under the terms of the lending agreements, the two agent lenders have agreed to hold LACERA harmless for borrower default from the loss of securities or income, or from any litigation arising from these loans. The principal borrower's agreement entitles LACERA to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities." Either LACERA or the borrower can terminate all loans on securities on demand.

At year-end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2013, there were no violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the year ended June 30, 2013.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

5. CASH AND INVESTMENTS-Continued

Securities Lending Transactions-Continued

As of June 30, 2013, the fair value of securities on loan was \$135.86 million. The value of the cash collateral received for those securities was \$138.27 million. Securities lending assets (Other Investments) and liabilities (Other Payables) of \$138.27 million are recorded in the Pension and OPEB Trust Funds. Pension and OPEB Trust Funds income, net of expenses, from securities lending was \$4.69 million for the year ended June 30, 2013.

For the year ended June 30, 2013, the Los Angeles County Treasury Pool did not enter into any securities lending transactions.

Summary of Deposits and Investments

Following is a summary of the carrying amount of deposits and investments at June 30, 2013 (in thousands):

	<u>County</u>	<u>Pension and OPEB Trust Funds</u>	<u>Total</u>
Deposits	\$ 91,234	\$ 181,509	\$ 272,743
Investments	<u>23,244,981</u>	<u>42,871,492</u>	<u>66,116,473</u>
	<u>\$23,336,215</u>	<u>\$ 43,053,001</u>	<u>\$66,389,216</u>

6. CAPITAL ASSETS

Capital assets activity as of July 1, 2012 include the following adjustments (in thousands) due to CDC becoming a discretely presented component unit rather than a blended component unit based on the implementation of GASB 61:

	<u>CDC Adjustments</u>
<u>Governmental Activities</u>	
Capital assets, not being depreciated-	
Land	\$ 19,694
Capital assets, being depreciated:	
Buildings and improvements	21,652
Equipment	<u>7,345</u>
Subtotal	<u>28,997</u>
Less accumulated depreciation for:	
Buildings and improvements	(6,724)
Equipment	<u>(6,345)</u>
Subtotal	<u>(13,069)</u>
Total capital assets, being depreciated, net	<u>15,928</u>
Governmental activities capital assets, net adjustment	<u>\$ 35,622</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

6. CAPITAL ASSETS-Continued

	CDC <u>Adjustments</u>
<u>Business-type Activities:</u>	
Capital assets, not being depreciated:	
Land	\$ 71,961
Construction in progress-buildings and improvements	<u>35,690</u>
Subtotal	<u>107,651</u>
Capital assets, being depreciated:	
Buildings and improvements	139,322
Equipment	<u>1,705</u>
Subtotal	<u>141,027</u>
Less accumulated depreciation for:	
Buildings and improvements	(126,966)
Equipment	<u>(1,390)</u>
Subtotal	<u>(128,356)</u>
Total capital assets, being depreciated, net	<u>12,671</u>
Business-type activities capital assets, net adjustment	<u>\$ 120,322</u>
CDC total capital assets, net	<u>\$ 155,944</u>

Capital assets activity for the year ended June 30, 2013 is as follows (in thousands):

	Balance July 1, 2012, <u>as restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2013
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 2,387,388	1,329	(460)	\$ 2,388,257
Easements	4,871,153	90,901	(300)	4,961,754
Software in progress	14,383	30,209	(1,469)	43,123
Construction in progress-buildings and improvements	314,635	227,594	(106,746)	435,483
Construction in progress-infrastructure	<u>313,370</u>	<u>121,445</u>	<u>(163,066)</u>	<u>271,749</u>
Subtotal	<u>7,900,929</u>	<u>471,478</u>	<u>(272,041)</u>	<u>8,100,366</u>
Capital assets, being depreciated:				
Buildings and improvements	4,155,123	103,226	(2,235)	4,256,114
Equipment	1,401,733	130,128	(45,341)	1,486,520
Software	496,724	32,294		529,018
Infrastructure	<u>7,576,860</u>	<u>98,236</u>	<u>(785)</u>	<u>7,674,311</u>
Subtotal	<u>13,630,440</u>	<u>363,884</u>	<u>(48,361)</u>	<u>13,945,963</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

6. CAPITAL ASSETS-Continued

	Balance July 1, 2012, <u>as restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2013
<u>Governmental Activities-Continued</u>				
Less accumulated depreciation for:				
Buildings and improvements	(1,481,475)	(70,673)	407	(1,551,741)
Equipment	(988,765)	(104,250)	43,615	(1,049,400)
Software	(199,930)	(49,694)		(249,624)
Infrastructure	(3,194,952)	(162,210)	143	(3,357,019)
Subtotal	<u>(5,865,122)</u>	<u>(386,827)</u>	<u>44,165</u>	<u>(6,207,784)</u>
Total capital assets, being depreciated, net	<u>7,765,318</u>	<u>(22,943)</u>	<u>(4,196)</u>	<u>7,738,179</u>
Governmental activities capital assets, net	<u>\$ 15,666,247</u>	<u>448,535</u>	<u>(276,237)</u>	<u>\$ 15,838,545</u>
<u>Business-type Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 152,432	146		\$ 152,578
Easements	31,009	55		31,064
Software in progress	4,298	829	(3,660)	1,467
Construction in progress-buildings and improvements	390,939	218,559	(50,926)	558,572
Construction in progress-infrastructure	29,526	11,110	(18,728)	21,908
Subtotal	<u>608,204</u>	<u>230,699</u>	<u>(73,314)</u>	<u>765,589</u>
Capital assets, being depreciated:				
Buildings and improvements	1,845,007	51,884		1,896,891
Equipment	301,244	12,460	(57,605)	256,099
Software	53,695	3,660		57,355
Infrastructure	1,216,906	16,746		1,233,652
Subtotal	<u>3,416,852</u>	<u>84,750</u>	<u>(57,605)</u>	<u>3,443,997</u>
Less accumulated depreciation for:				
Buildings and improvements	(638,904)	(27,866)		(666,770)
Equipment	(213,640)	(18,490)	49,446	(182,684)
Software	(12,856)	(4,111)		(16,967)
Infrastructure	(492,012)	(21,437)		(513,449)
Subtotal	<u>(1,357,412)</u>	<u>(71,904)</u>	<u>49,446</u>	<u>(1,379,870)</u>
Total capital assets, being depreciated, net	<u>2,059,440</u>	<u>12,846</u>	<u>(8,159)</u>	<u>2,064,127</u>
Business-type activities capital assets, net	<u>\$ 2,667,644</u>	<u>243,545</u>	<u>(81,473)</u>	<u>\$ 2,829,716</u>
Total capital assets, net	<u>\$ 18,333,891</u>	<u>692,080</u>	<u>(357,710)</u>	<u>\$ 18,668,261</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

6. CAPITAL ASSETS-Continued

Depreciation Expense

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental activities:

General government	\$ 23,106
Public protection	160,514
Public ways and facilities	90,230
Health and sanitation	18,611
Public assistance	43,630
Education	2,994
Recreation and cultural services	18,620
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>29,122</u>
Total depreciation expense, governmental activities	<u>\$ 386,827</u>

Business-type activities:

Hospitals	\$ 43,603
Waterworks	21,928
Aviation	1,908
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>4,465</u>
Total depreciation expense, business-type activities	<u>\$ 71,904</u>

Discretely Presented Component Units

CDC

Capital assets activity for the CDC component unit for the year ended June 30, 2013 was as follows (in thousands):

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 91,655	13,340	(11,755)	\$ 93,240
Construction in progress-buildings and improvements	<u>35,690</u>	<u>15,908</u>	<u>(43,450)</u>	<u>8,148</u>
Subtotal	127,345	29,248	(55,205)	101,388
Capital assets, being depreciated:				
Buildings and improvements	160,974	47,525		208,499
Equipment	<u>9,050</u>	<u>4,810</u>	<u>(4,251)</u>	<u>9,609</u>
Subtotal	170,024	52,335	(4,251)	218,108

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

6. CAPITAL ASSETS-Continued

Discretely Presented Component Units-Continued

CDC-Continued

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Less accumulated depreciation for:				
Buildings and improvements	(133,690)	(2,881)		(136,571)
Equipment	<u>(7,735)</u>	<u>(1,059)</u>	<u>4,251</u>	<u>(4,543)</u>
Subtotal	(141,425)	(3,940)	4,251	(141,114)
Total capital assets being depreciated, net	<u>28,599</u>	<u>48,395</u>		<u>76,994</u>
CDC capital assets, net	<u>\$ 155,944</u>	<u>77,643</u>	<u>(55,205)</u>	<u>\$ 178,382</u>

First 5

Capital assets activity for the First 5 component unit for the year ended June 30, 2013 was as follows (in thousands):

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets, not being depreciated-				
Land	\$ 2,039			\$ 2,039
Capital assets, being depreciated:				
Buildings and improvements	12,076			12,076
Equipment	<u>2,479</u>	<u>30</u>		<u>2,509</u>
Subtotal	<u>14,555</u>	<u>30</u>		<u>14,585</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,707)	(243)		(1,950)
Equipment	<u>(2,109)</u>	<u>(210)</u>		<u>(2,319)</u>
Subtotal	<u>(3,816)</u>	<u>(453)</u>		<u>(4,269)</u>
Total capital assets being depreciated, net	<u>10,739</u>	<u>(423)</u>		<u>10,316</u>
First 5 capital assets, net	<u>\$ 12,778</u>	<u>(423)</u>		<u>\$ 12,355</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

7. SERVICE CONCESSION ARRANGEMENTS (SCA)

GASB 60 "Accounting and Financial Reporting for Service Concession Arrangements (SCA)" defines an SCA as a type of public-private or public-public partnership. An SCA is an arrangement, which meets specific criteria under GASB 60, between a government (the transferor) and an operator.

The County determined that sixteen golf courses met the criteria set forth in GASB 60 (where the County is the transferor) and therefore included these SCAs in the County's financial statements as deferred inflows of resources. GASB 60 also provides guidance on accounting treatment if the County were acting as an operator of another government's facility. The County has determined that there are no incidences where the County would qualify as an operator.

Golf Courses

The County manages a public golf course system, which offers affordable greens fees, discount programs for senior citizens and students, and a junior golf program. Each golf course is leased under agreement with an operator, which provides for activities such as golf course management, clubhouse operations, and food and beverage concessions. The operators collect user fees and are responsible for the day-to-day operations of the golf courses. The operators are required to operate and maintain the golf courses, and make installment payments to the County, in accordance with their respective contracts.

As of June 30, 2013, the present value of the installment payments under contract is estimated to be \$102.89 million and reported as deferred inflows of resources in the statement of net position. There is no change to the beginning net position as a result of GASB 60 implementation. The present values of the installment payments were calculated using a discount rate of 5.12% for the term of the agreement for each SCA. The lease terms for the sixteen golf courses cover remaining periods ranging from four months to 23 years as of June 30, 2013. The FY 2012-2013 total monthly installment payments are approximately \$868,000. The County primarily uses the proceeds to fund parks and recreation operations, 10% of which is set aside for future golf course capital improvements. The carrying value of the golf courses, including buildings and land, is reported at \$12.87 million as of June 30, 2013.

8. PENSION PLAN

Plan Description

The County pension plan is administered by the Los Angeles County Employees Retirement Association (LACERA), which was established under the County Employees' Retirement Law of 1937. It provides benefits to employees of the County and the following additional entities that are not part of the County's reporting entity:

- Little Lake Cemetery District
- Local Agency Formation Commission
- Los Angeles County Office of Education
- South Coast Air Quality Management District

New employees of the latter two agencies are not eligible for LACERA benefits.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

8. PENSION PLAN-Continued

Plan Description-Continued

LACERA is technically a cost-sharing, multi-employer defined benefit plan. However, because the non-County entities are immaterial to its operations the disclosures herein are made as if LACERA was a single employer defined benefit plan. LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible members. Benefits are authorized in accordance with the California Constitution, the County Employees' Retirement Law, the bylaws, procedures and policies adopted by LACERA's Boards of Retirement and Investments and Board of Supervisors' resolutions.

LACERA issues a stand-alone financial report, which is available at its offices located at Gateway Plaza, 300 N. Lake Avenue, Pasadena, California 91101-4199.

Funding Policy

LACERA has nine benefit tiers known as A, B, C, D, E and G, and Safety A, B and C. All tiers except E are employee contributory. Tier E is employee non-contributory. Prior to December 31, 2012, new general members were only eligible for tier D or E and new safety members were only eligible for Safety B. As of January 1, 2013, new general employees are only eligible for tier G and new safety members are only eligible for Safety C. These new tiers were added as a result of the California Public Employees' Pension Reform Act of 2013 (PEPRA) and became effective January 1, 2013. Rates for the tiers are established in accordance with State law by LACERA's Boards of Retirement and Investments and the County Board of Supervisors.

The following employer rates were in effect for FY 2012-2013:

July 1, 2012 - September 30, 2012	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	
General Members	21.59%	15.00%	14.51%	14.80%	15.30%	
Safety Members	30.38%	24.10%				
October 1, 2012 - Dec 31, 2012	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	
General Members	22.65%	15.55%	15.35%	16.00%	16.77%	
Safety Members	31.55%	25.37%				
January 1, 2013 - June 30, 2013	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>G</u>
General Members	22.65%	15.55%	15.35%	16.00%	16.77%	15.61%
Safety Members	31.55%	25.37%	20.98%			

The rates were determined by the actuarial valuation performed as of June 30, 2010 and June 30, 2011, respectively. The rates for plan G and Safety plan C were based on a PEPRA study completed by the actuaries. The June 30, 2011 and June 30, 2012 actuarial valuations were used to calculate the annual required contribution (ARC).

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

8. PENSION PLAN-Continued

Funding Policy-Continued

Employee rates vary by option and employee entry age from 5% to 13% of their annual covered salary.

During FY 2012-2013, the County contributed the full amount of the ARC, in the form of cash payments in the amount of \$723.09 million and a transfer from the County Contribution Credit Reserve (CCCR) in the amount of \$448.82 million. The CCCR was created pursuant to the 1994 Retirement System Funding Agreement between LACERA and the County. Seventy-five percent (75%) of excess earnings in FYs 1995-1999 were credited into the CCCR.

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation for FY 2012-2013, computed in accordance with GASB 27, were as follows (in thousands):

Annual required contribution (ARC):	
County	\$ 1,171,910
Non-County entities	104
Total ARC/Annual pension cost	<u>1,172,014</u>
Contributions made:	
County cash	723,091
Transfer from CCCR	448,819
Non-County entities	104
Total contributions	<u>1,172,014</u>
Change in net pension obligation (asset)	0
Net pension obligation (asset), July 1, 2012	0
Net pension obligation (asset), June 30, 2013	<u><u>\$ 0</u></u>

Fiscal Year Ended	<u>Trend Information (in thousands)</u>		Net Pension Obligation (Asset)
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	
June 30, 2011	\$ 995,925	94.80%	0
June 30, 2012	1,078,929	100.00%	0
June 30, 2013	1,172,014	100.00%	0

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the funded ratio was determined to be 76.8%. The actuarial value of assets was \$39.039 billion, and the actuarial accrued liability (AAL) was \$50.809 billion, resulting in an unfunded AAL of \$11.770 billion. The covered payroll was \$6.620 billion and the ratio of the unfunded AAL to the covered payroll was 177.8%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

8. PENSION PLAN-Continued

Actuarial Methods and Assumptions

The annual required contribution was calculated using the entry age normal method. The June 30, 2012 actuarial valuation also assumed an annual investment rate of return of 7.60%, and projected salary increases ranging from 4.11% to 10.08 %, with both assumptions including a 3.35% inflation factor. Additionally, the valuation assumed post-retirement benefit increases of between 2% and 3%, in accordance with the provisions of the specific benefit options. The actuarial value of assets was determined utilizing a five-year smoothed method based on the difference between the expected market value and the actual market value of assets as of the valuation date. The assumptions remained the same from the prior actuarial valuation completed as of June 20, 2011.

The County contribution rate to finance the unfunded AAL is 17.54% and 19.82% of payroll, which is a weighted average for all LACERA plans, as determined by the June 30, 2011 and 2012 actuarial valuations, respectively.

LACERA uses the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due, and benefits and refunds are recognized when payable in accordance with the terms of each plan.

9. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

LACERA administers a cost-sharing, multi-employer defined benefit Other Postemployment Benefit (OPEB) plan on behalf of the County. As indicated in Note 8-Pension Plan, because the non-County entities are immaterial to its operations, the disclosures herein are made as if LACERA was a single employer defined benefit plan.

In April 1982, the County of Los Angeles adopted an ordinance pursuant to Government Code Section 31691, which provided for a health insurance program and death benefits for retired employees and their dependents. In 1994, the County amended the agreements to continue to support LACERA's retiree insurance benefits program regardless of the status of active member insurance.

LACERA issues a stand-alone financial report that includes the required information for the OPEB plan. The report is available at its offices located at Gateway Plaza, 300 North Lake Avenue, Pasadena, California 91101-4199.

Funding Policy

Health care benefits earned by County employees are dependent on the number of completed years of retirement service credited to the retiree by LACERA upon retirement; it does not include reciprocal service in another retirement system. The benefits earned by County employees range from 40% of the benchmark plan cost with ten completed years of service to 100% of the benchmark plan cost with 25 or more completed years of service. In general, each completed year of service after ten years reduces the member's cost by 4%. Service includes all service on which the member's retirement allowance was based.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Funding Policy-Continued

Health care benefits include medical, dental, vision, Medicare Part B reimbursement and death benefits. In addition to these retiree health care benefits, the County provides long-term disability benefits to employees, and these benefits have been determined to fall within the definition of OPEB, per GASB 45. These long-term disability benefits provide for income replacement if an employee is unable to work because of illness or injury. Specific coverage depends on the employee's employment classification, chosen plan and, in some instances, years of service.

As discussed in Note 8, the County's pension contribution requirements for FY 2012-2013 were partially funded by LACERA Credit Reserves of \$448.8 million, thereby reducing the County's cash contributions. The County utilized the \$448.8 of pension contribution savings to prefund the liability for retiree healthcare benefits. In addition, the County fulfilled its "pay-as-you-go" contribution requirements of \$441.1 million, thereby making total contributions of \$889.9 for retiree health care. Included in this amount was \$41.7 million for Medicare Part B reimbursements and \$7.6 million in death benefits. Additionally, \$40.4 million was paid by member participants. The County also made payments of \$37.6 million for long-term disability benefits.

OPEB Trust

Pursuant to the California Government Code, the County established an irrevocable Other Postemployment Benefit (OPEB) Trust for the purpose of holding and investing assets to pre-fund the Retiree Health Program, which LACERA administers. On May 15, 2012, the Los Angeles County Board of Supervisors entered into a trust and investment services agreement with the LACERA Board of Investments to act as trustee and investment manager. During FY 2012-2013, the County made contributions to prefund the growing liability for retiree healthcare benefits in the amount of \$448.8 million.

The OPEB Trust does not modify the County's benefit programs.

Annual OPEB Cost and Net OPEB Obligation

The County's Annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The OPEB cost and OPEB obligation were determined by the OPEB health care actuarial valuation as of July 1, 2012, and the OPEB long-term disability actuarial valuation as of July 1, 2011. The following table shows the ARC, the amount actually contributed and the net OPEB obligation (in thousands):

	<u>Retiree Health Care</u>	<u>LTD</u>	<u>Total</u>
Annual OPEB required contribution (ARC)	\$ 2,036,300	\$ 70,509	\$2,106,809
Interest on Net OPEB obligation	294,300	7,680	301,980
Adjustment to ARC	<u>(241,575)</u>	<u>(5,120)</u>	<u>(246,695)</u>
Annual OPEB cost (expense)	2,089,025	73,069	2,162,094
Less: Contributions made	<u>889,871</u>	<u>37,598</u>	<u>927,469</u>
Increase in Net OPEB obligation	1,199,154	35,471	1,234,625
Net OPEB obligation, July 1, 2012	<u>6,765,519</u>	<u>153,601</u>	<u>6,919,120</u>
Net OPEB obligation, June 30, 2013	<u>\$ 7,964,673</u>	<u>\$ 189,072</u>	<u>\$8,153,745</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Annual OPEB Cost and Net OPEB Obligation-Continued

<u>Retiree Health Care Trend Information (in thousands)</u>			
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 1,897,487	19.8%	\$ 5,229,762
June 30, 2012	1,915,501	19.8%	6,765,519
June 30, 2013	2,089,025	42.6%	7,964,673

<u>LTD Trend Information (in thousands)</u>			
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 62,962	56.0%	\$ 117,829
June 30, 2012	72,473	50.6%	153,601
June 30, 2013	73,069	51.5%	189,072

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for OPEB health care benefits, the funded ratio was 0%. The actuarial value of assets was zero. The actuarial accrued liability (AAL) was \$25.733 billion, resulting in an unfunded AAL of \$25.733 billion. The covered payroll was \$6.620 billion and the ratio of the unfunded AAL to the covered payroll was 388.73%.

As of July 1, 2011, the most recent actuarial valuation date for OPEB long-term disability benefits, the funded ratio was 0%. The assumptions remained the same from the last actuarial valuation completed in 2009. The actuarial value of assets was zero. The AAL was \$1.019 billion, resulting in an unfunded AAL of \$1.019 billion. The covered payroll was \$6.620 billion and the ratio of the unfunded AAL to the covered payroll was 15.39%.

The schedules of funding progress are presented as RSI following the notes to the financial statements. These RSI schedules present multi-year trend information.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continued revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Actuarial Methods and Assumptions—Continued

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial valuations for OPEB health care and OPEB long-term disability benefits were prepared by two different firms, with some differences in the methods and assumptions used. In both valuations, the projected unit credit cost method was used. The valuation for OPEB health care assumed an annual investment rate of return of 4.35% and projected general wage increase of 3.85% per annum. The valuation for OPEB long-term disability benefits assumed an annual investment rate of return of 5% and projected general wage increase of 4% per annum. The valuations for OPEB health care and OPEB long-term disability benefits factored in annual inflation rates of 3.35% and 3.5%, respectively. The increases in salary due to promotions and longevity do not affect the amount of the OPEB program benefits. An actuarial asset valuation was not performed. Finally, the OPEB valuation report used the level percentage of projected payroll over a rolling (open) 30-year amortization period. The OPEB Long-Term Disability valuation report used the level dollar of projected payroll over a rolling (open) 30-year amortization period.

The healthcare cost trend initial and ultimate rates, based on the July 1, 2012 actuarial valuation, are as follows:

	<u>Initial Year</u>	<u>Ultimate</u>
LACERA Medical Under 65	0.30%	5.10%
LACERA Medical Over 65	0.59%	5.10%
Firefighters Local 1014 (all)	7.00%	5.10%
Part B Premiums	5.90%	5.10%
Dental (all)	3.13%	3.40%

10. LEASES

Operating Leases

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2013 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2014	\$ 84,810
2015	72,407
2016	44,649
2017	32,762
2018	20,925
2019-2023	53,307
2024-2028	40,335
2029-2033	30,723
Total	<u>\$ 379,918</u>

Rent expenses related to operating leases were \$95,978,000 for the year ended June 30, 2013.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

10. LEASES-Continued

Capital Lease Obligations

The following is a schedule of future minimum lease payments under capital lease obligations together with the present value of future minimum lease payments as of June 30, 2013 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2014	\$ 25,787
2015	23,141
2016	22,463
2017	20,401
2018	19,790
2019-2023	103,119
2024-2028	76,689
2029-2033	63,052
2034-2038	<u>35,822</u>
Total	<u>390,264</u>
Less: Amount representing interest	<u>207,208</u>
Present value of future minimum lease payments	<u>\$ 183,056</u>

The following is a schedule of property under capital leases by major classes at June 30, 2013 (in thousands):

	<u>Governmental Activities</u>
Land	\$ 17,279
Buildings and improvements	153,513
Equipment	68,769
Accumulated depreciation	<u>(44,117)</u>
Total	<u>\$ 195,444</u>

Future rent revenues to be received from noncancelable subleases are \$1,114,000 as of June 30, 2013.

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, regional parks, and Asset Development Projects. Substantially all of the Marina's land and harbor facilities are leased to others under agreements classified as operating leases. Certain regional parks are leased under agreements, which provide for activities such as food and beverage concessions, and recreational vehicle camping. The Asset Development Projects are ground leases and development agreements entered into by the County for private sector development of commercial, industrial, residential, and cultural uses on vacant or underutilized County owned property. The Asset Development leases cover remaining periods ranging generally from 1 to 84 years and are accounted for in the General Fund. The lease terms for the regional parks cover remaining periods ranging from 1 to 22 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 55 years and are accounted for in the General Fund.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

10. LEASES-Continued

Leases of County-Owned Property-Continued

The land carrying value of the Asset Development Project ground leases and the Marina del Rey Project area leases is \$492,441,000. The carrying value of the capital assets associated with the regional park operating leases is not determinable.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2013 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2014	\$ 35,984
2015	36,010
2016	35,949
2017	35,799
2018	35,736
Thereafter	<u>1,402,807</u>
Total	<u>\$ 1,582,285</u>

The total of \$1,582,285 excludes amounts related to golf courses. The golf course management agreements, previously recorded as leases, are now being reported as SCAs under Note 7 due to the implementation of GASB 60. As a result, \$149,108,000 in projected installment payments are being excluded from the future minimum rental receipts.

The following is a schedule of rental income for these operating leases for the year ended June 30, 2013 (in thousands):

	<u>Governmental Activities</u>
Minimum rentals	\$ 34,410
Contingent rentals	<u>15,090</u>
Total	<u>\$ 49,500</u>

The minimum rental income is a fixed amount based on the lease agreements. The contingent rental income is a percentage of revenue above a certain base for the Asset Development leases or a calculated percentage of the gross revenue less the minimum rent payment for the other leases.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

11. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans, OPEB (see Note 9), capital lease obligations (see Note 10) and other liabilities, which are payable from the General, Special Revenue, Debt Service, Enterprise and Internal Service Funds.

A summary of bonds, notes and loans recorded within governmental activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2013
Los Angeles County Flood Control District Refunding Bonds 2.5% to 5.0%	\$ 143,195	\$ 5,745
Los Angeles County Flood Control District Revenue Bonds 4.0% to 4.12%	20,540	14,025
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3.0% to 5.25%	275,535	153,047
NPC Bond Anticipation Notes, 0.536% to 0.632%	26,238	26,238
NPC Bonds 1.5% to 5.0%	48,818	28,213
Marina del Rey Loans, 4.5% to 4.7%	23,500	17,352
Public Buildings Bonds and Notes, 2.0% to 7.618%	1,152,658	830,218
Lease Revenue Obligation Notes, 0.08% to 0.18%	255,949	255,949
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds, 5.25% to 6.65%	319,827	401,443
Total	<u>\$ 2,266,260</u>	<u>\$ 1,732,230</u>

A summary of bonds and notes recorded within business-type activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2013
NPC Bond Anticipation Notes, 0.536% to 0.632%	\$ 5,762	\$ 5,762
NPC Bonds, 1.5% to 5.0%	6,657	3,847
Public Buildings Bonds and Notes, 2.0% to 7.618%	914,292	851,554
Lease Revenue Obligation Notes, 0.08 % to 0.18 %	45,951	45,951
Waterworks District Loans, 2.28%	8,111	8,111
Total	<u>\$ 980,773</u>	<u>\$ 915,225</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

11. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds

The Regional Park and Open Space District issued voter approved assessment bonds in 1997, some of which were advance refunded in FY 2004-2005 and the remainder in FY 2007-2008, to fund the acquisition, restoration, improvement and preservation of beach, park, wildlife and open space resources within the District. As discussed in Note 4, the bonds were purchased by the Public Works Financing Authority (Authority) and similar bonds were issued as a public offering. The bonds issued by the Authority are payable from the pledged proceeds of annual assessments levied on parcels within the District's boundaries.

The bonds mature in FY 2019-2020. Annual principal and interest payments of the bonds are expected to require less than 50% of annual assessment revenues. Total principal and interest remaining on the bonds is \$163,183,000, not including unamortized bond premiums. Principal and interest for the current year and assessment revenues were \$35,780,000 and \$80,380,000, respectively.

Principal and interest requirements on assessment bonds are as follows (in thousands):

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 29,255	\$ 6,497
2015	30,735	4,998
2016	32,270	3,422
2017	11,715	2,313
2018	12,320	1,692
2019-2023	<u>26,575</u>	<u>1,391</u>
Subtotal	142,870	<u>\$ 20,313</u>
Add: Unamortized bond premiums	<u>10,177</u>	
Total assessment bonds	<u>\$ 153,047</u>	

Certificates of Participation and Bonds

The County has issued lease revenue bonds through various financing entities that have been established by, and are component units of, the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed. During FY 2012-2013, the County issued lease revenue bonds of \$339,410,000 to finance \$186,087,000 of various capital improvements, to redeem \$133,465,000 of outstanding lease revenue obligation notes, and to fund debt service reserves of \$19,858,000. The allocation of debt between Governmental Activities and Business-type Activities was \$35,725,000 and \$303,685,000, respectively.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

11. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation and Bonds-Continued

The County has pledged net revenues from the Calabasas Landfill for the payment of the Calabasas Landfill Project Revenue bonds, included here in the Public Buildings COPS, issued in 2005 and maturing in 2022. To the extent that the net available revenues are insufficient to cover the debt payments in any fiscal year, the County has pledged to make the debt payments from any source of legally available funds. The County paid the entire current fiscal year debt payment of \$3,286,000. Total principal and interest remaining on the bonds is \$32,673,000.

Principal and interest requirements on COPs (Flood Control District Refunding bonds and Revenue bonds, NPC bonds, and Public Buildings COPs for Governmental Activities and NPC bonds and Public Buildings COPs for Business-type Activities) are as follows (in thousands):

Year Ending <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 61,622	\$ 52,283	\$ 14,618	\$ 55,727
2015	64,689	49,599	22,743	50,965
2016	49,091	47,843	27,181	49,852
2017	34,389	47,819	19,801	47,781
2018	23,159	48,990	16,117	45,403
2019-2023	170,874	196,132	92,759	213,629
2024-2028	120,022	115,681	116,289	182,761
2029-2033	122,674	77,416	148,361	139,606
2034-2038	95,974	41,702	188,716	84,915
2039-2043	<u>68,246</u>	<u>8,024</u>	<u>172,789</u>	<u>20,810</u>
Subtotal	810,740	<u>\$ 685,489</u>	819,374	<u>\$ 891,449</u>
Add: Accretions	68,696			
Unamortized bond premiums	21,930		36,027	
Unamortized loss	<u>(23,165)</u>			
Total certificates of Participation and bonds	<u>\$ 878,201</u>		<u>\$ 855,401</u>	

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

11. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds

In 2006, the County entered into a Sale Agreement with the Los Angeles County Securitization Corporation (LACSC) under which the County relinquishes to the LACSC a portion of its future tobacco settlement revenues (TSRs) for the next 40 years. The County received from the sold TSRs a lump sum payment of \$319,827,000 and a residual certificate in exchange for the rights to receive and retain 25.9% of the County's TSRs through 2046. The residual certificate represented the County's ownership interest in excess TSRs to be received by the LACSC during the term of the Sale Agreement. Residuals through 2013 were \$131,514,000. The total TSRs sold, based on the projected payment schedule in the Master Settlement Agreement and adjusted for historical trends, was estimated to be \$1.438 billion. The estimated present value of the TSRs sold, net of the expected residuals and assuming a 5.7% interest rate at the time of the sale, was \$309,230,000. In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Bonds, neither the California County Tobacco Securitization Agency, the County, nor the LACSC has any liability to make up any such shortfall.

Principal and interest requirements (in thousands) for the Tobacco Settlement Asset-Backed bonds are as follows:

Year Ending <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$	\$ 20,051
2015		20,051
2016		20,051
2017		20,051
2018		20,052
2019-2023	38,450	94,426
2024-2028	46,370	85,680
2029-2033		69,311
2034-2038	62,196	60,224
2039-2043	53,157	38,738
2044-2048	<u>97,824</u>	<u>16,173</u>
Subtotal	297,997	<u>\$ 464,808</u>
Add: Accretions	<u>103,446</u>	
Total Tobacco Settlement Asset-Backed Bonds	<u>\$ 401,443</u>	

Notes, Loans, and Lease Revenue Obligation Notes

Notes and Loans

Bond Anticipation Notes (BANS) are issued by the Los Angeles County Capital Asset Leasing Corporation (LACCAL) to provide interim financing for equipment purchases. BANS are purchased by the County Treasury Pool and are payable within five years. In addition, the BANS are issued with a formal agreement that, in the event they are not liquidated within the five-year period, they convert to capital lease obligations with a three-year term secured by County real property. During FY 2012-2013, LACCAL issued additional BANS in the amount of \$12,336,000, as reflected in Governmental Activities and \$2,664,000 as reflected in Business-type Activities.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Notes and Loans-Continued

Marina del Rey loans were obtained from the California Department of Boating and Waterways for the restoration and renovation of the marina seawall. The loans are secured by Marina del Rey lease revenue and by Los Angeles County Music Center parking revenues.

In June 2010, the Board approved a resolution authorizing the Waterworks Districts to obtain Safe Drinking Water State Revolving loans in the amount of \$3,410,400 and \$5,472,875 from the California Department of Public Health to fund the Sepulveda Feeder Interconnection project (Malibu) and the Marina del Rey Waterline Replacement project (Marina), respectively. The loans will be repaid over 20 years and are secured by revenues from surcharges collected for capital improvements. Annual principal and interest payments of the loans are expected to require less than 47% of the annual surcharge revenues. During FY 2012-2013, the County obtained additional loans for \$3,079,000 and as of June 30, 2013, total loans drawn are \$2,838,000 on the Sepulveda Feeder Interconnection project and \$5,273,000 on the Marina del Rey Waterline Replacement project.

Lease Revenue Obligation Notes

Lease revenue obligation notes (LRON) provide the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which may be refinanced with the issuance of long-term bonds upon completion. Repayment of LRON are secured by three irrevocable direct-pay letters of credit (LOC) from separate banks supporting the issuance of LRON and a revolving credit facility with an additional bank supporting the issuance of direct placement revolving notes. This program is secured by twenty-four County-owned properties pledged as collateral in a lease-revenue financing structure with the LACCAL. The LOCs and the revolving credit facility were issued for a three-year period and have a termination date of April 18, 2016. The County has the option to extend the LOCs and the revolving credit for an additional one-year period or to some other term mutually agreed to with the participating banks.

The aggregate maximum principal amount of the three LOCs is \$450,000,000, which consists of \$150,000,000 of callable Series A (JP Morgan), \$100,000,000 of Series B (U.S. Bank), \$200,000,000 of Series C (Wells Fargo) and \$150,000,000 direct placement revolving credit facility of Series D (Bank of America). The County is responsible for the payment of a non-refundable letter of credit fee for each LOC and a non-refundable commitment fee for the revolving credit facility on a quarterly basis in an amount equal to the rate per annum corresponding to the lowest long-term unenhanced debt ratings assigned by any of Moody's, S&P, or Fitch to any Lease Obligation Debt of the County. The letter of credit fee for Series A is equal to 0.54% of the maximum, principal amount of the LOC. For Series B and C, the letter of credit fee is equal to 0.6% of the maximum principal amount of the LOC. The commitment fee is equal to 0.3% of the \$150,000,000 maximum principal amount of the revolving credit facility for Series D (Bank of America). As of June 30, 2013, \$301,900,000 of LRON issued under the program were outstanding, including \$53,000,000 of Series A, \$100,000,000 of Series B and \$148,900,000 of Series C.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Lease Revenue Obligation Notes-Continued

LRON are issued as variable rate instruments with a maximum term not to exceed 270 days. On the maturity date of LRON, the notes are re-issued at the prevailing interest rates in the note market, which reflects the term of the note and the perceived credit quality of the supporting letter of credit bank. During FY 2012-2013, the County redeemed the total amount that was outstanding at the beginning of the year and reissued County LRON that, as of June 30, 2013, are reflected as notes payable in the amount of \$255,949,000 for Governmental Activities and \$45,951,000 for Business-type Activities. The average interest rate on LRON issued in FY 2012-2013 was 0.197%. The County did not issue any Series D notes in FY 2012-2013.

Principal and interest requirements on NPC BANS, Marina del Rey Loans and LRON for Governmental Activities and NPC BANS, Waterworks District Loans and LRON for Business-type Activities are as follows (in thousands):

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 270,616	\$ 781	\$ 49,048	\$
2015	13,133	746	2,883	124
2016	834	711	329	179
2017	871	673	337	171
2018	911	634	345	163
2019-2023	5,207	2,516	1,844	693
2024-2028	6,489	1,234	2,066	471
2029-2033	1,478	67	2,314	223
2034-2038			658	14
Total	<u>\$ 299,539</u>	<u>\$ 7,362</u>	<u>\$ 59,824</u>	<u>\$ 2,038</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Summary-All Future Principal, Interest and Accretions

The following summarizes total future principal and interest requirements for the various debt issues referenced above (in thousands):

<u>Debt Type</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Assessment bonds	\$ 142,870	\$ 20,313	\$	\$
Certificates of participation and bonds	810,740	685,489	819,374	891,449
Tobacco settlement asset-backed bonds	297,997	464,808		
Notes, loans, and LRON	<u>299,539</u>	<u>7,362</u>	<u>59,824</u>	<u>2,038</u>
Subtotal	1,551,146	<u>\$1,177,972</u>	879,198	<u>\$ 893,487</u>
Add: Accretions	172,142			
Unamortized bond premiums	32,107		36,027	
Less: Unamortized loss on advanced refunding of debt	<u>(23,165)</u>			
Total bonds and notes	<u>\$1,732,230</u>		<u>\$ 915,225</u>	

Long-term liabilities recorded in the Government-wide Statement of Net position include accreted interest on zero coupon bonds, unamortized bond premiums, and unamortized losses on advance debt refunding.

Bonds Defeased in Prior Years

In prior years, various debt obligations, consisting of bonds and certificates of participation, were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related liabilities for the defeased bonds are not reflected in the County's financial position. At June 30, 2013, the amount of outstanding bonds and certificates of participation considered defeased was \$9,510,000. All of this amount was related to governmental activities.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities

Long-term debt obligations as of July 1, 2012 include the following adjustments (in thousands) as a result of CDC becoming a discretely presented component unit rather than a blended component unit due to the implementation of GASB 61:

	Long-term Liabilities July 1, 2012, as previously reported	Effect of CDC	Long-term Liabilities July 1, 2012, as restated
Governmental activities:			
Bonds and notes payable	\$ 1,597,317	(30,789)	\$ 1,566,528
Unamortized bond premium	32,259		32,259
Unamortized refunding loss	<u>(25,949)</u>	<u></u>	<u>(25,949)</u>
Total bonds and notes payable	1,603,627	(30,789)	1,572,838
Interest accretion on bonds payable	172,662		172,662
Capital lease obligations	190,746	(133)	190,613
Accrued compensated absences	1,178,011	(802)	1,177,209
Workers' compensation	1,855,761	(2,950)	1,852,811
Litigation and self-insurance	<u>158,152</u>	<u>(1,419)</u>	<u>156,733</u>
Total governmental activities	<u>\$ 5,158,959</u>	<u>(36,093)</u>	<u>\$ 5,122,866</u>
Business-type activities:			
Bonds and notes payable	\$ 766,418	(46,702)	\$ 719,716
Unamortized bond premium	<u>3,850</u>	<u></u>	<u>3,850</u>
Total bonds and notes payable	770,268	(46,702)	723,566
Accrued compensated absences	<u>177,226</u>	<u>(617)</u>	<u>176,609</u>
Total business-type activities	<u>\$ 947,494</u>	<u>(47,319)</u>	<u>\$ 900,175</u>
Total effect of restatement for CDC	<u>\$ 6,106,453</u>	<u>(83,412)</u>	<u>\$ 6,023,041</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities-Continued

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2013 (in thousands):

	Balance July 1, 2012 <u>as restated</u>	Additions/ <u>Accretions</u>	Transfers/ <u>Maturities</u>	Balance June 30, 2013	Due Within <u>One Year</u>
Governmental activities:					
Bonds and notes payable	\$ 1,566,528	304,010	319,392	\$ 1,551,146	\$ 361,493
Add: Unamortized premium on bonds payable	32,259	3,848	4,000	32,107	4,199
Less: Unamortized amount on refunding loss	<u>(25,949)</u>	<u>2,784</u>		<u>(23,165)</u>	<u>(2,922)</u>
Total bonds and notes payable	<u>1,572,838</u>	<u>310,642</u>	<u>323,392</u>	<u>1,560,088</u>	<u>362,770</u>
Interest accretion on capital appreciation bonds payable	172,662	2,471	2,991	172,142	9,746
Other long-term liabilities:					
Capital lease obligations (Note 10)	190,613	2,780	10,337	183,056	10,684
Accrued compensated absences	1,177,209	94,151	78,396	1,192,964	66,358
Workers' compensation (Note 18)	1,852,811	307,425	323,595	1,836,641	323,444
Litigation and self-insurance (Note 18)	156,733	80,083	59,738	177,078	147,487
Pollution remediation obligation (Note 19)	25,294	4,796	14,204	15,886	1,794
OPEB obligation (Note 9)	5,776,974	1,035,328		6,812,302	
Third party payor (Note 14)	<u>16,669</u>	<u>28,469</u>	<u>28,782</u>	<u>16,356</u>	<u>16,356</u>
Total governmental activities	<u>\$ 10,941,803</u>	<u>1,866,145</u>	<u>841,435</u>	<u>\$ 11,966,513</u>	<u>\$ 938,639</u>
Business-type activities:					
Bonds and notes payable	\$ 719,716	355,379	195,897	\$ 879,198	\$ 63,666
Add: Unamortized premium on bonds payable	<u>3,850</u>	<u>33,078</u>	<u>901</u>	<u>36,027</u>	<u>943</u>
Total bonds and notes payable	<u>723,566</u>	<u>388,457</u>	<u>196,798</u>	<u>915,225</u>	<u>64,609</u>
Other long-term liabilities:					
Accrued compensated absences	176,609	9,602	11,830	174,381	11,507
Workers compensation (Note 18)	266,755	32,824	39,871	259,708	44,240
Litigation and self-insurance (Note 18)	104,785	13,177	13,020	104,942	26,965
OPEB obligation (Note 9)	1,142,146	199,297		1,341,443	
Third party payor (Note 14)	<u>375,066</u>	<u>117,848</u>	<u>2,092</u>	<u>490,822</u>	<u>14,969</u>
Total business-type activities	<u>\$ 2,788,927</u>	<u>761,205</u>	<u>263,611</u>	<u>\$ 3,286,521</u>	<u>\$ 162,290</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities-Continued

For governmental activities, the General Fund, the Fire Protection District Special Revenue Fund and the Public Library Special Revenue Fund have typically been used to liquidate workers' compensation, accrued compensated absences and litigation and self-insurance.

Bond interest accretions for deep discount bonds have been included in the amounts reported for Bonds and Notes. Accretions decreased during FY 2012-2013, thereby increasing liabilities for Bonds and Notes by \$520,000 for governmental activities. Note 18 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance.

Discretely Presented Component Unit

Long-term debt obligations and corresponding activity for the CDC discretely presented component unit for the year ended June 30, 2013 was as follows (in thousands):

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Maturities</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds and notes payable	\$ 30,789		2,661	\$ 28,128	\$ 3,589
Compensated absences	802	786	877	711	640
Capital lease obligations	133	3,131	695	2,569	600
Claims payable	<u>4,369</u>	<u>836</u>	<u>836</u>	<u>4,369</u>	<u>233</u>
Total Governmental activities	<u>\$ 36,093</u>	<u>4,753</u>	<u>5,069</u>	<u>\$ 35,777</u>	<u>\$ 5,062</u>
Business-type activities:					
Bonds and notes payable	\$ 46,702	6	6,500	\$ 40,208	\$ 570
Compensated absences	<u>617</u>	<u>577</u>	<u>723</u>	<u>471</u>	<u>424</u>
Total Business-type activities	<u>\$ 47,319</u>	<u>583</u>	<u>7,223</u>	<u>\$ 40,679</u>	<u>\$ 994</u>
Total long-term obligations	<u>\$ 83,412</u>	<u>5,336</u>	<u>12,292</u>	<u>\$ 76,456</u>	<u>\$ 6,056</u>

12. SHORT-TERM DEBT

On July 2, 2012, the County issued \$ 1,100,000,000 of short-term Tax and Revenue Anticipation Notes Series A, B and C at an effective interest rate of 0.18%, 0.19%, and 0.20%, respectively. The proceeds of the notes were used to assist with County General Fund cash flow needs prior to the first major apportionment of property taxes, which occurred in December 2012. The Series A notes, \$300,000,000, matured and were redeemed on February 28, 2013, the Series B notes, \$400,000,000, on March 29, 2013 and the Series C notes, \$400,000,000, on June 28, 2013.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

13. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2013, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling \$54,314,000 and limited obligation improvement bonds totaling \$7,466,000. The bonds were issued to finance the cost of various construction activities and infrastructure improvements, which have a regional or direct benefit to the related property owners.

The bonds do not constitute an indebtedness of the County and are payable solely from special taxes and benefit assessments collected from property owners within the districts. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County and neither the full faith and credit of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

The County functions as an agent for the districts and bondholders. Debt service transactions related to the various bond issues are reported in the agency funds. Construction activities are reported in the Improvement Districts' Capital Projects Fund.

Industrial Development and Other Conduit Bonds

Industrial development bonds, and other conduit bonds, have been issued to provide financial assistance to private sector entities and nonprofit corporations for the acquisition of industrial and health care facilities, which provide a public benefit. The bonds are secured by the facilities acquired and/or bank letter of credit and are payable solely from project revenue or other pledged funds. The County is not obligated in any manner for the repayment of the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

As of June 30, 2013, the amount of industrial development and other conduit bonds outstanding was \$24,255,000.

14. HOSPITAL AND OTHER PROGRAM REVENUES

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Medi-Cal Demonstration Project

In November, 2010, the Centers for Medicare and Medicaid Services (CMS) approved, pursuant to Section 1115(a) of the Social Security Act, a Medi-Cal Demonstration Project, called the "California's Bridge to Reform" (Bridge to Reform), which affects many aspects of Medi-Cal revenue for the County hospitals and clinics including the financing methods by which the State draws down federal matching funds. The Bridge to Reform covers the period November 1, 2010 to October 31, 2015.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project-Continued

Revenues for the public hospitals are comprised of: 1) FFS cost-based reimbursement for inpatient hospital services for Medi-Cal patients who are not enrolled in managed care; 2) Medi-Cal DSH payments; and 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP), which was capped Statewide at \$386.00 million in FY 2012-13. The non-federal share of these payments is provided by the public hospitals rather than the State, through certified public expenditures (CPE). For the inpatient hospital FFS cost-based payments, each hospital provides its own CPE. In addition to CPE, for DSH, Intergovernmental Transfers (IGTs) are also made whereby the hospital would utilize its local funding for services to draw down the federal financial participation (FFP).

The federal medical assistance percentage (FMAP), which establishes the matching amount for the FFS cost-based reimbursement, was 50% for FY 2012-13. The FMAP for DSH remains at 50%.

For the DSH and SNCP distributions, the CPEs of all the public hospitals in the State are used in the aggregate to draw down the federal match. It is therefore possible for one hospital to receive the federal match that results from another hospital's CPE. In this situation, the first hospital is referred to as a "recipient" hospital, while the second is referred to as a "donor" hospital. A recipient hospital is required to "retain" the FFP amounts resulting from donated CPEs.

The County also provides funding for the State's share of the DSH program by transferring funds to the State. These transferred funds, referred to as IGTs are used by the State to draw down federal matching funds. The combined IGTs sent to the State by each Hospital Enterprise Fund, plus the matching federal funds, are utilized by the State to provide supplemental funding for the Demonstration Project.

The Bridge to Reform restricts the amount of IGTs that may be used for DSH payments. A hospital's IGT may be used to draw federal DSH funding, but only with respect to DSH payments made to that hospital, and the gross amount of such IGT funded payments (non-federal plus federal match) may not exceed 75% of the hospital's uncompensated care costs. The gross IGT funded DSH payment must be "retained" by the recipient hospital fund.

The County recognizes the funding received under the Bridge to Reform by each hospital as net patient services revenue, unless mentioned otherwise, as reflected in the statement of revenues, expenses, and changes in fund net position. The IGT payments are reflected as nonoperating expenses by each hospital in the statement of revenues, expenses, and changes in fund net position.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project-Continued

The IGTs paid during FY 2012-13 are payments for services provided in FY 2012-13. The estimated Medi-Cal Demonstration Project net revenues for inpatient services, DSH and SNCP include amounts collected and accrued for FY 2012-13 as adjusted for over/under-realization of revenues for FY 2005-06 through FY 2011-12. The amounts below are in thousands:

	<u>Program Revenues</u>			<u>Intergovernmental</u>
	<u>Medi-Cal FFS</u>	<u>DSH</u>	<u>SNCP</u>	<u>Transfers Expense</u>
Harbor-UCLA	\$ 36,867	\$ 141,502	\$ 64,457	\$ 43,738
Olive View-UCLA	41,858	64,976	29,684	29,531
LAC+USC	104,264	98,673	111,132	111,710
Rancho	21,669	32,303	19,085	12,513
Total	<u>\$ 204,658</u>	<u>\$ 337,454</u>	<u>\$ 224,358</u>	<u>\$ 197,492</u>

Besides these revenues, the Demonstration Project provides support for public hospital systems in the following areas:

Coverage Expansion – Low Income Health Program or Healthy Way LA

Under the Demonstration Project, counties have the option to expand coverage by operating a Low Income Health Program (LIHP). Under this plan, the County may cover individuals up to 133% of the federal poverty level (FPL), known as the Medicaid Coverage Expansion (MCE) population for a particular group of services, and receive federal matching funds for the amount they expend. If a county meets certain federal requirements and has the resources available to do so, it can also cover individuals between 133% and 200% FPL, known as the Health Care Coverage Initiative (HCCI) population. The LIHP will run through the end of 2013, at which time coverage under federal health care reform will take effect.

For the County, the LIHP program is called Healthy Way LA (HWLA) – Matched. Revenues for FY 2012-13 are estimated at \$173.44 million for patient care services and \$3.76 million for administrative services.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project-Continued

Delivery System Reform Incentive Pool

The Demonstration Project establishes the Delivery System Reform Incentive Pool (DSRIP) which ties federal funding to the achievement of milestones in care delivery improvements. To obtain funding under the DSRIP, public hospital systems submitted a five-year plan showing how they will accomplish desired results, and will be required to achieve significant milestones that were approved by the State and CMS. The amounts below, in thousands, were recorded as "other operating revenues" in FY 2012-13:

	<u>DSRIP Gross Revenues</u>	<u>Intergovernmental Transfers Expense</u>
Harbor-UCLA	\$ 162,877	\$ 104,332
Olive View-UCLA	104,168	39,741
LAC+USC	181,372	109,195
Rancho	17,122	17,082
Total	<u>\$ 465,539</u>	<u>\$ 270,350</u>

Managed Care for Seniors and Persons with Disabilities (SPDs)

Under the Demonstration Project, the State of California requires Medi-Cal beneficiaries who are Seniors and Persons with Disabilities (SPDs) to enroll in managed care plans, rather than using a fee for service system, in an effort to provide more coordinated care and contain costs. In FY 2012-13, an estimated \$339.98 million of SPD gross revenues were recorded.

SPD also requires that the County make IGTs to the State to fund the non-federal share of Medi-Cal inpatient payments for this population and expenses associated with such IGTs were \$125,808,000 in FY 2012-13.

Reported CPEs Subject to Audit

All CPEs reported by each hospital will be subject to State and federal audit and final reconciliation. If, at the end of the final reconciliation process, it is determined that a hospital's claimed CPEs resulted in an overpayment of federal funds to the State, the hospital may be required to return the overpayment whether or not the County's hospital received the federal matching funds.

Medi-Cal Physician State Plan Amendment (Physician SPA)

Prior to July 1, 2005, Medi-Cal inpatient physician professional services (as well as non-physician practitioner services) provided by the County were reimbursed as part of an all-inclusive fixed contract rate per-diem. Effective July 1, 2005, public hospitals were no longer paid a fixed rate but were reimbursed under a Demonstration Project. The Demonstration Project payment for inpatient and other facility services excluded professional services. California State Plan Amendment 05-23 allows professional services to be paid similarly to the inpatient hospital services under the Demonstration Project. Hospitals are allowed to claim federal reimbursement for unreimbursed costs of Medi-Cal professional services (Hospital Inpatient, Emergency Room, and Psychiatric services), which is matched at the applicable FMAP rate for the year.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Physician State Plan Amendment (Physician SPA)-Continued

Net revenues of \$23.75 million were recognized during FY 2012-13 and included adjustments for the over/under-realization of revenues associated with FY 2005-06 through FY 2011-12.

Other Medi-Cal Programs

Cost Based Reimbursement Clinics (CBRC)

CBRC reimburses 100% of allowable costs for outpatient services provided to Medi-Cal beneficiaries at the County's hospital-based clinics, Multi-Service Ambulatory Care Centers (MACC) and health centers (excluding clinics that provide predominately public health services). The CBRC revenues in FY 2012-13 were \$148.64 million. As of June 30, 2013, the County estimated that approximately \$204.62 million of CBRC accounts receivable would not be collectible within 12 months and this amount is classified as a noncurrent asset in the proprietary fund statements of net position for each hospital.

Medi-Cal Cost Report Settlements

All of the FY 2008-09 CBRC audit reports were issued and total audit settlements of \$73.27 million were paid to the County. The Department of Health Services (DHS) issued appeal letters to the State Office of Administrative Appeals regarding unresolved audit adjustment issues. The informal level appeal hearing between DHS and the Medi-Cal auditors to discuss disputed adjustments before the Administrative Hearing Officer was held during June 2013. The hearing results, Report of Findings, have been issued and will be further appealed. The revised settlements will be issued sometime next year.

The State auditors are in the process of finalizing the FY 2009-10 CBRC audit findings and the anticipated issuance of the audit reports is late December 2013.

Medi-Cal Managed Care Rate Supplement

The State received permission from CMS to continue the Medi-Cal Managed Care rate supplements paid to L.A. Care and Health Net for the period October 1, 2011 through September 30, 2012. The supplement is funded by an IGT made by the County. The County does not receive managed care payments directly from the State; rather, the State contracts with L.A. Care and Health Net, which then subcontract for services with various provider networks.

In addition, in order to receive the supplemental payment, under the Welfare and Institutions Code Section 17301.4, the County is required to pay the State Department of Health Care Services a 20% administrative fee that is assessed on the full amount of the IGT. This amount is also recorded as part of IGT.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Rate Supplement-Continued

For L.A. Care and Health Net, the total estimated managed care rate supplement revenues and related estimated IGTs recorded in FY 2012-13, including prior year over/under realization, are as follows (in thousands):

	<u>Program Revenues</u>	<u>Intergovernmental Transfers Expense</u>
L.A. Care	\$ 119,718	\$ 69,958
Health Net	44,184	24,506
Totals	<u>\$ 163,902</u>	<u>\$ 94,464</u>

Revenues from the various Medi-Cal programs (i.e., FFS, DSH, CBRC, AB 915, SB 1732, etc.) represent approximately 64% of the hospitals' patient care revenue for the year ended June 30, 2013.

Medicare Program

Services to inpatient Medicare program beneficiaries are primarily paid under prospectively determined rates-per-discharge based upon diagnostic related groups (DRGs). Certain other services to Medicare beneficiaries are reimbursed based on a fee schedule or other rates.

Medicare audits have been ongoing at all hospitals. The initial notices of program reimbursement (NPR) have not been issued for all hospitals for recent fiscal years due to CMS Ruling No. CMS-1498-R, which required a revision to the methodology used to determine Medicare DSH payments. Before the initial NPR can be issued, CMS will revise the data matching process used to calculate the hospital's Medicare Supplemental Security Income (SSI) fraction that determines a portion of the Disproportionate Share payment adjustment for each hospital. The remaining issues, other than the Medicare DSH SSI fraction issue, have been reviewed and completed for all hospitals through FY 2006-07.

Medicare Program

For FY 2002-03 and FY 2003-04, the audits have been completed for all hospitals and NPRs have been issued for the former Martin Luther King Jr./Drew Medical Center (MLK/D MC), Harbor-UCLA Medical Center (H-UCLA MC), Rancho Los Amigos National Rehabilitation Center (RLANRC), and Olive View-UCLA Medical Center (OV-UCLA MC) only. LAC+USC Medical Center (LAC+USC MC) has not received its NPR due to the Medicare SSI fraction issue.

For FY 2004-05, the audits have been completed and the NPRs issued for MLK/D MC and OV-UCLA MC only. Except for the Medicare SSI fraction issue, the FY 2004-05 audits have been completed for LAC+USC MC, H-UCLA MC and RLANRC.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicare Program-Continued

For FY 2005-06, the audits have been completed and NPRs issued for MLK/D MC and OV-UCLA MC only. Except for the Medicare SSI fraction issue, the FY 2005-06 audits has been completed for LAC+USC MC, H-UCLA MC, and RLANRC.

For FY 2006-07, the audits for MLK/D MC, RLANRC and OV-UCLA MC have been completed and the NPRs have been issued. Except for the Medicare SSI fraction issue, the FY 2006-07 audits have been completed for H-UCLA MC and LAC+USC MC.

For FY 2007-08, the audits have been completed and NPRs have been issued for RLANRC and OV-UCLA MC. The audits are in progress for LAC+USC MC and H-UCLA MC. Effective August 16, 2007, MLK/D MC ceased to be certified as a participant in the Medicare program and will not undergo a hospital Medicare audit for FY 2007-08 due to low Medicare utilization.

For FY 2008-09, the audits have been completed and NPRs have been issued for RLANRC and OV-UCLA MC. Audits for LAC+USC MC and H-UCLA MC are in progress.

For FY 2009-10, the audits have been completed for RLANRC and OV-UCLA MC. An NPR has been issued for RLANRC. Audits for LAC+USC MC and H-UCLA MC have not been scheduled.

For FY 2010-11, audits have not been scheduled for LAC+USC MC and H-UCLA MC. The audits are in progress for RLANRC and OV-UCLA MC.

For FY 2011-12, audits have not been scheduled for LAC+USC MC, H-UCLA MC, RLANRC, and OV-UCLA MC.

Revenues from the Medicare program represent approximately 5% of patient care revenue for the year ended June 30, 2013.

Revenues related to the aforementioned programs are included in the accompanying basic financial statements as hospital operating revenues. Uncollected amounts are reported as accounts receivable - net. Claims for these programs are subject to audit by State and/or federal agencies.

Accounts Receivable-Net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts as of June 30, 2013 (in thousands):

	<u>H-UCLA</u>	<u>OV-UCLA</u>	<u>LAC+USC</u>	<u>Rancho</u>	<u>Total</u>
Accounts receivable	\$2,098,317	\$ 893,076	\$ 2,446,418	\$ 283,166	\$5,720,977
Less: Allowance for uncollectible amounts	<u>1,644,289</u>	<u>609,938</u>	<u>1,857,453</u>	<u>164,306</u>	<u>4,275,986</u>
Accounts receivable - net	<u>\$ 454,028</u>	<u>\$ 283,138</u>	<u>\$ 588,965</u>	<u>\$ 118,860</u>	<u>\$1,444,991</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Charity Care

Charity care includes those uncollectible amounts, for which the patient is unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigence standard has been established and under which the patient qualifies. Inability to pay may be determined through the County's Ability-to-Pay program, through other collection efforts by the County, or by an outside collection agency. Determinations of charity care may be made prior to, at the time of service, or any time thereafter.

The total amount of such charity care provided by the hospitals for the year ended June 30, 2013 is as follows (in thousands):

Estimated cost of charity care	\$1,349,865
Charity care at established rates	2,301,117
Charges forgone	1,897,776

Martin Luther King, Jr. Community Hospital

The County and the University of California ("UC"), with the State, have created a wholly independent, non-profit 501(c)(3) entity, the Martin Luther King, Jr. – Los Angeles Healthcare Corporation, to operate a new the MLK Community Hospital at the MLK-MACC site. The new hospital would: 1) serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients and 2) be integrated with the County's existing network of specialty and primary care ambulatory clinics. The seven-member MLK Hospital Board of Directors was appointed by the County and UC in August 2010, and is proceeding with efforts to open the new MLK Community Hospital. The new MLK Community Hospital facility is scheduled to open in FY 2014-15.

15. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables have been eliminated in the government-wide financial statements, except for "internal balances" that are reflected between the governmental and business-type activities. The majority of the interfund balances resulted from the time lag between the time that (1) goods and services were provided; (2) the recording of those transactions in the accounting system; and (3) payments between the funds were made. Interfund receivables and payables have been recorded in the fund financial statements. Such amounts arise due to the exchange of goods or services (or subsidy transfers) between funds that were pending the transfer of cash as of June 30, 2013.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Cash transfers related to interfund receivables/payables are generally made within 30 days after year-end. Amounts due to/from other funds at June 30, 2013 are as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Protection District	\$ 10,778
	Flood Control District	2,169
	Public Library	4,090
	Regional Park and Open Space District	2,538
	Nonmajor Governmental Funds	180,148
	Harbor-UCLA Medical Center	43,408
	Olive View-UCLA Medical Center	35,801
	LAC+USC Medical Center	74,870
	Rancho Los Amigos Nat'l Rehab Center	32,054
	Waterworks Enterprise Funds	1,081
	Nonmajor Aviation Funds	30
	Internal Service Funds	<u>4,638</u>
		<u>391,605</u>
Fire Protection District	General Fund	1,519
	Nonmajor Governmental Funds	525
	Harbor-UCLA Medical Center	1
	Internal Service Funds	<u>1</u>
		<u>2,046</u>
Flood Control District	General Fund	1,104
	Regional Park and Open Space District	500
	Nonmajor Governmental Funds	2,717
	Waterworks Enterprise Funds	250
	Nonmajor Aviation Funds	64
	Internal Service Funds	<u>5,959</u>
		<u>10,594</u>
Public Library	General Fund	<u>1,955</u>
Regional Park and Open Space District	Nonmajor Governmental Funds	<u>806</u>
Nonmajor Governmental Funds	General Fund	294,929
	Fire Protection District	16
	Flood Control District	190
	Public Library	15
	Regional Park and Open Space District	129
	Nonmajor Governmental Funds	13,686
	Internal Service Funds	<u>12,147</u>
		<u>321,112</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Harbor-UCLA Medical Center	General Fund	\$ 36,375
	Fire Protection District	39
	Nonmajor Governmental Funds	32,441
	Olive View-UCLA Medical Center	23
	LAC+USC Medical Center	1,118
	Rancho Los Amigos Nat'l Rehab Center	49
		<u>70,045</u>
Olive View-UCLA Medical Center	General Fund	23,350
	Fire Protection District	86
	Nonmajor Governmental Funds	15,836
	Harbor-UCLA Medical Center	1
	LAC+USC Medical Center	24
		<u>39,297</u>
LAC+USC Medical Center	General Fund	55,073
	Fire Protection District	5
	Nonmajor Governmental Funds	59,263
	Harbor-UCLA Medical Center	144
	Olive View-UCLA Medical Center	23
	Rancho Los Amigos Nat'l Rehab Center	313
		<u>114,821</u>
Rancho Los Amigos Nat'l Rehab Center	General Fund	29,441
	Fire Protection District	25
	Harbor-UCLA Medical Center	3
	LAC+USC Medical Center	1,326
		<u>30,795</u>
Waterworks Enterprise Funds	General Fund	129
	Internal Service Funds	979
		<u>1,108</u>
Nonmajor Aviation Funds	Internal Service Funds	<u>7</u>
Internal Service Funds	General Fund	17,605
	Fire Protection District	31
	Flood Control District	17,069
	Nonmajor Governmental Funds	34,642
	Harbor-UCLA Medical Center	11
	LAC+USC Medical Center	133
	Rancho Los Amigos Nat'l Rehab Center	806
	Waterworks Enterprise Funds	3,453
	Nonmajor Aviation Funds	117
		<u>73,867</u>
Total Interfund Receivables/Payables		<u>\$ 1,058,058</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the Public Library and the four hospitals. Other transfers primarily consisted of payments from the various operating funds (principally the General Fund) to debt service funds in accordance with long-term debt covenants. In addition, special revenue funds that are statutorily restricted made transfers to other funds to reimburse eligible costs incurred.

Interfund transfers to/from other funds for the year ended June 30, 2013 are as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Fire Protection District	\$ 32
	Public Library	42,103
	Nonmajor Governmental Funds	103,062
	Harbor-UCLA Medical Center	226,855
	Olive View-UCLA Medical Center	89,659
	LAC+USC Medical Center	330,930
	Rancho Los Amigos Nat'l Rehab Center	71,030
	Internal Service Funds	67
		<u>863,738</u>
Fire Protection District	Nonmajor Governmental Funds	<u>6,421</u>
Flood Control District	Nonmajor Governmental Funds	19,130
	Internal Service Funds	1,234
		<u>20,364</u>
Public Library	General Fund	1,578
	Nonmajor Governmental Funds	1,043
		<u>2,621</u>
Regional Park and Open Space District	Nonmajor Governmental Funds	<u>35,488</u>
Nonmajor Governmental Funds	General Fund	482,826
	Fire Protection District	355
	Nonmajor Governmental Funds	64,772
	Harbor-UCLA Medical Center	60,513
	Olive View-UCLA Medical Center	38,061
	LAC+USC Medical Center	116,402
	Rancho Los Amigos Nat'l Rehab Center	1
	Internal Service Funds	4,706
		<u>767,636</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Harbor-UCLA Medical Center	Nonmajor Governmental Funds	<u>\$ 3,822</u>
Olive View-UCLA Medical Center	Nonmajor Governmental Funds	<u>1,074</u>
LAC+USC Medical Center	General Fund	<u>16,506</u>
Waterworks Enterprise Funds	Internal Service Funds	<u>113</u>
Internal Service Funds	General Fund	3,657
	Flood Control District	171
	Nonmajor Governmental Funds	424
	Waterworks Enterprise Funds	<u>154</u>
		<u>4,406</u>
Total Interfund Transfers		<u><u>\$1,722,189</u></u>

Interfund Transactions

The General Fund, along with other funds that receive services from the Public Works Internal Service Fund, makes short-term advances to ensure sufficient cash is available to fund operations. In addition, the General Fund makes short-term and long-term advances to assist the Hospital Funds in meeting their cash flow requirements. The County estimates that a portion of Hospital revenue is not collectible within one year and has identified long-term receivables in each Hospital Enterprise Fund. To assist the Hospital Funds in meeting their cash flow requirements, the General Fund provided a \$184.14 million long-term advance and classified a corresponding amount of fund balance as nonspendable balance.

Advances from/to other funds at June 30, 2013 are as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
General Fund	Harbor-UCLA Medical Center	\$ 242,816	\$ 38,726	\$ 281,542
	Olive View-UCLA Medical Center	160,663	34,123	194,786
	LAC+USC Medical Center	157,764	70,420	228,184
	Rancho Los Amigos Nat'l Rehab Center	6,909	40,867	47,776
	Internal Service Funds	<u>2,088</u>		<u>2,088</u>
		<u>570,240</u>	<u>184,136</u>	<u>754,376</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

15. INTERFUND TRANSACTIONS-Continued

Interfund Transactions-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
Flood Control District	Internal Service Funds	\$ 6,473		\$ 6,473
Nonmajor Governmental Funds	Internal Service Funds	12,088		12,088
Waterworks Enterprise Funds	Internal Service Funds	1,351		1,351
Total Interfund Advances		\$ 590,152	\$ 184,136	\$ 774,288

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP

The County's Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual on Budgetary Basis for the major governmental funds has been prepared on the budgetary basis of accounting, which is different from GAAP. In FY 2012-2013 the Budget adopted by the County uses GASB 54 fund balance terminology.

The amounts presented for the governmental fund statements are based on the modified accrual basis of accounting and differ from the amounts presented on a budgetary basis of accounting. The major areas of difference are as follows:

- For budgetary purposes, nonspendable, restricted, committed and assigned fund balances are recorded as other financing uses at the time they are established. The County recognizes them as uses of budgetary fund balance. The nonspendable, restricted, committed and assigned fund balances that are subsequently cancelled or otherwise made available are recorded as changes in fund balance in other financing sources.
- Under the budgetary basis, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered, but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the modified accrual basis, revenues are not recognized until the qualifying expenditures are incurred.
- For the General Fund, obligations for accrued compensated absences and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within one year after year-end. Under the modified accrual basis of accounting, such expenditures are not recognized until they become due and payable in accordance with GASB Interpretation No. 6.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

- In conjunction with the sale of Tobacco Settlement Asset-Backed bonds in 2005-2006, the County sold 25.9% of its future tobacco settlement revenues. Under the budgetary basis, the proceeds were recognized as revenues. Under the modified accrual basis, the proceeds were recorded as a sale of future revenues and were being recognized over the duration of the sale agreement, in accordance with GASB 48. This matter is also discussed in Note 11, under the caption, "Tobacco Settlement Asset-Backed Bonds."
- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after year-end. Under the modified accrual basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.
- For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the modified accrual basis, the effects of such fair value changes have been recognized.
- In conjunction with implementing GASB 45, the County determined that certain assets were held by LACERA (the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis, the expenditures are adjusted to recognize the OPEB Agency assets at June 30, 2013.

The following schedule is a reconciliation of the budgetary and GAAP fund balances for the major governmental funds (in thousands):

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District
Fund balance - budgetary basis	\$ 1,497,581	\$ 104,376	\$ 76,574	\$ 37,288	\$ 192,857
Budgetary fund balances	<u>1,415,680</u>	<u>144,425</u>	<u>169,726</u>	<u>22,188</u>	<u>140,327</u>
Subtotal	<u>2,913,261</u>	<u>248,801</u>	<u>246,300</u>	<u>59,476</u>	<u>333,184</u>
Adjustments:					
Accrual of estimated liability for litigation and self-insurance claims	148,100	(752)	3,533	1,269	
Accrual of compensated absences	58,636				
Deferral of sale of tobacco settlement revenue	(245,987)				
Change in revenue accruals	(121,720)	(18,841)	(6,852)	(2,971)	(3,344)
Change in OPEB	<u>127,360</u>	<u>7,539</u>	<u>1,222</u>	<u>1,222</u>	<u>1,222</u>
Subtotal	<u>(33,611)</u>	<u>(12,054)</u>	<u>(3,319)</u>	<u>(480)</u>	<u>(3,344)</u>
Fund balance - GAAP basis	<u>\$ 2,879,650</u>	<u>\$ 236,747</u>	<u>\$ 242,981</u>	<u>\$ 58,996</u>	<u>\$ 329,840</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

17. COMMITMENTS AND CONTINGENCIES

Construction Commitments

At June 30, 2013, there were contractual commitments of approximately \$593.89 million for various general government construction projects and approximately \$63.45 million for various hospital construction projects that were financed by bonds and lease revenue obligation notes.

LACERA Capital Commitments

At June 30, 2013, LACERA had outstanding capital commitments to various investment managers, approximating \$3,020,000,000. Subsequent to June 30, 2013, LACERA funded \$160,000,000 of these capital commitments.

Encumbrances

The County uses "encumbrances" to control expenditure commitments for the year. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve applicable appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. As of June 30, 2013, the encumbrance balances for the governmental funds (in thousands) are reported as follows:

	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Total</u>
General Fund	\$	\$	\$ 366,474	\$ 366,474
Fire Protection District	24,470			24,470
Flood Control District	44,289			44,289
Public Library			11,415	11,415
Regional Park and Open Space District	68,008			68,008
Nonmajor Governmental Funds	<u>109,255</u>	<u>9,216</u>	<u>6,026</u>	<u>124,497</u>
Total Encumbrances	<u>\$ 246,022</u>	<u>\$ 9,216</u>	<u>\$ 383,915</u>	<u>\$ 639,153</u>

18. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as aviation, employee fidelity, boiler and machinery in certain structures, art objects, catastrophic hospital general liability, volunteer, special events, public official bond, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been no settlements related to these programs that exceeded insurance coverage in the last three years. The County also has insurance on most major structures. Losses did not exceed coverage in FY 2010-2011, FY 2011-2012 or FY 2012-2013.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

18. RISK MANAGEMENT-Continued

The County retains the risk for all other loss exposures. Major areas of risk include workers' compensation, medical malpractice, law enforcement, theft and damage to property including natural disasters, errors and omissions, and torts. Expenditures are accounted for in the fund whose operations resulted in the loss. Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The County utilizes actuarial studies, historical data, and individual claims reviews to estimate these liabilities. The liabilities include estimable incremental claim adjustment expenses, net of salvage, and subrogation of approximately 10% of the total liabilities. They do not include other claim adjustment costs because the County does not believe it is practical or cost effective to estimate them.

As indicated in the following table, the County's workers' compensation balance as of June 30, 2013 was approximately \$2.096 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2013. Approximately \$83,550,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2013, the County's best estimate of these liabilities is \$2.378 billion. The FY 2012-2013 beginning balances for workers' compensation and other liabilities decreased by \$2,950,000 and \$1,419,000, respectively, due to CDC becoming a discretely presented component unit rather than a blended component unit based on the implementation of GASB Statement No. 61. Changes in the reported liability since July 1, 2011 resulted from the following (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claim Payments	Balance At Fiscal Year-End
<u>2011-2012</u>				
Workers' Compensation	\$ 2,070,598	\$ 407,207	\$(355,289)	\$ 2,122,516
Other	<u>212,250</u>	<u>115,340</u>	<u>(64,653)</u>	<u>262,937</u>
Total 2011-2012	<u>\$ 2,282,848</u>	<u>\$ 522,547</u>	<u>\$(419,942)</u>	<u>\$ 2,385,453</u>
<u>2012-2013</u>				
Workers' Compensation	\$ 2,119,566	\$ 340,249	\$(363,466)	\$ 2,096,349
Other	<u>261,518</u>	<u>93,260</u>	<u>(72,758)</u>	<u>282,020</u>
Total 2012-2013	<u>\$ 2,381,084</u>	<u>\$ 433,509</u>	<u>\$(436,224)</u>	<u>\$ 2,378,369</u>

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately \$153.89 million are reasonably possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

19. POLLUTION REMEDIATION

GASB 49 establishes accounting and reporting guidelines for the recognition and measurement of pollution remediation obligation (liabilities).

The County is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the County's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., Regional Water Quality Board, State Department of Toxic Control, California Coastal Commission) notified the County of the need for remedial action. In addition, the County conducts its own environmental monitoring and this activity identifies pollution sites and matters requiring further investigation and possible remediation. Once the County is aware of these conditions, it commences monitoring, assessment, testing and/or clean up activities, and recognizes a pollution remediation obligation when estimates can reasonably be determined. The pollution remediation obligation is an estimate and is subject to revision because of price increases or reductions, changes in technology, or changes in applicable laws or regulations. The types of pollution that have been identified include leaking underground storage tanks, water, groundwater and soil contamination, asbestos and lead paint contamination, methane gas detection and excessive levels of other contaminants. Remediation efforts include developing remediation and feasibility studies, source identification studies, site testing, sampling and analysis, ground water clean up, and removal of storage tanks, asbestos tiles and other hazardous materials.

As of June 30, 2013, the County's estimated pollution remediation obligation totaled \$15,886,000. These obligations were all associated with the County's government-wide governmental activities. Obligations of enterprise and internal service funds were immaterial. The estimated liabilities were determined by project managers, based on historical cost information for projects of the same type, size and complexity and measured at their current value. In subsequent periods, the County will adjust estimated obligations when new information indicates that such changes are required. At this time, the County has determined there are no estimated recoveries reducing the obligations.

20. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned as described in Note 1. A detailed schedule of fund balances for all the major and nonmajor governmental funds at June 30, 2013 (in thousands) are as follows:

	General <u>Fund</u>	Fire Protection <u>District</u>	Flood Control <u>District</u>	Public <u>Library</u>	Regional Park and Open Space <u>District</u>	Nonmajor Governmental <u>Funds</u>
Fund Balances:						
Nonspendable:						
Inventories	\$ 47,375	8,045		916		
Long-term receivables	206,461					
Permanent fund principal						2,230
Total Nonspendable	253,836	8,045		916		2,230

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

20. FUND BALANCES-Continued

	<u>General Fund</u>	<u>Fire Protection District</u>	<u>Flood Control District</u>	<u>Public Library</u>	<u>Regional Park and Open Space District</u>	<u>Nonmajor Governmental Funds</u>
Restricted for:						
Purpose of fund		228,702	242,882	9,841	329,840	1,396,852
Purpose of utility user tax	36,529					
Housing authority program	13,451					
Grand Avenue project	4,600					
Sheriff Pitchess landfill	3,206					
La Alameda project	2,000					
Capital projects						276,398
Debt service						578,314
Endowments and annuities						290
Total Restricted	<u>59,786</u>	<u>228,702</u>	<u>242,882</u>	<u>9,841</u>	<u>329,840</u>	<u>2,251,854</u>
Committed to:						
Purpose of fund						48,315
Capital projects and extraordinary maintenance	148,831					75,641
Health services-tobacco settlement	92,656					
Budget uncertainties	86,698					
Low to moderate income housing	63,797					
Sheriff budget restoration	31,174					
Assessor tax system	24,836					
Interoperable and countywide communication	15,082					
Services to unincorporated areas	14,044					
Financial system	12,765					
Reopening jail beds	12,147					
Department of children and family services	8,840					
Health services future financial requirements	7,013					
Public works-permit tracking system	5,855					
Information technology enhancements	2,574					
Live scan	2,000					
TTC unsecured property tax system	463					
Sheriff unincorporated patrol	90					
Total Committed	<u>528,865</u>					<u>123,956</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

20. FUND BALANCES-Continued

	<u>General Fund</u>	<u>Fire Protection District</u>	<u>Flood Control District</u>	<u>Public Library</u>	<u>Regional Park and Open Space District</u>	<u>Nonmajor Governmental Funds</u>
Assigned to:						
Purpose of fund			99	48,239		112,549
Future purchases	374,156					
Capital projects						11,105
Imprest cash	<u>2,025</u>					
Total Assigned	<u>376,181</u>		<u>99</u>	<u>48,239</u>		<u>123,654</u>
Unassigned	<u>1,660,982</u>					
Total Fund Balances	<u>\$ 2,879,650</u>	<u>236,747</u>	<u>242,981</u>	<u>58,996</u>	<u>329,840</u>	<u>2,501,694</u>

Reserve for "Rainy Day" Fund

On June 22, 2009, the Board established a Reserve for "Rainy Day" fund. The Reserve for "Rainy Day" fund was established and maintained to protect essential County programs against unforeseen emergencies and economic downturns. The Reserve cap should be 10% of on-going locally generated revenue. Transfers of three percent (3%) should be made into the Reserve each year, if feasible, until the 10% cap is met.

When the Reserve cap of 10% is exceeded, the excess may be available for specified one-time purposes such as capital projects, unfunded retiree health obligations, efficiency measures and information technology initiatives. The objective is to avoid on-going commitments with funding that may not be sustainable in an economic downturn.

The County's "Rainy-Day" fund does not meet the criteria for a stabilization arrangement for reporting the funds as either restricted or committed. As such, the Reserve for "Rainy Day" funds in the amount of \$197,012,000 is reported as unassigned fund balance in the General Fund.

21. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 1, 2013, the County issued \$300,000,000 and \$700,000,000 in 2013-2014 TRANS Series A and B, respectively, which will mature on February 28, 2014, and June 30, 2014, respectively. The TRANS are collateralized by taxes and other revenues attributable to the 2013-2014 fiscal year and were issued in the form of Fixed Rate Notes at effective interest rates of 0.16% and 0.18%, respectively.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

21. SUBSEQUENT EVENTS-Continued

Lease Revenue Obligation Notes

On August 29, 2013, the Los Angeles County Capital Asset Leasing Corporation issued an additional \$56,100,000 in lease revenue obligation notes with an initial average rate of 0.114%. The proceeds are being used to fund capital requirements of various capital projects. The lease revenue obligation notes are secured by a long-term lease of County real estate, three letters of credit and a revolving credit facility.

Capital Asset Leasing Corporation Lease Revenue Bond Anticipation Notes

On October 4, 2013, the Corporation issued a \$7,000,000 Bond Anticipation Note with an initial interest rate of 0.535%. The rates are adjustable on January 2 and July 1, of each year. The notes were purchased by the Los Angeles County Treasury Pool and are due on June 30, 2016. Proceeds of the notes are being used to purchase equipment. The notes are to be paid from the proceeds of lease revenue bonds.

Health Realignment

As a result of the implementation of the Affordable Care Act, the State of California (State) assumes that the counties' costs associated with providing health care to indigent population will decrease. Accordingly, Assembly Bill 85 lays out the process by which a portion of the 1991 County Health Realignment Funds will be redirected to support Social Services programs based on these savings. These savings will be shared between the counties' health departments and the State. Estimates of the amount of Realignment funds that will be re-directed are not available at this time.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Los Angeles County Employees Retirement Association
Schedule of Funding Progress-Pension Plan
(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)</u>
June 30, 2010	\$ 38,839,392	\$ 46,646,838	\$ 7,807,446	83.3%	\$ 6,695,439	116.6%
June 30, 2011	39,193,627	48,598,166	9,404,539	80.6%	6,650,674	141.4%
June 30, 2012	39,039,364	50,809,425	11,770,061	76.8%	6,619,816	177.8%

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Schedule of Funding Progress-Other Postemployment Benefits
(Dollar amounts in thousands)

Retiree Health Care

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ 0	\$ 20,901,600	\$ 20,901,600	0%	\$ 6,123,888	341.31%
July 1, 2010	0	22,939,800	22,939,800	0%	6,695,439	342.62%
July 1, 2012	0	25,733,300	25,733,300	0%	6,619,816	388.73%

Long-Term Disability

July 1, 2007	\$ 0	\$ 929,265	\$ 929,265	0%	\$ 5,615,736	16.55%
July 1, 2009	0	951,797	951,797	0%	6,547,616	14.54%
July 1, 2011	0	1,018,898	1,018,898	0%	6,619,816	15.39%

SINGLE AUDIT REPORT

**COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON-AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA) PROGRAMS			
<u>U.S. Agency for International Development</u>			
<i>Direct Program</i>			
International Search and Rescue Operations	98.001		\$ 376,205
Total U.S. Agency for International Development			376,205
<u>U.S. Department of Agriculture</u>			
<i>Passed Through the California Department of Education</i>			
Child Nutrition Program - School Breakfast	10.553 (2)		1,256,146
Child Nutrition Program - School Lunch	10.555 (2)		1,966,196
Summer Food Service Program for Children	10.559 (2)	CN110428, CN120410	56,104
Summer Food Service Program for Children	10.559 (2)		535,300
<i>Subtotal Child Nutrition Cluster (10.553, 10.555, 10.559)</i>			3,813,746
<i>Passed Through the California Department of Food and Agriculture</i>			
Pest Detection Emergency Program	10.025	12-8506-0934-GR	2,543,457
Pest Exclusion/Dog Teams Program	10.025	11-8520-1165-CA	492,371
Glassy Winged Sharpshooter (GWSS)	10.025	12-8506-0484-CA	1,409,479
Sudden Oak Death (SOD) Program	10.025	11-8523-0572-CA	100,284
Light Brown Apple Moth (LBAM) Detection Trapping Program	10.025	11-8520-1164-CA	49,021
<i>Subtotal 10.025</i>			4,594,612
Senior Farmer's Market Program	10.576		117,020
<i>Passed Through the California Department of Public Health</i>			
Nutrition Program - Network for a Healthy California	10.561 (1)	11-10233	1,517,999
Network for a Healthy California - Local Health Department	10.561 (1)	12-10170	163,814
<i>Passed Through the California Department of Social Services</i>			
Supplemental Nutrition Assistance Program (SNAP) - Administration (CalFresh)	10.561 (1)	5180	198,639,602
<i>Subtotal SNAP Cluster 10.561</i>			200,321,415
Total U.S. Department of Agriculture			208,846,793
<u>U.S. Department of Defense</u>			
<i>Direct Program</i>			
Procurement Technical Assistance	12.002		229,023
Total U.S. Department of Defense			229,023
<u>U.S. Department of Education</u>			
<i>Direct Program</i>			
Supplemental Educational Opportunity Grants	84.007 (13)		9,962
Pell Grants	84.063 (13)		252,064
<i>Subtotal Student Financial Assistance Cluster (84.007, 84.063)</i>			262,026
<i>Passed Through the Los Angeles Unified School District</i>			
Safe Schools-Healthy Students Grant	84.184		67,606
<i>Passed Through the California Department of Alcohol and Drugs</i>			
Drug Free Schools and Communities (DFSC) - Friday Night Live	84.186		75,000
Drug Free Schools and Communities - Club Live	84.186		75,000
<i>Subtotal 84.186</i>			150,000
Total U.S. Department of Education			479,632
<u>U.S. Department of Health and Human Services</u>			
<i>Direct Program</i>			
Public Health Preparedness and Response for Bioterrorism	93.069		5,620,184
Public Health Emergency Preparedness	93.069		14,218,595
<i>Subtotal 93.069</i>			19,838,779
Emergency System for Advance Registration of Volunteer Health Professionals	93.089		135,775
Tuberculosis/Centers for Disease Control Cooperative Agreement	93.116		4,712,722
Active Varicella Surveillance and Epidemic Studies	93.185		69,248
Integrated Behavioral Health and Primary Care Program	93.243 (17)		539,021
Adult Drug Court Program (SAMHSA)	93.243 (17)		227,674
Project ABC Family Wellness Network	93.243 (17)		1,826,611
<i>Subtotal 93.243</i>			2,593,306
Category A, Part 1 - Viral Hepatitis Prevention Coordinator	93.270		45,374

See legend on page 132 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON-AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA) PROGRAMS			
Adult Viral Hepatitis Prevention Coordinator	93.283 (18)		\$ 31,985
Los Angeles County Sodium Reduction Initiative (LACSRI)	93.283 (18)		392,229
Los Angeles County DOH-EPI and Lab Capacity	93.283 (18)		482,383
<i>Subtotal 93.283</i>			<u>906,597</u>
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507		1,687,100
Patient Protection and Affordable Care Act (PPACA)	93.521		856,192
Enhanced HIV Prevention Planning and Implementation	93.523		2,126,132
Community Transformation Grant	93.531		9,993,986
Diligent Recruitment of Families for Children in the Foster Care System	93.652		353,155
Bioterrorism Hospital Preparedness Program	93.889		10,282,513
HIV Emergency Relief Project Grant	93.914 (22)		37,897,613
Minority AIDS Initiative (MAI)	93.914 (22)		2,913,498
<i>Subtotal 93.914</i>			<u>40,811,111</u>
HIV Prevention Project	93.940		13,930,141
Expanded and Integrated HIV Testing for Populations	93.940		130,300
National HIV Behavioral Surveillance	93.940		457,848
<i>Subtotal 93.940</i>			<u>14,518,289</u>
PS09-007 Evaluating Locally-Developed Homegrown HIV Prevention Interventions	93.941		464,852
HIV AIDS Surveillance and Seroprevalence	93.944		2,383,228
Morbidity and Risk Behavior Surveillance	93.944		670,115
<i>Subtotal 93.944</i>			<u>3,053,343</u>
Comprehensive STD Preventions Systems	93.977		3,589,080
STD Surveillance Network	93.977		99,344
<i>Subtotal 93.977</i>			<u>3,688,424</u>
<i>Passed Through the Association of Public Health Laboratories</i>			
Tuberculosis (TB) Nucleic Acid Amplification Testing (NAAT)	93.065		8,464
<i>Passed Through the California Family Health Council</i>			
Family Planning	93.217		813,638
<i>Passed Through the Council of State and Territorial Epidemiologist (CSTE)</i>			
Influenza Incidence Surveillance Project	93.283 (18)	5U38HM000414	187,368
<i>Passed Through the Health Research Association, Inc.</i>			
Teenage Pregnancy Prevention Program	93.297	38123513	192,024
<i>Passed Through the University of California, Los Angeles</i>			
Effectiveness of Peer Navigation to Link Released HIV/Jail Inmates to HIV Care	93.279		418,458
<i>Passed Through the California Department of Aging</i>			
Title VII - Elder Abuse Prevention	93.041	AP1213-19	66,609
Title VII - Ombudsman	93.042	AP1213-19	131,227
Area Agency on Aging III D	93.043	AP1213-19	375,268
Area Agency on Aging III B	93.044 (9)	AP1213-19	5,665,285
Area Agency on Aging III C-I	93.045 (9)	AP1213-19	5,982,455
Area Agency on Aging III C-II	93.045 (9)	AP1213-19	4,432,390
<i>Subtotal 93.045</i>			<u>10,414,845</u>
Area Agency on Aging Title III E	93.052	AP1213-19	2,551,845
Area Agency on Aging III USDA CI	93.053 (9)	AP1213-19	1,029,996
Area Agency on Aging III USDA CII	93.053 (9)	AP1213-19	788,193
<i>Subtotal 93.053</i>			<u>1,818,189</u>
Area Agency on Aging - Health Insurance Counseling and Advocacy Program (HICAP)	93.779	HI1213-19	399,458
<i>Passed Through the California Department of Alcohol and Drugs</i>			
Federal Drug Medi-Cal (Prenatal and Drug) FMAP	93.778 (12) (21)		4,518,908
Alcohol Block Grant	93.959		31,731,134
Federal Female Offender	93.959		382,458
New Prenatal Set-Aside	93.959		3,704,357
Substance Abuse Block Grant New HIV Set-Aside	93.959		4,377,036
Substance Abuse Prevention and Treatment Block Grant Adolescent Treatment	93.959		1,601,081
Substance Abuse Prevention and Treatment Set-Aside	93.959		11,825,790
<i>Subtotal 93.959</i>			<u>53,621,856</u>

See legend on page 132 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON-AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA) PROGRAMS			
<i>Passed Through the California Department of Child Support Services</i>			
Child Support Enforcement Title IV D	93.563		\$ 104,766,566
<i>Passed Through the California Department of Community Services and Development</i>			
Community Services Block Grant 12F-4421 (Note 5)	93.569	12F-4421	5,048,589
Community Services Block Grant 13F-3021 (Note 5)	93.569	13F-3021	762,707
Community Services Block Grant American Indian 12F-4458 (Note 5)	93.569	12F-4458	230,393
Community Services Block Grant American Indian 13F-3058 (Note 5)	93.569	13F-3058	127,464
<i>Subtotal 93.569</i>			<u>6,169,153</u>
<i>Passed Through the California Department of Education</i>			
Child Care Salary Retention Incentive Program	93.575 (11)		2,740,725
Local Child Care Planning and Development Council (LCCPDC)	93.575 (11)		179,887
Child Day Care Program	93.596 (11)	CAPP-2028	7,795,169
<i>Subtotal CCDF Cluster (93.575, 93.596)</i>			<u>10,715,781</u>
<i>Passed Through the California Department of Health Care Services</i>			
Medi-Cal Administrative Activities (MAA)	93.778 (12) (21)	04-35096	11,363,616
Medi-Cal Eligibility Determination	93.778 (12) (21)	4260	238,014,614
Child Health and Disability Program	93.778 (12) (21)		5,225,260
Health Care Program Children in Foster Care	93.778 (12) (21)		10,925,105
<i>Subtotal 93.778</i>			<u>265,528,595</u>
<i>Passed Through the California Department of Mental Health</i>			
McKinney Homeless Act Program	93.150		2,102,113
Mental Health Services: Block Grant	93.958		14,700,289
<i>Passed Through the California Department of Public Health</i>			
Strategic Prevention Framework State Incentive Grant	93.243 (17)		65,985
Immunization Calendar Year	93.268	11-10878	4,983,999
Title V Maternal, Infant, and Early Childhood Home Visiting Program	93.505	201219	2,274,918
Refugee Preventive Health Program	93.576 (19)	12-70-90841-00	49,720
Health Facilities Inspection	93.777 (12)	12-10082	18,657,282
Minority AIDS Initiative (MAI)	93.914 (22)		11,000
HIV Care Program	93.917		8,591,973
Refugee Preventive Health Services	93.978	12-70-90840-00	1,725,612
Maternal and Child Health	93.994	2012-19	2,156,157
<i>Passed Through the California Department of Social Services</i>			
Kinship Guardianship Assistance Payment Program (KIN-GAP) Title IV-E	93.090	CFL12/13-06	7,876,855
California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) - Exchange Grant	93.525	4260	1,074,889
Promoting Safe and Stable Families Program (PSSF)	93.556	CFL12/13-10 & 11	7,851,585
CalWORKs - Family Group/Unemployed Parent (FG/U) Assistance	93.558 (10)	5180	249,834,174
CalWORKs Legal Immigrants (MC)	93.558 (10)	5180	6,292,683
CalWORKs Diversion - Federal	93.558 (10)	5180	6,240
CalWORKs Fraud Incentives	93.558 (10)	5180	421,694
CalWORKs Single	93.558 (10)	5180	405,194,059
Temporary Assistance for Needy Families (TANF)	93.558 (10)	CFL 12/13-19	58,397,134
<i>Subtotal 93.558</i>			<u>720,145,984</u>
Refugee Resettlement	93.566	5180	3,313,144
Refugee Employment Social Services	93.566	5180	3,077,581
<i>Subtotal 93.566</i>			<u>6,390,725</u>
Low-Income Home Energy Assistance Program (LIHEAP)	93.568	5180	64,803
Older Refugee Discretionary Grant	93.576 (19)	5180	132,058
Targeted Assistance Discretionary Grant	93.576 (19)	TART1202	74,781
Refugee Targeted Assistance Program	93.584	5180	2,546,165
Children's Welfare Services IV B (Direct Cost)	93.645	CFL 12/13-19	7,051,741
California Partnership for Permanency (CAPP)	93.648	MOU 10-6078	1,524,618
Aid to Families with Dependent Children - FC - Administration and Assistance	93.658	CFL 12/13-19	127,322,556
Foster Care Title IV-E	93.658	CFL 12/13-19	349,429,786
Foster Parent Training	93.658	CFL 12/13-19	86,244
Foster Family Licensing	93.658	CFL 12/13-09	337,938
Group Home Month Visits/CWD	93.658	CFL 12/13-19	6,310,408
Child Welfare Services Outcome Improvement Project (Cohort 1)	93.658	CFL 12/13-19	1,416,774
<i>Subtotal 93.658</i>			<u>484,903,706</u>

See legend on page 132 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON-AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA) PROGRAMS			
Adoptions - Administration and Assistance	93.659 (20)	CFL 12/13-20	\$ 125,604,136
Children's Welfare Services Title XX	93.667	CFL 12/13-19	44,697,000
Independent Living Skills - Children's Services	93.674	CFL 12/13-13	7,142,753
California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) - Title XXI	93.767	4260	8,521
 In Home Supportive Services - Personal Care Services Program Health Related	93.778 (12) (21)	4260	60,698,461
Adult Protective Services/County Services Block Grant	93.778 (12) (21)	5180	25,718,383
Children's Welfare Services XIX (Health Related)	93.778 (12) (21)	CFL 12/13-19	39,431,369
Subtotal 93.778			<u>125,848,213</u>
 <i>Passed Through the California Emergency Management Agency</i>			
Children Exposed to Domestic Violence Specialized Response Program (CEDV)	93.643		69,671
 <i>Passed Through the California Secretary of State</i>			
Help America Vote Act Section 261 Voting Access for Individuals with Disabilities	93.617		92,066
Help America Vote Act Section 261 Polling Place Accessibility Training Program	93.617		19,335
Subtotal 93.617			<u>111,401</u>
Total U.S. Department of Health and Human Services			<u>2,182,939,088</u>
<u>U.S. Department of Homeland Security</u>			
<i>Direct Program</i>			
Urban Search and Rescue	97.025		48,517
Urban Search and Rescue 2010-SR-24-K045	97.025		45,671
Urban Search and Rescue 2011-CA-K00078-S01	97.025		184,018
Urban Search and Rescue 2012-EMW-2012-CA-00024	97.025		602,924
Subtotal 97.025			<u>881,130</u>
 Assistance to Firefighters Grant (AFG) 10	97.044		71,858
Port Security Grant Program 12	97.056 (23)		225,000
TSA National Explosives Detection Canine Team Program	97.072		903,077
Staffing for Adequate Fire and Emergency Response (SAFER) 09	97.083		867,692
 <i>Passed Through the Marine Exchange of Southern California</i>			
Port Security Grant Program 10	97.056 (23)		3,349,790
Port Security Grant Program 11	97.056 (23)		100,000
Subtotal 97.056			<u>3,449,790</u>
 <i>Passed Through the California Department of Boating and Waterways</i>			
Boating and Waterways 11-204-804	97.012		51,210
Boating and Waterways - Marina Del Rey/Santa Monica Bay	97.012		16,058
Subtotal 97.012			<u>67,268</u>
 <i>Passed Through the California Emergency Management Agency</i>			
Earthquake (Northridge)	97.036	037-00000	3,315
2005 Winterstorms	97.036	037-00000	1,955,558
2005 Winterstorms #2	97.036	037-00000	2,394,232
2007 Wildfires (Santa Clarita Valley)	97.036	037-00000	191,645
2008 Wildfires	97.036	037-00000	1,753,720
2010 Winterstorms	97.036	037-00000	22,862
Subtotal 97.036			<u>6,321,332</u>
 2011 Emergency Management Performance Grant	97.042	037-00000	1,280,723
2012 Emergency Management Performance Grant	97.042	037-00000	8,320
Subtotal 97.042			<u>1,289,043</u>
 State Homeland Security Program 09	97.067 (24)	037-00000	18,976,170
State Homeland Security Program 10	97.067 (24)	037-00000	2,509,205
State Homeland Security Program 11	97.067 (24)	037-00000	225,961
State Homeland Security Program 12	97.067 (24)	037-00000	11,067
State Homeland Security Program 10	97.067 (24)	037-00000	1,341,570
State Homeland Security Program 11	97.067 (24)	037-00000	88,070
State Homeland Security Program 10 (Volunteer Training and Symposiums)	97.067 (24)		63,885
Subtotal 97.067			<u>23,215,928</u>
 Buffer Zone Protection Program 08	97.078	037-00000	33,603
Buffer Zone Protection Program 09	97.078	037-00000	1,287,427
Buffer Zone Protection Program 10	97.078	037-00000	30,615
Subtotal 97.078			<u>1,351,645</u>
 <i>Passed Through the California Emergency Management Agency/California Volunteers</i>			
Disaster Corps Grant 12	97.067 (24)	037-00000	115,987

See legend on page 132 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON-AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA) PROGRAMS			
<i>Passed Through the California Emergency Management Agency/City of Los Angeles</i>			
Urban Area Security Initiative 10	97.067 (24)	037-95050	\$ 320,140
Urban Area Security Initiative 06	97.067 (24)		613,568
Urban Area Security Initiative 10	97.067 (24)	C-119731	162,386
Urban Area Security Initiative 08	97.067 (24)		3,022,421
Urban Area Security Initiative 08	97.067 (24)	037-95050	2,859,060
Urban Area Security Initiative 10	97.067 (24)	037-95050	697,661
Urban Area Security Initiative 11	97.067 (24)	037-95050	423,836
Urban Area Security Initiative 08	97.067 (24)		4,140,939
Urban Area Security Initiative 10	97.067 (24)		5,942,236
Urban Area Security Initiative 11	97.067 (24)		530,314
<i>Subtotal 97.067</i>			<u>18,828,548</u>
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111		<u>234,525</u>
Total U.S. Department of Homeland Security			<u>57,706,836</u>
<u>U.S. Department of Housing and Urban Development (HUD)</u>			
<i>Direct Program</i>			
Homeless Foster Youth Program (HFYP)	14.235 (14)		539,387
Housing Opportunities for Persons with AIDS (HOPWA)	14.241		250,249
<i>Passed Through the Los Angeles County Community Development Commission</i>			
Project Star (Studying, Tutoring, and Reading)	14.218 (3)		78,549
Project Star (La Puente/Graham Library)	14.218 (3)		24,999
Hacienda Heights Community Recreation Program	14.218 (3)		19,393
Burke's Club Drug Prevention and Gang Intervention	14.218 (3)		99,687
Adventure Park Recreation Program	14.218 (3)		61,999
Amigo Park Mobile Recreation Program	14.218 (3)		20,000
Loma Alta Park Recreation Program	14.218 (3)		26,576
Pamela Park Recreation Program	14.218 (3)		25,739
Pearlblossom Park Recreation Program	14.218 (3)		27,592
Valleydale Park After-School Program	14.218 (3)		28,000
Community Development Block Grant	14.218 (3)		80,000
Community Code Enforcement East Los Angeles - 1 st District	14.218 (3)		391,829
Community Code Enforcement 4 th District	14.218 (3)		34,348
Homeowners Fraud Prevention Program	14.218 (3)	FP96227-12	40,000
Rowland Heights Youth Athletic League Program - Carolyn Rosas Park	14.218 (3)		33,995
Century Station Code Enforcement Project	14.218 (3)		199,999
<i>Subtotal CDBG - Entitlement Grants Cluster (14.218)</i>			<u>1,192,705</u>
<i>Passed Through the Los Angeles Homeless Authority</i>			
Transitional Housing for Homeless Young People	14.235 (14)	HUD VII, VIII, IX, X, XI, XII	<u>1,088,866</u>
Total U.S. Department of Housing and Urban Development (HUD)			<u>3,071,207</u>
<u>U.S. Department of the Interior</u>			
<i>Direct Program</i>			
National Rec Area Vac Lot Weeding	15.230		3,107
Coastal Impact Assistance Program	15.426		22,069
United States Geological Survey Non-Competitive Assistance Grant	15.808		<u>30,967</u>
Total U.S. Department of Interior			<u>56,143</u>
<u>U.S. Department of Justice</u>			
<i>Direct Program</i>			
Domestic Cannabis Eradication Suppression Program 12	16.UNKNOWN		193,190
Office of Juvenile Justice and Delinquency Prevention Act (Adam Schiff)	16.541		10,151
2009 Earmarks Programs	16.541		29,076
Altadena Youth Activities League Congressional Earmark Program	16.541		<u>2,702</u>
<i>Subtotal 16.541</i>			<u>41,929</u>
Forensic Science Training Development and Delivery Program	16.560		3,831
DNA Technology to Identify the Missing	16.560		52,168
Congressionally Directed Awards - Rape Kit Reduction Program	16.560		<u>524,711</u>
<i>Subtotal 16.560</i>			<u>580,710</u>
Adult Drug Court Program (BJA)	16.585		102,423
State Criminal Alien Assistance Program (SCAAP) (Note 4)	16.606		6,251,571
Bulletproof Vest Partnership Program	16.607		65,448

See legend on page 132 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON-AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA) PROGRAMS			
RCPI Integrity/Public Trust Initiative	16.710		\$ 6,508
Cops Secure Our Schools Program	16.710		54,727
Community Policing Development Program (CPD) - Innovative Officer Accountability Model	16.710		11,704
Cops Hiring Program 11	16.710		2,075,426
<i>Subtotal 16.710</i>			<u>2,148,365</u>
DNA Backlog Reduction Program 11	16.741		719,237
DNA Backlog Reduction Program 12	16.741		294,985
<i>Subtotal 16.741</i>			<u>1,014,222</u>
Paul Coverdell Forensic BX-0065	16.742 (16)		167,110
Counterfeit and Piracy Enforcement Team Program (CAPE) 11	16.752		43,295
2009 Congressionally Selected Awards Program - Advanced Surveillance and Protection (ASAP)	16.753		1,808
2010 Congressionally Selected Awards Program - Gang Coplink Project	16.753		259,305
<i>Subtotal 16.753</i>			<u>261,113</u>
Southwest Border Prosecution Initiative (SWBPI) (Note 4)	16.755		1,601,511
Second Chance Act Adult and Juvenile Offender Re-Entry Demonstration Projects Grant	16.812		278,272
Adult Re-Entry Comprehensive Service Program	16.812		97,385
<i>Subtotal 16.812</i>			<u>375,657</u>
Asset Seizure and Forfeiture	16.922		12,297,971
<i>Passed Through the City of Los Angeles</i>			
Gang Reduction and Community Engagement Project (GRACE) (JAG) 09	16.738 (4) (15)		125,311
Patrol Services (JAG) 07,09	16.738 (4) (15)		1,905
School Based Education Program (JAG) 09,10	16.738 (4) (15)		260,000
Alternative Sentencing Program (JAG) 10	16.738 (4) (15)		208,000
Region I Overtime (JAG) 10	16.738 (4) (15)		59,500
School Based Education Program (JAG) 11	16.738 (4) (15)		175,000
SAGE - East Los Angeles (JAG) 10, 11	16.738 (4) (15)		203,803
Gang Reduction and Community Engagement Project (GRACE) (JAG) 10	16.738 (4) (15)		107,907
North County Correctional Facility (JAG) 09 (Reallocated from Jail Overcrowding Reduction Plan)	16.738 (4) (15)		19,264
Patrol Services (JAG) 08	16.738 (4) (15)		53,568
287 (G) Programs (JAG) 11	16.738 (4) (15)		14,972
Yal @ Pamela Park (JAG) 10	16.738 (4) (15)		35,000
School Resource Deputy/Rosemont Middle School (JAG) 10	16.738 (4) (15)		24,993
Various Patrol Overtime (JAG) 09 (Reallocated from N. County Correctional Facility)	16.738 (4) (15)		192,379
Alternative Sentencing Program (JAG) 11	16.738 (4) (15)		208,000
JAG City Clear Foothill	16.738 (4) (15)		46,634
JAG City Clear Various Sites	16.738 (4) (15)		373,069
<i>Subtotal 16.738</i>			<u>2,109,305</u>
<i>Passed Through the California Department of Corrections and Rehabilitation</i>			
Juvenile Accountability Block Grant	16.523		431,425
Juvenile Accountability Block Grant	16.523	161-12	412,414
<i>Subtotal 16.523</i>			<u>843,839</u>
JAG Anti-Drug Abuse (ADA) Enforcement Team Program	16.738 (4) (15)		129,894
Disproportionate Minority Contact Support Project	16.540		45,570
Title II Formula Block Grant	16.540		347,832
<i>Subtotal 16.540</i>			<u>393,402</u>
<i>Passed Through the California Emergency Management Agency</i>			
Victim Witness Assistance Program (VWAP)	16.575		2,009,015
Underserved Victim Advocacy and Outreach Program (UV)	16.575		116,420
<i>Subtotal 16.575</i>			<u>2,125,435</u>
Stalking and Threat Assessment Team (STAT)	16.588		184,238
JAG Clearinghouse Electronic Surveillance System	16.738 (4) (15)		292,162
JAG Anti-Drug Abuse (ADA) Enforcement Team Program	16.738 (4) (15)		184,722
<i>Subtotal 16.738</i>			<u>476,884</u>

See legend on page 132 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON-AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA) PROGRAMS			
Paul Coverdell Forensic CQ10190	16.742 (16)		\$ 48,110
Paul Coverdell Forensic CQ12 02 0190	16.742 (16)		22,030
Coverdell Forensic Sciences Improvement Act Program 10	16.742 (16)		163,192
Coverdell Forensic Sciences Improvement Act Program 12	16.742 (16)		98,317
Subtotal 16.742			<u>331,649</u>
Total U.S. Department of Justice			<u>31,739,161</u>
<u>U.S. Department of Labor</u>			
Passed Through the California Department of Aging			
Older American Title V Project - TV-1213-19	17.235		1,739,295
Passed Through the California Employment Development Department			
Workforce Investment Act Adult	17.258 (5)	K282479	1,746,004
Workforce Investment Act Adult	17.258 (5)	K386301	10,824,107
Workforce Investment Act Youth	17.259 (5)	K282479	1,040,895
Workforce Investment Act Youth	17.259 (5)	K386301	10,014,977
Workforce Investment Act Dislocated Worker	17.278 (5)	K282479	832,119
Workforce Investment Act Dislocated Worker	17.278 (5)	K386301	6,584,102
Workforce Investment Act Rapid Response	17.278 (5)	K386301	1,186,137
Subtotal WIA Program Cluster (17.258, 17.259, 17.278)			<u>32,228,341</u>
Total U.S. Department of Labor			<u>33,967,636</u>
<u>U.S. Department of Transportation</u>			
Direct Program			
Vacant Lot Clearance - Federal Aviation	20.106		2,955
Airport Improvement Program	20.106		299,367
Subtotal 20.106			<u>302,322</u>
Passed Through the Los Angeles Metropolitan Transportation Authority			
Job Access and Reverse Commute (JARC)	20.516 (7)	CA57-X123	3,327
Passed Through the California Department of Transportation			
Bridge Retrofit Program	20.205 (6)		4,006,841
Surface Transportation Program (STP)	20.205 (6)		9,360,789
Highway Bridge Rehabilitation	20.205 (6)		3,718,755
1998/1999 Demonstration	20.205 (6)		551,629
Transportation Enhancement Activities	20.205 (6)		722,241
Congestion Mitigation and Air Quality Program	20.205 (6)		46,432
Emergency Relief Program	20.205 (6)		1,334,385
Transportation, Community and System Preservation	20.205 (6)		25,700
Highway Safety Improvement Program (HSIP)	20.205 (6)		209,757
Federal Safe Routes to School (SRTS)	20.205 (6)		61,363
Subtotal 20.205			<u>20,037,892</u>
Passed Through the California Emergency Management Agency			
Hazardous Materials Emergency Preparedness Grant 11	20.703	037-00000	26,361
Hazardous Materials Emergency Preparedness Grant 12	20.703	037-00000	34,016
Subtotal 20.703			<u>60,377</u>
Passed Through the California Office of Traffic Safety			
Selective Traffic Enforcement Program - General Funds	20.600 (8)		275,240
Office of Traffic and Safety Program Driving Under the Influence	20.608		242,250
Selective Traffic Enforcement Program - Alcohol Funds	20.608		251,429
Passed Through the California Office of Traffic Safety/University of California, Berkeley			
Sobriety Checkpoint Mini-Grant Program 12 (SafeTREC)	20.608		305,523
Sobriety Checkpoint Mini-Grant Program 12 (Palmdale)	20.608		59,014
Sobriety Checkpoint Mini-Grant Program 12 (San Dimas)	20.608		26,762
Subtotal 20.608			<u>884,978</u>
Total U.S. Department of Transportation			<u>21,564,136</u>
<u>U.S. Election Assistance Commission</u>			
Passed Through the California Secretary of State			
Help America Vote Act Section 101 California Online Voter Registration Project	90.401		270,873
Help America Vote Act Section 301 Voting Systems Program	90.401		1,816,672
Total U.S. Election Assistance Commission			<u>2,087,545</u>

See legend on page 132 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON-AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA) PROGRAMS			
<u>U.S. Environmental Protection Agency</u>			
<i>Direct Program</i>			
Fish Contamination Inspection, Outreach and Education (Toxics Epidemiology)	66.802		\$ 108,889
Fish Contamination Inspection, Outreach and Education (Environmental Health)	66.802		7,854
<i>Subtotal 66.802</i>			<u>116,743</u>
<i>Passed Through the California Department of Public Health</i>			
Safe Drinking Water State Revolving Fund	66.468		1,828,827
<i>Passed Through the California Environmental Protection Agency</i>			
Public Beach Safety Program	66.472	12-041-250	<u>24,000</u>
Total U.S. Environmental Protection Agency			<u>1,969,570</u>
<u>U.S. Executive Office of the President</u>			
<i>Direct Program</i>			
High Intensity Drug Trafficking Areas (HIDTA)	95.001		<u>111,426</u>
Total U.S. Executive Office of the President			<u>111,426</u>
<u>U.S. Institute of Museum and Library Services</u>			
<i>Passed Through the California State Library</i>			
Eureka! Leadership Grant	45.310		<u>6,262</u>
Total U.S. Institute of Museum and Library Services			<u>6,262</u>
<u>U.S. National Endowment for the Humanities</u>			
<i>Direct Program</i>			
The National Endowment for the Humanities	45.149		<u>129</u>
Total U.S. National Endowment for the Humanities			<u>129</u>
Subtotal Non-American Recovery and Reinvestment Act (Non-ARRA) Schedule of Expenditures of Federal Awards			<u>\$ 2,545,150,792</u>

See legend on page 132 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) PROGRAMS			
<u>U.S. Department of Education</u>			
<i>Passed Through the Children, Youth and Family Collaborative</i>			
ARRA-Investing in Innovation (i3) Fund Grant	84.411	CYFC0001/12-13	\$ 52,873
Total U.S. Department of Education			<u>52,873</u>
<u>U.S. Department of Education/Health and Human Services</u>			
<i>Passed Through the California Department of Education</i>			
ARRA-Race to the Top-Early Learning Challenge	84.412		389,008
Total U.S. Department of Education/Health and Human Services			<u>389,008</u>
<u>U.S. Department of Energy</u>			
<i>Direct Program</i>			
ARRA-Energy Efficiency and Conservation Block Grant	81.128		4,473,082
ARRA-Energy Efficiency and Conservation Block Grant-Better Buildings	81.128		15,649,719
<i>Subtotal 81.128</i>			<u>20,122,801</u>
Total U.S. Department of Energy			<u>20,122,801</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Direct Program</i>			
ARRA-Category A: Communities Putting Prevention to Work	93.724		988,980
ARRA-Category B: Tobacco Prevention and Control	93.724		1,576,183
<i>Subtotal 93.724</i>			<u>2,565,163</u>
<i>Passed Through the California Department of Health and Human Services</i>			
ARRA-Health Information Exchange (HIE) Expansion Grant	93.719		133,601
<i>Passed Through the California Department of Health and Human Services/Cal eConnect</i>			
ARRA-Health Information Exchange (HIE) Expansion Grant	93.719		165,630
<i>Subtotal 93.719</i>			<u>299,231</u>
<i>Passed Through the California Department of Social Services</i>			
ARRA-Adoptions-Administration and Assistance FMAP (Note 7)	93.659 (20)	CA800	(3,572)
ARRA-Temporary Assistance Needy Families (TANF) Emergency Contingency Fund (ECF)	93.714 (10)		464,207
Total U.S. Department of Health and Human Services			<u>3,325,029</u>
<u>U.S. Department of Homeland Security</u>			
<i>Direct Program</i>			
ARRA-Port Security Grant Program (PSGP)	97.116		1,939
Total U.S. Department of Homeland Security			<u>1,939</u>
<u>U.S. Department of Housing and Urban Development (HUD)</u>			
<i>Passed Through the Los Angeles County Community Development Commission</i>			
ARRA-Homelessness Prevention and Rapid Re-Housing Program (HPRP)	14.257	HPRP 20-09	1,377
Total U.S. Department of Housing and Urban Development (HUD)			<u>1,377</u>
<u>U.S. Department of Justice</u>			
<i>Passed Through the City of Los Angeles</i>			
ARRA-L.A. Regional Interoperable Communications System (LA-RICS)	16.804 (4)		3,710,676
<i>Passed Through the California Emergency Management Agency</i>			
ARRA-Evidence-Based Probation Supervision (EBPS) Program	16.804 (4)		262,900
ARRA-Regional Anti-Gang Intelligence-Led Policing Grant 09	16.804 (4)		78,107
<i>Subtotal 16.804</i>			<u>4,051,683</u>
<i>Passed Through the California Emergency Management Agency/Superior Court of California-County of Los Angeles</i>			
ARRA-Women's Re-Entry Court Recovery Act Program	16.803 (4)		367,183
Total U.S. Department of Justice			<u>4,418,866</u>
<u>U.S. Department of Transportation</u>			
<i>Passed Through the California Department of Transportation</i>			
ARRA-Regional Surface Transportation Program	20.205 (6)		510,167
Total U.S. Department of Transportation			<u>510,167</u>
Subtotal American Recovery and Reinvestment Act (ARRA) Schedule of Expenditures of Federal Awards (SEFA)			<u>\$ 28,822,060</u>
Total Non-ARRA and ARRA Schedule of Expenditures of Federal Awards			<u>\$ 2,573,972,852</u>

See legend on page 132 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Legend</u>	<u>Amounts</u>
(1) SNAP Cluster	\$ 200,321,415
(2) Child Nutrition Cluster	3,813,746
(3) CDBG - Entitlement Grants Cluster	1,192,705
(4) JAG Program Cluster	7,134,949
(5) WIA Program Cluster	32,228,341
(6) Highway Planning and Construction Cluster	20,548,059
(7) Transit Services Programs Cluster	3,327
(8) Highway Safety Cluster	275,240
(9) Aging Cluster	17,898,319
(10) TANF Cluster	720,610,191
(11) CCDF Cluster	10,715,781
(12) Medicaid Cluster	414,552,998
(13) Student Financial Assistance Cluster	262,026
(14) Total for CFDA# 14.235 - Homeless Foster Youth/Transitional Housing Program	1,628,253
(15) Total for CFDA# 16.738 - Edward Byrne Memorial Justice Assistance Grant (JAG) Program	2,716,083
(16) Total for CFDA# 16.742 - Paul Coverdell Forensic Sciences Improvement Grant program	498,759
(17) Total for CFDA# 93.243 - Substance Abuse and Mental Health Services-Projects of Regional and National Significance	2,659,291
(18) Total for CFDA# 93.283 - Centers for Disease Control and Prevention-Investigations and Technical Assistance	1,093,965
(19) Total for CFDA# 93.576 - Refugee and Entrant Assistance-Discretionary Grants	256,559
(20) Total for CFDA# 93.659 - Adoptions - Administrative and Assistance	125,600,564
(21) Total for CFDA# 93.778 - Medical Assistance Program	395,895,716
(22) Total for CFDA# 93.914 - HIV Emergency Relief Project Grants	40,822,111
(23) Total for CFDA# 97.056 - Port Security Grant Program	3,674,790
(24) Total for CFDA# 97.067 - Homeland Security Grant Program/Urban Area Security Initiative	42,044,476

Note A - Certain awards do not have a pass-through entity ID number.

**COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards represents all federal programs of the County of Los Angeles, California (the County). The County's basic financial statements include the operations of the Community Development Commission (CDC) and the Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA), which expended \$347,113,509 and \$316,369, respectively, in federal awards, which are not included in the accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2013. The CDC engaged other auditors to perform an audit in accordance with the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. First 5 LA did not meet the minimum threshold of \$500,000 and, therefore, was not subject to an OMB Circular A-133 audit. All federal financial assistance received directly from federal/state agencies, as well as federal financial assistance passed through other government agencies, is included in the schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presently using the modified-accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenditures accounted for in the proprietary funds, as described in Note 1 of the notes to the County's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. However, some amounts presented in this schedule are reported on a cash basis, as described in the succeeding paragraph.

Additionally, certain federal program expenditures in the Schedule of Expenditures of Federal Awards are converted to and reported on a cash basis due to the claiming requirements of the State pass-through agencies. These expenditures are presented on a cash basis in order to be consistent with the amounts previously claimed and reported to the State for reimbursement purposes. The affected programs are listed below.

Catalog of Federal Domestic Assistance	
Number (CFDA#)	Program Name
10.561	Supplemental Nutrition Assistance Program (SNAP) - Administration (CalFresh)
14.218	Rowland Heights Youth Athletic League Program - Carolyn Rosas Park
14.218	Century Station Code Enforcement Project
14.235	Homeless Foster Youth Program (HFYP)
14.235	Transitional Housing for Homeless Young People
16.540	Disproportionate Minority Contact Support Project

COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

**Catalog of
Federal Domestic
Assistance
Number (CFDA#)**

Program Name

16.540	Title II Formula Block Grant
16.541	Office of Juvenile Justice and Delinquency Prevention Act (Adam Schiff)
16.541	2009 Earmarks Programs
16.541	Altadena Youth Activities League Congressional Earmark Program
16.560	DNA Technology to Identify the Missing
16.560	Congressionally Directed Awards - Rape Kit Reduction Program
16.710	RCPI Integrity/Public Trust Initiative
16.710	Cops Secure Our Schools Program
16.710	Community Policing Development Program (CPD) - Innovative Officer Accountability Model
16.710	Cops Hiring Program 11
16.738	JAG Anti-Drug Abuse (ADA) Enforcement Team Program
16.741	DNA Backlog Reduction Program 11
16.741	DNA Backlog Reduction Program 12
16.742	Paul Coverdell Forensic BX-0065
16.742	Paul Coverdell Forensic CQ10190
16.742	Paul Coverdell Forensic CQ12 02 0190
16.742	Coverdell Forensic Sciences Improvement Act Program 10
16.742	Coverdell Forensic Sciences Improvement Act Program 12
16.752	Counterfeit and Piracy Enforcement Team Program (CAPE) 11
16.753	2009 Congressionally Selected Awards Program - Advanced Surveillance and Protection (ASAP)
16.753	2010 Congressionally Selected Awards Program - Gang Coplink Project
16.804	ARRA-Evidence-Based Probation Supervision (EBPS) Program
16.804	ARRA-Regional Anti-Gang Intelligence-Led Policing Grant 09
16.UNKNOWN	Domestic Cannabis Eradication Suppression Program 12
20.600	Selective Traffic Enforcement Program - General Funds
20.608	Selective Traffic Enforcement Program - Alcohol Funds
20.608	Sobriety Checkpoint Mini-Grant Program 12 (SafeTREC)
20.608	Sobriety Checkpoint Mini-Grant Program 12 (Palmdale)
20.608	Sobriety Checkpoint Mini-Grant Program 12 (San Dimas)
84.007	Supplemental Educational Opportunity Grants
84.063	Pell Grants
84.184	Safe Schools-Healthy Students Grant

COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Catalog of Federal Domestic Assistance Number (CFDA#)	Program Name
84.411	ARRA-Investing in Innovation (i3) Fund Grant
93.090	Kinship Guardianship Assistance Payment Program (KIN-GAP) Title IV-E
93.150	McKinney Homeless Act Program
93.243	Project ABC Family Wellness Network
93.525	California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) – Exchange Grant
93.556	Promoting Safe and Stable Families Program (PSSF)
93.558	CalWORKs - Family Group/Unemployed Parent (FG/U) Assistance
93.558	CalWORKs Legal Immigrants (Medi-Cal)
93.558	CalWORKs Diversion - Federal
93.558	CalWORKs Fraud Incentives
93.558	CalWORKs Single
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement Title IV D
93.566	Refugee Resettlement
93.566	Refugee Employment Social Services
93.568	Low-Income Home Energy Assistance Program (LIHEAP)
93.569	Community Services Block Grant 12F-4421
93.569	Community Services Block Grant 13F-3021
93.576	Older Refugee Discretionary Grant
93.576	Targeted Assistance Discretionary Grant
93.584	Refugee Targeted Assistance Program
93.596	Child Day Care Program
93.643	Children Exposed to Domestic Violence Specialized Response Program (CEDV)
93.645	Children's Welfare Services IV B (Direct Cost)
93.648	California Partnership for Permanency (CAPP)
93.652	Diligent Recruitment of Families for Children in the Foster Care System
93.658	Aid to Families with Dependent Children - FC - Administration and Assistance
93.658	Foster Care Title IV-E
93.658	Foster Parent Training
93.658	Foster Family Licensing
93.658	Group Home Month Visits/County Welfare Department (CWD)

**COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Catalog of Federal Domestic Assistance Number (CFDA#)	Program Name
93.658	Child Welfare Services Outcome Improvement Project (Cohort 1)
93.659	Adoptions - Administration and Assistance
93.659	ARRA-Adoptions-Administration and Assistance FMAP
93.667	Children's Welfare Services Title XX
93.674	Independent Living Skills - Children's Services
93.714	ARRA-Temporary Assistance Needy Families (TANF) Emergency Contingency Fund (ECF)
93.767	California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) – Title XXI
93.778	Medi-Cal Administrative Activities (MAA)
93.778	Medi-Cal Eligibility Determination
93.778	In-Home Supportive Services - Personal Care Services Program (Health Related)
93.778	Adult Protective Services/County Services Block Grant
93.778	Children's Welfare Services XIX (Health Related)
93.958	Mental Health Services: Block Grant
97.012	Boating and Waterways - Marina Del Rey/Santa Monica Bay
97.056	Port Security Grant Program 12
97.056	Port Security Grant Program 10
97.056	Port Security Grant Program 11
97.067	Urban Area Security Initiative 08
97.067	Urban Area Security Initiative 10
97.067	Urban Area Security Initiative 11
97.067	State Homeland Security Program 10 (Volunteer Training and Symposiums)
97.072	TSA National Explosives Detection Canine Team Program
97.111	Regional Catastrophic Preparedness Grant Program (RCPGP)
97.116	ARRA-Port Security Grant Program (PSGP)

COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 3 - SUBRECIPIENT AWARDS

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the County provided a significant amount of funding to various subrecipients. Listed below is a summary of amounts provided to the subrecipients by County program title.

<u>Non-ARRA County Program Title</u>	<u>CFDA#</u>	<u>Amount Provided to Subrecipients</u>
Victim Witness Assistance Program (VWAP)	16.575	\$ 502,254
Adult Drug Court Program (BJA)	16.585	87,423
Workforce Investment Act Adult	17.258	1,746,004
Workforce Investment Act Adult	17.258	7,972,412
Workforce Investment Act Youth	17.259	1,040,895
Workforce Investment Act Youth	17.259	8,047,381
Workforce Investment Act Dislocated Worker	17.278	832,119
Workforce Investment Act Dislocated Worker	17.278	4,641,283
Workforce Investment Act Rapid Response	17.278	541,972
<i>Subtotal WIA Cluster (17.258, 17.259, 17.278)</i>		<u>24,822,066</u>
Drug Free Schools and Communities (DFSC) - Friday Night Live	84.186	75,000
Drug Free Schools and Communities - Club Live	84.186	75,000
<i>Subtotal 84.186</i>		<u>150,000</u>
Title VII - Elder Abuse Prevention	93.041	66,609
Title VII - Ombudsman	93.042	131,227
Area Agency on Aging III D	93.043	371,912
Area Agency on Aging III B	93.044	3,431,473
Area Agency on Aging III C-I	93.045	5,361,307
Area Agency on Aging III C-II	93.045	4,099,733
Area Agency on Aging III USDA CI	93.053	1,029,996
Area Agency on Aging III USDA CII	93.053	788,193
<i>Subtotal Aging Cluster (93.044, 93.045, 93.053)</i>		<u>14,710,702</u>
Area Agency on Aging Title III E	93.052	1,806,787
Public Health Preparedness and Response for Bioterrorism	93.069	271,060
Public Health Emergency Preparedness	93.069	569,746
<i>Subtotal 93.069</i>		<u>840,806</u>
McKinney Homeless Act Program	93.150	1,233,176

COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Non-ARRA County Program Title</u>	<u>CFDA#</u>	<u>Amount Provided to Subrecipients</u>
Integrated Behavioral Health and Primary Care Program	93.243	\$ 121,000
Adult Drug Court Program (SAMHSA)	93.243	218,924
Project ABC Family Wellness Network	93.243	1,552,848
Strategic Prevention Framework State Incentive Grant	93.243	23,789
<i>Subtotal 93.243</i>		<u>1,916,561</u>
Effectiveness of Peer Navigation to Link Released HIV/Jail Inmates to HIV Care	93.279	41,869
Title V Maternal, Infant, and Early Childhood Home Visiting Program	93.505	1,547,116
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507	143,206
Enhanced HIV Prevention Planning and Implementation	93.523	1,057,518
Community Transformation Grant	93.531	3,137,939
Promoting Safe and Stable Families Program (PSSF)	93.556	6,837,325
CalWORKs Single	93.558	101,118,823
Refugee Employment Social Services	93.566	1,455,135
Community Services Block Grant 12F-4421	93.569	3,329,676
Community Services Block Grant 13F-3021	93.569	502,823
Community Services Block Grant American Indian 12F- 4458	93.569	152,226
Community Services Block Grant American Indian 13F- 3058	93.569	116,090
<i>Subtotal 93.569</i>		<u>4,100,815</u>
Older Refugee Discretionary Grant	93.576	48,793
Targeted Assistance Discretionary Grant	93.576	35,297
<i>Subtotal 93.576</i>		<u>84,090</u>
Refugee Targeted Assistance Program	93.584	1,203,766
Aid to Families with Dependent Children - FC - Administration and Assistance	93.658	23,644,950
Foster Care Title IV-E	93.658	3,733,283
<i>Subtotal 93.658</i>		<u>27,378,233</u>
Independent Living Skills - Children's Services	93.674	1,348,463
Medi-Cal Administrative Activities (MAA)	93.778	852,296
Area Agency on Aging - Health Insurance Counseling and Advocacy Program (HICAP)	93.779	248,130
Bioterrorism Hospital Preparedness Program	93.889	8,340,673

COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Non-ARRA County Program Title</u>	<u>CFDA#</u>	<u>Amount Provided to Subrecipients</u>
HIV Emergency Relief Project Grant	93.914	\$ 28,832,192
Minority AIDS Initiative (MAI)	93.914	2,772,095
<i>Subtotal 93.914</i>		<u>31,604,287</u>
HIV Care Program	93.917	7,716,075
HIV Prevention Project	93.940	8,570,568
Expanded and Integrated HIV Testing for Populations	93.940	42,025
<i>Subtotal 93.940</i>		<u>8,612,593</u>
PS09-007 Evaluating Locally-Developed Homegrown HIV Prevention Interventions	93.941	239,575
Mental Health Services: Block Grant	93.958	1,545,047
Alcohol Block Grant	93.959	23,346,722
Federal Female Offender	93.959	382,458
New Prenatal Set-Aside	93.959	3,333,921
Substance Abuse Block Grant New HIV Set-Aside	93.959	4,377,036
Substance Abuse Prevention and Treatment Block Grant	93.959	1,440,973
Adolescent Treatment		
Substance Abuse Prevention and Treatment Set-Aside	93.959	11,825,790
<i>Subtotal 93.959</i>		<u>44,706,900</u>
Comprehensive STD Preventions Systems	93.977	617,523
STD Surveillance Network	93.977	43,688
<i>Subtotal 93.977</i>		<u>661,211</u>
2011 Emergency Management Performance Grant	97.042	1,280,723
State Homeland Security Program 09	97.067	13,042,113
State Homeland Security Program 10	97.067	335,042
State Homeland Security Program 11	97.067	118,333
<i>Subtotal 97.067</i>		<u>13,495,488</u>
Buffer Zone Protection Program 08	97.078	33,586
Buffer Zone Protection Program 09	97.078	960,430
<i>Subtotal 97.078</i>		<u>994,016</u>
Subtotal Amount Provided to Non-ARRA Subrecipients		<u>\$ 316,390,835</u>

**COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Non-ARRA County Program Title</u>	<u>CFDA#</u>	<u>Amount Provided to Subrecipients</u>
ARRA-Health Information Exchange (HIE) Expansion Grant	93.719	\$ 299,231
ARRA-Category B: Tobacco Prevention and Control	93.724	258,846
Subtotal Amount Provided to ARRA Subrecipients		\$ 558,077
Total Amount Provided to Non-ARRA and ARRA Subrecipients		\$ 316,948,912

NOTE 4 – GRANT PROGRAMS REIMBURSED IN ARREARS

The County of Los Angeles participates in several federal programs where payments are received in arrears because eligibility, as determined by the federal agency, is determined in arrears. The County reports actual revenues for these programs in the year that the funds are received since the County's eligible expenditures are not determinable until reimbursement is received.

State Criminal Alien Assistance Program (SCAAP), CFDA #16.606

<u>Expenditures Incurred</u>	<u>Expenditures Reimbursed</u>	<u>Amount</u>
FY10-11	FY12-13	\$6,251,571

Southwest Border Prosecution Initiative (SWBPI), CFDA #16.755

<u>Expenditures Incurred</u>	<u>Expenditures Reimbursed</u>	<u>Amount</u>
FY10-11 & FY11-12	FY12-13	\$1,601,511

NOTE 5 – COMMUNITY SERVICES BLOCK GRANTS (CSBG), CFDA #93.569

At the request of the California Health and Human Services Agency, Department of Community Services and Development, supplementary schedules of grant expenditures for CSBG grant programs are included on pages 182 through 185.

NOTE 6 – MEDICAID CLUSTER

Direct Medi-Cal and Medicare expenditures are excluded from the Schedule of Expenditures of Federal Awards. These expenditures represent fees for services and are not included in the Schedule of Expenditures of Federal Awards or in determining major programs. The County assists the State in determining eligibility and provides Medi-Cal and Medicare services through County-owned facilities. Administrative costs related to Medi-Cal and Medicare are, however, included in the Schedule of Expenditures of Federal Awards under the Medicaid Cluster.

COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 7 – ARRA OVERPAYMENT RECOVERIES

The Department of Children & Family Services' ARRA – Adoptions FMAP (CFDA No. 93.659) funding ended in FY10-11. However, due to adjustments such as overpayment recoveries, aid code adjustments, and prior month cancellations, a negative \$3,572 is reflected on the Schedule of Expenditures of Federal Awards.

NOTE 8 – GRANTS NOT PREVIOUSLY REPORTED

The County received grants in the prior years that were identified in the current year but were not reported in the Schedule of Expenditures of Federal Awards in prior years. Below are the grants and the fiscal years not previously reported:

U.S. Department of Homeland Security

Port Security Grant Program 12, CFDA #97.056

<u>Fiscal Year</u>	<u>Amount</u>	<u>Grant Number</u>
11-12	\$3,000,000	2009-PU-T9-K020

Staffing for Adequate Fire and Emergency Response (SAFER), CFDA #97.083

<u>Fiscal Year</u>	<u>Amount</u>	<u>Grant Number</u>
10-11	\$1,105,879	EMW-2009-FH-01070
11-12	\$1,491,822	EMW-2009-FH-01070





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Board of Supervisors
County of Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 16, 2013, except for the report on the schedule of expenditures of federal awards and the community services block grant supplementary schedules of revenue and expenditures, as to which the date is March 28, 2014. As discussed in Note 2 to the basic financial statements, effective July 1, 2012, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement No. 66, *Technical Corrections - 2012, An Amendment of GASB Statements No. 10 and No. 62*. Our report includes a reference to other auditors who audited the financial statements of the Community Development Commission (CDC), Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA), and the Los Angeles County Employees Retirement Association (LACERA), as described in our report on the County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our

opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002.

County's Response to Findings

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Jini & O'Connell LLP

Los Angeles, California
December 16, 2013



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

The Honorable Board of Supervisors
County of Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited the County of Los Angeles, California's (County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Community Development Commission (CDC) and the Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA), which expended \$347,113,509 and \$316,369, respectively, in federal awards, which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2013. Our audit, described below, did not include the operations of CDC and First 5 LA because CDC and First 5 LA engaged other auditors to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. However, the First 5 LA did not issue a report in accordance with OMB Circular A-133 because it did not meet the reporting threshold under OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We did not audit the compliance of the Child Care and Development Fund (CCDF) Cluster, CFDA Nos. 93.575 and 93.596, a major program, which represents 0.42% of the expenditures of federal awards of the County. The CCDF Cluster was audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the compliance for the CCDF Cluster, is based solely on the reports of the other auditors. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards

applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, based on our audit and the reports of other auditors, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-003, 2013-004, 2013-005, 2013-006, and 2013-007. Our opinion on each major federal program is not modified with respect to these matters.

The County's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-003, 2013-004, 2013-006, and 2013-007 that we consider to be significant deficiencies.

The County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Macias Fini & O'Connell LLP

Los Angeles, California
March 28, 2014



**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I - Summary of Auditor's Results

(a) *Financial Statements*

Type of auditor's report issued: **Unmodified Opinion**

Internal control over financial reporting:

- Material weakness(es) identified? **Yes**
- Significant deficiency(ies) identified? **None reported**

Noncompliance material to the financial statements noted? **Yes**

(b) *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified? **Yes**

Type of auditor's report issued on compliance for major programs:

Unmodified for all major programs

Any audit findings which are required to be reported in accordance with Section 510(a) of Circular A-133: **Yes**

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.922	Equitable Sharing Program
81.128	ARRA-Energy Efficiency and Conservation Block Grant
93.044/93.045/93.053	Aging Cluster
93.090	Guardianship Assistance
93.531	PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by 2012 Prevention and Public Health Funds
93.558/93.714	Temporary Assistance for Needy Families (TANF) Cluster
93.575/93.596	Child Care and Development Fund (CCDF) Cluster
93.658	Foster Care Title IV-E
93.724	ARRA – Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)
93.889	National Bioterrorism Hospital Preparedness Program
93.917	HIV Care Formula Grants
93.940	HIV Prevention Activities – Health Department Based
97.056	Port Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:
\$7,721,919.

Auditee qualified as a low-risk auditee? **No**

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section II – Financial Statement Findings

Reference Number:	2013-001
Federal Program Title:	Port Security Grant Program
Federal Catalog Number:	97.056
Federal Agency:	U.S. Department of Homeland Security
Pass-Through Entity:	Marine Exchange of Southern California
Federal Award Number and Year:	2009-PU-T9-K020 – 2012
Name of Department:	Sheriff's Department
Category of Finding:	Financial Reporting - SEFA

Criteria

U.S. Office of Management and Budget Circular A-133, Subpart C - §____.300 states that the auditee shall identify all federal awards received and expended, prepare the Schedule of Expenditures of Federal Awards (SEFA) and ensure that audits are performed and submitted when due.

As directed by the Auditor-Controller (A-C), each County department is responsible for reviewing their grant agreements to determine if a grant is a federal award as defined under OMB Circular A-133. A-C continues to train and provide guidance to County departments on the importance of identifying federal expenditures and ensuring they are reported on the SEFA. Each County department is responsible to report federal award expenditures to the A-C by specified deadlines.

Condition

During our review of the program, we noted that an expenditure of \$3,000,000 was incurred in June 2011, the Memorandum of Agreement was signed by the Marine Exchange of Southern California in July 2011 and by the Sheriff's Department in October 2011, and the Department received the reimbursement in November 2011. However, it was not reported on the FY11-12 SEFA. This expenditure was tested for allowability and was determined to be an allowable cost.

Cause

The Sheriff's Department is a subrecipient of the Marine Exchange of Southern California. Therefore, the Sheriff's Department assumed that the grantor was responsible for reporting the expenditure on the grantor's SEFA and was not aware that it also had to be reported on the County's SEFA.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Effect

Failure to timely report federal awards on the SEFA results in an incorrect SEFA and programs potentially not being audited in accordance with OMB A-133. The federal agency could potentially withhold grant funding to the County.

Context

Out of \$6,674,790 of the originally reported program expenditures, \$3,000,000 should have been reported on the FY11-12 SEFA not the FY12-13 SEFA.

Recommendation

We recommend that the Sheriff's Department ensure that expenditures for all federal grants received from pass-through entities are reported to the A-C on the Single Audit grant inventory in the proper fiscal year.

Management Response and Corrective Action

1. Person responsible: Unit Manager
2. Corrective action plan: The Sheriff's Department concurs with this recommendation. Future federal grant awards received through an MOU/MOA from a pass-through agency will be logged into the Department's grant award log. The responsible grant unit in the Department will be required to track and monitor the federal grant expenditures and to timely report such expenditures to the A-C on the grant inventory in the proper fiscal year.
3. Anticipated implementation date: April 2, 2014

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Reference Number:	2013-002
Federal Program Title:	Staffing for Adequate Fire and Emergency Response (SAFER)
Federal Catalog Number:	97.083
Federal Agency:	U.S. Department of Homeland Security
Pass-Through Entity:	N/A
Federal Award Number and Year:	2011 - 2012
Name of Department:	Fire Department
Category of Finding:	Financial Reporting - SEFA

Criteria

U.S. Office of Management and Budget Circular A-133, Subpart C - §____.300 states that the auditee shall identify all federal awards received and expended, prepare the Schedule of Expenditures of Federal Awards (SEFA) and ensure that audits are performed and submitted when due.

As directed by the Auditor-Controller (A-C), each County department is responsible for reviewing their grant agreements to determine if a grant is a federal award as defined under OMB Circular A-133. A-C continues to train and provide guidance to County departments on the importance of identifying federal expenditures and ensuring they are reported on the SEFA. Each County department is responsible to report federal award expenditures to the A-C by specified deadlines.

Condition

The Fire Department did not report the following amounts on the FY10-11 and FY11-12 SEFA:

- 1) FY10-11: \$1,105,879
- 2) FY11-12: \$1,491,822

Cause

Lack of proper controls over financial reporting of federal expenditures led the SEFA to be understated for FY10-11 and FY11-12.

Effect

Failure to timely report federal awards on the SEFA results in an incorrect SEFA and programs potentially not being audited in accordance with OMB A-133. The federal agency could withhold grant funding to the County.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Context

In FY12-13, A-C issued a memo to all County departments requesting a review of their grants to ensure that all federal expenditures were reported on the SEFA. During this review, it was noted that federal expenditures pertaining to the Staffing for Adequate Fire and Emergency Response grant incurred in FY10-11 and FY11-12 were not listed on the SEFA in the correct fiscal years.

Recommendation

We recommend that at the beginning of each fiscal year, the Fire Department develops a comprehensive list of federal grants received to assist with the Department's overall tracking of all grant-related expenditures to ensure that all federal expenditures are accurately reported to the A-C on the Single Audit grant inventory in the proper fiscal year. Planned expenditures should be reported on a periodic basis to the Department's fiscal management so that grant estimates/actuals can be anticipated accurately and subsequently reported accurately to the A-C on the grant inventory.

Management Response and Corrective Action

1. Person responsible: ASMI; Battalion Chief; Assistant Fire Chief; Division Chief
2. Corrective action plan: The Fire Department concurs with the recommendation. The Fire Department will develop a comprehensive list of Federal/State grants received and track all grant-related expenditures to ensure that such are reported to the A-C on the grant inventory in the proper fiscal year. At the beginning of each fiscal year, the Fire Department's grant program managers will provide a comprehensive list of Federal/State grants received including the planned expenditures to assist with the Department's overall tracking of all grant-related expenditures to ensure that all federal expenditures are accurately reported to the A-C on the Single Audit grant inventory appropriately. Planned expenditures will be reported on a quarterly basis to the Department's fiscal management so grant expenditure estimates/actuals can be anticipated and claims prepared accurately, and subsequently reported accurately to the A-C on the grant inventory for the proper fiscal year.
3. Anticipated implementation date: April 1, 2014

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section III – Federal Award Findings and Questioned Costs

Reference Number:	2013-003
Federal Program Title:	Guardianship Assistance
Federal Catalog Number:	93.090
Federal Agency:	Department of Health and Human Services Administration for Children and Families
Pass-Through Entity:	California Department of Social Services
Federal Award Number and Year:	CFL 12/13-06 - 2013
Name of Department:	Department of Children and Family Services
Category of Finding:	Eligibility

Criteria

In accordance with 42 USC 671 (a)(20)(C), "...criminal records checks, including fingerprint-based checks of national crime information databases, on any relative guardian,...before the relative guardian may receive kinship guardianship assistance payments on behalf of the child..."

In addition, in accordance with OMB Circular A-133 §____.300 (b), "The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements..."

Condition

During our testing at Department of Children and Family Services (DCFS) of 60 eligibility case files, we noted the following exceptions:

- 1) One case was not federally-eligible for Kin-GAP Title IV-E funding.
- 2) One federally-eligible case contained the following:
 - a. Payment was not approved timely in the CWS/CMS system before payment was disbursed, and
 - b. Statement of Facts Supporting Eligibility for Kin-GAP was approved over one year after the statement was completed by the eligibility worker.

Cause

- 1) One case (\$658) was missing the SOC 815 form, which documents that the relative guardian satisfactorily met a criminal records check and home inspection, therefore this case was not considered federally-eligible for Kin-GAP Title IV-E

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

funding. Upon further investigation, this case was incorrectly coded and should have been identified as a State case. This case was incorrectly included in the Kin-GAP Federal Summary Report of Assistance Expenditures;

- 2) One case (\$1,387):
 - a. Lack of enforcement of policies and procedures over timely approval of payments in the CWS/CMS system;
 - b. Lack of enforcement of policies and procedures over timely supervisor approval on the Statement of Facts Supporting Eligibility for Kin-GAP.

Effect

- 1) Non-compliance with 42 USC 671 (a)(20)(C) resulted in questioned costs related to Kin-GAP payments made on behalf of a child.
- 2) Untimely approval of payments and the Statement of Facts Supporting Eligibility for Kin-GAP could result in non-compliance with federal program requirements.

Questioned Costs

\$658 (known questioned costs related to sample items tested)

Context

Out of 60 cases selected for testing, which totaled \$86,892 payments, 1 case in the amount of \$658 was not federally-eligible for Kin-GAP Title IV-E funding, and 1 case in the amount of \$1,387 was not approved in a timely manner in the CWS/CMS system and the Statement of Facts Supporting Eligibility for Kin-GAP was approved by a supervisor over one year after the statement was completed by the eligibility worker.

Recommendation

We recommend that DCFS implements procedures to ensure Federally-eligible cases are supported by a SOC 815 form; and consistently enforces policies and procedures requiring payments to be approved in the CWS/CMS system prior to the start of payments, and that the Statement of Facts Supporting Eligibility for Kin-GAP is approved timely by a supervisor.

Management Response and Corrective Action

1. Person responsible: Division Chief, Revenue Enhancement Division
2. Corrective action plan: DCFS agrees with the recommendation. Revenue Enhancement staff are instructed to follow all Kin-GAP policy and procedures, and agrees that policy and procedural reinforcement is beneficial for staff. It is important to note that the untimely payment approval in CWS/CMS and the

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

untimely supervisor approval of the Statement of Facts Supporting Eligibility for KinGAP did not result in a non-compliance case.

Revenue Enhancement's Kin-GAP manager will reiterate to all staff the importance of the approval action for payments, the timely approval of the Statement of Facts Supporting Eligibility, and the verification of aid code accuracy. We are currently working to develop an automated system that will be implemented in 2016 that will require a Supervisor's approval before payment is released. In addition, this system will automatically run eligibility determination/budget computation for an accurate eligibility aid code.

3. Anticipated implementation date: March 31, 2014

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Reference Number:	2013-004
Federal Program Title:	National Bioterrorism Hospital Preparedness Program
Federal Catalog Number:	93.889
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	N/A
Federal Award Number and Year:	1U90TP000516-01 – 2013
Name of Department:	Department of Health Services
Category of Finding:	Allowable Costs/Activities

Criteria

U.S. Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, Attachment A – General Principles for Determining Allowable Costs, Paragraph C-Basic Guidelines states: “To be allowable under Federal awards, costs must meet the following general criteria...(g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.”

Generally accepted accounting principles (GAAP) require that grant revenues be recognized when they are earned, which is generally when the corresponding expenditures are recognized and all eligibility requirements have been met. Expenditures must be accrued in the period goods or services are received.

Condition

During our audit of the program at the Department of Health Services (DHS), we noted the following:

- 1) One expenditure of \$54,000 was recorded in the improper period;
- 2) One expenditure was recorded in an incorrect amount by \$1,148.

Cause

- 1) DHS was not aware that the expenditure billing period covered May 2012 and June 2012, which totaled \$54,000. Therefore, no accrual was made for FY 11-12 and the amount was recorded in FY 12-13;
- 2) DHS incorrectly estimated the expenditure accrual for FY 12-13.

Effect

Recording of expenditures in the improper period resulted in FY 11-12 expenditures to be understated and FY 12-13 overstated.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Questioned Costs

N/A

Context

Out of 40 sample payments selected for testing, which totaled \$3,062,046, we noted 1 transaction of \$54,000 where the expenditure was recorded in the improper period, and 1 expenditure was accrued incorrectly by \$1,148.

Recommendation

We recommend that the Department of Health Services accrue expenditures in the proper period by reviewing unpaid purchases on a timely basis.

Management Response and Corrective Action

1. Person responsible: Chief of Fiscal Services
2. Corrective action plan: DHS agrees with this recommendation. The EMS Agency will work with the vendor and the EMS Agency Hospital Preparedness Program (HPP) project manager to ensure date(s) of service are clearly identified on invoices. In addition, the HPP project manager will communicate any deviations from the statement of work to EMS Agency Finance staff. This will allow EMS Agency Finance staff to review unpaid services and estimate the expenditures in order to accrue expenditures in the proper period.
3. Anticipated implementation date: January 31, 2014

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Reference Number:	2013-005
Federal Program Title:	ARRA – Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)
Federal Catalog Number:	93.724
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	N/A
Federal Award Number and Year:	3U58DP002485-01S1 – 2012
Name of Department:	Department of Public Health
Category of Finding:	Reporting

Criteria

U.S. Department of Health and Human Services/Centers for Disease Control and Prevention (CDC), Procurement and Grants Office Memorandum as of October 1, 2012 states:

“The transition to use the FFR for reporting expenditure data includes new reporting dates for annual FFRs, and reporting of cumulative data only. CDC's implementation of the FFR retains a financial reporting period that coincides with the budget period of a particular project. However, the due date for annual FFRs will be 90 days after the end of the calendar quarter in which the budget period ends. Note that this is a change in due dates of annual FFRs and may provide up to 60 additional days to report, depending upon when the budget period end date falls within a calendar quarter. For example, if the budget period ends 1/30/2012, the annual FFR is due 6/30/2012 (90 days after the end of the calendar quarter of 3/31/2012). Due dates of final reports will remain unchanged. The due date for final FFRs will continue to be 90 days after the project period end date.”

Condition

The Department of Public Health (DPH) is required to submit Final FFR's 90 days after the project period end date to CDC. During our review, it was noted that one of the FFRs was submitted after 90 days of the project period end date. Because the project period reported on the FFR is from September 30, 2010 through September 18, 2012, DPH was to submit the final FFR to CDC within 90 days after September 18, 2012 (i.e. by December 18, 2012). The FFR is dated December 24, 2012, 6 days after the deadline.

Cause

Management misinterpreted the Memorandum from CDC causing them to submit the Final FFR after the deadline.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Effect

Submission of FFRs after the deadline results in non-compliance with CDC requirements.

Questioned Costs

N/A

Context

Out of two (2) FFRs tested, one (1) report was submitted after 90 days of the project period end date without extension.

Recommendation

We recommend that the DPH adhere to reporting policies and procedures for FFR requirements set by CDC. For each FFR submitted, DPH should report the required information on a timely basis for each reporting period. In a case where CDC requirements are unclear, staff should contact CDC to obtain proper understanding of the requirements set forth.

Management Response and Corrective Action

1. Person responsible: Chief Financial Officer
2. Corrective action plan: The Department of Public Health (DPH) concurs with this recommendation. DPH will take the necessary steps to ensure consistent adherence to the due date for submitting the final FFRs to CDC within 90 days after the project period end date.
3. Anticipated implementation date: February 5, 2014

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Reference Number:	2013-006
Federal Program Title:	ARRA – Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)
Federal Catalog Number:	93.724
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	N/A
Federal Award Number and Year:	1U58DP002485-01 - 2013; 3U58DP002485- 01S1 - 2013; 1U58DP002543-01 - 2013; 3U58DP002543-01S1 - 2013
Name of Department:	Department of Public Health
Category of Finding:	Cash Management

Criteria

In accordance to 31 CFR section 205.12(b)(5), “Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State (or awardee) after that State (or awardee) has already paid out the funds for Federal assistance program purposes.”

Condition

The Department of Public Health is required to pay program costs before reimbursement is requested from the Federal Government. Our review of the supporting documentation identified one (1) invoice for \$75,000 in which the payment was made after the reimbursement request.

Cause

The Department of Public Health was not aware that the invoice was not paid before they submitted the reimbursement request.

Effect

Payment occurring after the reimbursement request may result in non-compliance with cash management Treasury regulations at 31 CFR section 205.

Questioned Costs

N/A

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Context

Out of 25 non-payroll transactions totaling \$670,634 selected for testing, 1 invoice for \$75,000 was included in a reimbursement claim; however, it was paid 5 days after the claim was submitted.

Recommendation

We recommend that the Department of Public Health consistently adhere to cash management policies and procedures requiring payment of program costs prior to submission of the reimbursement claim for federal funds.

Management Response and Corrective Action

1. Person responsible: Chief Financial Officer
2. Corrective action plan: The Department of Public Health (DPH) concurs with this recommendation. DPH will take the necessary steps to ensure consistent adherence to cash management policies and procedures requiring payment of program costs prior to submission of reimbursement claims of federal funds.
3. Anticipated implementation date: February 5, 2014

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Reference Number:	2013-007
Federal Program Title:	Foster Care Title IV-E
Federal Catalog Number:	93.658
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	California Department of Social Services
Federal Award Number and Year:	CFL 12/13-19 - 2013
Name of Department:	Probation Department
Category of Finding:	Allowable Costs/Cost Principles

Criteria

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (OMB Circular A-87), Attachment A – General Principles for Determining Allowable Costs, Paragraph C – Basic Guidelines states:

- 1) Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - (b) Be allocable to Federal awards under the provisions of this Circular.
 - (j) Be adequately documented.

U.S. Office of Management and Budget Circular A-133, Subpart C - §__.300 Auditee responsibilities states:

- (b) Maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Condition

Our review of 120 payroll timecards and time studies resulted in:

- 1) 4 employees reported 74 non-working hours incorrectly as allocable to the program on their respective time studies;
- 2) 7 employees' timecards (10 timecards) were not reviewed and approved by their supervisors.

Cause

Lack of consistent enforcement of policies and procedures led to inaccurate time being reported on the time studies and lack of review and approval of the timecards.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Effect

Inaccurate allocable hours charged to the program and lack of review and approval of timecards may result in non-compliance with OMB Circulars A-87 and A-133 requirements.

Questioned Costs

\$3,167 (Known questioned costs related to sample items)

Context

Of the 120 timecards tested, which included sixty 60 employees, the following issues were noted:

- 1) 4 employees' timecards indicated non-working hours (74 hours) that were charged to the program on their respective time studies;
- 2) 10 timecards were not reviewed and approved by their supervisors.

Recommendation

We recommend that the Probation Department enforce its policies and procedures requiring detailed supervisory reviews and approvals of timecards and time studies concurrently for accuracy.

Management Response and Corrective Action

1. Person responsible: Deputy Chief, Probation Department
2. Corrective action plan: Probation Department concurs with the findings. All Field staff and Supervisors who time study to Title IV-E were trained between the months of August and October 2013 on the policies and procedures that require accurate documentation on timecards and time studies. Supervisors were trained on the policies and procedures requiring detailed review of timecards and time studies.

Supervisors submit completed time studies to on-site Probation Directors who review all documents for accuracy. Once reviewed, the time studies are forwarded to the respective Bureau Chief for review prior to submission to Fiscal Services.

Probation Department will continue to provide annual training to all Field staff and Supervisors who time study to Title IV-E on the policies and procedures related to accurate completion and review of timecards and time studies.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

In addition, Fiscal Services also samples 10% of time studies submitted each quarter from applicable juvenile bureaus and provides managers with discrepancies that are addressed with staff and included in future trainings.

Per Los Angeles County policy, Supervisors must certify the accuracy of employee time reported on the timecard and ensure that all employees have submitted their timecards by the established deadline. Supervisors must review and check the validity of hours as well as overall completeness of the timecards. Probation Department will include this timecard approval process in future training regarding timecard and time study submission and review.

3. Anticipated implementation date: February 28, 2014

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENT FINDINGS:

Finding #12-01 – Financial Reporting – SEFA

CFDA #93.889 – Bioterrorism Hospital Preparedness Program

Condition

The Department of Health Services (DHS) did not report on the SEFA expenditures incurred by the County hospitals. The amounts not reported on the SEFA totaled \$4,916,304 for the period of July 1, 2006 through June 30, 2011. Below are the unreported expenditures and the breakdown of the transferred amount to the hospitals by fiscal years:

HOSPITAL	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11	TOTAL
Harbor-UCLA	\$642,500	\$453,000	\$367,640	\$344,300	\$342,700	\$2,150,140
LAC + USC	642,500	820,640	312,327		318,500	2,093,967
Rancho Los Amigos	11,385	69,555	53,440	65,631	52,673	252,684
Olive View-UCLA	51,500	84,900	79,500	69,713	82,400	368,013
Martin Luther King	51,500					51,500
TOTAL	\$1,399,385	\$1,428,095	\$812,907	\$479,644	\$796,273	\$4,916,304

Recommendation

We recommend that DHS develops a comprehensive list of federal grants received and tracks all expenditures, including expenditures incurred by the County hospitals and that all expenditures are reported to the A-C on the grant inventory.

Current Year Management Response

Department of Health Services (DHS) agrees with this recommendation. Health Services Administration (HSA) Fiscal Services develops and submits a comprehensive list of federal grants to the Auditor-Controller (A-C) on the Grant Inventory Report on an annual basis. DHS hospitals track and monitor their federal grant expenditures, which are consolidated by HSA Fiscal Services and provided to the A-C on the Annual Single Audit Report.

To address the audit findings related to federal expenditures managed by the DHS pertaining to the Bioterrorism Hospital Preparedness Program (HPP), a notification was sent to all DHS hospitals on July 27, 2012, which stated that beginning with FY 2011-12, actual HPP grant expenditures need to be submitted to the EMS Agency, as this

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

office directly manages this grant, for inclusion in the Single Audit Report. Additionally, the notice states that each DHS hospital shall provide their HPP expenditure reconciliation schedules for FYs 2006-07 through 2010-11 to the EMS Agency. The DHS hospitals submitted the required documentation to the EMS Agency and on September 6, 2012, the EMS Agency submitted the total HPP grant expenditures for FY 2011-12 along with the HPP reconciliation schedules for FYs 2006-07 through 2010-11, to HSA Fiscal Services. This new reporting methodology for HPP will remain in effect for all future Single Audits. This corrective action plan was implemented on September 6, 2012 and will remain in effect for all future single audits.

Current Status as of June 30, 2013

Fully implemented

Implementation Date

September 6, 2012

Finding #11-02 – Information Technology Controls

Condition

APPS application password standards need to be strengthened. General computer controls require that access to the IT network and applications be properly controlled. At the time of our review, the County's password access policy for system and applications only required five character passwords. On February 23, 2012, ISD provided a draft policy, which requires eight character passwords. The Department of Children and Family Services (DCFS) requires passwords of any six characters for accessing the APPS system. Without strong password requirements, password configuration standards may change based on administrator preference, rather than adherence to standard industry practices. Additionally, if strong passwords are not used, the chance of someone hacking into a financial system increases considerably.

Recommendation

The Chief Information Office (CIO), working with the County departments, should finalize its draft Baseline Server Security Standards (version 2.0) policy. In addition, the DCFS Information Security Officer, working with the CIO, should implement a strong password requirement for the APPS system. For example, we provide sample characteristics to be included in the formal requirement below:

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Password Policy Setting	Current Settings (APPS)	Recommended Value Range
Enforce password history	0	12 to 24 passwords remembered
Maximum password age	90 days	30 to 90 days
Minimum password length	6 characters	8 to 14 characters
Password must meet complexity requirements	Disabled	Enabled
Password complexity	None	<ul style="list-style-type: none"> • Minimum of 8 characters • Contains at least two numeric or special characters

Current Year Management Response

Business Information System staff implemented the single sign-on capability on August 30, 2012 for a strong password naming convention. According to the Chief Information Security Office staff, Information Technology security standards for Baseline Server Security and Password Security obtained Information Security Steering Committee (ISSC) approval.

Current Status as of June 30, 2013

Implemented

Implementation Date

August 30, 2012

Finding #09-04 - Protection of Information Assets (DHS)

Condition

During our review we noted the following:

- a. One of the hospital facility's server room does not have the following:
 - i. An independent air conditioning system

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

- ii. An automatic monitoring of server room temperature or any notification system that would inform IT management and building maintenance if environmental conditions fall out of tolerances
- iii. An automatic fire suppression system

The lack of these items increases the risk of damage to IT assets and data loss. We also observed that a security door to the server room was propped open to allow for air circulation in the absence of an air conditioning system. This also increases risk of accidental or deliberate damage or tampering with IT equipment and data.

- b. At another hospital facility, IT assets are not currently safeguarded by an active dry fire suppression system. The server room has a Halon system, but it had been disconnected.

Recommendation

We recommend that the County take the following actions:

- a. Server room conditions should be improved with an independent air conditioning system, and automatic temperature monitoring system and dry fire suppression system. In addition, IT management should implement oversight procedures to ensure that server room doors remain locked and not propped open;
- b. Evaluate options and budget for the replacement of the Halon fire suppression system because the system should be reactivated as soon as possible.

Current Year Management Response

Department of Health Services (DHS) agrees with the recommendations. The above recommendations have been made and are currently in place for the first facility. DHS has built a new interim data center at the first facility. The server room doors are locked, with key card access limited to the appropriate DHS IT staff, and monitored by the DHS Security and Compliance Division. It also has an independent air conditioning system, with an alarm system that monitors the air conditioning/mechanical systems, uninterrupted power supply (UPS), and humidity within the room. The automatic monitoring system will inform the DHS IT service desk if environmental conditions fall out of tolerances. The DHS IT service desk will then notify IT management and/or building maintenance as appropriate. It also has a new automatic "Sapphire Clean-Agent Fire Suppression System". All environmental systems (infrastructure) are redundant.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

DHS management is still evaluating funding sources and the decision to replace and/or repair the fire suppression system at the second facility, which would include the facility's server room.

The long-term goal for DHS is to utilize the LA County Data Center, which will be built and operated by the Internal Services Department (ISD).

Current Status as of June 30, 2013

Recommendation a – Implemented

Recommendation b – Not implemented

Expected Implementation Date

June 30, 2014

FEDERAL AWARD FINDINGS:

Finding #12-02 Eligibility- Non-compliance with OMB Circular A-133 Requirements and County Policies

CFDA #93.090 – Kinship Guardian Assistance Payment Program (Kin-GAP)

Condition

During our testing at Department of Children and Family Services (DCFS) of 60 eligibility case files, we noted exceptions in the following compliance requirements:

- 1) Four (4) sampled children did not have in place the kinship guardianship assistance agreement that meets, or is amended to meet, all requirements of 42 USC 673(d)(1) (Forms SOC 369 and 369A) with a prospective relative guardian prior to the establishment of legal guardianship;
- 2) Supervisor did not approve the Statement of Facts Supporting Eligibility for Kin-GAP until over one year after the statement was completed by the Eligibility Worker for three (3) sampled children; and
- 3) One (1) sampled child is not federally-eligible for Kin-GAP Title IV-E funding.

Recommendation

We recommend DCFS consistently enforce policies and procedures requiring a kinship guardianship assistance agreement that meets, or is amended to meet, all the requirements of 42 USC 673(d)(1) to be in place prior to the establishment of legal guardianship; that Statement of Facts Supporting Eligibility for Kin-GAP are approved

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

timely; and that only federally-eligible Kin-GAP Title IV-E cases are reported on the Kin-GAP Federal Summary Report of Assistance Expenditures.

Current Year Management Response

The Revenue Enhancement Kin-GAP manager convened a meeting on March 26, 2013 to address the FY11-12 Single Audit and the Kin-GAP audit recommendation components. Revenue Enhancement Management reviewed the All County Letter 11-15, Kin-GAP policy and procedures, and obtained confirmation from Kin-GAP Section staff that they were informed of the Single Audit's Kin-GAP audit conditions as well as the review of policy and procedures.

Current Status as of June 30, 2013

Partially Implemented (Continued noncompliance for eligibility (Condition 1) and timely approval of Statement of Facts Supporting Eligibility for Kin-GAP (Condition 2) in current year finding 2013-003)

Expected Implementation Date

April 30, 2014

Finding #12-03 Allowable Costs/ Costs Principles- Lack of Supporting Documents and Controls over Payroll Transactions

CFDA # 93.658 – Foster Care – Title IV-E

Condition

The Probation Department is required to use the Foster Care Title IV-E funds for expenditures that are allowable under the program. Our review of payroll timesheets and time studies resulted in the discovery of four (4) employees' non-working hours incorrectly reported as allocable on the respective time study. We also discovered that one (1) employee's time study was not reviewed and approved by the supervisor.

Recommendation

We recommend the Probation Department consistently enforce policies and procedures requiring detailed supervisory reviews of timesheets and time studies concurrently for accuracy. We also recommend that the time study sheets are signed by the supervisors.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Current Year Management Response

Corrective Action Plan update:

On February 11, 2013, the Department issued Guidelines for Title IV-E Time Study and Time Card Review to Bureaus whose staff completes the Title IV-E study. The memo delineated step by step instructions on how to complete the time study to ensure compliance with Title IV-E requirements.

On June 3, 2013 and June 5, 2013 a Title IV-E claiming training was provided to the District Bureau Chiefs and their Special Assistants. The training included the description of Title IV-E codes and the Title IV management review process.

Some Title IV-E related trainings for juvenile staff has taken place, the Department intends to formally train all juvenile staff between August 2013 and December 2013 with emphasis on the recent single audit findings and the corrective action plan.

All Title IV-E time studies completed by staff are reviewed by the supervisor and on-site director for completeness and accuracy. Once reviewed, the time studies are forwarded to the respective Bureau Chief for review prior to submission to fiscal.

In addition, Fiscal Services also samples 10% of time studies submitted each quarter from applicable juvenile bureau and provide managers with discrepancies that are to be addressed with staff and included in future trainings.

Current Status as of June 30, 2013

Partially Implemented (Continued noncompliance in current year finding 2013-07)

Expected Implementation Date

December 2013

Finding #12-04 Cash Management – Non-compliance with OMB Circular A-133 Requirements

CFDA # 16.804 – ARRA- JAG- Justice Assistance Program

Condition

The Department of Public Health is required to pay program costs before reimbursement is requested from the Federal Government. Our review of supporting documentation resulted in the discovery of two (2) e-CAPS statements that indicate that the payment was made after the reimbursement request.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Recommendation

We recommend the Department of Public Health consistently adhere to cash management policies and procedures requiring payment of program costs prior to submission of the reimbursement claims for federal funds.

Current Year Management Response

The Department of Public Health, Substance Abuse and Control (SAPC) agrees with this recommendation. SAPC will take the necessary steps to ensure consistent adherence to cash management policies and procedures requiring payment of program costs prior to submission of reimbursement claims for federal funds.

Current Year Status as of June 30, 2013

Implemented

Implementation Date

January 2013

Finding #12-05 Reporting – Non-compliance with U.S. Department of Homeland Security- Federal Emergency Management Agency, Article VIII, Financial Reporting Requirement

CFDA # 97.115 - ARRA- Assistance to Firefighter Grant

Condition

During our testing of the Semi-annual Performance Report, we noted that the report was submitted timely to FEMA, however, the period covered was from March 25, 2011, to March 25, 2012. Further discussion with the Fire Department (Department) revealed that the period from March 25, 2011 to September 25, 2012 was not reported timely and was included in the subsequent Semi-annual Performance Report for the period ending March 25, 2012, which was submitted timely.

Recommendation

We recommend that the Department adhere to reporting policies and procedures requiring that a semi-annual financial status report be submitted to fulfill FEMA requirements online within 30 days of a six-month period.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Current Year Management Response

The Department has reviewed and agrees with the recommendation set forth in the corrective action plan requiring adherence to reporting policies and procedures in accordance with the DHS- FEMA Agreement Article VIII. Such recommendation has been implemented by ensuring all future semi-annual and financial status reports are submitted timely via the DHS-FEMA Integrated Security and Access Control Online System.

Current Status as of June 30, 2013

Implemented

Implementation Date

March 15, 2013

Finding #12-06 Department of Public Health Reporting- Non-compliance with OMB Circular A-133 Requirements

CFDA # 93.724 ARRA Communities Putting Prevention to Work

Condition

The Department of Public Health (DPH) is required to submit quarterly ARRA 1512 Reports to the Department of Health and Human Services. Our review of the reports and supporting documentation resulted in the discovery of eight (8) ARRA 1512 reports that do not cover a calendar quarter, but cover the last month of the previous quarter and the first two months of the current quarter. (For example, the first calendar quarter of a year should cover January, February and March; however, DPH covers December, January and February).

Recommendation

We recommend that the Department of Public Health adhere to reporting policies and procedures in regards to ARRA reporting period required by OMB Circular A-133. For each quarter, DPH is to report expenditure information for each month of that quarter. If the information for the final month of the quarter is unavailable, then an estimate based on the "best available data" should be determined. After DPH has the actual data for the final month they should compare it to their estimate. If there are no material differences, then no changes will need to be made. However, if there are material differences, then they must correct them during the FederalReporting.gov continuous correction period.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Current Year Management Response

The Department of Public Health (Department) agrees with this recommendation. The Department will take the necessary steps to ensure full compliance with OMB Circular A-133 requirements for reporting expenditure information for each month of that quarter. If the information for the final month of the quarter is not available, then we will determine an estimate based on the "best available data".

Current Status as of June 30, 2013

Implemented

Implementation Date

January 2013

Finding #12-07 Subrecipient Monitoring- Non-compliance with OMB Circular A-133 Requirements

CFDA # 16.804 – ARRA- JAG- Justice Assistance Program

Condition

The Department of Public Health (DPH) is required to formally communicate the CFDA title and number of the Federal award to their subrecipients. We noted the following nine (9) subrecipients were sent letters informing them of the required information, however, the CFDA number was indicated as N/A:

- Driver Safety School, Inc.
- Pride Health Services, Inc.
- California Graduate Institute
- California Hispanic Commission on Alcohol and Drug Abuse, Inc.
- Canon Human Services, Inc.
- Sunrise Community Counseling Center
- Substance Abuse Foundation of Long Beach, Inc.
- CLARE Foundation, Inc.
- Tarzana Treatment Center

Recommendation

We recommend that the Department of Public Health adhere to policies and procedures requiring that the pass-through entity notify subrecipients of their award information, including the CFDA number.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Current Year Management Response

The Department of Public Health, Substance Abuse Prevention and Control (SAPC) agrees with this recommendation. SAPC will take the necessary steps to ensure full compliance with OMB Circular A-133 requirements for communicating Federal award information to all subrecipients, including the CFDA number.

Current Status as of June 30, 2013

Not Implemented

Expected Implementation Date

January 2014

Finding #12-08 Allowable Costs/Costs Principles - Non-compliance with OMB Circular A-133 Requirements

CFDA # 93.658 – Foster Care Title IV- E

CFDA # 93.090 – Kinship Guardianship Assistance Payment

Condition

The Department of Children and Family Services (DCFS) is required to perform a time study to properly report employees' time records and functions. Our review of the Time Study Reports resulted in two (2) instances where the employees' hours documented on the time study did not agree to those on the employees' timesheet.

Recommendation

We recommend the DCFS consistently adhere to policies and procedures requiring detailed supervisory reviews of timesheets and time studies for accuracy.

Current Year Management Response

The Time Study Unit staff continues to emphasize the time study policy and procedures to workers and supervisors prior to starting the time study process. Moreover, the Time Study System has been enhanced and is now timesheet-based. Departmental staff began using the enhanced system during the December 2012 time study month.

The enhanced Time Study System will prevent submission of a time study when there is a discrepancy with the timesheets. Another improvement is on the Personal Profile feature, which can now be applied regardless of staff's attendance pattern or work schedule.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

The Personal Profile requires staff to allocate their time in % rather than absolute number of hours to the different program activities they perform, which are described by one or more Time Study Codes (TSC). Applying the personal profile calculates for the daily time allocations each TSC then pre-populates the time studies automatically. By default, all reported absences in the timesheets pre-populate the time studies as NA (non-allocable) hours.

Current Status as of June 30, 2013

Implemented

Implementation Date

March 15, 2013

Finding #12-09 Reporting- Non-compliance with OMB Circular A-133 Requirements

CFDA # 93.940 – HIV Prevention Activities

Condition

During our testing at Department of Public Health (DPH), we noted amendments to HIV Testing Services agreements that provide for increases in the funding obligation of \$75,000 to each of the following three (3) subrecipients:

- California State University Long Beach Foundation
- JWCH Institute, Inc.
- Valley Community Clinic

The amendments were executed in February 2012, therefore reporting requirements pursuant to the FFATA should be accomplished by the end of March 2012, which DPH did not comply with.

Recommendation

We recommend the DPH implement policies and procedures to ensure that the required FFATA reports, also known as the Subaward Reporting under the Transparency Act reports, are submitted through the FFATA Subaward Reporting System (FSRS) in a timely manner.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Current Year Management Response

The Department of Public Health agrees with this recommendation and will take the necessary steps to implement policies and procedures to ensure that the required FFATA reports are submitted through the FFATA Subaward Reporting System (FSRS) in a timely manner. We have met with appropriate staff to discuss the implementation process and are developing procedures to ensure the reports are submitted as required.

Current Status as of June 30, 2013

Implemented

Implementation Date

September 1, 2013



**COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC SOCIAL SERVICES
SUPPLEMENTARY SCHEDULE OF REVENUE AND EXPENDITURES
CSBG CONTRACT NO. 12F-4421
FOR THE YEAR ENDED JUNE 30, 2013**

CFDA # 93.569

	January 1, 2012 through June 30, 2012	July 1, 2012 through May 31, 2013	Total Costs	Total Budget ⁽¹⁾
REVENUE				
Grant Revenue	\$ 3,034,270	\$ 3,649,066	\$ 6,683,336	\$ 6,683,336
Interest Income		7,161	7,161	
Other Income				
Total Revenue	<u>3,034,270</u>	<u>3,656,227</u>	<u>6,690,497</u>	<u>6,683,336</u>
EXPENDITURES ⁽²⁾				
<u>Administrative Costs</u>				
Salaries and Wages	114,562	255,761	370,323	370,323
Fringe Benefits	51,150	102,945	154,095	154,095
Operating Expenses	1,796	13,056	14,852	14,852
Out-of-State Travel		1,773	1,773	1,773
Other Costs:				
Indirect Costs	33,142	74,868	108,010	108,010
Other Costs				
Subcontractor Services				
Total Administrative Costs	<u>200,650</u>	<u>448,403</u>	<u>649,053</u>	<u>649,053</u>
<u>Program Costs</u>				
Salaries and Wages	201,404	461,574	662,978	661,673
Fringe Benefits	89,309	169,314	258,623	258,623
Other Costs:				
Indirect Costs	58,143	131,624	189,767	184,059
Other Costs				
Subcontractor Services	1,092,402	3,837,674	4,930,076	4,929,928
Total Program Costs	<u>1,441,258</u>	<u>4,600,186</u>	<u>6,041,444</u>	<u>6,034,283</u>
Total Expenditures	<u>1,641,908</u>	<u>5,048,589</u>	<u>6,690,497</u>	<u>6,683,336</u>
Revenue Over (Under) Expenditures	<u>\$ 1,392,362</u>	<u>\$ (1,392,362)</u>		

(1) The Total budget amounts are based on the CSBG Contract Budget Summary contained in the contract, with year-end and close-out budget shifts. The interest earned on the advance was also added to the budget amount.

(2) The expenditure amounts are based on the monthly CSBG Expenditure Claim Reports filed with the California Health and Human Services Agency, Department of Community Services and Development.

**COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC SOCIAL SERVICES
SUPPLEMENTARY SCHEDULE OF REVENUE AND EXPENDITURES
CSBG CONTRACT NO. 13F-3021
FOR THE YEAR ENDED JUNE 30, 2013**

CFDA # 93.569

	January 1, 2013 through June 30, 2013	Total Costs	Total Budget ⁽¹⁾
REVENUE			
Grant Revenue	\$ 1,955,481	\$ 1,955,481	\$ 5,572,535
Interest Income			
Other Income			
Total Revenue	<u>1,955,481</u>	<u>1,955,481</u>	<u>5,572,535</u>
EXPENDITURES ⁽¹⁾			
<u>Administrative Costs</u>			
Salaries and Wages	81,381	81,381	297,589
Fringe Benefits	43,546	43,546	133,514
Operating Expenses	26,235	26,235	16,200
Out-of-State Travel			8,000
Other Costs:			
Indirect Costs	4,453	4,453	88,922
Other Costs			
Subcontractor Services			
Total Administrative Costs	<u>155,615</u>	<u>155,615</u>	<u>544,225</u>
<u>Program Costs</u>			
Salaries and Wages	199,712	199,712	523,541
Fringe Benefits	92,294	92,294	234,865
Other Costs:			
Indirect Costs	61,321	61,321	159,265
Other Costs			
Subcontractor Services	253,765	253,765	4,110,639
Total Program Costs	<u>607,092</u>	<u>607,092</u>	<u>5,028,310</u>
Total Expenditures	<u>762,707</u> ⁽²⁾	<u>762,707</u>	<u>762,707</u>
Revenue Over (Under) Expenditures	<u>\$ 1,192,774</u> ⁽³⁾	<u>\$ 1,192,774</u>	<u>\$ 4,809,828</u>

(1) The Expenditure and Total Budget Amounts are based on the CSBG Contract Budget Summary contained in the contract. The Contract Budget amounts are from January 1, 2013 through December 31, 2013.

(2) The Expenditure Amounts are based on the monthly CSBG Expenditure Claim Reports filed with the California Health and Human Services Agency, Department of Community Services and Development (CSD) from January 1, 2013 through June 30, 2013.

(3) Revenue Over (Under) Expenditures: This amount represents the balance of CSBG program advances at the end of FY 2012-13. The amount will be applied to FY 2013-14 CSBG expenditure claims.

**COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC SOCIAL SERVICES
SUPPLEMENTARY SCHEDULE OF REVENUE AND EXPENDITURES
CSBG CONTRACT NO. 12F-4458
FOR THE YEAR ENDED JUNE 30, 2013**

CFDA # 93.569

	January 1, 2012 through June 30, 2012	July 1, 2012 through June 30, 2013	Total Costs	Total Budget
REVENUE				
Grant Revenue	\$ 139,678	\$ 230,393	\$ 370,071	\$ 371,408
Interest Income		338	338 (1)	
Other Income				
Total Revenue	<u>139,678</u>	<u>230,731</u>	<u>370,409</u>	<u>371,408</u>
EXPENDITURES				
<u>Administrative Costs</u>				
Salaries and Wages	8,378	31,507	39,885	34,039
Fringe Benefits	4,193	15,771	19,964	17,033
Operating Expenses		776	776	771
Equipment				
Out-of-State Travel		613	613	3,230
Subcontractor Services				
Other Costs				
Total Administrative Costs	<u>12,571</u>	<u>48,667</u>	<u>61,238</u>	<u>55,073</u>
<u>Program Costs</u>				
Salaries and Wages				
Fringe Benefits				
Operating Expenses		29,500	29,500	37,000
Equipment				
Out-of-State Travel				
Subcontractor Services	127,107	152,226	279,333	279,335
Other Costs				
Total Program Costs	<u>127,107</u>	<u>181,726</u>	<u>308,833</u>	<u>316,335</u>
Total Expenditures	<u>139,678</u>	<u>230,393</u>	<u>370,071</u>	<u>371,408</u>
Revenue Over (Under) Expenditures		<u>\$ 338</u>	<u>\$ 338</u>	

(1) Represents interest earned on advances. \$338 in earned interest was reprogrammed to provide additional administrative services.

**COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC SOCIAL SERVICES
SUPPLEMENTARY SCHEDULE OF REVENUE AND EXPENDITURES
CSBG CONTRACT NO. 13F-3058
FOR THE YEAR ENDED JUNE 30, 2013**

CFDA # 93.569

	January 1, 2013 through June 30, 2013	Total Costs	Total Budget
REVENUE			
Grant Revenue	\$ 127,464	\$ 127,464	\$ 258,184
Interest Income			
Other Income			
Total Revenue	<u>127,464</u>	<u>127,464</u>	<u>258,184</u>
EXPENDITURES			
<u>Administrative Costs</u>			
Salaries and Wages	7,823	7,823	10,451
Fringe Benefits	3,551	3,551	4,606
Operating Expenses			
Equipment			
Out-of-State Travel			
Subcontractor Services			
Other Costs			
Total Administrative Costs	<u>11,374</u>	<u>11,374</u>	<u>15,057</u>
<u>Program Costs</u>			
Salaries and Wages			
Fringe Benefits			
Operating Expenses			
Equipment			
Out-of-State Travel			
Subcontractor Services	116,090	116,090	243,127
Other Costs			
Total Program Costs	<u>116,090</u>	<u>116,090</u>	<u>243,127</u>
Total Expenditures	<u>127,464</u>	<u>127,464</u>	<u>258,184</u>
Revenue Over (Under) Expenditures	<u>\$</u>	<u>\$</u>	<u>\$</u>