

COUNTY OF LOS ANGELES
BASIC FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORTS

For the Year Ended June 30, 2014



Certified Public Accountants.



**COUNTY OF LOS ANGELES
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2014**

<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	25
Statement of Activities	26
Fund Financial Statements:	
Balance Sheet – Governmental Funds	28
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	30
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	34
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual on Budgetary Basis:	
General Fund	35
Fire Protection District	36
Flood Control District	37
Public Library	38
Regional Park and Open Space District	39
Statement of Net Position – Proprietary Funds	40
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	42
Statement of Cash Flows – Proprietary Funds	44
Statement of Fiduciary Net Position – Fiduciary Funds	48
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	49
Statement of Net Position – Discretely Presented Component Units	50
Statement of Activities – Discretely Presented Component Units	51
Notes to the Basic Financial Statements	53
Required Supplementary Information – Unaudited:	
Schedule of Funding Progress – Pension Plan	124
Schedule of Funding Progress – Other Post Employment Benefits	125
Single Audit:	
Schedule of Expenditures of Federal Awards	127
Notes to the Schedule of Expenditures of Federal Awards	139
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>	147
Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	150
Schedule of Findings and Questioned Costs	153
Status of Prior Years' Findings	176

**COUNTY OF LOS ANGELES
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2014**

Supplementary Information:

Community Services Block Grant Supplementary Schedules of Revenue and Expenditures	187
Supplementary Schedule of Expenditures of Federal and State Awards Granted by California Department of Aging	191

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, 2014, 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	74%	75%	17%

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, 2014, 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, 2013, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 24 and the schedules of funding progress on pages 124 and 125 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, the community services block grant supplementary schedules of revenue and expenditures, and the supplementary schedule of expenditures of federal and state awards granted by the California Department of Aging 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*, the California Department of Community Services and Development, and the California Department of Aging, 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, the community services block grant supplementary schedules of revenue and expenditures, and the supplementary schedule of expenditures of federal and state awards granted by the California Department of Aging 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, 2014, 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.

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

Los Angeles, California

December 16, 2014, except for the report on the schedule of expenditures of federal awards, the community services block grant supplementary schedules of revenue and expenditures, and the supplementary schedule of expenditures of federal and state awards granted by the California Department of Aging, as to which the date is March 31, 2015

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014. 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 and deferred outflows of resources, reduced by total liabilities and deferred inflows of resources) of the County was positive \$9.735 billion. However, net position is classified into three categories and the unrestricted component is negative \$10.130 billion. See further discussion on page 9.

During the current year, the County's net position decreased by a total of \$1.221 billion. Net position related to governmental activities decreased by \$1.074 billion, while net position related to business-type activities decreased by \$147 million. Growth in liabilities associated with postemployment health insurance benefits was \$1.694 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 \$3.103 billion. The fund balance categories and amounts consisted of nonspendable fund balance of \$272 million, restricted fund balance of \$41 million, committed fund balance of \$483 million, assigned fund balance of \$538 million, and \$1.769 billion of unassigned fund balance.

The County's capital asset balances were \$19.093 billion at year-end and increased by \$425 million during the year.

During the current year, the County's total long-term debt increased by \$7 million, after restatement of prior year balances in long-term debt due to the implementation of Government Accounting Standards Board (GASB) Statement No. 65 "Items Previously Reported as Assets and Liabilities." Newly issued and accreted long-term debt of \$472 million exceeded long-term debt maturities of \$465 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 (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

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 and deferred outflows of resources reduced by liabilities and deferred inflows of resources which represent 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 changes 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.
- **Discretely Presented Component Units** - Component units are separate entities for which the County is financially accountable. The Community Development Commission and First 5 LA are displayed as discretely presented in the financial statements.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

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.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

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.

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9.735 billion at the close of the most recent fiscal year.

Summary of Net Position
As of June 30, 2014 and 2013 (in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 8,509,325	\$ 7,947,075	\$ 1,302,031	\$ 1,423,547	\$ 9,811,356	\$ 9,370,622
Capital assets	<u>16,091,301</u>	<u>15,838,545</u>	<u>3,002,176</u>	<u>2,829,716</u>	<u>19,093,477</u>	<u>18,668,261</u>
Total assets	<u>24,600,626</u>	<u>23,785,620</u>	<u>4,304,207</u>	<u>4,253,263</u>	<u>28,904,833</u>	<u>28,038,883</u>
Deferred outflows of resources (1)	<u>20,243</u>				<u>20,243</u>	
Current and other liabilities	1,732,192	1,326,042	384,084	401,345	2,116,276	1,727,387
Long-term liabilities	<u>13,474,871</u>	<u>11,966,513</u>	<u>3,501,717</u>	<u>3,286,521</u>	<u>16,976,588</u>	<u>15,253,034</u>
Total liabilities	<u>15,207,063</u>	<u>13,292,555</u>	<u>3,885,801</u>	<u>3,687,866</u>	<u>19,092,864</u>	<u>16,980,421</u>
Deferred inflows of resources	<u>97,031</u>	<u>102,089</u>			<u>97,031</u>	<u>102,089</u>
Net position:						
Net investment in capital assets	14,789,236	14,654,785	2,271,730	2,218,647	17,060,966	16,873,432
Restricted	2,727,379	2,655,717	76,908	68,169	2,804,287	2,723,886
Unrestricted (deficit)	<u>(8,199,840)</u>	<u>(6,919,526)</u>	<u>(1,930,232)</u>	<u>(1,721,419)</u>	<u>(10,130,072)</u>	<u>(8,640,945)</u>
Total net position	<u>\$ 9,316,775</u>	<u>\$ 10,390,976</u>	<u>\$ 418,406</u>	<u>\$ 565,397</u>	<u>\$ 9,735,181</u>	<u>\$ 10,956,373</u>

(1) Deferred outflows of resources for the previous year were not restated for GASB 65.

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

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

Current and Other Assets

Current and other assets increased by \$562 million for governmental activities and decreased by \$122 million for business-type activities. For governmental activities, there was an increase of \$274 million in pooled cash and investments, largely due to the improved cash position of the County's General Fund, which grew by \$296 million over the prior year. Other receivables increased by \$212 million and were primarily attributable to higher receivables associated with the administration of the managed care program. For business-type activities, current and other assets decreased by \$122 million largely due to reductions in restricted assets of \$123 million associated with the use of restricted bond proceeds for hospital construction projects that were completed in the current year.

Deferred Outflows of Resources

Pursuant to the County's implementation of GASB 65, a new financial statement element for deferred outflows of resources has been added to the Summary of Net Position, representing a consumption of net position that applies to future periods and is not recognized as an outflow of resources until then. The County has deferred outflows of resources of \$20 million related to unamortized losses on refunding of debt, resulting from the difference in the carrying value of refunded debt and its reacquisition price. In the prior year, this amount was reported in a manner which reduced overall long-term liabilities.

Liabilities

Current and other liabilities increased by \$406 million for governmental activities. The largest component of this increase is \$198 million for accounts payable associated with managed care services pursuant to the County's implementation of the federal Affordable Care Act (ACA). The County organization known as Managed Care Services is the medical services organization for the Department of Health Services (DHS), and coordinates the delivery of health care in a managed care environment with the objectives of improving outcomes and reducing costs. An additional \$171 million of the increase is related to advances payable from the State for public social services and children and family programs that have yet to be earned. For business-type activities, a net decrease of \$17 million in current and other liabilities was primarily due to an \$18 million decrease in accounts payable for intergovernmental transfer expenses associated with the hospitals.

Long-term liabilities increased by \$1.508 billion for governmental activities and by \$215 million for business-type activities. Liabilities for other postemployment benefits (OPEB) increased for both governmental and business-type activities by \$1.408 billion and \$286 million, respectively. 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.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and are not recognized as revenue until then. The County has deferred inflows of resources totaling \$97 million. The \$97 million is the present value of installment payments due to service concession arrangements with private operators of sixteen County golf courses as discussed in Note 7.

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 (\$17.061 billion) represents its investment in capital assets (i.e., land, buildings 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 \$2.804 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 \$10.130 billion. Both governmental and business-type activities reported deficits in this category of \$8.200 billion and \$1.930 billion, respectively. The deficits closely parallel the OPEB related liabilities of \$8.220 billion for governmental activities and \$1.627 billion for business-type activities. Other unfunded liabilities are also factors, such as workers' compensation, compensated absences, and litigation and self-insurance claims.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

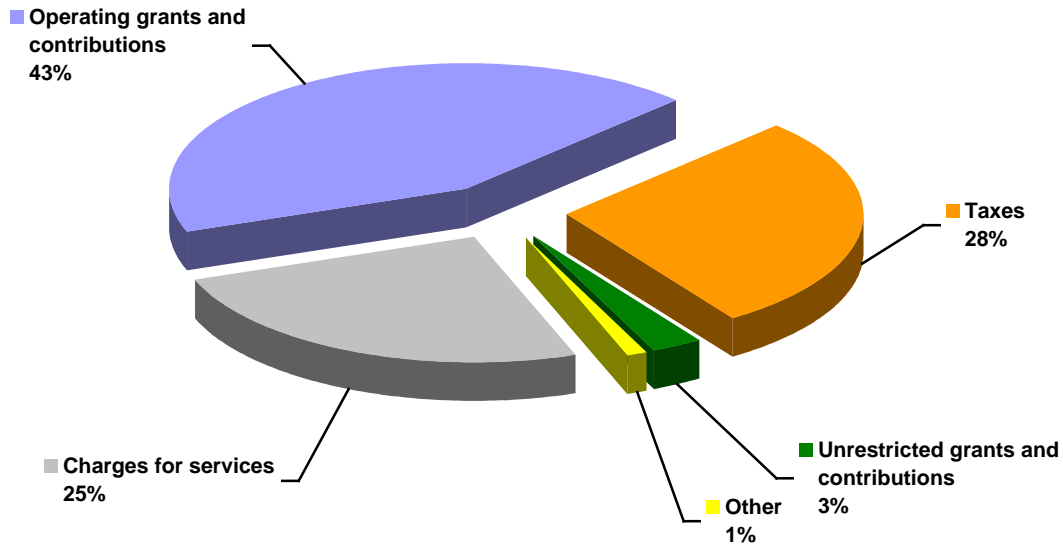
The following table details identifies changes in net position for governmental and business-type activities:

Summary of Changes in Net Position
For the Years Ended June 30, 2014 and 2013
(in thousands)

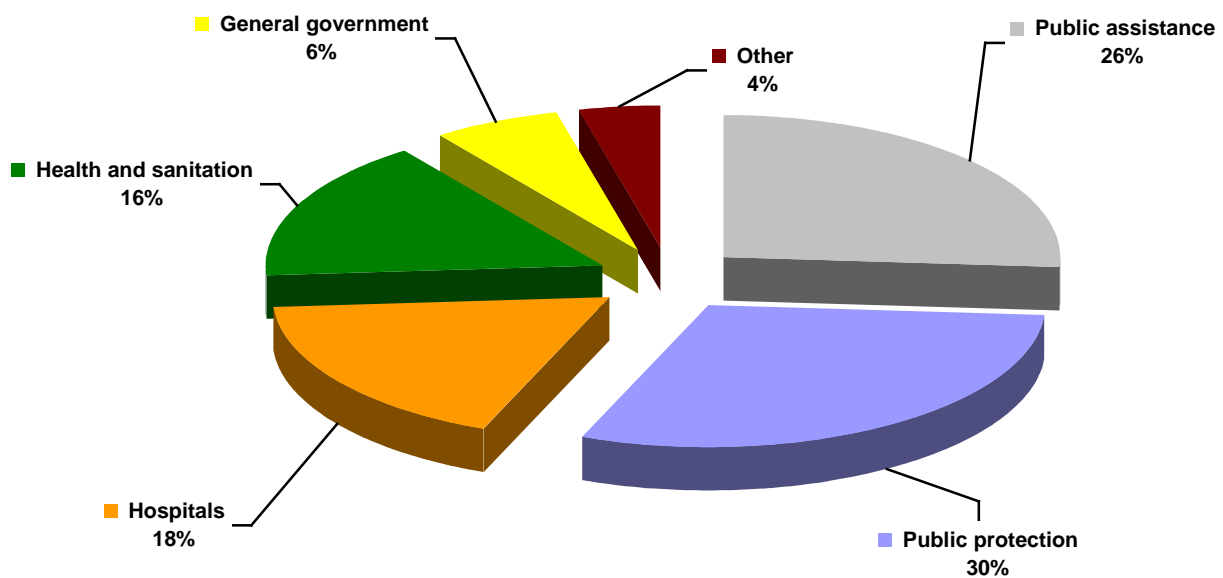
	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 2,751,505	\$ 2,589,542	\$ 2,534,565	\$ 2,446,892	\$ 5,286,070	\$ 5,036,434
Operating grants and contributions	8,579,502	8,186,681	485,888	522,112	9,065,390	8,708,793
Capital grants and contributions	12,850	104,486	3,156	47	16,006	104,533
General revenues:						
Taxes	5,840,175	5,570,043	4,681	4,347	5,844,856	5,574,390
Unrestricted grants and contributions	513,458	745,406	33	37	513,491	745,443
Investment earnings (loss)	64,354	(920)	3,908	(171)	68,262	(1,091)
Miscellaneous	<u>134,611</u>	<u>150,957</u>	<u>19,101</u>	<u>13,171</u>	<u>153,712</u>	<u>164,128</u>
Total revenues	<u>17,896,455</u>	<u>17,346,195</u>	<u>3,051,332</u>	<u>2,986,435</u>	<u>20,947,787</u>	<u>20,332,630</u>
Expenses:						
General government	1,307,001	1,274,689			1,307,001	1,274,689
Public protection	6,682,960	6,309,193			6,682,960	6,309,193
Public ways and facilities	366,582	381,211			366,582	381,211
Health and sanitation	3,557,523	3,066,172			3,557,523	3,066,172
Public assistance	5,830,165	5,538,106			5,830,165	5,538,106
Education	119,037	119,680			119,037	119,680
Recreation and cultural services	278,459	316,372			278,459	316,372
Interest on long-term debt	97,777	105,491			97,777	105,491
Hospitals			3,838,574	3,889,206	3,838,574	3,889,206
Waterworks			84,499	84,824	84,499	84,824
Aviation			<u>6,402</u>	<u>5,332</u>	<u>6,402</u>	<u>5,332</u>
Total expenses	<u>18,239,504</u>	<u>17,110,914</u>	<u>3,929,475</u>	<u>3,979,362</u>	<u>22,168,979</u>	<u>21,090,276</u>
Excess (deficiency) before transfers	(343,049)	235,281	(878,143)	(992,927)	(1,221,192)	(757,646)
Transfers	<u>(731,152)</u>	<u>(913,686)</u>	<u>731,152</u>	<u>913,686</u>		
Changes in net position	(1,074,201)	(678,405)	(146,991)	(79,241)	(1,221,192)	(757,646)
Net position – beginning	<u>10,390,976</u>	<u>11,069,381</u>	<u>565,397</u>	<u>644,638</u>	<u>10,956,373</u>	<u>11,714,019</u>
Net position – ending	<u>\$ 9,316,775</u>	<u>\$ 10,390,976</u>	<u>\$ 418,406</u>	<u>\$ 565,397</u>	<u>\$ 9,735,181</u>	<u>\$ 10,956,373</u>

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

**REVENUES BY SOURCE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**



**EXPENSES BY TYPE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**



**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

Governmental Activities

Revenues from governmental activities increased by \$550 million (3.2%) 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 \$393 million. Of this total, \$236 million was attributable to higher reimbursable costs in public assistance programs, \$59 million was from health and sanitation programs related to the implementation of managed care, \$56 million was for public protection related to State Assembly Bill 109 public safety realignment, and \$49 million was due to increased revenues for public ways and facilities. Revenue associated with the State Mental Health Services Act (Proposition 63) declined by \$64 million, primarily because the prior year amount included a one-time distribution of excess State funds.
- Taxes, the County's largest general revenue source, were \$270 million higher than the prior year due almost entirely to increased property taxes which grew by \$268 million. The County's assessed property tax roll grew for the third consecutive year and was 4.66% higher in the current year. Property tax revenues were also recognized in conjunction with the dissolution of redevelopment agencies. "Pass through" payments primarily from redevelopment dissolution were \$202 million, and declined by \$39 million from the prior year. Redevelopment dissolution also shifted residual property taxes to local governments, including the County. The County's share of such residual tax revenues in the current year was \$160 million, an increase of \$35 million compared to the prior year.
- Charges for services increased by a total of \$162 million, primarily attributable to a \$230 million increase in revenues associated with clients who were enrolled in managed care pursuant to the County's implementation of the ACA. That increase was partially offset by a \$61 million reduction in revenues for Public Health's Substance Abuse Prevention and Control program, due to lower reimbursable costs.
- Unrestricted grants and contributions declined by \$232 million due primarily to a \$134 million reduction in one-time revenues from redevelopment agencies to the County. In the prior year, State law required former redevelopment agencies to transfer excess funds to local government agencies, including the County. In addition, the County's share of tobacco settlement revenues declined by \$33 million in the current year.

Additionally, pursuant to Assembly Bill 85 (AB85), the State withheld \$88 million of current year 1991 County Health Realignment Funds based on an assumption that County healthcare costs for the indigent population will decrease. The funds will be reconciled and trued-up at the end of FY 2015-16. Although the County anticipates that the final amount withheld will be less than or equal to \$88 million, it is subject to the State's review and approval, and the financial impact of the potential redirection of realignment funding in future years is not yet known. Accordingly, the revenues associated with the amount withheld have not been recorded in the financial statements.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

Governmental Activities-Continued

Expenses related to governmental activities increased by \$1.129 billion (6.6%) during the current year. Of that increase, OPEB grew by \$373 million compared to the prior year, in which the County prefunded OPEB contributions with LACERA Credit Reserves by \$449 million. OPEB is discussed in more detail in Note 9 to the basic financial statements. Expenses for services and supplies costs increased by \$289 million and were attributable to higher costs in the health and sanitation programs. Overall, salaries and employee benefits expense increased by \$367 million. This increase was attributable to higher pension costs of \$136 million, growth in employee salaries of \$124 million due primarily to a negotiated 2% general cost of living increase, and other employee benefit costs which were \$107 million higher.

Business-type Activities

Revenues from business-type activities saw a net increase in comparison to the prior year of \$65 million (2.1%). The most significant change was in the area of charges for services, which increased by \$88 million. This was partially offset by a decrease of \$36 million in operating grants and contributions. As discussed in Note 14 to the basic financial statements, County Hospital revenues are derived from a wide range of federal and State funding sources. The implementation of the ACA had the effect of changing the amounts of individual program revenues in the current year. The most significant changes were primarily attributable to supplemental revenue increases of \$355 million associated with the expansion of Medicaid/Medi-Cal coverage, partially offset by reductions in revenues for Seniors and Persons with Disabilities (SPD), Safety Net Care Pool (SNCP) and Delivery System Reform Incentive Pool (DSRIP) totaling \$255 million.

Expenses related to business-type activities decreased from the previous year by a net total of \$50 million (1.2%), primarily related to the operation of the County's hospitals. Specifically, intergovernmental transfer expenses associated with various hospital funding sources declined by \$238 million. These decreases were partially offset by increased hospital costs for salaries and employee benefits of \$168 million, and services and supplies costs of \$46 million. For all Hospital facilities, the average patient census during the current year was 1,213 patients per day, which was lower in comparison with 1,234 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.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

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 \$6.277 billion, an increase of \$170 million in comparison with the prior year. Of the total fund balances, \$284 million is nonspendable to indicate the extent that funds are not in spendable form or are required to remain intact. An additional \$2.897 billion is classified as restricted, \$598 million as committed, and \$729 million as assigned. The remaining balance of \$1.769 billion is classified as unassigned and is entirely associated with the General Fund.

Revenues from all governmental funds for the current year were \$17.868 billion, an increase of \$617 million (3.6%) from the previous year. Expenditures for all governmental funds in the current year were \$17.329 billion, an increase of \$920 million (5.6%) from the previous year. In addition, other financing uses exceeded other financing sources by \$369 million as compared to \$613 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 \$223 million (7.7%). At the end of the current fiscal year, the General Fund's total fund balance was \$3.103 billion. Of this amount, \$272 million is classified as nonspendable, \$41 million as restricted, \$483 million as committed, \$538 million as assigned and the remaining \$1.769 billion is classified as unassigned.

General Fund revenues during the current year were \$15.208 billion, an increase of \$601 million (4.1%) from the previous year. General Fund expenditures during the current year were \$14.790 billion, an increase of \$777 million (5.5%) from the previous year. Other financing sources/uses-net was negative \$195 million in the current year as compared to negative \$356 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by \$253 million and property taxes comprised \$246 million of this increase. Property tax revenues associated with higher assessed property values and increased supplemental property taxes grew by \$251 million. Residual property tax revenues, which are associated with redevelopment dissolution, were \$134 million in the current year, or \$30 million higher than the prior year. This growth in property taxes was offset by "pass through" property tax revenues, which were \$35 million lower in current year.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

- Governmental Funds-Continued

- Intergovernmental revenues increased overall by \$213 million, attributable primarily to increases in State revenues of \$253 million and federal revenues of \$60 million, partially offset by a decrease in "other" intergovernmental revenues of \$100 million. State revenue growth of \$155 million was attributable to higher levels of reimbursable program and administrative costs for public assistance and children and family services programs. There was also growth of \$50 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 \$36 million and \$7 million, respectively. There were also year-over-year increases in State Proposition 172 revenues of \$38 million. The decrease in "other" intergovernmental revenues of \$100 million is due to a decline in one-time transfers from former redevelopment agencies of excess funds associated with the State's Assembly Bill 1484 redevelopment dissolution initiative.
- Charges for services increased by a total of \$178 million. As previously mentioned, there was a \$230 million increase in revenues associated with clients who were enrolled in managed care pursuant to the County's implementation of the ACA. This was partially offset by a \$61 million reduction in revenues for Public Health's Substance Abuse Prevention and Control program, due to lower reimbursable costs.
- General fund expenditures increased by a total of \$777 million, or 5.5%. Within this total, current expenditures increased by \$785 million, and debt service and capital outlay expenditures decreased by \$2 million and \$6 million, respectively. The most significant increase in current expenditures was in salaries, employee benefits and pension costs, which were higher by a total of \$300 million, partially due to the negotiated salary increases as previously discussed. Health and sanitation program expenditures were higher by \$273 million, consisting of \$168 million in services and supplies costs associated with managed care and implementation of the ACA, \$95 million related to mental health programs, and County financial assistance to the Martin Luther King (MLK) Community Hospital of \$33 million. These increases were partially offset by a \$33 million reduction in expenditures for public health programs. Current expenditures were also higher by \$117 million in the public assistance category related to administering a variety of assistance programs. Finally, \$70 million of expenditure growth was related to the County's development of a new electronic health record system known as the Online Realtime Centralized Health Information Database.

The Fire Protection District reported a year-end fund balance of \$224 million, which represented a decrease of \$13 million from the previous year. Revenues increased by \$8 million. However, expenditures were higher by \$50 million, nearly all of which was related to salaries and benefits.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

Governmental Funds-Continued

The Flood Control District reported a year-end fund balance of \$305 million, which was \$62 million higher than the previous year. Pooled cash and investments improved by \$82 million in the current year. Revenues of \$256 million and expenditures of \$187 million were nearly unchanged from the previous year.

The Public Library Fund reported a year-end fund balance of \$61 million, which was \$2 million higher than the previous year. Revenues were unchanged, at \$81 million in the current and prior year. Expenditures increased in the current year by \$5 million and there was a net increase of \$9 million for "transfers in."

The Regional Park and Open Space District reported a year-end fund balance of \$323 million, which was \$7 million lower than the previous year. Current year revenues were lower by \$31 million with a related decrease in "transfers out" of \$35 million. In the current year, comparable revenues were recognized directly in the Regional Park and Open District Debt Service Fund and are now more appropriately aligned with their related expenditures, thereby eliminating the use of "transfers" between the two funds. Expenditures were \$55 million in the current year versus \$35 million in the prior year, due to an increase of \$20 million in park, recreation, and open space capital projects.

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 as discussed in Note 15 to the basic financial statements. The amount of subsidy, per facility, ranged from \$16 million for Rancho Los Amigos National Rehabilitation Center to \$227 million for the Harbor-UCLA Medical Center. The total subsidy amount was \$522 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 \$718 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 (\$111 million), Harbor-UCLA Medical Center (\$56 million), and Olive-View UCLA Medical Center (\$42 million). The total amount of current year Measure B transfers (\$209 million) was lower than the prior year amount of \$215 million.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

Proprietary Funds-Continued

Waterworks Funds reported year-end net position of \$816 million, a \$4 million reduction from the previous year. Current year operating revenues of \$75 million were \$3 million higher than the previous year's amount of \$72 million. Current year operating expenses of \$84 million were nearly the same as the previous year's amount of \$85 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 increase of \$69 million in the General Fund's available (unassigned) fund balance from the previous year.

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>	<u>Increase From Original Budget</u>	<u>Final Budget Amount</u>	<u>Actual Amount</u>	<u>Variance- Positive (Negative)</u>
Taxes	\$ 144,756	\$ 4,515,896	\$ 4,518,193	\$ 2,297
Intergovernmental revenues	215,296	9,114,808	8,416,611	(698,197)
Charges for services	121,917	1,882,315	1,751,008	(131,307)
All other revenues	10,767	544,171	537,831	(6,340)
Other sources and transfers in	4,229	687,475	457,580	(229,895)
Total	<u>\$ 496,965</u>	<u>\$ 16,744,665</u>	<u>\$ 15,681,223</u>	<u>\$ (1,063,442)</u>

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources were approximately \$497 million. The most significant changes occurred in the following areas:

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

Changes from Amounts Originally Budgeted-Continued

- Estimated intergovernmental revenues increased by \$215 million. Of this amount, \$63 million was used to augment federal and State funds budgeted for a variety of health and mental health programs. Federal revenues of \$57 million were added to the budget to more accurately reflect the General Fund's share of health care reform revenues. There was also an increase of \$35 million for public assistance programs due to higher levels of reimbursable costs. Net additions of \$35 million were made to budgeted intergovernmental revenues associated with redevelopment dissolution revenues. Budgeted federal revenues for emergency and disaster recovery were increased by \$11 million to reflect additional grant funding. There were other net additions to budgeted intergovernmental revenues of \$14 million.
- The budget for tax revenues increased by \$145 million. Of this increase, \$116 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. In addition, \$29 million was added to the budget for unanticipated property tax revenues recognized in conjunction with redevelopment dissolution.
- The budget for charges for services increased by \$122 million. This increase was associated with the General Fund's managed care program and services, which expanded in conjunction with implementing the ACA.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately \$15.681 billion. The amount was \$1.063 billion, or 6.4%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues, charges for services, and "other sources and transfers in."

- Actual intergovernmental revenues were \$698 million lower than the amount budgeted. Budgeted intergovernmental revenues of \$263 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. Approximately \$165 million was associated with social services and child and family programs, where reimbursable costs were lower than anticipated due to delays in hiring and promoting staff, reduced contractual spending for services and child care provider payments, and delays in implementing new systems. Mental health programs accounted for approximately \$117 million of this variance, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues. The Probation and Sheriff's Departments under-realized revenues of \$40 million due to lower than expected reimbursement of salaries, services and supplies. Public health related programs experienced budgeted revenue shortfalls of \$37 million, most of which was associated with federal grants and offset by a comparable amount of cost savings. 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 \$52 million was related to a variety of other programs.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

Actual Revenues/Financing Sources Compared with Final Budget Amounts-Continued

- The actual amount of "other sources and transfers in" was \$230 million lower than the amount budgeted. Of this amount, mental health programs funded by the Mental Health Services Act Special Revenue Fund did not fully materialize at the budgeted level and "transfers in" were \$132 million lower than budgeted. In addition, "transfers in" totaling \$64 million were assumed in the budget for capital improvements and extraordinary building maintenance projects which did not incur expected costs. Costs associated with Sheriff's Department programs funded by the Other Public Protection Special Revenue Funds were \$19 million less than budgeted. There were various other sources and transfers that comprised the remaining variance of \$15 million.
- Actual charges for services were \$131 million lower than the amount budgeted, primarily due to an unanticipated reduction of \$112 million in public health program revenues which were largely associated with lower reimbursement for substance abuse prevention and control services. The remaining variance of \$19 million was related to a variety of other charges for services.

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	\$ (168,572)	\$ 1,626,295	\$ 1,011,090	\$ (615,205)
Public protection	72,772	5,173,234	4,911,255	(261,979)
Health and sanitation	267,730	3,713,484	3,335,840	(377,644)
Public assistance	57,417	5,835,422	5,495,558	(339,864)
All other expenditures	22,422	1,196,061	365,006	(831,055)
Transfers out	20,856	530,254	522,231	(8,023)
Contingencies	115,797	115,797		(115,797)
Fund balance changes-net	108,543	51,699	(28,439)	(80,138)
Total	<u>\$ 496,965</u>	<u>\$ 18,242,246</u>	<u>\$ 15,612,541</u>	<u>\$ (2,629,705)</u>

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations and fund balance component changes were approximately \$497 million. The most significant increases occurred in the following areas:

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

Changes from Amounts Originally Budgeted-Continued

- Health and sanitation appropriations were increased by \$268 million. As previously mentioned, estimated revenues of \$242 million were added to the budget to augment appropriations to implement the Medi-Cal Expansion and the Low Income Health Plan. The difference was attributable to a net increase in health and sanitation appropriations of \$26 million.
- General government appropriations decreased by \$169 million. Of this amount, appropriations not associated with specific County departments, such as provisional appropriations, decreased by \$202 million and transferred to other functional categories to fund the financial assistance to the Martin Luther King, Jr.-Los Angeles (MLK-LA) Healthcare Corporation, various capital improvements, deferred maintenance projects, and increased salaries and employee benefits expenditures. This was offset by an increase of appropriations of \$48 million for project and facility development expenditures and various decreases to general government expenditures by \$15 million.
- After the original budget was established, appropriations for contingencies were increased by \$116 million. As previously mentioned, there was a \$116 million increase to budgeted tax revenues at the end of the fiscal year, which was accompanied by an increase in appropriations for contingencies to comply with statutory requirements.
- Net budgetary changes of \$109 million had the effect of increasing various fund balance components. There was \$82 million of financial assistance provided to the Martin Luther King, Jr.-Los Angeles (MLK-LA) Healthcare Corporation and \$30 million was committed for programs in the incorporated areas. These changes were offset by \$3 million of reductions to other fund balance categories.
- Public Protection appropriations were increased by \$73 million. Of this amount, \$47 million was for negotiated increases in salaries and employee benefits expenditures, and \$17 million was appropriated to implement the Citizen's Commission on Jail Violence recommendations. Various increases in public protection programs appropriations comprised the remaining \$9 million.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were \$2.630 billion lower (14.4%) than the final total budget of \$15.613 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 \$831 million less than the budgeted amount. Of this variance, \$812 million was in the capital outlay category, related to numerous 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.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount-Continued

- The general government function reported actual expenditures that were \$615 million less than the amount budgeted. Of this amount, \$430 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 \$185 million was spread across County departments 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 \$378 million less than the budgeted amount. Appropriations related to mental health services exceeded actual expenditures by \$222 million, primarily due to lower than anticipated costs for contracted services and some salary savings. The public health program recognized budgetary savings of \$141 million, with \$101 million due to lower than expected contract service costs and approximately \$44 million in salaries and benefits savings. The remaining variance of \$15 million was associated with other health programs.
- Actual public assistance expenditures were \$340 million lower than the final budget. Of this amount, \$282 million was concentrated in social service and 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 \$32 million of savings related to homeless and housing programs due to delays in carrying out multi-year projects. The remaining variance of \$26 million was related to other public assistance programs.
- Expenditures in the public protection category were \$262 million less than the budgeted amount. Appropriations for Sheriff's and Probation services exceeded actual expenditures by \$199 million primarily due to lower than anticipated costs for contracted services and salary savings. The balance was primarily concentrated in the area of federal and State emergency grant funded programs, where actual expenditures were \$63 million less than anticipated due to delays in carrying out various projects.

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2014 were \$19.093 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.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was \$425 million, as shown in the following table.

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

	Current Year	Prior Year	Increase (Decrease)
Land and easements	\$ 7,542,257	\$ 7,533,653	\$ 8,604
Buildings and improvements	4,649,013	3,934,494	714,519
Infrastructure	4,925,897	5,037,495	(111,598)
Equipment	524,218	510,535	13,683
Software	294,937	319,782	(24,845)
Capital assets, in progress	1,157,155	1,332,302	(175,147)
Total	<u>\$ 19,093,477</u>	<u>\$ 18,668,261</u>	<u>\$ 425,216</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. Three significant hospital projects were completed toward the end of the current year and reclassified from construction-in-progress to buildings and improvements for the following facilities: \$384 million for Harbor/UCLA Medical Center surgical facility, \$174 million for the Martin Luther King, Jr. Outpatient Center, and \$124 million for the High Desert Regional Health Center. As of June 30, 2014, there were \$527 million of capital asset commitments outstanding.

Debt Administration

During the current year, the County's liabilities for long-term debt, including accreted interest, increased by \$7 million, as newly issued debt and accretions of \$472 million exceeded debt maturities of \$465 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 \$418 million were issued for governmental and business-type activities in the amounts of \$367 million and \$51 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 improvements.
- New debt of \$54 million was issued to finance the acquisition of equipment. Equipment debt totaling \$61 million was redeemed during the year in accordance with maturity schedules.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

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 billion in tax and revenue anticipation notes, with maturities of \$300 million on February 28, 2014 and \$700 million on June 30, 2014. 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 assigned by the respective rating agencies:

	<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

Since the previous year, the County's bond ratings remained the same except for the following changes:

- Standard & Poor's upgraded the following ratings: General Obligation Bonds from AA to AA+, Facilities from AA- to AA, Equipment/Non-Essential Leases from AA- to AA, and Operating/Non-Essential Leases from AA- to AA.

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2014-2015 Budget on June 23, 2014. The Budget was adopted based on estimated fund balances that would be available at the end of 2013-2014. The Board updated the Budget on September 30, 2014 to reflect final 2013-2014 fund balances and other pertinent financial information. For the County's General Fund, the 2014-2015 Budget utilized \$1.566 billion of fund balance, which exceeded the previously estimated fund balance of \$1.198 billion. Of the additional fund balance of \$368 million, \$213 million was used to carryover lapsed appropriations and the remaining \$155 million was used to fund one-time projects and programs.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2014**

The County's 2014-2015 Budget anticipates the continuation of moderate growth that began in 2012-2013. Improvements in the housing market and the continued downward trend in unemployment have strengthened consumer confidence and increased consumer spending. Among the fiscal challenges facing the County are the impact that health care reform and ongoing implementation of the ACA will have on the County's health care system, the implementation of the Department of Justice recommendations on mental health issues in the County jail system, unfunded liabilities for retiree healthcare benefits, and addressing significant deferred maintenance and capital improvement needs. The County will continue to strategically address restoring previous curtailments and addressing structural deficits as locally generated revenues increase.

The County's budget outlook may also be impacted by the October 31, 2015 expiration of the Centers for Medicare and Medicaid Services Medi-Cal Demonstration Project, called "California's Bridge to Reform" (Waiver), which affects Medi-Cal revenue for the County hospitals and clinics including the financing methods by which the State draws down federal matching funds. The waiver provides funding sources for the County to implement healthcare delivery system and quality of care reforms, and DHS has indicated that renewal is necessary to support the ongoing implementation of the ACA. The State Department of Health Care Services has begun the stakeholder process to renew the Waiver.

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) forecasts continued moderate State revenue growth through 2019-2020. The LAO also projects that the State will begin to fund a Budget Stabilization Account and to pay down specified debts, pursuant to the November 4, 2014 passage of the Rainy Day Budget Stabilization Fund Act (Proposition 2), which may moderate the impact of future volatility in State revenues. 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, 2014 (in thousands)

	PRIMARY GOVERNMENT			DISCRETELY
	GOVERNMENTAL	BUSINESS-TYPE		PRESENTED
	ACTIVITIES	ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating	\$ 4,148,453	74,964	\$ 4,223,417	\$ 735,741
Other	991,820	38,953	1,030,773	
Total pooled cash and investments	5,140,273	113,917	5,254,190	735,741
Other investments (Note 5)	64,556		64,556	213,246
Taxes receivable	242,652	750	243,402	
Accounts receivable - net (Note 14)		1,522,648	1,522,648	35,008
Interest receivable	18,185	335	18,520	650
Other receivables	2,193,884	257,577	2,451,461	68,803
Internal balances (Note 15)	768,135	(768,135)		
Inventories	77,197	23,695	100,892	21,527
Restricted assets (Note 5)	4,443	151,244	155,687	
Net pension obligation				131
Capital assets: (Notes 6 and 10)				
Capital assets, not being depreciated	8,425,066	274,346	8,699,412	96,752
Capital assets, net of accumulated depreciation	7,666,235	2,727,830	10,394,065	92,988
Total capital assets	16,091,301	3,002,176	19,093,477	189,740
TOTAL ASSETS	24,600,626	4,304,207	28,904,833	1,264,846
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	20,243		20,243	
LIABILITIES				
Accounts payable	573,706	272,318	846,024	63,484
Accrued payroll	384,709	80,259	464,968	
Other payables	95,230	10,685	105,915	1,063
Accrued interest payable	19,554	20,192	39,746	
Unearned revenue	76,329	315	76,644	190
Advances payable	582,664	315	582,979	
Long-term liabilities: (Note 11)				
Due within one year	1,064,609	177,421	1,242,030	5,440
Due in more than one year	12,410,262	3,324,296	15,734,558	66,577
TOTAL LIABILITIES	15,207,063	3,885,801	19,092,864	136,754
DEFERRED INFLOWS OF RESOURCES (Note 20)	97,031		97,031	
NET POSITION				
Net investment in capital assets (Notes 6 and 11)	14,789,236	2,271,730	17,060,966	149,662
Restricted for:				
Capital projects	58,218		58,218	
Debt service	59,740	4,847	64,587	
Permanent funds - nonspendable	2,195		2,195	
Permanent funds - spendable	222		222	
General government	551,800		551,800	
Public protection	604,749		604,749	
Public ways and facilities	465,933	72,061	537,994	
Health and sanitation	648,068		648,068	
Recreation	328,429		328,429	
Community development				281,516
First 5 LA				632,680
Other	8,025		8,025	
Unrestricted (deficit)	(8,199,840)	(1,930,232)	(10,130,072)	64,234
TOTAL NET POSITION	\$ 9,316,775	418,406	\$ 9,735,181	\$ 1,128,092

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, 2014 (in thousands)

FUNCTIONS		PROGRAM REVENUES		
		CHARGES FOR	OPERATING	CAPITAL
PRIMARY GOVERNMENT:	EXPENSES	SERVICES	GRANTS AND	GRANTS AND
			CONTRIBUTIONS	CONTRIBUTIONS
Governmental activities:				
General government	\$ 1,307,001	488,685	40,325	7,356
Public protection	6,682,960	1,222,157	1,477,727	4,573
Public ways and facilities	366,582	37,937	234,784	812
Health and sanitation	3,557,523	784,997	2,018,269	109
Public assistance	5,830,165	13,712	4,805,553	
Education	119,037	3,378	222	
Recreation and cultural services	278,459	200,639	2,622	
Interest on long-term debt	97,777			
Total governmental activities	18,239,504	2,751,505	8,579,502	12,850
Business-type activities:				
Hospitals	3,838,574	2,455,940	485,755	
Waterworks	84,499	74,598	131	326
Aviation	6,402	4,027	2	2,830
Total business-type activities	3,929,475	2,534,565	485,888	3,156
Total primary government	\$ 22,168,979	5,286,070	9,065,390	16,006
DISCRETELY PRESENTED COMPONENT UNITS	\$ 648,226	63,475	498,376	

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 income

Miscellaneous

TRANSFERS - NET

Total general revenues and transfers

CHANGE IN NET POSITION

NET POSITION, JULY 1, 2013

NET POSITION, JUNE 30, 2014

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

NET (EXPENSES) REVENUES AND
CHANGES IN NET POSITION

PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
\$ (770,635)		\$ (770,635)	
(3,978,503)		(3,978,503)	
(93,049)		(93,049)	
(754,148)		(754,148)	
(1,010,900)		(1,010,900)	
(115,437)		(115,437)	
(75,198)		(75,198)	
(97,777)		(97,777)	
(6,895,647)		(6,895,647)	
	(896,879)	(896,879)	
	(9,444)	(9,444)	
	457	457	
	(905,866)	(905,866)	
(6,895,647)	(905,866)	(7,801,513)	
			\$ (86,375)
			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 income
			Miscellaneous
			TRANSFERS - NET
			Total general revenues and transfers
			CHANGE IN NET POSITION
			NET POSITION, JULY 1, 2013
			NET POSITION, JUNE 30, 2014

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating	\$ 1,011,366	207,399	334,752	60,420
Other	922,428	12,690	10,229	1,191
Total pooled cash and investments	1,933,794	220,089	344,981	61,611
Other investments (Notes 4 and 5)	4,810			119
Taxes receivable	169,141	39,041	12,196	5,906
Interest receivable	10,851	470	816	169
Other receivables	1,985,832	40,094	4,103	1,505
Due from other funds (Note 15)	283,255	2,604	12,696	4,297
Advances to other funds (Note 15)	885,314		6,307	
Inventories	56,790	8,542		1,216
TOTAL ASSETS	5,329,787	310,840	381,099	74,823
DEFERRED OUTFLOWS OF RESOURCES (Note 20)				
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,329,787	310,840	381,099	74,823
LIABILITIES				
Accounts payable	\$ 516,410	5,351	2,502	1,174
Accrued payroll	331,045	34,328		3,518
Other payables	111,019	2,337	40,936	434
Due to other funds (Note 15)	158,626	17,294	24,116	4,573
Advances payable	575,567			
Third party payor (Notes 11 and 14)	26,207			
TOTAL LIABILITIES	1,718,874	59,310	67,554	9,699
DEFERRED INFLOWS OF RESOURCES (Note 20)	508,105	27,287	8,071	4,221
FUND BALANCES (Note 21)				
Nonspendable	272,007	8,542		1,216
Restricted	40,577	215,701	305,375	9,814
Committed	482,740			
Assigned	538,078		99	49,873
Unassigned	1,769,406			
TOTAL FUND BALANCES	3,102,808	224,243	305,474	60,903
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 5,329,787	310,840	381,099	74,823

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)
\$ 325,905	2,176,066		\$ 4,115,908	Operating
965	39,212		986,715	Other
326,870	2,215,278		5,102,623	Total pooled cash and investments
	173,242	(113,615)	64,556	Other investments (Notes 4 and 5)
2,392	13,976		242,652	Taxes receivable
903	4,846		18,055	Interest receivable
5,320	49,848		2,086,702	Other receivables
398	71,924		375,174	Due from other funds (Note 15)
	12,164		903,785	Advances to other funds (Note 15)
			66,548	Inventories
335,883	2,541,278	(113,615)	8,860,095	TOTAL ASSETS
	241,498		241,498	DEFERRED OUTFLOWS OF RESOURCES (Note 20)
\$ 335,883	2,782,776	(113,615)	\$ 9,101,593	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES
				LIABILITIES
\$ 2,453	36,708		\$ 564,598	Accounts payable
	92		368,983	Accrued payroll
	14,438		169,164	Other payables
5,001	339,022		548,632	Due to other funds (Note 15)
	6,911		582,478	Advances payable
	538		26,745	Third party payor (Notes 11 and 14)
7,454	397,709		2,260,600	TOTAL LIABILITIES
5,576	11,135		564,395	DEFERRED INFLOWS OF RESOURCES (Note 20)
				FUND BALANCES (Note 21)
	2,195		283,960	Nonspendable
322,853	2,115,934	(113,615)	2,896,639	Restricted
	115,116		597,856	Committed
	140,687		728,737	Assigned
			1,769,406	Unassigned
322,853	2,373,932	(113,615)	6,276,598	TOTAL FUND BALANCES
\$ 335,883	2,782,776	(113,615)	\$ 9,101,593	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

COUNTY OF LOS ANGELES
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014 (in thousands)

Fund balances - total governmental funds (page 29) \$ 6,276,598

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	\$ 7,358,289	
Construction-in-progress	1,066,777	
Buildings and improvements - net	2,758,839	
Equipment - net	299,282	
Intangible software - net	257,895	
Infrastructure - net	<u>4,222,038</u>	15,963,120

Deferred outflows and inflows of resources reported in the statement of net position, but not recognized in the governmental funds:

Deferred outflows from losses on refunding of debt	\$ 20,243	
Deferred inflows from service concession arrangements	<u>(97,031)</u>	(76,788)

Unavailable revenues are reported as deferred inflows of resources in the governmental funds, but are recognized as revenues when earned in governmental activities:

Deferred inflows from property taxes	\$ 172,695	
Deferred inflows from long-term receivables	<u>150,202</u>	322,897

Other long-term asset transactions are not available for the current period and are not recognized in governmental funds:

Payables and receivables related to capital assets	\$ 479	
Accrued interest on long-term receivables	<u>7</u>	486

Installment receivables from service concession arrangements. 97,031

Accrued interest payable is not recognized in governmental funds. (19,379)

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	\$ (1,523,930)	
Unamortized premiums on bonds and notes	(27,908)	
Accreted interest on bonds and notes	(170,583)	
Capital lease obligations	(174,121)	
Accrued compensated absences	(1,190,722)	
Workers' compensation	(1,821,114)	
Litigation and self-insurance	(169,909)	
Pollution remediation obligations	(18,194)	
OPEB obligation	<u>(7,869,209)</u>	(12,965,690)

Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net position. (281,500)

Net position of governmental activities (page 25) \$ 9,316,775

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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
REVENUES				
Taxes	\$ 4,520,755	709,298	116,408	74,776
Licenses, permits and franchises	59,886	13,710	788	
Fines, forfeitures and penalties	207,094	3,788	1,412	509
Revenue from use of money and property:				
Investment income (Note 5)	36,447	1,593	2,370	647
Rents and concessions (Note 10)	91,108	104	7,862	13
Royalties	946		1,484	
Intergovernmental revenues:				
Federal	3,227,981	8,676	281	6
State	5,104,864	12,774	5,013	645
Other	62,827	1,934	1,768	1,109
Charges for services	1,743,447	178,607	115,560	2,603
Miscellaneous	152,663	482	2,915	324
TOTAL REVENUES	15,208,018	930,966	255,861	80,632
EXPENDITURES				
Current:				
General government	998,438			
Public protection	4,843,148	933,937	186,723	
Public ways and facilities				
Health and sanitation	3,204,177			
Public assistance	5,430,398			
Education				121,124
Recreation and cultural services	282,660			
Debt service:				
Principal	10,633	802		
Interest and other charges	18,295	72		
Capital outlay	2,398			
TOTAL EXPENDITURES	14,790,147	934,811	186,723	121,124
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	417,871	(3,845)	69,138	(40,492)
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 15)	466,108	3,730		51,562
Transfers out (Note 15)	(663,327)	(12,617)	(6,732)	(9,167)
Issuance of debt (Note 11)				
Capital leases (Note 10)	1,736			
Sales of capital assets	770	228	87	4
TOTAL OTHER FINANCING SOURCES (USES)	(194,713)	(8,659)	(6,645)	42,399
NET CHANGE IN FUND BALANCES	223,158	(12,504)	62,493	1,907
FUND BALANCES, JULY 1, 2013	2,879,650	236,747	242,981	58,996
FUND BALANCES, JUNE 30, 2014	\$ 3,102,808	224,243	305,474	60,903

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	
				REVENUES
\$	351,352		\$ 5,772,589	Taxes
	16,776		91,160	Licenses, permits and franchises
815	70,700		284,318	Fines, forfeitures and penalties
				Revenue from use of money and property:
3,330	26,207	(6,497)	64,097	Investment income (Note 5)
	25,577		124,664	Rents and concessions (Note 10)
	5		2,435	Royalties
				Intergovernmental revenues:
	22,829		3,259,773	Federal
	577,083		5,700,379	State
	15,949		83,587	Other
44,210	190,570		2,274,997	Charges for services
	53,706		210,090	Miscellaneous
48,355	1,350,754	(6,497)	17,868,089	TOTAL REVENUES
				EXPENDITURES
				Current:
	28,523		1,026,961	General government
	66,580		6,030,388	Public protection
	338,953		338,953	Public ways and facilities
	155,253		3,359,430	Health and sanitation
	7,330		5,437,728	Public assistance
	113		121,237	Education
55,342	8,688		346,690	Recreation and cultural services
				Debt service:
	368,213	(29,255)	350,393	Principal
	87,168	(6,497)	99,038	Interest and other charges
	216,100		218,498	Capital outlay
55,342	1,276,921	(35,752)	17,329,316	TOTAL EXPENDITURES
				EXCESS (DEFICIENCY) OF REVENUES OVER
(6,987)	73,833	29,255	538,773	EXPENDITURES
				OTHER FINANCING SOURCES (USES)
	143,419		664,819	Transfers in (Note 15)
	(712,468)		(1,404,311)	Transfers out (Note 15)
	366,957		366,957	Issuance of debt (Note 11)
			1,736	Capital leases (Note 10)
	497		1,586	Sales of capital assets
	(201,595)		(369,213)	TOTAL OTHER FINANCING SOURCES (USES)
(6,987)	(127,762)	29,255	169,560	NET CHANGE IN FUND BALANCES
329,840	2,501,694	(142,870)	6,107,038	FUND BALANCES, JULY 1, 2013
\$ 322,853	2,373,932	(113,615)	\$ 6,276,598	FUND BALANCES, JUNE 30, 2014

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, 2014 (in thousands)

Net change in fund balances - total governmental funds (page 33) \$ 169,560

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	\$ 631,200	
Less - current year depreciation expense	<u>(374,632)</u>	256,568

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.		(2,922)
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Contribution of capital assets is not recognized in the governmental funds.		4,905
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Amortization of losses on refunding of debt are reported as changes to deferred outflows of resources in governmental activities, but not reported for governmental funds.		(2,922)
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Changes in unavailable revenues are reported as changes in deferred inflows of resources for governmental funds, but were recognized when earned for governmental activities.		(25,904)
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Timing differences result in more or less revenues and expenses in the
statement of activities.

Change in accrued interest on long-term receivables	\$ 7	
Change in unamortized premiums	<u>4,199</u>	4,206

Issuance of long-term debt provides resources in the governmental funds, but increases long-term liabilities in the statement of net position.		(368,693)
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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	\$ 53,754	
Notes, loans, and lease revenue obligation notes	255,949	
Assessment bonds	29,255	
Other long-term notes, loans and capital leases	<u>11,435</u>	350,393

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	\$ (28,233)	
Change in litigation and self-insurance	7,169	
Change in pollution remediation obligations	(2,308)	
Change in accrued compensated absences	(44,406)	
Change in OPEB obligation	(1,348,782)	
Change in accrued interest payable	1,134	
Change in accretion of bonds and notes	4,189	
Change in accretion of tobacco settlement bonds	(2,630)	
Transfer of capital assets from governmental fund to enterprise fund	<u>(1,106)</u>	(1,414,973)

The portion of internal service funds that is reported with governmental activities.		(44,419)
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Change in net position of governmental activities (page 27)		<u><u>\$ (1,074,201)</u></u>
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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
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES				
Taxes	\$ 4,371,140	4,515,896	4,518,193	2,297
Licenses, permits and franchises	43,614	43,655	59,886	16,231
Fines, forfeitures and penalties	214,088	214,088	207,094	(6,994)
Revenue from use of money and property:				
Investment income	28,755	29,186	28,796	(390)
Rents and concessions	96,908	101,109	91,108	(10,001)
Royalties	225	225	946	721
Intergovernmental revenues:				
Federal	3,867,609	4,007,397	3,251,164	(756,233)
State	4,974,708	5,014,375	5,113,078	98,703
Other	57,195	93,036	52,369	(40,667)
Charges for services	1,760,398	1,882,315	1,751,008	(131,307)
Miscellaneous	149,814	155,908	150,001	(5,907)
TOTAL REVENUES	15,564,454	16,057,190	15,223,643	(833,547)
EXPENDITURES				
Current:				
General government	1,794,867	1,626,295	1,011,090	(615,205)
Public protection	5,100,462	5,173,234	4,911,255	(261,979)
Health and sanitation	3,445,754	3,713,484	3,335,840	(377,644)
Public assistance	5,778,005	5,835,422	5,495,558	(339,864)
Recreation and cultural services	294,336	300,947	287,630	(13,317)
Debt service-				
Interest	2,801	2,801	2,801	
Capital outlay	876,502	892,313	74,575	(817,738)
TOTAL EXPENDITURES	17,292,727	17,544,496	15,118,749	(2,425,747)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,728,273)	(1,487,306)	104,894	1,592,200
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	304	304	770	466
Transfers in	682,942	687,171	456,810	(230,361)
Transfers out	(509,398)	(530,254)	(522,231)	8,023
Appropriations for contingencies		(115,797)		115,797
Changes in fund balance	56,844	(51,699)	28,439	80,138
OTHER FINANCING SOURCES (USES) - NET	230,692	(10,275)	(36,212)	(25,937)
NET CHANGE IN FUND BALANCE	(1,497,581)	(1,497,581)	68,682	1,566,263
FUND BALANCE, JULY 1, 2013 (Note 16)	1,497,581	1,497,581	1,497,581	
FUND BALANCE, JUNE 30, 2014 (Note 16)	\$		1,566,263	1,566,263

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, 2014 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES				
Taxes	\$ 691,385	704,635	707,000	2,365
Licenses, permits and franchises	13,473	13,473	13,710	237
Fines, forfeitures and penalties	4,013	4,013	3,788	(225)
Revenue from use of money and property:				
Investment income	901	901	841	(60)
Rents and concessions	85	85	104	19
Intergovernmental revenues:				
Federal	13,773	14,413	8,676	(5,737)
State	20,831	20,831	12,774	(8,057)
Other			1,934	1,934
Charges for services	172,119	172,282	178,607	6,325
Miscellaneous	1,043	1,043	482	(561)
TOTAL REVENUES	917,623	931,676	927,916	(3,760)
EXPENDITURES				
Current-Public protection:				
Salaries and employee benefits	804,316	828,354	810,433	(17,921)
Services and supplies	137,141	131,027	114,595	(16,432)
Other charges	11,971	11,971	5,055	(6,916)
Capital assets	22,556	16,825	9,744	(7,081)
TOTAL EXPENDITURES	975,984	988,177	939,827	(48,350)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(58,361)	(56,501)	(11,911)	44,590
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	297	297	228	(69)
Transfers in	3,731	3,731	3,730	(1)
Transfers out	(7,835)	(10,645)	(10,645)	
Changes in fund balance	(42,208)	(41,258)	(36,991)	4,267
OTHER FINANCING SOURCES (USES) - NET	(46,015)	(47,875)	(43,678)	4,197
NET CHANGE IN FUND BALANCE	(104,376)	(104,376)	(55,589)	48,787
FUND BALANCE, JULY 1, 2013 (Note 16)	104,376	104,376	104,376	
FUND BALANCE, JUNE 30, 2014 (Note 16)	\$		48,787	48,787

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, 2014 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES				
Taxes	\$ 98,590	113,839	117,197	3,358
Licenses, permits and franchises	707	707	788	81
Fines, forfeitures and penalties	1,503	1,503	1,412	(91)
Revenue from use of money and property:				
Investment income	1,417	1,537	1,828	291
Rents and concessions	7,180	7,180	7,862	682
Royalties	600	600	1,484	884
Intergovernmental revenues:				
Federal			281	281
State	5,833	5,833	5,013	(820)
Other	4,155	4,155	1,768	(2,387)
Charges for services	125,642	125,642	115,045	(10,597)
Miscellaneous	1,128	1,128	2,915	1,787
TOTAL REVENUES	246,755	262,124	255,593	(6,531)
EXPENDITURES				
Current-Public protection:				
Services and supplies	230,039	228,139	171,129	(57,010)
Other charges	5,910	5,910	4,204	(1,706)
Capital assets	469	709	316	(393)
Capital outlay	75,368	77,028	22,425	(54,603)
TOTAL EXPENDITURES	311,786	311,786	198,074	(113,712)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(65,031)	(49,662)	57,519	107,181
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	68	68	87	19
Transfers out	(5,836)	(5,836)	(3,642)	2,194
Appropriations for contingencies		(15,369)		15,369
Changes in fund balance	(5,775)	(5,775)	(1,121)	4,654
OTHER FINANCING SOURCES (USES) - NET	(11,543)	(26,912)	(4,676)	22,236
NET CHANGE IN FUND BALANCE	(76,574)	(76,574)	52,843	129,417
FUND BALANCE, JULY 1, 2013 (Note 16)	76,574	76,574	76,574	
FUND BALANCE, JUNE 30, 2014 (Note 16)	\$		129,417	129,417

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, 2014 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES				
Taxes	\$ 73,497	73,497	74,928	1,431
Fines, forfeitures and penalties			509	509
Revenue from use of money and property:				
Investment income	400	400	437	37
Rents and concessions	15	15	13	(2)
Intergovernmental revenues:				
Federal			6	6
State	531	531	645	114
Other	988	988	1,109	121
Charges for services	2,880	2,880	2,603	(277)
Miscellaneous	927	957	324	(633)
TOTAL REVENUES	79,238	79,268	80,574	1,306
EXPENDITURES				
Current-Education:				
Salaries and employee benefits	84,708	84,708	76,334	(8,374)
Services and supplies	66,598	79,062	46,062	(33,000)
Other charges	114	114	83	(31)
Capital assets	600	833	361	(472)
TOTAL EXPENDITURES	152,020	164,717	122,840	(41,877)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(72,782)	(85,449)	(42,266)	43,183
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	13	13	4	(9)
Transfers in	46,102	57,606	51,562	(6,044)
Transfers out	(4,939)	(9,581)	(9,167)	414
Changes in fund balance	(5,682)	123	3,754	3,631
OTHER FINANCING SOURCES (USES) - NET	35,494	48,161	46,153	(2,008)
NET CHANGE IN FUND BALANCE	(37,288)	(37,288)	3,887	41,175
FUND BALANCE, JULY 1, 2013 (Note 16)	37,288	37,288	37,288	
FUND BALANCE, JUNE 30, 2014 (Note 16)	\$		41,175	41,175

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, 2014 (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	\$ 823	823	815	(8)
Revenue from use of money and property-				
Investment income	2,007	2,007	2,072	65
Charges for services	80,248	80,248	80,167	(81)
TOTAL REVENUES	83,078	83,078	83,054	(24)
EXPENDITURES				
Current-Recreation and cultural services:				
Services and supplies	5,857	7,427	6,105	(1,322)
Other charges	288,531	289,217	63,238	(225,979)
TOTAL EXPENDITURES	294,388	296,644	69,343	(227,301)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(211,310)	(213,566)	13,711	227,277
OTHER FINANCING SOURCES (USES)				
Transfers in	82,667	85,027	83,140	(1,887)
Transfers out	(118,712)	(121,072)	(119,385)	1,687
Appropriations for contingencies	(4,359)	(2,103)		2,103
Changes in fund balance	59,027	59,027	65,949	6,922
OTHER FINANCING SOURCES (USES) - NET	18,623	20,879	29,704	8,825
NET CHANGE IN FUND BALANCE	(192,687)	(192,687)	43,415	236,102
FUND BALANCE, JULY 1, 2013 (Note 16)	192,857	192,857	192,857	
FUND BALANCE, JUNE 30, 2014 (Note 16)	\$ 170	170	236,272	236,102

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, 2014 (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	\$ 1,596	650	1,537	268
Other	10,588	7,734	16,978	2,180
Total pooled cash and investments	12,184	8,384	18,515	2,448
Taxes receivable				
Accounts receivable - net (Note 14)	468,090	246,979	613,414	179,336
Interest receivable	83	35	19	9
Other receivables	15,377	13,000	26,801	5,758
Due from other funds (Note 15)	63,115	37,907	122,161	6,129
Advances to other funds (Note 15)				
Inventories	8,058	4,544	9,866	1,224
Total current assets	566,907	310,849	790,776	194,904
Noncurrent assets:				
Restricted assets (Note 5)	98,889	41,623	4,832	4,257
Other receivables (Note 14 and 15)	51,123	36,696	76,605	32,217
Capital assets: (Notes 6 and 10)				
Land and easements	3,276	16,426	18,183	217
Buildings and improvements	831,716	332,727	1,080,000	187,179
Equipment	87,392	55,399	90,579	18,329
Intangible - software	16,921	14,359	20,704	5,616
Infrastructure				
Construction in progress	41,390	7,685		16,665
Less accumulated depreciation	(229,146)	(135,006)	(292,342)	(118,964)
Total capital assets - net	751,549	291,590	917,124	109,042
Total noncurrent assets	901,561	369,909	998,561	145,516
TOTAL ASSETS	1,468,468	680,758	1,789,337	340,420
LIABILITIES				
Current liabilities:				
Accounts payable	102,147	40,199	99,334	26,322
Accrued payroll	24,675	15,197	33,843	6,544
Other payables	4,073	1,947	3,459	1,077
Accrued interest payable	14,989	4,969	51	118
Due to other funds (Note 15)	34,305	38,243	26,884	12,222
Advances from other funds (Note 15)	264,115	150,820	344,676	123,492
Advances payable			315	
Unearned revenue			222	23
Current portion of long-term liabilities (Note 11)	49,715	12,666	88,229	22,957
Total current liabilities	494,019	264,041	597,013	192,755
Noncurrent liabilities:				
Accrued compensated absences (Note 11)	56,156	30,606	71,102	13,861
Bonds and notes (Note 11)	561,691	212,337	2,005	4,662
Premiums on bonds and notes payable (Note 11)	18,793	14,917	143	333
Workers' compensation (Notes 11 and 18)	63,586	22,732	103,532	20,445
Litigation and self-insurance (Notes 11 and 18)	29,445	2,503	43,887	62
OPEB obligation (Notes 9 and 11)	455,536	320,799	700,140	150,750
Third party payor (Notes 11 and 14)	81,456	49,943	237,083	36,103
Total noncurrent liabilities	1,266,663	653,837	1,157,892	226,216
TOTAL LIABILITIES	1,760,682	917,878	1,754,905	418,971
NET POSITION				
Net investment in capital assets (Notes 6 and 11)	275,243	119,398	874,972	91,092
Restricted:				
Debt service			4,832	
Public ways and facilities				
Unrestricted (deficit)	(567,457)	(356,518)	(845,372)	(169,643)
TOTAL NET POSITION (Note 3)	\$ (292,214)	(237,120)	34,432	(78,551)

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
\$ 62,177	8,522	\$ 74,750	\$ 32,759
1,458	10	38,948	5,110
63,635	8,532	113,698	37,869
750		750	
13,290	1,539	1,522,648	
157	23	326	132
		60,936	9,486
1,087	1	230,400	84,545
1,318		1,318	
3		23,695	10,649
80,240	10,095	1,953,771	142,681
		149,601	6,086
		196,641	
11,654	134,212	183,968	
119,091	34,437	2,585,150	
1,086	1,308	254,093	276,107
1,322		58,922	
1,184,429	53,771	1,238,200	
23,514	1,124	90,378	
(589,199)	(60,841)	(1,425,498)	(130,963)
751,897	164,011	2,985,213	145,144
751,897	164,011	3,331,455	151,230
832,137	174,106	5,285,226	293,911
3,187	111	271,300	10,126
		80,259	15,726
	129	10,685	2,055
		20,127	240
4,789	431	116,874	24,613
		883,103	22,000
		315	
70		315	340
219		173,786	28,123
8,265	671	1,556,764	103,223
		171,725	45,600
7,787		788,482	38,430
		34,186	
		210,295	34,258
133		76,030	250
		1,627,225	351,178
		404,585	
7,920		3,312,528	469,716
16,185	671	4,869,292	572,939
743,891	164,011	2,268,607	93,885
		4,832	55
72,061		72,061	
	9,424	(1,929,566)	(372,968)
\$ 815,952	173,435	415,934	\$ (279,028)
		2,472	
		\$ 418,406	

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 25)

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (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)	\$ 749,955	488,328	1,051,217	165,009
Rentals				
Charges for services				
Other (Note 14)	164,045	73,151	204,354	64,305
TOTAL OPERATING REVENUES	914,000	561,479	1,255,571	229,314
OPERATING EXPENSES:				
Salaries and employee benefits	634,712	401,028	887,365	175,075
Services and supplies	150,251	79,424	232,395	28,580
Other professional services	188,927	123,203	348,865	38,042
Depreciation and amortization (Note 6)	10,431	6,798	24,740	3,138
Medical malpractice	5,796	1,572	9,040	
Rent	10,040	5,109	4,538	1,766
TOTAL OPERATING EXPENSES	1,000,157	617,134	1,506,943	246,601
OPERATING LOSS	(86,157)	(55,655)	(251,372)	(17,287)
NONOPERATING REVENUES (EXPENSES):				
Taxes				
Investment income	3,168	4	68	20
Interest expense	(7,211)	(8,195)	(1,684)	(1,544)
Intergovernmental transfers expense (Note 14)	(167,128)	(88,795)	(165,716)	(28,623)
Intergovernmental revenues:				
State				
Federal				
TOTAL NONOPERATING REVENUES (EXPENSES)	(171,171)	(96,986)	(167,332)	(30,147)
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(257,328)	(152,641)	(418,704)	(47,434)
Capital contributions	1,106			
Transfers in (Note 15)	284,310	128,619	316,472	16,390
Transfers out (Note 15)	(6,542)	(5,314)		(2,925)
CHANGE IN NET POSITION	21,546	(29,336)	(102,232)	(33,969)
NET POSITION, JULY 1, 2013	(313,760)	(207,784)	136,664	(44,582)
NET POSITION, JUNE 30, 2014	\$ (292,214)	(237,120)	34,432	(78,551)

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	
\$		\$ 2,454,509	\$	OPERATING REVENUES:
	3,657	3,657	24,677	Net patient service revenues (Note 14)
74,597	370	74,967	457,805	Rentals
432	1	506,288		Charges for services
				Other (Note 14)
75,029	4,028	3,039,421	482,482	TOTAL OPERATING REVENUES
		2,098,180	418,195	OPERATING EXPENSES:
59,570	3,753	553,973	45,693	Salaries and employee benefits
2,645	790	702,472	38,627	Services and supplies
22,099	1,859	69,065	32,043	Other professional services
		16,408		Depreciation and amortization (Note 6)
		21,453		Medical malpractice
				Rent
84,314	6,402	3,461,551	534,558	TOTAL OPERATING EXPENSES
(9,285)	(2,374)	(422,130)	(52,076)	OPERATING LOSS
				NONOPERATING REVENUES (EXPENSES):
4,681		4,681		Taxes
535	83	3,878	281	Investment income
(185)		(18,819)	(883)	Interest expense
		(450,262)		Intergovernmental transfers expense (Note 14)
				Intergovernmental revenues:
55	2	57		State
109		109		Federal
5,195	85	(460,356)	(602)	TOTAL NONOPERATING REVENUES (EXPENSES)
(4,090)	(2,289)	(882,486)	(52,678)	LOSS BEFORE CONTRIBUTIONS AND TRANSFERS
326	2,830	4,262		Capital contributions
		745,791	13,123	Transfers in (Note 15)
(531)		(15,312)	(4,110)	Transfers out (Note 15)
(4,295)	541	(147,745)	(43,665)	CHANGE IN NET POSITION
820,247	172,894		(235,363)	NET POSITION, JULY 1, 2013
\$ 815,952	173,435		\$ (279,028)	NET POSITION, JUNE 30, 2014
		754		Adjustment to reflect the consolidation of internal
				service fund activities related to enterprise funds
		\$ (146,991)		CHANGE IN NET POSITION OF BUSINESS-TYPE
				ACTIVITIES (PAGE 27)

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (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	\$ 716,055	503,510	940,826	125,475
Rentals received				
Rentals received from other funds				
Cash received from (returned for) charges for services				
Other operating revenues	164,050	73,151	204,357	64,334
Cash received for services provided to other funds	20,654	18,347	32,011	971
Cash paid for salaries and employee benefits	(551,991)	(342,096)	(752,052)	(148,473)
Cash paid for services and supplies	(24,227)	(20,980)	(131,694)	(28,064)
Other operating expenses	(203,910)	(127,219)	(375,752)	(43,065)
Cash paid for services from other funds	(134,586)	(67,235)	(172,629)	(21,400)
Net cash provided by (required for) operating activities	(13,955)	37,478	(254,933)	(50,222)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash advances received/returned from other funds	725,487	453,113	1,252,475	214,409
Cash advances paid/returned to other funds	(742,914)	(497,079)	(1,136,144)	(138,693)
Interest paid on advances	(523)	(385)	(639)	(158)
Intergovernmental transfers	(167,128)	(88,795)	(165,716)	(28,623)
Intergovernmental receipts				
Transfers in	284,310	128,619	316,472	16,390
Transfers out	(6,542)	(5,314)		(2,925)
Net cash provided by (required for) noncapital financing activities	92,690	(9,841)	266,448	60,400
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from taxes				
Capital contributions				
Proceeds from bonds and notes			38,147	12,896
Interest paid on capital borrowing	(9,377)	(9,659)	(1,190)	(1,776)
Principal payments on bonds and notes	(6,019)		(40,149)	(12,984)
Acquisition and construction of capital assets	(150,336)	(51,737)	(4,780)	(6,802)
Net cash required for capital and related financing activities	(165,732)	(61,396)	(7,972)	(8,666)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	3,182	50	74	19
Net increase (decrease) in cash and cash equivalents	(83,815)	(33,709)	3,617	1,531
Cash and cash equivalents, July 1, 2013	194,888	83,716	19,730	5,174
Cash and cash equivalents, June 30, 2014	\$ 111,073	50,007	23,347	6,705

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	
\$		\$ 2,285,866	\$	
	3,657	3,657	7	
			24,229	
74,981	(867)	74,114	38,517	
432	1	506,325		
		71,983	409,433	
		(1,794,612)	(359,969)	
(60,385)	(1,393)	(266,743)	(44,047)	
(2,783)	(790)	(753,519)	(38,627)	
		(395,850)		
12,245	608	(268,779)	29,543	
				CASH FLOWS FROM OPERATING ACTIVITIES
				Cash received from patient services
				Rentals received
				Rentals received from other funds
				Cash received from (returned for) charges for services
				Other operating revenues
				Cash received for services provided to other funds
				Cash paid for salaries and employee benefits
				Cash paid 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 (required for) 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
				Acquisition and construction of capital assets
				Net cash required for capital and related financing activities
				CASH FLOWS FROM INVESTING ACTIVITIES
				Investment income
				Net increase (decrease) in cash and cash equivalents
				Cash and cash equivalents, July 1, 2013
				Cash and cash equivalents, June 30, 2014
\$ 63,635	8,532	\$ 263,299	\$ 43,955	

Continued...

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (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	\$ (86,157)	(55,655)	(251,372)	(17,287)
Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:				
Depreciation and amortization	10,431	6,798	24,740	3,138
Other revenues (expenses) - net	(4,318)	(7,794)	1,663	96
(Increase) decrease in:				
Accounts receivable - net	(14,062)	36,159	(24,449)	(60,476)
Other receivables	(1,241)	(2,543)	2,196	8,615
Due from other funds	6,930	1,390	(7,340)	24,666
Inventories	(1,558)	(382)	(1,558)	(79)
Increase (decrease) in:				
Accounts payable	6,582	(3,011)	(21,443)	128
Accrued payroll	1,870	1,148	2,356	302
Other payables	(163)	(70)	(117)	
Accrued compensated absences	2,679	1,425	3,539	452
Due to other funds	(9,263)	2,396	(50,587)	(21,000)
Unearned revenue			14	(22)
Workers' compensation	(2,550)	2,330	(3,925)	251
Litigation and self-insurance	5,185	1,463	(3,212)	(3,257)
OPEB obligation	77,899	56,279	125,555	26,049
Third party payor	(6,219)	(2,455)	(50,993)	(11,798)
TOTAL ADJUSTMENTS	72,202	93,133	(3,561)	(32,935)
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	<u>\$ (13,955)</u>	<u>37,478</u>	<u>(254,933)</u>	<u>(50,222)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-				
Capital contributions	<u>\$ 1,106</u>			
TOTAL	<u>\$ 1,106</u>			
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:				
Pooled cash and investments	\$ 12,184	8,384	18,515	2,448
Restricted assets	<u>98,889</u>	<u>41,623</u>	<u>4,832</u>	<u>4,257</u>
TOTAL	<u>\$ 111,073</u>	<u>50,007</u>	<u>23,347</u>	<u>6,705</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		
					RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
\$ (9,285)	(2,374)	\$ (422,130)	\$ (52,076)		Operating loss
					Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:
22,099	1,859	69,065	32,043		Depreciation and amortization
28	2,327	(7,998)	1,006		Other revenues (expenses) - net
					(Increase) decrease in:
360	(1,243)	(63,711)			Accounts receivable - net
		7,027	578		Other receivables
21	6	25,673	(10,678)		Due from other funds
		(3,577)	(745)		Inventories
					Increase (decrease) in:
(848)	44	(18,548)	503		Accounts payable
		5,676	733		Accrued payroll
	(231)	(581)	10		Other payables
		8,095	1,144		Accrued compensated absences
5	220	(78,229)	882		Due to other funds
3		(5)	(1,219)		Unearned revenue
		(3,894)	(2,191)		Workers' compensation
(138)		41	250		Litigation and self-insurance
		285,782	59,303		OPEB obligation
		(71,465)			Third party payor
21,530	2,982	153,351	81,619		TOTAL ADJUSTMENTS
\$ 12,245	608	\$ (268,779)	\$ 29,543		NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
					NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-
\$ 326		\$ 1,432	\$		Capital contributions
\$ 326		\$ 1,432	\$		TOTAL
					RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:
\$ 63,635	8,532	\$ 113,698	\$ 37,869		Pooled cash and investments
		149,601	6,086		Restricted assets
\$ 63,635	8,532	\$ 263,299	\$ 43,955		TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 5)	\$ 77,972	\$ 13,362,313	\$ 1,608,397
Other investments: (Note 5)		96,551	30,810
Stocks	25,796,587		
Bonds	10,261,720		
Short-term investments	1,877,033		
Commodities	2,169,289		
Real estate	4,995,446		
Mortgages	82,601		
Alternative assets	4,562,066		
Cash collateral on loaned securities	998,216		
Taxes receivable			272,899
Interest receivable	120,442	35,301	45,590
Other receivables	610,719		
TOTAL ASSETS	51,552,091	13,494,165	1,957,696
LIABILITIES			
Accounts payable	2,284,914		
Other payables (Note 5)	1,061,076		
Due to other governments			1,957,696
TOTAL LIABILITIES	3,345,990		1,957,696
NET POSITION			
Net position held in trust for pension benefits and other purposes	\$ 48,206,101	\$ 13,494,165	\$

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, 2014 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS
ADDITIONS		
Contributions:		
Pension and OPEB trust contributions:		
Employer	\$ 1,767,421	\$
Member	439,001	
Contributions to investment trust funds		42,115,048
Total contributions	2,206,422	42,115,048
Investment earnings:		
Investment income	2,305,467	167,104
Net increase in the fair value of investments	4,734,961	
Securities lending income (Note 5)	4,447	
Total investment earnings	7,044,875	167,104
Less - Investment expenses-		
Expense from investing activities	101,350	
Net investment earnings	6,943,525	167,104
Miscellaneous	2,256	
TOTAL ADDITIONS	9,152,203	42,282,152
DEDUCTIONS		
Salaries and employee benefits	42,848	
Services and supplies	16,019	
Benefit payments	3,085,852	
Distributions from investment trust funds		44,151,964
Miscellaneous	23,757	
TOTAL DEDUCTIONS	3,168,476	44,151,964
CHANGE IN NET POSITION	5,983,727	(1,869,812)
NET POSITION, JULY 1, 2013	42,222,374	15,363,977
NET POSITION, JUNE 30, 2014	\$ 48,206,101	\$ 13,494,165

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, 2014 (in thousands)

	COMMUNITY DEVELOPMENT COMMISSION	FIRST 5 LA	TOTAL
ASSETS			
Pooled cash and investments- (Notes 1 and 5)			
Operating	\$ 123,971	611,770	\$ 735,741
Total pooled cash and investments	123,971	611,770	735,741
Other investments (Note 5)	213,246		213,246
Accounts receivable - net	35,008		35,008
Interest receivable		650	650
Other receivables	9,229	59,574	68,803
Inventories	21,527		21,527
Net pension obligation	131		131
Capital assets: (Notes 6 and 10)			
Capital assets, not being depreciated	94,713	2,039	96,752
Capital assets, net of accumulated depreciation	82,945	10,043	92,988
Total capital assets	177,658	12,082	189,740
TOTAL ASSETS	580,770	684,076	1,264,846
LIABILITIES			
Accounts payable	24,755	38,729	63,484
Other payables	1,047	16	1,063
Unearned revenue	190		190
Long-term liabilities: (Note 11)			
Due within one year	5,370	70	5,440
Due in more than one year	66,079	498	66,577
TOTAL LIABILITIES	97,441	39,313	136,754
NET POSITION			
Net investment in capital assets	137,579	12,083	149,662
Restricted for:			
Community development	281,516		281,516
First 5 LA		632,680	632,680
Unrestricted	64,234		64,234
TOTAL NET POSITION	\$ 483,329	644,763	\$ 1,128,092

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, 2014 (in thousands)

	COMMUNITY DEVELOPMENT COMMISSION	FIRST 5 LA	TOTAL
PROGRAM (EXPENSES) REVENUES:			
Expense	\$ (442,389)	(205,837)	\$ (648,226)
Program revenues:			
Charges for services	63,475		63,475
Operating grants and contributions	389,853	108,523	498,376
Net program (expenses) revenues	10,939	(97,314)	(86,375)
GENERAL REVENUES:			
Investment income	4,321	6,369	10,690
Miscellaneous	5,787	100	5,887
Total general revenues	10,108	6,469	16,577
CHANGE IN NET POSITION	21,047	(90,845)	(69,798)
NET POSITION, JULY 1, 2013	462,282	735,608	1,197,890
NET POSITION, JUNE 30, 2014	\$ 483,329	644,763	\$ 1,128,092

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, 2014

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, 2014

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

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, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Units-Continued

Los Angeles County Children and Families First – Proposition 10 Commission-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. 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 (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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements-Continued

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.

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, 2014, the restricted net position balances were \$2.727 billion and \$76.91 million for governmental activities and business-type activities, respectively. For governmental activities, \$704.72 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, 2014

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, 2014

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Fiduciary Fund Types-Continued

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.

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 inflows of resources 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. When all eligibility requirements are met, except for the timing requirements, a deferred inflow of resources is reported until the time requirements have passed. All other revenues are not considered susceptible to accrual and are recognized when received, including property tax revenues derived from redevelopment agency dissolution.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

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.

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 \$28.271 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, 2014. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control. This document is made available to the public on the County's website at <http://ceo.lacounty.gov/budget.htm>, or can be obtained from the Auditor-Controller's office.

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data-Continued

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 2013-2014 assessed valuation of the County of Los Angeles approximated \$1.145 trillion.

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 12,728 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Legislation Dissolving Redevelopment Agencies and Affect on Property Taxes

State Assembly Bill (AB) x126, 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, 2014, the County's share of residual property tax revenues was \$159.88 million, of which \$134.10 million was recognized in the County's General Fund.

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2014 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.

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 LACCAL 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 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

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 from tax-exempt debt over the same period. For taxable debt, interest is capitalized and not netted with interest earnings.

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," and GASB 65 "Items Previously Reported as Assets and Liabilities," the County recognized deferred outflows of resources and/or deferred inflows of resources in the government-wide statement of net position and governmental fund balance sheets.

In addition to assets, the financial statements report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deferred Outflows and Inflows of Resources-Continued

Previous financial reporting standards do not include guidance for reporting these financial statement elements, which are distinct from assets and liabilities. Refer to Note 20 for a detailed listing of the deferred outflows and 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" because the amounts represent unearned revenue.

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 and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized in the period issued.

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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 21.

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.

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. For its budget, the County utilizes the GASB 54 criteria and an ordinance or resolution is equally binding, for purposes of establishing 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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 deferred outflows of resources, liabilities and deferred inflows of resources, 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.

2. NEW PRONOUNCEMENTS

The County implemented GASB 65 "Items Previously Reported as Assets and Liabilities" in the current basic financial statements for the year ended June 30, 2014. GASB 65 provides additional financial reporting guidance for deferred outflows of resources and deferred inflows of resources (Notes 1 and 20).

In addition, LACERA implemented GASB 67 "Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25." Implementation of GASB 67 required changes and additions in the Notes to the Financial Statements, Required Supplementary Information, and Other Supplementary Information in LACERA's financial report (Note 8).

3. DEFICIT NET POSITION

The following funds had a deficit net position at June 30, 2014 (in thousands):

	<u>Accumulated Deficit</u>
Enterprise Funds:	
Harbor-UCLA Medical Center	\$ 292,214
Olive View-UCLA Medical Center	237,120
Rancho Los Amigos National Rehab Center	78,551
Internal Service Fund-	
Public Works	288,920

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, 2014

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, 2014, the governmental fund financial statements reflect an investment asset (referred to as "Other Investments") held by the JPAs of \$113,615,000 that has been recorded in the Nonmajor Governmental Funds. The governmental fund financial statements do not reflect a liability for the related bonds payable (\$113,615,000), 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 (\$113,615,000) and investment income and interest expense (\$6,497,000 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 \$113,615,000, 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, 2014

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, 2014 (in thousands):

	Pooled Cash and Investments	Other Investments	Restricted Assets		Total
			Pooled Cash and Investments	Other Investments	
Governmental Funds	\$ 5,102,623	\$ 64,556	\$	\$	\$ 5,167,179
Proprietary Funds	151,567		153,039	2,648	307,254
Fiduciary Funds (excluding Pension and OPEB)	14,970,710	127,361			15,098,071
Pension and OPEB Trust Funds	77,972	50,742,958			50,820,930
Discretely Presented Component Units	735,741	213,246			948,987
Total	<u>\$ 21,038,613</u>	<u>\$ 51,148,121</u>	<u>\$ 153,039</u>	<u>\$ 2,648</u>	<u>\$ 72,342,421</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, 2014, the carrying amount of the County's deposits was \$219,549,000 and the balance per various financial institutions was \$214,774,000. 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, 2014, the carrying amount of Pension and OPEB Trust Funds' deposits was \$232,979,000. 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 Ratings Services or P-1 by Moody's Investors Service, 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, 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, 2014

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%	\$750 million*
Commercial Paper	270 days	40%	\$1.5 billion*
Certificates of Deposit	3 years*	30%	\$750 million*
Corporate Medium-Term Notes	3 years*	30%	\$750 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%	\$750 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, 2014, the County had no open trade commitments with various brokers to purchase investments with settlement dates subsequent to year-end.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014.

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-five percent (85%) 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 \$97,044,000. 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, 2014 (in thousands) are as follows:

	Fair Value
U.S. Agency securities	\$ 11,187,271
U.S. Treasury securities	948,033
Negotiable certificates of deposit	3,009,313
Commercial paper	5,790,367
Corporate and deposit notes	267,493
Municipal bonds	85,696
Los Angeles County securities	7,000
Money market mutual funds	24,084
Local Agency Investment Fund	49,483
Other - Investment in JPA	11,174
Total	<u>\$ 21,379,914</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 (in thousands) and are as follows:

	<u>Fair Value</u>
Cash Collateral on Loaned Securities	\$ 998,216
Domestic and international equity	25,796,587
Fixed income	11,988,375
Real estate	4,995,446
Private equity	4,015,799
Commodities	2,169,289
Hedge Funds	546,267
Total	<u>\$ 50,509,979</u>

The Pension and OPEB Trust Funds also had deposits with the Los Angeles County Treasury Pool at June 30, 2014 totaling \$77,972,000. 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, 2014 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, 2014 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	\$ 11,058,726	\$ 11,151,284	0.13% - 6.50%	07/23/14-12/17/19	3.63
U.S. Treasury bills	599,863	599,686	0.11% - 0.13%	11/13/14-03/05/15	0.44
U.S. Treasury notes	347,772	347,634	0.63% - 2.38%	08/31/14-04/30/18	2.34
Negotiable certificates of deposit	2,996,383	2,996,584	0.11% - 1.18%	07/01/14-04/18/16	0.22
Commercial paper	5,790,367	5,790,408	0.11% - 0.22%	07/01/14-09/22/14	0.05
Corporate and deposit notes	185,056	185,057	0.21% - 2.15%	12/29/14-10/11/16	0.98
Los Angeles County securities	7,000	7,000	0.55%	06/30/16	2.00
Deposits	<u>206,485</u>	<u>206,485</u>			
	<u>\$ 21,191,652</u>	<u>\$ 21,284,138</u>			

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

5. CASH AND INVESTMENTS-Continued

Investments-Continued

A summary of other (non-pooled) deposits and investments at June 30, 2014, excluding the Pension and OPEB Trust Funds, 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>
Local Agency Investment Fund	\$ 49,482	\$ 49,468	0.00% - 6.00%	07/01/14-06/25/39	0.64
Corporate and deposit notes	82,437	82,427	3.75%	10/01/14-01/18/18	1.86
Municipal bonds	85,696	85,696	5.00%	08/01/14-09/02/21	2.22
U.S. Agency securities	128,546	130,056	0.07% - 3.24%	11/21/14-05/30/28	4.49
U.S. Treasury bonds	96	85	7.25%	05/15/16	1.88
U.S. Treasury bills	302	302	0.05%	12/04/14	0.43
Money market mutual funds	24,084	24,084	0.01% - 0.03%	07/01/14	0.00
Negotiable Certificates of Deposit	12,930	12,930			0.93
Other - Investment in JPA	11,174	11,174			0.00
Deposits	<u>13,064</u>	<u>13,064</u>			
	<u>\$ 407,811</u>	<u>\$ 409,286</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 range between 1.0 and 2.0 years. Of the Pooled Cash and Investments and Other Investments at June 30, 2014, 46.91% have a maturity of six months or less, 2.63% have a maturity of between six and twelve months, and 50.46% have a maturity of more than one year.

As of June 30, 2014, variable-rate notes comprised 2.32% of the Treasury Pool. 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, 2014

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, 2014, 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, bankers' acceptance, 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, 2014, 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 \$750 million, approximately 3.57% of the investment pool's daily investment balance. For commercial paper, the highest issuer limit was \$1.5 billion, or 7.15% of the investment pool's daily investment balance.

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, 2014 (in thousands):

<u>Issuer</u>	<u>Pool</u>	<u>SPI</u>
Federal Farm Credit Bank	\$ 2,313,376	\$ 30,830
Federal Home Loan Bank	3,494,686	14,092
Federal Home Loan Mortgage Corp	2,364,580	23,414
Federal National Mortgage Association	2,886,094	8,005

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each portfolio's fair value at June 30, 2014:

	<u>S & P</u>	<u>Moody's</u>	<u>% of Portfolio</u>
Pooled Cash and Investments:			
Commercial paper	Not Rated	Not Rated	27.59%
Corporate and deposit notes			
	AA-	Aa3	0.35%
	AA	Aa3	0.12%
	AA+	A1	0.41%
Los Angeles County securities	Not Rated	Not Rated	0.03%
Negotiable certificates of deposit			
	AA-	Aa3	0.48%
	Not Rated	Aa2	0.71%
	Not Rated	Not Rated	13.09%
U.S. Agency securities	AA +	Aaa	48.50%
	Not Rated	Aaa	0.24%
	AA+	Not Rated	0.62%
	Not Rated	Not Rated	3.34%
U.S. Treasury notes	Not Rated	Aaa	1.66%
U.S. Treasury bills	Not Rated	Not Rated	2.86%
			<u>100.00%</u>
Other Investments:			
Local Agency Investment Fund	Not Rated	Not Rated	12.53%
Corporate and deposit notes	AA+	A1	0.38%
	Not Rated	Not Rated	20.50%
Municipal bonds	Not Rated	Not Rated	21.70%
U.S. Agency securities	AA+	Aaa	13.43%
	AA+	Not Rated	5.90%
	Not Rated	Not Rated	13.22%
U.S. Treasury bonds	Not Rated	Aaa	0.02%
U.S. Treasury bills	Not Rated	Not Rated	0.08%
Negotiable Certificates of Deposit	Not Rated	Not Rated	3.28%
Non-negotiable Certificates of Deposit	Not Rated	Not Rated	0.03%
Money market mutual funds	Not Rated	Not Rated	6.10%
Other-Investment in JPA	Not Rated	Not Rated	2.83%
			<u>100.00%</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 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 \$92,486,000 as of June 30, 2014. A separate financial report is issued for the Treasury Pool as of June 30, 2014.

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, 2014, there were approximately \$487,450,000 in floating rate notes.

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, 2014, forward currency contracts receivable and payable totaled \$9,068,793,000 and \$9,121,357,000, 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, 2014.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

5. CASH AND INVESTMENTS-Continued

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, 2014, 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, 2014.

As of June 30, 2014, the fair value of securities on loan was \$1.665 billion. The value of the cash collateral received for those securities was \$998.22 million and non-cash collateral of \$706.98 million. Securities lending assets (Other Investments) and liabilities (Other Payables) of \$998.22 million are recorded in the Pension and OPEB Trust Funds. Pension and OPEB Trust Funds income, net of expenses, from securities lending was \$4.45 million for the year ended June 30, 2014.

For the year ended June 30, 2014, 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, 2014 (in thousands):

	<u>County</u>	<u>Pension and OPEB Trust Funds</u>	<u>Total</u>
Deposits	\$ 219,549	\$ 232,979	\$ 452,528
Investments	<u>21,379,914</u>	<u>50,509,979</u>	<u>71,889,893</u>
	<u>\$21,599,463</u>	<u>\$ 50,742,958</u>	<u>\$72,342,421</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 is as follows (in thousands):

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 2,388,257	6,965	(1,180)	\$ 2,394,042
Easements	4,961,754	2,582	(89)	4,964,247
Software in progress	43,123	82,247	(8,783)	116,587
Construction in progress-buildings and improvements	435,483	288,129	(62,553)	661,059
Construction in progress-infrastructure	271,749	120,001	(102,619)	289,131
Subtotal	<u>8,100,366</u>	<u>499,924</u>	<u>(175,224)</u>	<u>8,425,066</u>
Capital assets, being depreciated:				
Buildings and improvements	4,256,114	139,858	(12,325)	4,383,647
Equipment	1,486,520	92,226	(39,334)	1,539,412
Software	529,018	40,009		569,027
Infrastructure	7,674,311	69,523	(1,724)	7,742,110
Subtotal	<u>13,945,963</u>	<u>341,616</u>	<u>(53,383)</u>	<u>14,234,196</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,551,741)	(75,910)	2,843	(1,624,808)
Equipment	(1,049,400)	(100,520)	37,971	(1,111,949)
Software	(249,624)	(61,508)		(311,132)
Infrastructure	(3,357,019)	(163,514)	461	(3,520,072)
Subtotal	<u>(6,207,784)</u>	<u>(401,452)</u>	<u>41,275</u>	<u>(6,567,961)</u>
Total capital assets, being depreciated, net	<u>7,738,179</u>	<u>(59,836)</u>	<u>(12,108)</u>	<u>7,666,235</u>
Governmental activities capital assets, net	<u>\$ 15,838,545</u>	<u>440,088</u>	<u>(187,332)</u>	<u>\$ 16,091,301</u>
<u>Business-type Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 152,578			\$ 152,578
Easements	31,064	326		31,390
Software in progress	1,467		(1,467)	
Construction in progress-buildings and improvements	558,572	121,616	(614,448)	65,740
Construction in progress-infrastructure	21,908	11,756	(9,026)	24,638
Subtotal	<u>765,589</u>	<u>133,698</u>	<u>(624,941)</u>	<u>274,346</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

6. CAPITAL ASSETS-Continued

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<u>Business-type Activities-Continued</u>				
Capital assets, being depreciated:				
Buildings and improvements	1,896,891	689,266	(1,007)	2,585,150
Equipment	256,099	45,239	(18,946)	282,392
Software	57,355	1,567		58,922
Infrastructure	1,233,652	5,234	(686)	1,238,200
Subtotal	<u>3,443,997</u>	<u>741,306</u>	<u>(20,639)</u>	<u>4,164,664</u>
Less accumulated depreciation for:				
Buildings and improvements	(666,770)	(28,438)	232	(694,976)
Equipment	(182,684)	(19,371)	16,418	(185,637)
Software	(16,967)	(4,913)		(21,880)
Infrastructure	(513,449)	(21,566)	674	(534,341)
Subtotal	<u>(1,379,870)</u>	<u>(74,288)</u>	<u>17,324</u>	<u>(1,436,834)</u>
Total capital assets, being depreciated, net	<u>2,064,127</u>	<u>667,018</u>	<u>(3,315)</u>	<u>2,727,830</u>
Business-type activities capital assets, net	<u>\$ 2,829,716</u>	<u>800,716</u>	<u>(628,256)</u>	<u>3,002,176</u>
Total capital assets, net	<u>\$ 18,668,261</u>	<u>1,240,804</u>	<u>(815,588)</u>	<u>\$ 19,093,477</u>

Depreciation Expense

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

Governmental activities:	
General government	\$ 22,328
Public protection	159,704
Public ways and facilities	92,343
Health and sanitation	19,764
Public assistance	57,426
Education	2,907
Recreation and cultural services	20,160
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>26,820</u>
Total depreciation expense, governmental activities	<u>\$ 401,452</u>
Business-type activities:	
Hospitals	\$ 45,107
Waterworks	22,099
Aviation	1,859
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>5,223</u>
Total depreciation expense, business-type activities	<u>\$ 74,288</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

6. CAPITAL ASSETS-Continued

Discretely Presented Component Units

CDC

Capital assets activity for the CDC component unit for the year ended June 30, 2014 was as follows (in thousands):

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 93,240	584	(1,111)	\$ 92,713
Construction in progress-buildings and improvements	<u>8,148</u>	<u>943</u>	<u>(7,091)</u>	<u>2,000</u>
Subtotal	<u>101,388</u>	<u>1,527</u>	<u>(8,202)</u>	<u>94,713</u>
Capital assets, being depreciated:				
Buildings and improvements	208,499	11,077	(1,159)	218,417
Equipment	<u>9,609</u>	<u>334</u>	<u>(611)</u>	<u>9,332</u>
Subtotal	<u>218,108</u>	<u>11,411</u>	<u>(1,770)</u>	<u>227,749</u>
Less accumulated depreciation for:				
Buildings and improvements	(136,571)	(3,945)	1,045	(139,471)
Equipment	<u>(4,543)</u>	<u>(1,341)</u>	<u>551</u>	<u>(5,333)</u>
Subtotal	<u>(141,114)</u>	<u>(5,286)</u>	<u>1,596</u>	<u>(144,804)</u>
Total capital assets being depreciated, net	<u>76,994</u>	<u>6,125</u>	<u>(174)</u>	<u>82,945</u>
CDC capital assets, net	<u>\$ 178,382</u>	<u>7,652</u>	<u>(8,376)</u>	<u>\$ 177,658</u>

First 5 LA

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2014 was as follows (in thousands):

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, not being depreciated-				
Land	\$ 2,039			\$ 2,039
Capital assets, being depreciated:				
Buildings and improvements	12,076			12,076
Equipment	<u>2,509</u>	<u>80</u>		<u>2,589</u>
Subtotal	<u>14,585</u>	<u>80</u>		<u>14,665</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,950)	(243)		(2,193)
Equipment	<u>(2,319)</u>	<u>(110)</u>		<u>(2,429)</u>
Subtotal	<u>(4,269)</u>	<u>(353)</u>		<u>(4,622)</u>
Total capital assets being depreciated, net	<u>10,316</u>	<u>(273)</u>		<u>10,043</u>
First 5 LA capital assets, net	<u>\$ 12,355</u>	<u>(273)</u>		<u>\$ 12,082</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, the present value of the installment payments under contract is estimated to be \$97.03 million and reported as deferred inflows of resources in the statement of net position. 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 three to 25 years as of June 30, 2014. The FY 2013-2014 total monthly installment payments are approximately \$735,000. 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 \$12.38 million as of June 30, 2014.

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, 2014

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 2013-2014:

July 1, 2013 - September 30, 2013	A	B	C	D	E	G
General Members	22.65%	15.55%	15.35%	16.00%	16.77%	15.61%
Safety Members	31.55%	25.37%	20.98%			
October 1, 2013 - June 30, 2014	A	B	C	D	E	G
General Members	25.08%	17.95%	17.54%	18.24%	19.09%	17.81%
Safety Members	34.63%	27.92%	23.18%			

The rates were determined by the actuarial valuation performed as of June 30, 2011 and June 30, 2012, respectively. The rates for plan G and Safety plan C were based on a PEPRA study completed by the actuaries since no employees were in these plans as of June 30, 2012. The preceding actuarial valuations and study were used for purposes of calculating the annual required contribution (ARC) for FY 2013-2014.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 2013-2014, the County contributed the full amount of the ARC, in the form of semi-monthly cash payments in the amount of \$1.320 billion.

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation for FY 2013-2014, computed in accordance with GASB 27, were as follows (in thousands):

Annual required contribution (ARC):	
County	\$ 1,320,318
Non-County entities	124
Total ARC/Annual pension cost	<u>1,320,442</u>
Contributions made:	
County cash	1,320,318
Transfer from CCCR	0
Non-County entities	124
Total contributions	<u>1,320,442</u>
Change in net pension obligation (asset)	0
Net pension obligation (asset), July 1, 2013	0
Net pension obligation (asset), June 30, 2014	<u>\$ 0</u>

Fiscal Year Ended	<u>Trend Information (in thousands)</u>		Net Pension Obligation (Asset)
	Annual Pension Cost (APC)	Percentage of APC Contributed	
June 30, 2012	\$ 1,078,929	100.00%	\$ 0
June 30, 2013	1,172,014	100.00%	0
June 30, 2014	1,320,442	100.00%	0

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the funded ratio was determined to be 75.0%. The actuarial value of assets was \$39.932 billion, and the actuarial accrued liability (AAL) was \$53.248 billion, resulting in an unfunded AAL of \$13.316 billion. The covered payroll was \$6.596 billion and the ratio of the unfunded AAL to the covered payroll was 201.9%.

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, 2014

8. PENSION PLAN-Continued

Actuarial Methods and Assumptions

The annual required contribution was calculated using the entry age normal method. The June 30, 2013 actuarial valuation also assumed an annual investment rate of return of 7.50%, and projected salary increases ranging from 3.76% to 9.71%, with both assumptions including a 3.00% inflation factor. Additionally, the valuation assumed post-retirement benefit increases of between 2.00% and 3.00%, 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 County contribution rate to finance the unfunded AAL increased from 19.82% to 21.34% of payroll, which is a weighted average for all LACERA plans, as determined by the June 30, 2012 and 2013 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.

For the year ended June 30, 2014, LACERA implemented GASB 67 "Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25." Implementation of GASB 67 required changes and additions in the Notes to the Financial Statements, Required Supplementary Information, and Other Supplementary Information in LACERA's financial report. Significant changes include calculation of total and net pension liability for financial reporting, comprehensive footnote disclosure regarding pension liability, sensitivity of net pension liability to the discount rate, additional investment disclosure, expected long-term discount rate, and annual money-weighted rate of return on investment.

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Plan Description-Continued

In June 2014, the LACERA Board approved the County's request to modify the agreements to create a new retiree healthcare benefit plan in order to lower its Retiree Healthcare Program (RHP) costs. Structurally, this means the County will be segregating all current retirees and current employees into RHP Tier 1 and placing all employees hired after June 30, 2014 into RHP Tier 2. Under the new RHP Tier 2, retirees who are eligible for Medicare will be required to enroll in that program. In addition, coverage will be available for employees or eligible survivors only.

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.

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.

The County's contribution during FY 2013-2014 is on a pay-as-you-go basis. During FY 2013-2014, the County made payments to LACERA totaling \$446.98 million for retiree health care benefits. Included in this amount was \$45.2 million for Medicare Part B reimbursements and \$7.4 million in death benefits. Additionally, \$40.5 million was paid by member participants. The County also made payments of \$37.32 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 2013-2014, the County did not make any contributions to the OPEB Trust. As of June 30, 2014, the Net Position of the OPEB Trust fund was \$483.82 million.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

OPEB Trust-Continued

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, 2013. 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	\$ 78,321	\$2,114,621
Interest on Net OPEB obligation	346,463	8,225	354,688
Adjustment to ARC	<u>(284,392)</u>	<u>(6,751)</u>	<u>(291,143)</u>
Annual OPEB cost (expense)	2,098,371	79,795	2,178,166
Less: Contributions made	<u>446,979</u>	<u>37,320</u>	<u>484,299</u>
Increase in Net OPEB obligation	1,651,392	42,475	1,693,867
Net OPEB obligation, July 1, 2013	<u>7,964,673</u>	<u>189,072</u>	<u>8,153,745</u>
Net OPEB obligation, June 30, 2014	<u>\$ 9,616,065</u>	<u>\$ 231,547</u>	<u>\$9,847,612</u>

Retiree Health Care Trend Information (in thousands)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 1,915,501	19.8%	\$ 6,765,519
June 30, 2013	2,089,025	42.6%	7,964,673
June 30, 2014	2,098,370	21.3%	9,616,064

LTD Trend Information (in thousands)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 72,473	50.6%	\$ 153,601
June 30, 2013	73,069	51.5%	189,072
June 30, 2014	79,795	46.8%	231,547

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%.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Funded Status and Funding Progress-Continued

As of July 1, 2013, the most recent actuarial valuation date for OPEB long-term disability benefits, the funded ratio was 0%. The actuarial value of assets was zero. The AAL was \$945.69 million, resulting in an unfunded AAL of \$945.69 million. The covered payroll was \$6.596 billion and the ratio of the unfunded AAL to the covered payroll was 14.34%.

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.

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; however, the methods and assumptions used were the same. In both valuations, the projected unit credit cost method was used. The valuation for OPEB health care and OPEB long-term disability benefits assumed an annual investment rate of return of 4.35% and projected general wage increase of 3.85% per annum. Both valuations factored in an annual inflation rate of 3.35%. 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, both the OPEB health care and the OPEB long-term disability valuation reports used the level percentage of projected payroll over a rolling (open) 30-year amortization period.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Actuarial Methods and Assumptions-Continued

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

	<u>Initial Year</u>	<u>Ultimate</u>
LACERA Medical Under 65	9.05%	5.10%
LACERA Medical Over 65	9.75%	5.10%
Firefighters Local 1014 (all)	9.05%	5.10%
Part B Premiums	6.85%	5.10%
Dental (all)	4.40%	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, 2014 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2015	\$ 87,765
2016	60,046
2017	46,002
2018	31,079
2019	24,405
2020-2024	63,353
2025-2029	53,984
2030-2034	36,312
2035-2039	13,655
2040-2044	13,655
2045-2049	11,606
Total	<u>\$ 441,862</u>

Rent expenses related to operating leases were \$92,049,000 for the year ended June 30, 2014.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2015	\$ 23,964
2016	23,285
2017	21,222
2018	20,544
2019	20,498
2020-2024	99,805
2025-2029	77,926
2030-2034	58,670
2035-2039	<u>27,180</u>
Total	<u>373,094</u>
Less: Amount representing interest	<u>198,973</u>
Present value of future minimum lease payments	<u>\$ 174,121</u>

The following is a schedule of property under capital leases by major classes at June 30, 2014 (in thousands):

	<u>Governmental Activities</u>
Land	\$ 18,695
Buildings and improvements	141,441
Equipment	68,524
Accumulated depreciation	<u>(45,823)</u>
Total	<u>\$ 182,837</u>

Future rent revenues to be received from noncancelable subleases are \$1,068,000 as of June 30, 2014.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

10. LEASES-Continued

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 8 to 83 years and are accounted for in the General Fund. The lease terms for the regional parks cover remaining periods ranging from 1 to 21 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 54 years and are accounted for in the General Fund.

The land carrying value of the Asset Development Project ground leases and the Marina del Rey Project area leases is \$573,645,000. 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, 2014 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2015	\$ 36,494
2016	36,414
2017	36,265
2018	36,166
2019	36,052
Thereafter	<u>1,380,201</u>
Total	<u>\$ 1,561,592</u>

The following is a schedule of rental income for these operating leases for the year ended June 30, 2014 (in thousands):

	<u>Governmental Activities</u>
Minimum rentals	\$ 36,290
Contingent rentals	<u>16,008</u>
Total	<u>\$ 52,298</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

10. LEASES-Continued

Leases of County-Owned Property-Continued

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.

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):

	<u>Original Par Amount of Debt</u>	<u>Balance June 30, 2014</u>
Los Angeles County Flood Control District Refunding Bonds, 2.5% to 5.0%	\$ 143,195	\$ 4,390
Los Angeles County Flood Control District Revenue Bonds, 4.0% to 4.12%	20,540	13,090
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3.0% to 5.25%	275,535	121,728
NPC Bond Anticipation Notes, 0.551%	2,073	2,073
NPC Bonds, 1.5% to 5.0%	70,572	39,574
Marina del Rey Loans, 4.5% to 4.7%	23,500	16,588
Public Buildings Bonds and Notes, 2.0% to 7.618%	1,152,658	798,120
Lease Revenue Obligation Notes, 0.06% to 0.66%	366,957	366,957
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds, 5.25% to 6.65%	319,827	401,548
Total	<u>\$ 2,374,857</u>	<u>\$ 1,764,068</u>

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

	<u>Original Par Amount of Debt</u>	<u>Balance June 30, 2014</u>
NPC Bond Anticipation Notes, 0.551%	\$ 4,927	\$ 4,927
NPC Bonds, 1.5% to 5.0%	14,703	10,476
Public Buildings Bonds and Notes, 2.0% to 7.618%	914,292	837,410
Lease Revenue Obligation Notes, 0.06% to 0.66%	51,043	51,043
Waterworks District Loans, 2.28%	8,111	8,006
Total	<u>\$ 993,076</u>	<u>\$ 911,862</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 \$127,430,000, not including unamortized bond premiums. Principal and interest for the current year and assessment revenues were \$35,752,000 and \$80,455,000, 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>
2015	\$ 30,735	\$ 4,997
2016	32,270	3,422
2017	11,715	2,313
2018	12,320	1,692
2019	12,955	1,039
2020-2024	<u>13,620</u>	<u>352</u>
Subtotal	113,615	<u>\$ 13,815</u>
Add: Unamortized bond premiums	<u>8,113</u>	
Total assessment bonds	<u>\$ 121,728</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 2013-2014, the Los Angeles County Capital Asset Leasing Corporation (LACCAL) issued lease revenue bonds of \$29,800,000 primarily to retire bond anticipation notes. The allocation of debt between Governmental Activities and Business-type Activities was \$21,754,000 and \$8,046,000, respectively.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 \$2,625,000 and credit reserves of \$723,000 were used to pay for the current fiscal year debt payment of \$3,348,000. Total principal and interest remaining on the bonds is \$29,325,000.

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 71,508	\$ 50,213	\$ 25,266	\$ 51,048
2016	55,562	48,323	29,575	49,918
2017	39,732	48,070	21,777	47,815
2018	26,280	49,065	17,271	45,413
2019	24,154	48,884	16,908	44,613
2020-2024	169,336	173,192	96,940	208,484
2025-2029	124,474	108,344	122,046	175,017
2030-2034	118,522	69,832	155,783	129,614
2035-2039	93,473	34,843	197,592	72,459
2040-2044	47,831	3,861	129,644	11,535
Subtotal	770,872	<u>\$ 634,627</u>	812,802	<u>\$ 835,916</u>
Add: Accretions	64,507			
Unamortized bond premiums	<u>19,795</u>		<u>35,084</u>	
Total certificates of participation and bonds	<u>\$ 855,174</u>		<u>\$ 847,886</u>	

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 2014 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:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$	\$ 19,918
2016		19,919
2017		19,919
2018		19,919
2019		19,919
2020-2024	35,925	91,246
2025-2029	46,370	82,406
2030-2034		69,311
2035-2039	62,196	55,680
2040-2044	53,157	34,810
2045-2049	<u>97,824</u>	<u>10,782</u>
Subtotal	295,472	<u>\$ 443,829</u>
Add: Accretions	<u>106,076</u>	
Total tobacco settlement asset-backed bonds	<u>\$ 401,548</u>	

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

11. LONG-TERM OBLIGATIONS-Continued

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 2013 - 2014, LACCAL issued additional BANS in the amount of \$14,483,000, as reflected in Governmental Activities and \$9,517,000 as reflected in Business-type Activities.

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 2013-2014, the County did not obtain any additional loans. As of June 30, 2014, 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Lease Revenue Obligation Notes-Continued

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, 2014, \$ 418,000,000 of LRON issued under the program were outstanding, including \$103,000,000 of Series A, \$100,000,000 of Series B, \$200,000,000 of Series C, and \$15,000,000 of direct placement revolving credit facility Series D.

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 reissued 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 2013-2014, the County redeemed and reissued \$255,949,000 for Governmental Activities and \$45,951,000 for Business-type Activities, representing the total amounts outstanding at the beginning of the year. These reissues, along with an additional \$116,100,000 of new County LRON, \$111,008,000 for Governmental Activities and \$5,092,000 for Business-type Activities, are reflected as notes payable. The total outstanding LRON as of June 30, 2014 is \$418,000,000, which is reported as \$366,957,000 for Governmental Activities and \$51,043,000 for Business-type Activities. The average interest rate on LRON issued in FY 2013-2014 was 0.108%

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):

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 367,755	\$ 746	\$ 51,262	\$ 91
2016	2,907	711	5,259	176
2017	871	673	339	168
2018	911	634	347	160
2019	952	593	355	153
2020-2024	5,441	2,282	1,900	637
2025-2029	6,781	942	2,129	408
2030-2034			2,385	152
Total notes, loans, and LRON	<u>\$ 385,618</u>	<u>\$ 6,581</u>	<u>\$ 63,976</u>	<u>\$ 1,945</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

11. LONG-TERM OBLIGATIONS-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	\$ 113,615	\$ 13,815	\$	\$
Certificates of participation and bonds	770,872	634,627	812,802	835,916
Tobacco settlement asset-backed bonds	295,472	443,829		
Notes, loans, and LRON	<u>385,618</u>	<u>6,581</u>	<u>63,976</u>	<u>1,945</u>
Subtotal	1,565,577	<u>\$1,098,852</u>	876,778	<u>\$ 837,861</u>
Add: Accretions	170,583			
Unamortized premiums on bonds payable	<u>27,908</u>		<u>35,084</u>	
Total bonds and notes	<u>\$1,764,068</u>		<u>\$ 911,862</u>	

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

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. At June 30, 2014, there were no outstanding bonds and certificates of participation considered defeased.

Changes in Long-term Liabilities

Long-term debt obligations as of July 1, 2013 include the following adjustments (in thousands) as a result of the unamortized refunding loss, now being reported as deferred outflows of resources rather than a component of long-term debt due to the implementation of GASB 65:

	<u>Long-term Liabilities July 1, 2013, as previously reported</u>	<u>Effect of GASB 65</u>	<u>Long-term Liabilities July 1, 2013, as restated</u>
Governmental activities:			
Bonds and notes payable	\$ 1,551,146		\$ 1,551,146
Add: Unamortized premium on bonds payable	32,107		32,107
Less: Unamortized amount on refunding loss	<u>(23,165)</u>	<u>23,165</u>	
Total bonds and notes payable	<u>\$ 1,560,088</u>	<u>23,165</u>	<u>\$ 1,583,253</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 (in thousands):

	<u>Balance July 1, 2013</u>	<u>Additions/ Accretions</u>	<u>Transfers/ Maturities</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds and notes payable	\$ 1,551,146	403,194	388,763	\$ 1,565,577	\$ 469,998
Add: Unamortized premium on bonds payable	<u>32,107</u>		<u>4,199</u>	<u>27,908</u>	<u>4,177</u>
Total bonds and notes payable	<u>1,583,253</u>	<u>403,194</u>	<u>392,962</u>	<u>1,593,485</u>	<u>474,175</u>
Interest accretion on capital appreciation bonds payable	172,142	2,630	4,189	170,583	10,465
Other long-term liabilities:					
Capital lease obligations (Note 10)	183,056	1,736	10,671	174,121	8,732
Accrued compensated absences	1,192,964	123,214	77,664	1,238,514	65,433
Workers' compensation (Note 18)	1,836,641	336,223	310,181	1,862,683	342,995
Litigation and self-insurance (Note 18)	177,078	23,656	30,575	170,159	132,792
Pollution remediation obligation (Note 19)	15,886	4,292	1,984	18,194	3,272
OPEB obligation (Note 9)	6,812,302	1,408,085		8,220,387	
Third party payor	<u>16,356</u>	<u>15,096</u>	<u>4,707</u>	<u>26,745</u>	<u>26,745</u>
Total governmental activities	<u>\$ 11,989,678</u>	<u>2,318,126</u>	<u>832,933</u>	<u>\$ 13,474,871</u>	<u>\$1,064,609</u>
Business-type activities:					
Bonds and notes payable	\$ 879,198	68,606	71,026	\$ 876,778	\$ 76,528
Add: Unamortized premium on bonds payable	<u>36,027</u>		<u>943</u>	<u>35,084</u>	<u>898</u>
Total bonds and note payable	<u>915,225</u>	<u>68,606</u>	<u>71,969</u>	<u>911,862</u>	<u>77,426</u>
Other long-term liabilities:					
Accrued compensated absences	174,381	20,259	12,164	182,476	10,751
Workers' compensation (Note 18)	259,708	34,003	37,897	255,814	45,519
Litigation and self-insurance (Note 18)	104,942	16,024	15,983	104,983	28,953
OPEB obligation (Note 9)	1,341,443	285,782		1,627,225	
Third party payor (Note 14)	<u>490,822</u>	<u>56,032</u>	<u>127,497</u>	<u>419,357</u>	<u>14,772</u>
Total business-type activities	<u>\$ 3,286,521</u>	<u>480,706</u>	<u>265,510</u>	<u>\$ 3,501,717</u>	<u>\$ 177,421</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 2013-2014, thereby increasing liabilities for Bonds and Notes by \$1,559,000 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, 2014 was as follows (in thousands):

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Maturities</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds and notes payable	\$ 28,128		2,739	\$ 25,389	\$ 2,829
Compensated absences	711	889	903	697	627
Capital lease obligations	2,569		650	1,919	710
Claims payable	<u>4,369</u>	<u>610</u>	<u>610</u>	<u>4,369</u>	<u>233</u>
Total governmental activities	<u>\$ 35,777</u>	<u>1,499</u>	<u>4,902</u>	<u>\$ 32,374</u>	<u>\$ 4,399</u>
Business-type activities:					
Bonds and notes payable	\$ 40,208	6	1,563	\$ 38,651	\$ 590
Compensated absences	<u>471</u>	<u>690</u>	<u>737</u>	<u>424</u>	<u>381</u>
Total business-type activities	<u>\$ 40,679</u>	<u>696</u>	<u>2,300</u>	<u>\$ 39,075</u>	<u>\$ 971</u>
Total long-term obligations	<u>\$ 76,456</u>	<u>2,195</u>	<u>7,202</u>	<u>\$ 71,449</u>	<u>\$ 5,370</u>

12. SHORT-TERM DEBT

On July 1, 2013, the County issued \$1,000,000,000 of short-term Tax and Revenue Anticipation Notes Series A and B at an effective interest rate of 0.16% and 0.18%, 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 2013. The Series A notes, \$300,000,000, matured and were redeemed on February 28, 2014 and the Series B notes, \$700,000,000, on June 30, 2014.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

13. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2014, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling \$48,618,000 and limited obligation improvement bonds totaling \$6,351,000. 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, 2014, the amount of industrial development and other conduit bonds outstanding was \$164,560,000.

Redevelopment Refunding Bonds

Redevelopment refunding bonds have been issued to provide financial assistance to successor agencies to former redevelopment agencies within the County to refund tax allocation bonds in order to provide debt service savings and to provide significant economies of scale through reduced costs of issuance and lower interest rates. The bonds are secured by a lien on future tax revenues deposited in the Redevelopment Property Tax Trust Fund. 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, 2014, the amount of redevelopment refunding bonds outstanding was \$145,012,000.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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.

Revenues for the public hospitals are comprised of: 1) Fee-For-Service (FFS) cost-based reimbursement for inpatient hospital services for Medi-Cal patients who are not enrolled in managed care; 2) Medi-Cal Disproportionate Share Hospital (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 \$311.00 million in FY 2013-2014. 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 (known as federal financial participation or FFP) for the FFS cost-based reimbursement for the traditional Medi-Cal population was 50% for FY 2013-2014. 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.

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.

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 intergovernmental transfers or "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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project-Continued

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.

The IGTs made during FY 2013-2014 are for services provided in FYs 2005-2006, 2011-2012, 2012-2013, and 2013-2014. The amounts reported below also include IGTs returned by the State for overpayment. The estimated Medi-Cal Demonstration Project net revenues for inpatient services, DSH and SNCP include amounts collected and accrued for FY 2013-2014 as adjusted for over/under-realization of revenues for FY 2005-2006 through FY 2012-2013. 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	\$ 54,967	\$ 99,810	\$ 50,035	\$ 23,161
Olive View-UCLA	27,691	73,138	16,601	28,663
LAC+USC	108,476	177,081	66,456	888
Rancho	60,415	22,448	3,680	(2,163)
Total	<u>\$ 251,549</u>	<u>\$ 372,477</u>	<u>\$ 136,772</u>	<u>\$ 50,549</u>

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

Delivery System Reform Incentive Pool

The Bridge to Reform 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 2013-2014:

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project-Continued

Delivery System Reform Incentive Pool-Continued

	<u>DSRIP Gross Revenues</u>	<u>Intergovernmental Transfers Expense</u>
Harbor-UCLA	\$ 132,649	\$ 85,216
Olive View-UCLA	56,762	31,854
LAC+USC	149,431	88,608
Rancho	<u>56,322</u>	<u>13,679</u>
Total	<u>\$ 395,164</u>	<u>\$ 219,357</u>

In addition, the General Fund received \$68.61 million for DSRIP. These amounts were recorded as Intergovernmental Revenue-Federal on the governmental fund statements.

Managed Care for Seniors and Persons with Disabilities (SPDs)

Under the Bridge to Reform, 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 2013-2014, an estimated \$243.22 million of SPD gross revenues were recorded.

The Bridge to Reform requires the County make IGTs to the State to fund the non-federal share of Medi-Cal inpatient payments for the SPD managed care population and expenses associated with such IGTs were \$98.22 million in FY 2013-2014.

Coverage Expansion – Low Income Health Program or Healthy Way LA

Under the Demonstration Project, counties had the option to expand coverage by operating a Low Income Health Program (LIHP). Under this plan, the County is able to 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 expended. 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 or the Healthy Way LA (HWLA) – Matched program in Los Angeles, was in effect through the end of 2013 and effective January 1, 2014, coverage under the federal health care reform or the Patient Protection and Affordable Care Act (ACA) of 2010 went into effect.

Revenues for the HWLA program in FY 2013-2014 are estimated at \$157.13 million for patient care services and \$10.87 million for administrative services. Estimated IGTs totaling \$10.14 million were also recorded in FY 2013-2014 related to the HWLA Out-of-Network payments for FYs 2011-2012 through 2013-2014 services.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Affordable Care Act

The ACA is the new health care reform law in America. The Federal health care reform provided the framework for the Demonstration Project by allowing early implementation of some of the law's coverage expansion provisions. The Demonstration Project's Medicaid Coverage Expansion (MCE) program provided for access, prior to January 1, 2014, to federally funded healthcare for many uninsured patients. This improved the payor mix and enhanced revenues for the County. As of December 2013, there were over 300,000 patients enrolled in HWLA. On January 1, 2014, when ACA became effective, the HWLA enrollees were automatically transitioned to Medi-Cal coverage under the ACA's MCE program. The MCE program provides Medi-Cal coverage for adult citizens or legal residents (ages 19-64) who are uninsured and have incomes at or below 138% of the FPL. Beginning January 1, 2014, the Hospital Presumptive Eligibility (PE) program also provided individuals with temporary, no cost, Medi-Cal benefits to provide coverage while a formal, permanent Medi-Cal application is being processed.

Medicaid Coverage Expansion

For the MCE program services after December 31, 2013, the FMAP is 100%. In FY 2013-2014, an estimated \$291.03 million in MCE revenues and \$42.25 million in Medi-Cal Managed Care Rate Supplement revenues related to MCE were recorded for the period from January 1, 2014 through June 30, 2014.

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 provided by public entities 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.

Net revenues of \$22.08 million were recognized during FY 2013-2014 and included adjustments for the over/under-realization of revenues associated with FY 2005-2006 through FY 2012-2013.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

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). CBRC revenues in FY 2013-2014 were \$157.55 million. As of June 30, 2014, the County estimated that approximately \$196.64 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 2009-2010 CBRC audit reports during FY 2013-2014 were issued and total audit settlements of \$81.19 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 before a hearing auditor was held during August 2014. Prior to and during that process, a number of the disputes were resolved. The hearing results, known as a Report of Findings, will be issued sometime next year. DHS has formal level appeals pending for FYs 2003-2004, 2006-2007, 2007-2008 and 2008-2009.

The State auditors are in the process of auditing the FY 2010-2011 CBRC audit findings and the anticipated issuance of the audit reports is early April 2015.

Medi-Cal Managed Care Rate Supplement

The State anticipates receiving 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, 2012 through September 30, 2013. 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, the County is required by Welfare and Institutions Code Section 14301.4, 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.

For L.A. Care, the total estimated managed care rate supplement revenues and related estimated IGTs recorded in FY 2013-2014, including prior year over/under realization, are as follows (in thousands):

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Rate Supplement-Continued

	<u>Program Revenues</u>	<u>Intergovernmental Transfers Expense</u>
L.A. Care	\$ 120,489	\$ 72,000
Health Net	(2,375)	(6)
Totals	<u>\$ 118,114</u>	<u>\$ 71,994</u>

Revenues from the various Medi-Cal programs (i.e., FFS, DSH, CBRC, AB 915, SB 1732, etc.) represent approximately 71% of the hospitals' patient care revenue for the year ended June 30, 2014.

Managed Care Services-General Fund

The County organization known as Managed Care Services is the medical services organization for DHS, and coordinates the delivery of healthcare in a managed care environment with the objectives of improving outcomes and reducing costs. The General Fund recognized \$266.47 million for Managed Care Services and is recorded as Charges for Services on the governmental fund statements.

Medicare Program

Inpatient services to 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 2006-2007.

For FY 2002-2003 and FY 2003-2004, 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 2004-2005, 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 2004-2005 audits have been completed for LAC+USC MC, H-UCLA MC and RLANRC.

For FY 2005-2006, 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 2005-2006 audits has 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, 2014

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicare Program-Continued

For FY 2006-2007, 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 2006-2007 audits have been completed for H-UCLA MC and LAC+USC MC.

For FY 2007-2008, the audits have been completed and NPRs have been issued for RLANRC and OV-UCLA MC. Except for the Medicare SSI fraction issue, the FY 2007-08 audits have been completed for LAC+USC 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 2007-2008 due to low Medicare utilization.

For FY 2008-2009, 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 2009-2010, the audit has been completed and NPR issued for OV-UCLA MC. RLANRC has been audited and is awaiting the issuance of the NPR. Audits for LAC+USC MC and H-UCLA MC have not been scheduled.

For FY 2010-2011, audits have not been scheduled for LAC+USC MC and H-UCLA MC. The audit is in progress for RLANRC, and OV-UCLA MC received its NPR at the end of October 2014.

For FY 2011-2012 and FY 2012-2013, audits have not been scheduled for LAC+USC MC, H-UCLA MC, RLANRC, and OV-UCLA MC.

Revenues from the Medicare program represent approximately 6% of patient care revenue for the year ended June 30, 2014.

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, 2014 (in thousands):

	<u>H-UCLA</u>	<u>OV-UCLA</u>	<u>LAC+USC</u>	<u>Rancho</u>	<u>Total</u>
Accounts receivable	\$ 2,496,998	\$1,044,801	\$ 2,423,814	\$ 306,367	\$ 6,271,980
Less: Allowance for uncollectible amounts	<u>2,028,908</u>	<u>797,822</u>	<u>1,810,400</u>	<u>127,031</u>	<u>4,764,161</u>
Accounts receivable - net	<u>\$ 468,090</u>	<u>\$ 246,979</u>	<u>\$ 613,414</u>	<u>\$ 179,336</u>	<u>\$ 1,507,819</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 Department's Ability-to-Pay program, through other collection efforts by the Department, by the Treasurer and Tax Collector, 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, 2014 is as follows (in thousands):

Estimated cost of charity care	\$ 1,212,428
Charity care at established rates	1,667,215
Charges forgone	1,364,658

Realignment

As a result of the ACA, the State of California (State) adopted and passed Assembly Bill 85 (AB85), as amended by Senate Bill 98, which 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 a formula and the assumption that the counties will decrease their net cost for healthcare for the indigent population. These savings will be shared between the counties' health departments and the State. The sharing ratio for FY 2013-2014 is 70% State and 30% County. AB85, as amended, provides a unique formula for the County to determine the amount to be redirected. In FY 2013-2014, the State withheld \$87.50 million from the County's Health Realignment account.

The withheld amount is expected to be reconciled against actual revenues and expenses for FY 2013-2014 within two years, with the potential final amount being less than or equal to \$87.50 million. The withheld amount will be subject to the State's review and approval. The County could potentially recoup all, or a portion, of the \$87.50 million withheld amount, subsequent to FY 2015-2016. Due to uncertainties associated with such revenues, they are not reflected in the current year's financial statements.

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 hospital at the MLK-MACC site. The new hospital would: i) serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients and ii) 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 hospital facility is scheduled to open in FY 2014-2015.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Martin Luther King, Jr. Community Hospital-Continued

On December 27, 2013, the County established the Martin Luther King, Jr. Community Hospital Financial Assistance budget to monitor the funds allocated to the MLK-LA Healthcare Corporation for hospital opening activities provided by the County. On April 25, 2014, the County executed a lease agreement with MLK-LA Health Corporation to occupy the Inpatient Tower and related ancillary and support buildings on the MLK Medical Center campus. As part of the lease agreement, the County committed to provide MLK-LA Healthcare Corporation with loans up to the aggregate amount of \$82 million for pre- and post-hospital opening activities. The General Fund balance includes the outstanding MLK-LA Health Corporation loan balance of \$7.74 million in non-spendable for long-term receivables, and the remaining \$74.26 million is assigned for future loans.

Medicaid Demonstration Project Renewal

The State Department of Health Care Services (DHCS) has begun the stakeholder process for the Medi-Cal Demonstration Project renewal under Section 1115(a) of the Social Security Act. The existing Bridge to Reform Demonstration Project expires on October 31, 2015, and DHCS intends to seek a renewal of the Demonstration Project. DHCS is targeting early 2015 to submit the Demonstration Project renewal request to the CMS.

A Medicaid Demonstration Project Renewal is a significant component for the County to continue successfully implementing the ACA beyond the coverage expansion. Current Demonstration Project initiatives, such as the delivery of care for Seniors and Persons with Disabilities through managed care and the State's Coordinated Care Initiative, would continue through the Demonstration Project Renewal.

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, 2014.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 are as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Protection District	\$ 15,886
	Flood Control District	3,260
	Public Library	4,554
	Regional Park and Open Space District	5,001
	Nonmajor Governmental Funds	172,697
	Harbor-UCLA Medical Center	29,540
	Olive View-UCLA Medical Center	17,279
	LAC+USC Medical Center	25,128
	Rancho Los Amigos Nat'l Rehab Center	3,833
	Waterworks Enterprise Funds	681
	Nonmajor Aviation Funds	27
	Internal Service Funds	<u>5,369</u>
		<u>283,255</u>
Fire Protection District	General Fund	2,079
	Nonmajor Governmental Funds	<u>525</u>
		<u>2,604</u>
Flood Control District	General Fund	1,333
	Nonmajor Governmental Funds	3,273
	Waterworks Enterprise Funds	327
	Nonmajor Aviation Funds	67
	Internal Service Funds	<u>7,696</u>
		<u>12,696</u>
Public Library	General Fund	4,181
	Fire Protection District	3
	Nonmajor Governmental Funds	<u>113</u>
		<u>4,297</u>
Regional Park and Open Space District	General Fund	<u>398</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	\$ 40,281
	Fire Protection District	1,163
	Flood Control District	855
	Public Library	19
	Nonmajor Governmental Funds	18,997
	Rancho Los Amigos Nat'l Rehab Center	139
	Internal Service Funds	10,470
		<u>71,924</u>
Harbor-UCLA Medical Center	General Fund	28,868
	Fire Protection District	43
	Nonmajor Governmental Funds	29,036
	Olive View-UCLA Medical Center	659
	LAC+USC Medical Center	1,530
	Rancho Los Amigos Nat'l Rehab Center	2,979
		<u>63,115</u>
Olive View-UCLA Medical Center	General Fund	16,911
	Fire Protection District	116
	Nonmajor Governmental Funds	20,783
	LAC+USC Medical Center	75
	Rancho Los Amigos Nat'l Rehab Center	22
		<u>37,907</u>
LAC+USC Medical Center	General Fund	39,174
	Fire Protection District	42
	Nonmajor Governmental Funds	55,038
	Harbor-UCLA Medical Center	4,731
	Olive View-UCLA Medical Center	19,771
	Rancho Los Amigos Nat'l Rehab Center	3,405
		<u>122,161</u>
Rancho Los Amigos Nat'l Rehab Center	General Fund	6,017
	Fire Protection District	34
	Harbor-UCLA Medical Center	3
	Olive View-UCLA Medical Center	27
	LAC+USC Medical Center	48
		<u>6,129</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Waterworks Enterprise Funds	General Fund	\$ 10
	Internal Service Funds	<u>1,077</u>
		<u>1,087</u>
Nonmajor Aviation Funds	Internal Service Funds	<u>1</u>
Internal Service Funds	General Fund	19,374
	Fire Protection District	7
	Flood Control District	20,001
	Nonmajor Governmental Funds	38,560
	Harbor-UCLA Medical Center	31
	Olive View-UCLA Medical Center	507
	LAC+USC Medical Center	103
	Rancho Los Amigos Nat'l Rehab Center	1,844
	Waterworks Enterprise Funds	3,781
	Nonmajor Aviation Funds	<u>337</u>
		<u>84,545</u>
Total Interfund Receivables/Payables		<u>\$ 690,119</u>

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Interfund transfers to/from other funds for the year ended June 30, 2014 are as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Public Library	\$ 40,531
	Nonmajor Governmental Funds	99,982
	Harbor-UCLA Medical Center	226,722
	Olive View-UCLA Medical Center	86,108
	LAC+USC Medical Center	193,949
	Rancho Los Amigos Nat'l Rehab Center	15,702
	Internal Service Funds	<u>333</u>
		<u>663,327</u>
Fire Protection District	Nonmajor Governmental Funds	<u>12,617</u>
Flood Control District	Nonmajor Governmental Funds	3,173
	Internal Service Funds	<u>3,559</u>
		<u>6,732</u>
Public Library	General Fund	6,380
	Nonmajor Governmental Funds	<u>2,787</u>
		<u>9,167</u>
Nonmajor Governmental Funds	General Fund	454,280
	Fire Protection District	3,730
	Public Library	11,031
	Nonmajor Governmental Funds	22,764
	Harbor-UCLA Medical Center	57,588
	Olive View-UCLA Medical Center	42,511
	LAC+USC Medical Center	111,176
	Rancho Los Amigos Nat'l Rehab Center	688
	Internal Service Funds	<u>8,700</u>
		<u>712,468</u>
Harbor-UCLA Medical Center	Nonmajor Governmental Funds	1,943
	LAC+USC Medical Center	<u>4,599</u>
		<u>6,542</u>
Olive View-UCLA Medical Center	General Fund	1,347
	Nonmajor Governmental Funds	144
	LAC+USC Medical Center	<u>3,823</u>
		<u>5,314</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Rancho Los Amigos Nat'l Rehab Center	LAC+USC Medical Center	\$ 2,925
Waterworks Enterprise Funds	Internal Service Funds	531
Internal Service Funds	General Fund	4,101
	Nonmajor Governmental Funds	9
		<u>4,110</u>
Total Interfund Transfers		<u>\$ 1,423,733</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 \$186.2 million long-term advance and classified a corresponding amount of fund balance as nonspendable balance.

Advances from/to other funds at June 30, 2014 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	\$ 221,868	\$ 42,247	\$ 264,115
	Olive View-UCLA Medical Center	114,124	36,696	150,820
	LAC+USC Medical Center	269,679	74,997	344,676
	Rancho Los Amigos Nat'l Rehab Center	91,275	32,217	123,492
	Internal Service Funds	<u>2,211</u>		<u>2,211</u>
		<u>699,157</u>	<u>186,157</u>	<u>885,314</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 6,307		\$ 6,307
Nonmajor Governmental Funds	Internal Service Funds	12,164		12,164
Waterworks Enterprise Funds	Internal Service Funds	1,318		1,318
Total Interfund Advances		\$ 718,946	\$ 186,157	\$ 905,103

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.

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 and amounts are collected within the County's availability period.
- 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 6.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 deferred inflows of resources and were being recognized over the duration of the sale agreement, in accordance with GASB 48 and 65. 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, 2014.

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	\$ 1,566,263	\$ 48,787	\$ 129,417	\$ 41,175	\$ 236,272
Budgetary fund balances	<u>1,565,448</u>	<u>182,704</u>	<u>179,107</u>	<u>19,896</u>	<u>88,380</u>
Subtotal	<u>3,131,711</u>	<u>231,491</u>	<u>308,524</u>	<u>61,071</u>	<u>324,652</u>
Adjustments:					
Accrual of estimated liability for litigation and self-insurance claims	139,124	(298)	2,697	876	
Accrual of compensated absences	57,602				
Unamortized balance of sale of tobacco settlement revenue	(241,498)				
Change in revenue accruals	(133,290)	(15,792)	(5,747)	(2,497)	(1,799)
Change in OPEB	149,159	8,842		1,453	
Subtotal	<u>(28,903)</u>	<u>(7,248)</u>	<u>(3,050)</u>	<u>(168)</u>	<u>(1,799)</u>
Fund balance - GAAP basis	<u>\$ 3,102,808</u>	<u>\$ 224,243</u>	<u>\$ 305,474</u>	<u>\$ 60,903</u>	<u>\$ 322,853</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

17. OTHER COMMITMENTS

Constructions and Other Significant Commitments

At June 30, 2014, there were contractual commitments of approximately \$478.75 million for various general government construction and software and approximately \$48.36 million for various hospital construction projects that were financed by bonds and lease revenue obligation notes.

LACERA Capital Commitments

At June 30, 2014, LACERA had outstanding capital commitments to various investment managers, approximating \$3.610 billion. Subsequent to June 30, 2014, LACERA funded \$394 million 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, 2014, 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	\$	\$	\$ 453,700	\$ 453,700
Fire Protection District	20,995			20,995
Flood Control District	47,895			47,895
Public Library			8,946	8,946
Regional Park and Open Space District	75,084			75,084
Nonmajor Governmental Funds	<u>145,163</u>	<u>7,817</u>	<u>7,023</u>	<u>160,003</u>
Total Encumbrances	<u>\$ 289,137</u>	<u>\$ 7,817</u>	<u>\$ 469,669</u>	<u>\$ 766,623</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 2011-2012, FY 2012-2013 or FY 2013-2014.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 was approximately \$2.118 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2014. Approximately \$88,906,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2014, the County's best estimate of these liabilities is \$2.394 billion. Changes in the reported liability since July 1, 2012 resulted from the following (in thousands):

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Claim Payments</u>	<u>Balance At Fiscal Year-End</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>
<u>2013-2014</u>				
Workers' Compensation	\$ 2,096,349	\$ 370,226	\$(348,078)	\$ 2,118,497
Other	<u>282,020</u>	<u>39,680</u>	<u>(46,558)</u>	<u>275,142</u>
Total 2013-2014	<u>\$ 2,378,369</u>	<u>\$ 409,906</u>	<u>\$(394,636)</u>	<u>\$ 2,393,639</u>

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately \$180.4 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, 2014

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 cleanup 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 cleanup, and removal of storage tanks, asbestos tiles and other hazardous materials.

As of June 30, 2014, the County's estimated pollution remediation obligation totaled \$18,194,000. 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. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources balances in the government-wide financial statements as of June 30, 2014 are described as follows:

- The deferred outflows of resources, included on the government-wide statement of net position, relates to the unamortized losses on refunding of debt, which was previously reported under bonds payable. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES-Continued

- The deferred inflows of resources, included on the government-wide statement of net position, relates to the future installment payments of service concession arrangements as discussed in Note 7.

Statement of Net Position (in thousands):

Deferred outflows of resources -	
Unamortized losses on refunding of debt	<u>\$ 20,243</u>
Deferred inflows of resources -	
Service concession arrangements	<u>\$ 97,031</u>

Deferred outflows and inflows of resources balances in the governmental fund financial statements as of June 30, 2014 are described as follows:

- The intra-entity sales of future tobacco settlement revenues, which were previously reported as interfund receivables and payables in the governmental fund financial statements, have been reclassified and are now reported as deferred inflows of resources in the General Fund and deferred outflows of resources in the nonmajor governmental funds.
- Under the modified accrual basis of accounting, earning revenues during the current period is not sufficient for revenue recognition in the current period. Revenue must also be susceptible to accrual (i.e., measurable and available to finance expenditures of the current period). Governmental funds report revenues not susceptible to accrual as deferred inflows of resources. These were previously reported as deferred revenues. The County has included two such items, which are property tax revenues to be collected beyond the 60 day accrual period, plus other long-term receivables, related mostly to SB90 claims, expected to be collected beyond the 12 month accrual period.

Balance Sheet (in thousands):

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Nonmajor Funds	Total
Deferred outflows of resources -							
Tobacco settlement revenues	<u>\$</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u>241,498</u>	<u>\$241,498</u>
Deferred inflows of resources:							
Tobacco settlement revenues	\$ 241,498						\$241,498
Property tax revenues	117,844	26,472	8,071	4,221	5,576	10,511	172,695
Other long-term receivables	<u>148,763</u>	<u>815</u>	<u></u>	<u></u>	<u></u>	<u>624</u>	<u>150,202</u>
Total governmental funds							
deferred inflows of resources	<u>\$ 508,105</u>	<u>27,287</u>	<u>8,071</u>	<u>4,221</u>	<u>5,576</u>	<u>11,135</u>	<u>\$564,395</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

21. 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, 2014 (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	\$ 56,790	8,542		1,216		
Long-term receivables	215,217					
Permanent fund principal						2,195
Total Nonspendable	272,007	8,542		1,216		2,195
Restricted for:						
Purpose of fund		215,701	305,375	9,814	322,853	1,404,246
Purpose of utility user tax	30,771					
Grand Avenue project	4,600					
Sheriff Pitchess landfill	3,206					
La Alameda project	2,000					
Capital projects						174,581
Debt service						536,885
Endowments and annuities						222
Total Restricted	40,577	215,701	305,375	9,814	322,853	2,115,934
Committed to:						
Purpose of fund						36,148
Capital projects and extraordinary maintenance	146,056					78,968
Health services-tobacco settlement	49,900					
Budget uncertainties	86,698					
Low to moderate income housing	50,072					
Sheriff budget restoration	31,174					
Assessor tax system	22,062					
Health services operations	16,000					
Interoperable and countywide communication	8,765					
Services to unincorporated areas	14,254					
Financial system	16,487					
Reopening jail beds	12,147					
Department of children and family services	8,840					
Health services future financial requirements	6,513					
Public works-permit tracking system	5,855					

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

21. 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>
TTC remittance processing and mailroom equipment	2,800					
Information technology enhancements	2,564					
Live scan	2,000					
TTC unsecured property tax system	463					
Sheriff unincorporated patrol	90					
Total Committed	<u>482,740</u>					<u>115,116</u>
Assigned to:						
Purpose of fund			99	49,873		116,480
Future purchases	453,700					
Future loans	82,354					
Capital projects						24,207
Imprest cash	<u>2,024</u>					
Total Assigned	<u>538,078</u>		<u>99</u>	<u>49,873</u>		<u>140,687</u>
Unassigned	<u>1,769,406</u>					
Total Fund Balances	<u>\$ 3,102,808</u>	<u>224,243</u>	<u>305,474</u>	<u>60,903</u>	<u>322,853</u>	<u>2,373,932</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 \$232,045,000 is reported as unassigned fund balance in the General Fund.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

22. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 1, 2014, the County issued \$900,000,000 in 2014-2015 TRANS which will mature on June 30, 2015. The TRANS are collateralized by taxes and other revenues attributable to the 2014-2015 fiscal year and were issued in the form of Fixed Rate Notes at an effective interest rates of 0.12%.

Capital Asset Leasing Corporation Lease Revenue Bond Anticipation Notes

On September 12, 2014, the Corporation issued a \$10,000,000 Bond Anticipation Note with an initial interest rate of 0.535%. Also, on December 10, 2014, the Corporation issued a \$10,000,000 Bond Anticipation Note with an initial interest rate of 0.596%. 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, 2017. Proceeds of the notes are being used to purchase equipment. The notes are to be paid from the proceeds of lease revenue bonds.

Lease Revenue Obligation Notes

On September 15, 2014, the Los Angeles County Capital Asset Leasing Corporation issued an additional \$15,000,000 in lease revenue obligation notes (LRON) with an initial average interest rate of 0.08%. Also, on November 7, 2014, the Corporation issued an additional \$17,000,000 in LRON with an initial average interest rate of 0.07%. The proceeds are being used to fund capital requirements of various capital projects. The LRON is secured by a long-term lease of County real estate and letters of credit.

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, 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%
June 30, 2013	39,932,416	53,247,776	13,315,360	75.0%	6,595,902	201.9%

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, 2009	\$ 0	\$ 951,797	\$ 951,797	0%	\$ 6,547,616	14.54%
July 1, 2011	0	1,018,898	1,018,898	0%	6,650,674	15.32%
July 1, 2013	0	945,687	945,687	0%	6,595,902	14.34%



SINGLE AUDIT REPORT

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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>			
USAID Foreign Assistance for Programs Overseas			
International Search and Rescue Operations	98.001		\$ 600,727
Total U.S. Agency for International Development			<u>600,727</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed Through the California Department of Education</i>			
Summer Food Service Program for Children	10.559 (2)	CN120410	50,904
Summer Food Service Program for Children	10.559 (2)		628,436
<i>Subtotal Child Nutrition Cluster (10.559)</i>			<u>679,340</u>
<i>Passed Through the California Department of Food and Agriculture</i>			
Plant and Animal Disease, Pest Control, and Animal Care			
Pest Detection Emergency Program	10.025	13-8506-0934-GR	2,962,340
Pest Exclusion/Dog Teams Program (Note 4)	10.025	13-8506-1165-CA	546,391
Glassy Winged Sharpshooter (GWSS) (Note 4)	10.025	13-8506-0484-CA	1,277,713
Sudden Oak Death (SOD) Program	10.025	13-8506-0572-CA	90,862
Oriental Fruit Fly Emergency Program	10.025	14-8506-1721-CA	4,625
<i>Subtotal 10.025</i>			<u>4,881,931</u>
Senior Farmers Market Nutrition Program			
Senior Farmers Market Program	10.576		111,500
<i>Passed Through the California Department of Public Health</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
Nutrition Program - Network for a Healthy California	10.561 (1)	11-10233	230,059
Network for a Healthy California - Local Health Department	10.561 (1)	13-20467	6,851,122
<i>Passed Through the California Department of Social Services</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
Supplemental Nutrition Assistance Program (SNAP) - Administration (CalFresh)	10.561 (1)	5180	172,700,767
<i>Subtotal SNAP Cluster (10.561)</i>			<u>179,781,948</u>
<i>Passed Through the California State Controller's Office</i>			
Schools and Roads - Grants to States			
U.S. Forest Service	10.665 (3)		698,662
Total U.S. Department of Agriculture			<u>186,153,381</u>
<u>U.S. Department of Defense</u>			
<i>Direct Program</i>			
Procurement Technical Assistance for Business Firms			
Procurement Technical Assistance	12.002		226,382
Total U.S. Department of Defense			<u>226,382</u>
<u>U.S. Department of Education</u>			
<i>Direct Program</i>			
Federal Supplemental Educational Opportunity Grants			
Supplemental Educational Opportunity Grants	84.007 (16)		9,901
Federal Pell Grant Program			
Pell Grants	84.063 (16)		259,313
<i>Subtotal Student Financial Assistance Cluster (84.007, 84.063)</i>			<u>269,214</u>
Total U.S. Department of Education			<u>269,214</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Direct Program</i>			
Public Health Emergency Preparedness			
Public Health Preparedness and Response for Bioterrorism	93.069		2,551,006
Public Health Emergency Preparedness	93.069		21,978,658
<i>Subtotal 93.069</i>			<u>24,529,664</u>
Sodium Reduction in Communities			
Los Angeles County Sodium Reduction Initiative (LACSRI)	93.082		90,163
Emergency System for Advance Registration of Volunteer Health Professionals	93.089		68,407
Project Grants and Cooperative Agreements for Tuberculosis Control Programs			
Tuberculosis/Centers for Disease Control Cooperative Agreement	93.116		4,227,705

See legend on page 138 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, 2014

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			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance			
Integrated Behavioral Health and Primary Care Program	93.243 (19)		\$ 974,506
Adult Drug Court Program (SAMHSA)	93.243 (19)		154,455
Project ABC Family Wellness Network	93.243 (19)		1,919,225
<i>Subtotal 93.243</i>			<u>3,048,186</u>
Adult Viral Hepatitis Prevention and Control			
Category A, Part 1 - Viral Hepatitis Prevention Coordinator	93.270		120,710
Centers for Disease Control and Prevention - Investigations and Technical Assistance			
Los Angeles County Sodium Reduction Initiative (LACSR)	93.283 (20)		129,300
Los Angeles County DOH-EPI and Lab Capacity	93.283 (20)		165,138
<i>Subtotal 93.283</i>			<u>294,438</u>
PPHF 2012 National Public Health Improvement Initiative			
National Public Health Improvement Initiative	93.507		856,717
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems			
Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging			
Infections Program (EIP) Cooperative Agreements; PPHF			
Patient Protection and Affordable Care Act (PPACA)	93.521		1,222,278
The Affordable Care Act: Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund			
Activities			
Enhanced HIV Prevention Planning and Implementation	93.523		420,136
PPHF 2012: Community Transformation Grants and National Dissemination and Support for			
Community Transformation Grants - Financed Solely by 2012 Prevention and Public Health			
Funds			
Community Transformation Grant	93.531		13,018,192
Strong Start for Mothers and Newborns	93.611		489,953
Adoption Opportunities			
Diligent Recruitment of Families for Children in the Foster Care System	93.652		402,257
National Bioterrorism Hospital Preparedness Program			
Bioterrorism Hospital Preparedness Program	93.889		9,750,469
HIV Emergency Relief Project Grants			
HIV Emergency Relief Project Grant	93.914		36,123,303
Minority AIDS Initiative (MAI)	93.914		3,689,346
<i>Subtotal 93.914</i>			<u>39,812,649</u>
HIV Prevention Activities - Health Department Based			
HIV Prevention Project	93.940		15,950,009
National HIV Behavioral Surveillance	93.940		432,189
<i>Subtotal 93.940</i>			<u>16,382,198</u>
HIV Demonstration, Research, Public and Professional Education Projects			
PS09-007 Evaluating Locally-Developed Homegrown HIV Prevention Interventions	93.941		475,256
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS)			
Surveillance			
HIV AIDS Surveillance and Seroprevalence	93.944		2,530,159
Morbidity and Risk Behavior Surveillance	93.944		747,651
<i>Subtotal 93.944</i>			<u>3,277,810</u>
Preventive Health Services - Sexually Transmitted Diseases Control Grants			
Comprehensive STD Preventions Systems	93.977 (25)		2,096,904
STD Surveillance Network	93.977 (25)		95,942
Los Angeles County STD Programs Through Assessment, Assurance, Policy Development, and	93.977 (25)		1,565,170
Prevention Strategies			
<i>Subtotal 93.977</i>			<u>3,758,016</u>
<i>Passed Through the California Family Health Council</i>			
Family Planning - Services			
Family Planning	93.217		673,159
Family Planning - HIV	93.217		111,698
<i>Subtotal 93.217</i>			<u>784,857</u>
<i>Passed Through the Community Health Councils, Inc.</i>			
Racial and Ethnic Approaches to Community Health: Obesity and Hypertension Demonstration			
Projects financed solely by 2012 Prevention and Public Health Funds			
Racial and Ethnic Approaches to Community Health Obesity and Hypertension Demonstration			
Project	93.743	1954487664A1	124,681

See legend on page 138 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, 2014

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 Council of State and Territorial Epidemiologist (CSTE)</i> Centers for Disease Control and Prevention - Investigations and Technical Assistance Influenza Incidence Surveillance Project	93.283 (20)	5U38HM000414	\$ 102,194
<i>Passed Through the Health Research Association, Inc</i> Teenage Pregnancy Prevention Program	93.297	48658483	208,072
<i>Passed Through the University of California, Los Angeles</i> Drug Abuse and Addiction Research Programs Effectiveness of Peer Navigation to Link Released HIV/Jail Inmates to HIV Care	93.279		444,109
Child Health and Human Development Extramural Research The Impact of Natural Experiments on Child Obesity: A Systems Science Approach	93.865	1920 G RA205	13,853
<i>Passed Through the California Department of Aging</i> Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation Title VII - Elder Abuse Prevention	93.041 (12)	A9-1314-19	58,082
Title VII - Elder Abuse Prevention (A3)	93.041 (12)	A3-1314-19	22,899
<i>Subtotal 93.041</i>			<u>80,981</u>
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals Title VII - Ombudsman	93.042 (12)	A9-1314-19	93,805
Title VII - Ombudsman (A3)	93.042 (12)	A3-1314-19	25,993
<i>Subtotal 93.042</i>			<u>119,798</u>
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services Area Agency on Aging III D	93.043 (12)	A9-1314-19	267,439
Area Agency on Aging III D (A3)	93.043 (12)	A3-1314-19	92,997
<i>Subtotal 93.043</i>			<u>360,436</u>
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers Area Agency on Aging III B	93.044 (12)	A9-1314-19	3,859,055
Area Agency on Aging III B (A3)	93.044 (12)	A3-1314-19	1,230,664
<i>Subtotal 93.044</i>			<u>5,089,719</u>
Special Programs for the Aging - Title III, Part C - Nutrition Services Area Agency on Aging III C-I	93.045 (12)	A9-1314-19	4,086,393
Area Agency on Aging III C-II	93.045 (12)	A9-1314-19	2,910,810
Area Agency on Aging III C-I (A3)	93.045 (12)	A3-1314-19	1,341,813
Area Agency on Aging III C-II (A3)	93.045 (12)	A3-1314-19	1,267,863
C-I Special Nutrition Funds	93.045 (12)	A3-1314-19	251,976
C-II Special Nutrition Funds	93.045 (12)	A3-1314-19	148,221
<i>Subtotal 93.045</i>			<u>10,007,076</u>
National Family Caregiver Support, Title III, Part E Area Agency on Aging Title III E	93.052 (12)	A9-1314-19	1,639,254
Area Agency on Aging Title III E (A3)	93.052 (12)	A3-1314-19	632,410
<i>Subtotal 93.052</i>			<u>2,271,664</u>
Nutrition Services Incentive Program Area Agency on Aging III USDA C-I	93.053 (12)	A9-1314-19	672,257
Area Agency on Aging III USDA C-II	93.053 (12)	A9-1314-19	514,620
Area Agency on Aging III USDA C-I (A3)	93.053 (12)	A3-1314-19	179,474
Area Agency on Aging III USDA C-II (A3)	93.053 (12)	A3-1314-19	131,036
<i>Subtotal 93.053</i>			<u>1,497,387</u>
Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models Financial Alignment	93.626	FA-1316-19	115,408
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations Area Agency on Aging - Health Insurance Counseling and Advocacy Program (HICAP)	93.779	H9-1314-19	194,989
Area Agency on Aging - Health Insurance Counseling and Advocacy Program (HICAP) (H3)	93.779	HI-1415-19	98,134
<i>Subtotal 93.779</i>			<u>293,123</u>

See legend on page 138 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, 2014

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 Alcohol and Drugs</i>			
Block Grants for Prevention and Treatment of Substance Abuse			
Drug Free Schools and Communities (DFSC) - Friday Night Live	93.959		\$ 88,741
Alcohol Block Grant	93.959		37,895,865
Drug Free Schools and Communities - Club Live	93.959		88,741
Federal Female Offender	93.959		180,458
New Prenatal Set-Aside	93.959		3,526,365
Substance Abuse Block Grant New HIV Set-Aside	93.959		4,278,506
Substance Abuse Prevention and Treatment Block Grant Adolescent Treatment	93.959		1,810,108
Substance Abuse Prevention and Treatment Set-Aside	93.959		10,736,016
Subtotal 93.959			<u>58,604,800</u>
<i>Passed Through the California Department of Child Support Services</i>			
Child Support Enforcement			
Child Support Enforcement Title IV-D	93.563		107,002,571
<i>Passed Through the California Department of Community Services and Development</i>			
Community Services Block Grant			
Community Services Block Grant 13F-3021 (Note 5)	93.569	13F-3021	4,578,969
Community Services Block Grant 14F-3021 (Note 5)	93.569	14F-3021	523,464
Community Services Block Grant American Indian 12F-4458 (Note 5)	93.569	14F-3058	115,736
Community Services Block Grant American Indian 13F-3058 (Note 5)	93.569	13F-3058	130,823
Subtotal 93.569			<u>5,348,992</u>
<i>Passed Through the California Department of Education</i>			
Child Care and Development Block Grant			
Child Care Salary Retention Incentive Program	93.575 (14)		3,069,479
Local Child Care Planning and Development Council (LCCPDC)	93.575 (14)		177,360
Child Care Mandatory and Matching Funds of the Child Care and Development Fund			
Child Day Care Program	93.596 (14)	CAPP-3026	7,753,479
Subtotal CCDF Cluster (93.575, 93.596)			<u>11,000,318</u>
<i>Passed Through the California Department of Health Care Services</i>			
Projects for Assistance in Transition from Homelessness (PATH)			
McKinney Homeless Act Program	93.150		1,919,422
Medical Assistance Program			
Medi-Cal Administrative Activities (MAA)	93.778 (15) (24)	04-35096	11,030,747
Medi-Cal Eligibility Determination	93.778 (15) (24)	4260	313,276,154
Child Health and Disability Program	93.778 (15) (24)		5,265,818
Health Care Program Children In Foster Care	93.778 (15) (24)		10,232,130
Subtotal 93.778			<u>339,804,849</u>
Block Grants for Community Mental Health Services			
Mental Health Services: Block Grant	93.958		14,750,536
<i>Passed Through the California Department of Public Health</i>			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance			
Strategic Prevention Framework State Incentive Grant	93.243 (19)		59,507
Immunization Cooperative Agreements			
Immunization Calendar Year	93.268	11-10878	4,993,452
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program			
Title V Maternal, Infant, and Early Childhood Home Visiting Program	93.505	201319-2	2,552,264
Refugee and Entrant Assistance - State Administered Programs			
Refugee Health Assessment Program	93.566 (21)	13-70-90840-00	1,543,615
Refugee and Entrant Assistance - Discretionary Grants			
Refugee Preventive Health Program	93.576 (22)	13-70-90841-00	50,333
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare			
Health Facilities Inspection	93.777 (15)	12-10082	19,678,411
HIV Care Formula Grants			
HIV Care Program	93.917		8,598,859
Preventive Health Services - Sexually Transmitted Diseases Control Grants			
STD Surveillance Network (SSuN)	93.977 (25)	13-20573	34,770
Maternal and Child Health Services Block Grant to the States			
Maternal and Child Health	93.994	2013-19	2,240,000
<i>Passed Through the California Department of Social Services</i>			
Guardianship Assistance			
Kinship Guardianship Assistance Payment Program (KIN-GAP) Title IV-E	93.090	CFL 13/14-10	10,295,171

See legend on page 138 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, 2014

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			
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) - Exchange Grant	93.525	4260	\$ 10,414,570
Promoting Safe and Stable Families Promoting Safe and Stable Families Program (PSSF)	93.556	CFL 13/14-12 & 13	7,972,731
Temporary Assistance for Needy Families CalWORKs - Family Group/Unemployed Parent (FG/U) Assistance	93.558 (13)	5180	248,105,204
CalWORKs Legal Immigrants (MC)	93.558 (13)	5180	6,801,556
CalWORKs Diversion - Federal	93.558 (13)	5180	4,091
CalWORKs Fraud Incentives	93.558 (13)	5180	989,800
CalWORKs Single	93.558 (13)	5180	408,465,148
Temporary Assistance for Needy Families (TANF)	93.558 (13)	CFL 13/14-26	60,229,908
<i>Subtotal 93.558</i>			<u>724,595,707</u>
Refugee and Entrant Assistance - State Administered Programs Refugee Resettlement	93.566 (21)	5180	3,866,261
Refugee Employment Social Services	93.566 (21)	5180	1,945,786
<i>Subtotal 93.566</i>			<u>5,812,047</u>
Low-Income Home Energy Assistance Low-Income Home Energy Assistance Program (LIHEAP)	93.568	5180	46,192
Refugee and Entrant Assistance - Discretionary Grants Older Refugee Discretionary Grant	93.576 (22)	5180	64,131
Targeted Assistance Discretionary Grant	93.576 (22)	TART1202	169,198
Refugee and Entrant Assistance - Targeted Assistance Grants Refugee Targeted Assistance Program	93.584	5180	1,599,065
Community-Based Child Abuse Prevention Grants Community-Based Child Abuse Prevention	93.590	I-70-13	336,778
Stephanie Tubbs Jones Child Welfare Services Program Children's Welfare Services IV B (Direct Cost)	93.645	CFL 13/14-26	7,454,142
Child Welfare Research Training or Demonstration California Partnership for Permanency (CAPP)	93.648	MOU 10-6078	309,884
Foster Care - Title IV-E Aid to Families with Dependent Children - FC - Administration and Assistance	93.658	CFL 13/14-26	152,947,176
Foster Care Title IV-E	93.658	CFL 13/14-26	295,978,159
Foster Parent Training	93.658	CFL 13/14-26	104,629
Foster Family Licensing	93.658	CFL 13/14-26	351,197
Group Home Month Visits/County Welfare Department (CWD)	93.658	CFL 13/14-26	11,326,718
Child Welfare Services Outcome Improvement Project (Cohort 1)	93.658	CFL 13/14-26	1,221,077
<i>Subtotal 93.658</i>			<u>461,928,956</u>
Adoption Assistance Adoptions - Administration and Assistance	93.659 (23)	CFL12/13-20	125,257,936
Social Services Block Grant Children's Welfare Services Title XX	93.667	CFL13/14-26	40,087,000
Chafee Foster Care Independence Program Independent Living Skills - Children's Services	93.674	CFL13/14-18	6,870,519
Children's Health Insurance Program California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) - Title XX	93.767	4260	82,555
Medical Assistance Program In-Home Supportive Services - Personal Care Services Program (Health-Related)	93.778 (15) (24)	4260	62,998,458
Adult Protective Services/County Services Block Grant	93.778 (15) (24)	5180	24,893,718
Children's Welfare Services XIX (Health-Related)	93.778 (15) (24)	CFL13/14-26	39,872,999
<i>Subtotal 93.778</i>			<u>127,765,175</u>
Total U.S. Department of Health and Human Services			<u>2,253,003,018</u>
<u>U.S. Department of Homeland Security</u>			
<i>Direct Program</i>			
National Urban Search and Rescue (US&R) Response System Urban Search and Rescue	97.025		35,549
Urban Search and Rescue 2011-CA-K00078-S01	97.025		343,691
Urban Search and Rescue 2012-EMW-2012-CA-00024	97.025		184,320
Urban Search and Rescue - EMW-2013-CA-K00013-S01	97.025		295,261
Urban Search and Rescue - EMW-2013-CA-USR-0003	97.025		28,070
<i>Subtotal 97.025</i>			<u>886,891</u>
Port Security Grant Program Port Security Grant Program 12	97.056		56,568

See legend on page 138 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, 2014

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 Marine Exchange of Southern California</i>			
Port Security Grant Program			
Port Security Grant Program 11	97.056		\$ 299,061
Subtotal 97.056			<u>355,629</u>
<i>Passed Through the California Department of Boating and Waterways</i>			
Boating Safety Financial Assistance			
Boating and Waterways 12-204-797	97.012		48,163
<i>Passed Through the California Department of Parks and Recreation</i>			
Boating Safety Financial Assistance			
Law Enforcement Equipment Grant Program	97.012		14,328
Subtotal 97.012			<u>62,491</u>
<i>Passed Through the California Office of Emergency Services</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
2005 Winterstorms #2	97.036	037-00000	629
2008 Wildfires	97.036	037-00000	624,611
Subtotal 97.036			<u>625,240</u>
Emergency Management Performance Grants			
2012 Emergency Management Performance Grant	97.042	037-00000	1,281,361
2013 Emergency Management Performance Grant	97.042	037-00000	1,047,220
Subtotal 97.042			<u>2,328,581</u>
Homeland Security Grant Program			
State Homeland Security Program 10	97.067 (26)	037-00000	20,068,775
State Homeland Security Program 11	97.067 (26)	037-00000	1,559,468
State Homeland Security Program 12	97.067 (26)	037-00000	215,671
State Homeland Security Program 13	97.067 (26)	037-00000	18,709
State Homeland Security Program 11	97.067 (26)	037-95066	2,763,011
State Homeland Security Program 12	97.067 (26)	037-95066	1,623,944
State Homeland Security Program 13	97.067 (26)	037-95066	71,052
Subtotal 97.067			<u>26,320,630</u>
Buffer Zone Protection Program (BZPP)			
Buffer Zone Protection Program 10	97.078	037-00000	1,734,531
<i>Passed Through the California Office of Emergency Services/City of Los Angeles</i>			
Homeland Security Grant Program			
Urban Area Security Initiative 11	97.067 (26)	037-95050	1,394,493
Urban Area Security Initiative 12	97.067 (26)	037-95050	469,783
Urban Area Security Initiative 06	97.067 (26)		671,635
Urban Area Security Initiative 11	97.067 (26)	C-122763	43,952
Urban Area Security Initiative 12	97.067 (26)	C-122766	83,362
Urban Area Security Initiative 10	97.067 (26)		1,366,263
Urban Area Security Initiative 12	97.067 (26)		9,611,109
Urban Area Security Initiative 13	97.067 (26)	037-95050	171,372
Urban Area Security Initiative 11	97.067 (26)		8,038,794
Urban Area Security Initiative 13	97.067 (26)		174,222
Subtotal 97.067			<u>22,024,985</u>
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111		190,000
<i>Passed Through the California Office of Emergency Services/County of San Diego</i>			
Homeland Security Grant Program			
Operation Stonegarden Grant Program 11	97.067 (26)		105,613
Operation Stonegarden Grant Program 12	97.067 (26)		324,475
Operation Stonegarden Grant Program 13	97.067 (26)		69,044
Subtotal 97.067			<u>499,132</u>
Total U.S. Department of Homeland Security			<u>55,028,110</u>
<u>U.S. Department of Housing and Urban Development (HUD)</u>			
<i>Direct Program</i>			
Housing Opportunities for Persons with AIDS (HOPWA)	14.241		271,525

See legend on page 138 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, 2014

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			
Section 8 Housing Choice Vouchers			
VA - Housing First Assertive Community Treatment Program	14.871 (6)		\$ 167,000
<i>Subtotal Housing Voucher Cluster (14.871)</i>			<u>167,000</u>
<i>Passed Through the Los Angeles County Community Development Commission</i>			
Community Development Block Grants/Entitlement Grants			
Project Star (Studying, Tutoring, and Reading)	14.218 (4)		83,804
Project Star (La Puente/Graham Library)	14.218 (4)		25,000
Hacienda Heights Community Recreation Program	14.218 (4)		20,745
Burke's Club Drug Prevention and Gang Intervention	14.218 (4)		113,496
Adventure Park Recreation Program	14.218 (4)		67,393
Amigo Park Mobile Recreation Program	14.218 (4)		22,996
Pathfinder Senior Recreation Program	14.218 (4)		20,000
Loma Alta Park Recreation Program	14.218 (4)		31,705
Pamela Park Recreation Program	14.218 (4)		27,497
Pearlblossom Park Recreation Program	14.218 (4)		31,786
Valleydale Park After-School Program	14.218 (4)		28,000
Community Development Block Grant	14.218 (4)		80,000
Community Code Enforcement East Los Angeles - 1 st District	14.218 (4)		246,545
Community Code Enforcement 4 th District	14.218 (4)		35,000
Homeowners Fraud Prevention Program	14.218 (4)	F96227-09	44,434
Rowland Heights Youth Athletic League Program-Carolyn Rosas Park	14.218 (4)		34,987
Century Station Code Enforcement Project	14.218 (4)		200,000
<i>Subtotal CDBG - Entitlement Grants Cluster (14.218)</i>			<u>1,113,388</u>
<i>Passed Through the Los Angeles Homeless Services Authority</i>			
Supportive Housing Program			
Transitional Housing for Homeless Young People	14.235	HUD VII, VIII, IX, X, XI, XII	1,612,665
<i>Passed Through the California Department of Housing and Community Development</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			
Community Development Block Grant	14.228 (5)		160,314
Total U.S. Department of Housing and Urban Development (HUD)			<u>3,324,892</u>
<u>U.S. Department of the Interior</u>			
<i>Direct Program</i>			
Invasive and Noxious Plant Management			
National Rec Area Vac Lot Weeding	15.230		3,225
Coastal Impact Assistance Program			
Coastal Impact Assistance Program	15.668		1,182,766
U.S. Geological Survey - Research and Data Collection			
United States Geological Survey Non-Competitive Assistance Grant	15.808		18,495
<i>Passed Through the California Department of Boating and Waterways</i>			
Sportfishing and Boating Safety Act			
Burton Chace Park Transient Docks Improvement	15.622		1,300,000
Total U.S. Department of the Interior			<u>2,504,486</u>
<u>U.S. Department of Justice</u>			
<i>Direct Program</i>			
Domestic Cannabis Eradication Suppression Program 13	16.UNKNOWN		314,813
Domestic Cannabis Eradication Suppression Program 14	16.UNKNOWN		1,322
<i>Subtotal 16.UNKNOWN</i>			<u>316,135</u>
Joint Law Enforcement Operations (JLEO)			
Pacific Southwest Regional Fugitive Task Force (RFTF) 13	16.111		75,938
Pacific Southwest Regional Fugitive Task Force (RFTF) 14	16.111		237,641
<i>Subtotal 16.111</i>			<u>313,579</u>
National Institute of Justice Research, Evaluation, and Development Project Grants			
Congressionally Directed Awards - Rape Kit Reduction Program	16.560		114,723
Drug Court Discretionary Grant Program			
Adult Drug Court Program (BJA)	16.585		88,989
State Criminal Alien Assistance Program (SCAAP) (Note 4)	16.606		5,683,067
Bulletproof Vest Partnership Program	16.607		55,645

See legend on page 138 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, 2014

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			
Public Safety Partnership and Community Policing Grants			
Community Policing Development Program (CPD) - Innovative Officer Accountability Model	16.710		\$ 17,124
Cops Hiring Program 11	16.710		2,706,556
Subtotal 16.710			<u>2,723,680</u>
DNA Backlog Reduction Program			
DNA Backlog Reduction Program 12	16.741		615,015
DNA Backlog Reduction Program 13	16.741		301,053
Subtotal 16.741			<u>916,068</u>
Paul Coverdell Forensic Sciences Improvement Grant Program			
Coverdell Forensic Sciences Improvement Act Program 13	16.742 (18)		122,294
Economic High-Tech and Cyber Crime Prevention			
Counterfeit and Piracy Enforcement Team Program (CAPE) 13	16.752		70,734
Congressionally Recommended Awards			
2010 Congressionally Selected Awards Program - Gang Coplink Project	16.753		25,805
Southwest Border Prosecution Initiative (SWBPI) (Note 4)	16.755		736,487
Second Chance Act Prisoner Reentry Initiative			
Adult Re-Entry Comprehensive Service Program	16.812		285,653
Equitable Sharing Program			
Asset Seizure and Forfeiture	16.922		8,480,328
<i>Passed Through the City of Los Angeles</i>			
Edward Byrne Memorial Justice Assistance Grant Program			
Sage - East Los Angeles (JAG) 10, 11	16.738 (7) (17)		201,180
Gang Reduction and Community Engagement Project (GRACE) (JAG) 10	16.738 (7) (17)		208,544
Yal @ Pamela Park (JAG) 10	16.738 (7) (17)		35,000
School Resource Deputy/Rosemont Middle School (JAG) 10	16.738 (7) (17)		22,539
Disarm Program (JAG) 10	16.738 (7) (17)		80,135
Florence-Firestone Community Peace Project (JAG) 10	16.738 (7) (17)		82,085
Aero Bureau Overtime (JAG) 10	16.738 (7) (17)		42,044
Peace Over Violence (JAG) 10	16.738 (7) (17)		71,918
A New Way of Life Reentry Project (JAG) 11	16.738 (7) (17)		52,086
Region I Overtime (JAG) 11	16.738 (7) (17)		89,811
JAG City Clear Foothill	16.738 (7) (17)		45,556
JAG City Clear Various Sites	16.738 (7) (17)		364,444
JAG City Clear	16.738 (7) (17)		270,495
Subtotal 16.738			<u>1,565,837</u>
<i>Passed Through the California Department of Corrections and Rehabilitation</i>			
Juvenile Accountability Block Grant	16.523		327,617
Juvenile Accountability Block Grant	16.523	161-13	327,617
Subtotal 16.523			<u>655,234</u>
Juvenile Justice and Delinquency Prevention_Allocation to States			
Title II Formula Block Grant	16.540		410,538
Edward Byrne Memorial Justice Assistance Grant Program			
JAG Anti-Drug Abuse (ADA) Enforcement Team Program 12	16.738 (7) (17)		249,385
JAG Anti-Drug Abuse (ADA) Enforcement Team Program 13	16.738 (7) (17)		114,316
Subtotal 16.738			<u>363,701</u>
<i>Passed Through the California Office of Emergency Services</i>			
Crime Victim Assistance			
Victim Witness Assistance Program (VWAP)	16.575	037-00000	2,009,015
Underserved Victim Advocacy and Outreach Program (UV)	16.575		125,000
Subtotal 16.575			<u>2,134,015</u>
Edward Byrne Memorial Justice Assistance Grant Program			
JAG Clearinghouse Electronic Surveillance System	16.738 (7) (17)		281,843
Paul Coverdell Forensic Sciences Improvement Grant Program			
Paul Coverdell Forensic CQ13 03 0190	16.742 (18)		16,654
Coverdell Forensic Sciences Improvement Act Program 12	16.742 (18)		17,890
Coverdell Forensic Sciences Improvement Act Program 13	16.742 (18)		26,319
Subtotal 16.742			<u>60,863</u>
Total U.S. Department of Justice			<u>25,405,218</u>

See legend on page 138 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, 2014

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. Department of Labor</u>			
<i>Passed Through the South Bay Workforce Investment Board</i>			
Workforce Investment Act (WIA) National Emergency Grants			
National Emergency Grant - CA Multi-Sector Partnership	17.277	11-W112	\$ 1,187,626
<i>Passed Through the California Department of Aging</i>			
Senior Community Service Employment Program			
Older American Title V Project - TV-1314-19	17.235	TV-1314-19	1,923,895
<i>Passed Through the California Employment Development Department</i>			
WIA Adult Program			
Workforce Investment Act Adult K386301	17.258 (8)	K386301	233,216
Workforce Investment Act Adult K491022	17.258 (8)	K491022	11,089,595
Workforce Investment Act Dislocated Worker/Adult K491022 (GC 500)	17.258 (8)	K491022	1,700,000
WIA Youth Activities			
Workforce Investment Act Youth K386301	17.259 (8)	K386301	1,640,764
Workforce Investment Act Youth K491022	17.259 (8)	K491022	8,674,360
Workforce Investment Act Youth K594765	17.259 (8)	K594765	88,441
WIA Dislocated Worker Formula Grants			
Workforce Investment Act Dislocated Worker K386301	17.278 (8)	K386301	4,251,545
Workforce Investment Act Rapid Response K386301	17.278 (8)	K386301	197,642
Workforce Investment Act Dislocated Worker K491022	17.278 (8)	K491022	4,378,419
Workforce Investment Act Rapid Response K491022	17.278 (8)	K491022	1,095,809
<i>Passed Through the the California Employment Development Department/South Bay Workforce Investment Board</i>			
WIA Dislocated Worker Formula Grants			
CA Multi-Sector Workforce Partnership Project 25%	17.278 (8)	13-WO-63	1,909,358
Subtotal WIA Program Cluster (17.258, 17.259, 17.278)			<u>35,259,149</u>
Total U.S. Department of Labor			<u>38,370,670</u>
<u>U.S. Department of Transportation</u>			
<i>Direct Program</i>			
Airport Improvement Program			
Vacant Lot Clearance - Federal Aviation	20.106		2,581
Airport Improvement Program	20.106		<u>2,508,157</u>
Subtotal 20.106			<u>2,510,738</u>
<i>Passed Through the Los Angeles Metropolitan Transportation Authority</i>			
Federal Transit - Capital Investment Grants			
Wilshire Bus Rapid Transit Program	20.500 (10)		413,814
<i>Passed Through the California Department of Transportation</i>			
Highway Planning and Construction			
Bridge Retrofit Program	20.205 (9)	Various	1,136,988
Surface Transportation Program (STP)	20.205 (9)	Various	13,346,416
Highway Bridge Rehabilitation	20.205 (9)	Various	3,930,107
1998/1999 Demonstration	20.205 (9)	Various	367,930
Transportation Enhancement Activities	20.205 (9)	Various	690,449
Congestion Mitigation and Air Quality Program	20.205 (9)	Various	4,000
Emergency Relief Program	20.205 (9)	Various	2,001,591
Highway Safety Improvement Program (HSIP)	20.205 (9)	Various	1,253,688
Federal Safe Routes to School (SRTS)	20.205 (9)	Various	108,035
Subtotal Highway Planning and Construction Cluster (20.205)			<u>22,839,204</u>
<i>Passed Through the California Office of Emergency Services</i>			
Interagency Hazardous Materials Public Sector Training and Planning Grants			
Hazardous Materials Emergency Preparedness Grant 12	20.703	037-00000	11,345
<i>Passed Through the California Office of Traffic Safety</i>			
State and Community Highway Safety			
Selective Traffic Enforcement Program - General Funds	20.600 (11)		53,279
Selective Traffic Enforcement Program - State and Community Highway Safety	20.600 (11)		<u>272,060</u>
Subtotal 20.600			<u>325,339</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated			
Office of Traffic and Safety Program Driving Under the Influence	20.608		296,559
Selective Traffic Enforcement Program - Alcohol Funds	20.608		13,530
Selective Traffic Enforcement Program - Offenders for Driving While Intoxicated	20.608		284,726

See legend on page 138 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, 2014

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 Office of Traffic Safety/University of California, Berkeley</i>			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated			
Sobriety Checkpoint Mini-Grant Program 12 (Safe TREC)	20.608		\$ 137,689
Sobriety Checkpoint Mini-Grant Program 12 (Palmdale)	20.608		29,278
Sobriety Checkpoint Mini-Grant Program 12 (San Dimas)	20.608		30,650
Sobriety Checkpoint Grant Program (Safe TREC) 13	20.608		900,427
<i>Subtotal 20.608</i>			<u>1,692,859</u>
Total U.S. Department of Transportation			<u>27,793,299</u>
<u>U.S. Election Assistance Commission</u>			
<i>Passed Through the California Secretary of State</i>			
Help America Vote Act Requirements Payments			
Help America Vote Act Section 301 Voting Systems Program	90.401		<u>1,899,798</u>
Total U.S. Election Assistance Commission			<u>1,899,798</u>
<u>U.S. Environmental Protection Agency</u>			
<i>Direct Program</i>			
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements			
Fish Contamination Inspection, Outreach and Education (Toxics Epidemiology)	66.802		50,745
Brownfields Assessment and Cleanup Cooperative Agreements			
Brownfields Assessment	66.818		170,560
<i>Passed Through the California Environmental Protection Agency</i>			
Beach Monitoring and Notification Program Implementation Grants			
Public Beach Safety Program	66.472	12-041-250	<u>25,000</u>
Total U.S. Environmental Protection Agency			<u>246,305</u>
<u>U.S. Executive Office of the President</u>			
<i>Direct Program</i>			
High Intensity Drug Trafficking Areas Program			
High Intensity Drug Trafficking Areas (HIDTA)	95.001		<u>11,426</u>
Total U.S. Executive Office of the President			<u>11,426</u>
<u>U.S. Institute of Museum and Library Services</u>			
<i>Passed Through the California State Library</i>			
Grants to States			
Eureka! Leadership Grant	45.310		<u>8,550</u>
Total U.S. Institute of Museum and Library Services			<u>8,550</u>
<u>U.S. National Endowment for the Arts</u>			
<i>Direct Program</i>			
Promotion of the Arts - Grants to Organizations and Individuals			
Project Willowbrook: Cultivating a Healthy Community Through Arts and Culture	45.024		<u>13,050</u>
Total U.S. National Endowment for the Arts			<u>13,050</u>
<u>U.S. National Endowment for the Humanities</u>			
<i>Direct Program</i>			
Promotion of the Humanities - Division of Preservation and Access			
The National Endowment for the Humanities	45.149		<u>5,871</u>
Total U.S. National Endowment for the Humanities			<u>5,871</u>
Subtotal Non American Recovery and Reinvestment Act (Non-ARRA) Schedule of Expenditures of Federal Awards			<u>\$ 2,594,864,397</u>

See legend on page 138 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, 2014**

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>			
Investing in Innovation (i3) Fund			
ARRA-Investing in Innovation (i3) Fund Grant	84.411	CYFC140001&2	\$ 100,756
Total U.S. Department of Education			<u>100,756</u>
<u>U.S. Department of Education/Health and Human Services</u>			
<i>Passed Through the California Department of Education</i>			
Race to the Top - Early Learning Challenge			
ARRA-Race to the Top - Early Learning Challenge	84.412		1,376,613
Total U.S. Department of Education/Health and Human Services			<u>1,376,613</u>
<u>U.S. Department of Energy</u>			
<i>Direct Program</i>			
Energy Efficiency and Conservation Block Grant Program (EECBG)			
ARRA-Energy Efficiency and Conservation Block Grant	81.128		173,433
ARRA-Energy Efficiency and Conservation Block Grant-Better Buildings	81.128		776,027
<i>Subtotal 81.128</i>			<u>949,460</u>
Total U.S. Department of Energy			<u>949,460</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed Through the California Department of Health and Human Services</i>			
ARRA - State Grants to Promote Health Information Technology			
ARRA-Health Information Exchange (HIE) Expansion Grant	93.719		89,397
<i>Passed Through the California Department of Social Services</i>			
Adoption Assistance			
ARRA-Adoptions-Administration and Assistance FMAP (Note 7)	93.659 (23)	CA800	(3,992)
Total U.S. Department of Health and Human Services			<u>85,405</u>
<u>U.S. Department of Justice</u>			
<i>Passed Through the City of Los Angeles</i>			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government			
ARRA-L.A. Regional Interoperable Communications System (LA-RICS) (JAG) 09	16.804 (7)		1,156,257
ARRA-Microwave Radio Installation (JAG) 09	16.804 (7)		382,800
ARRA-Alternative Sentencing Program (JAG) 09	16.804 (7)		140,000
<i>Subtotal 16.804</i>			<u>1,679,057</u>
Total U.S. Department of Justice			<u>1,679,057</u>
<u>U.S. Department of Transportation</u>			
<i>Passed Through the California Department of Transportation</i>			
Highway Planning and Construction			
ARRA-Regional Surface Transportation Program	20.205 (9)		878,787
Total U.S. Department of Transportation			<u>878,787</u>
Subtotal American Recovery and Reinvestment Act (ARRA) Schedule of Expenditure of Federal Awards (SEFA)			<u>5,070,078</u>
Total Non-ARRA and ARRA Schedule of Expenditures of Federal Awards			<u>\$ 2,599,934,475</u>

See legend on page 138 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, 2014**

<u>Legend</u>	<u>Amounts</u>
(1) SNAP Cluster	\$ 179,781,948
(2) Child Nutrition Cluster	679,340
(3) Forest Service Schools and Roads Cluster	698,662
(4) CDBG-Entitlement Grants Cluster	1,113,388
(5) CDBG-State-Administered CDBG Cluster	160,314
(6) Housing Voucher Cluster	167,000
(7) JAG Program Cluster	3,890,438
(8) WIA Cluster	35,259,149
(9) Highway Planning and Construction Cluster	23,717,991
(10) Federal Transit Cluster	413,814
(11) Highway Safety Cluster	325,339
(12) Aging Cluster (Note B)	19,427,061
(13) TANF Cluster	724,595,707
(14) CCDF Cluster	11,000,318
(15) Medicaid Cluster	487,248,435
(16) Student Financial Assistance Program	269,214
(17) Total for CFDA# 16.738 - Edward Byrne Memorial Justice Assistance Grant (JAG) Program	2,211,381
(18) Total for CFDA# 16.742 - Paul Coverdell Forensic Sciences Improvement Grant Program	183,157
(19) Total for CFDA# 93.243 - Substance Abuse and Mental Health Services-Projects of Regional and National Significance	3,107,693
(20) Total for CFDA# 93.283 - Centers for Disease Control and Prevention-Investigations and Technical Assistance	396,632
(21) Total for CFDA# 93.566 - Refugee and Entrant Assistance-State Administered Programs	7,355,662
(22) Total for CFDA# 93.576 - Refugee and Entrant Assistance-Discretionary Grants	283,662
(23) Total for CFDA# 93.659 - Adoption Assistance	125,253,944
(24) Total for CFDA# 93.778 - Medical Assistance Program	467,570,024
(25) Total for CFDA# 93.977 - Preventive Health Services-Sexually Transmitted Diseases Control Grants	3,792,786
(26) Total for CFDA# 97.067 - Homeland Security Grant Program	48,844,747

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

Note B - Aging Cluster (as determined by the California Health and Human Services Agency, Department of Aging)

COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) 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 \$347,591,032 and \$232,407, respectively, in federal awards, which are not included in the accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2014. 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)
14.235	Transitional Housing for Homeless Young People
15.668	Coastal Impact Assistance Program
84.007	Supplemental Educational Opportunity Grants
84.063	Pell Grants

COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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
93.525	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 13F-3021
93.569	Community Services Block Grant 14F-3021
93.576	Older Refugee Discretionary Grant
93.576	Targeted Assistance Discretionary Grant
93.584	Refugee Targeted Assistance Program
93.590	Community- Based Child Abuse Prevention
93.596	Child Day Care Program
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)
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

**COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

**Catalog of
Federal Domestic
Assistance**

Number (CFDA#)	Program Name
93.674	Independent Living Skills - Children's Services
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)
97.067	Urban Area Security Initiative 11

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>County Program Title</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipients</u>
Network for a Healthy California - Local Health Department	10.561	\$ 5,082,854
Victim Witness Assistance Program (VWAP)	16.575	502,254
Adult Drug Court Program (BJA)	16.585	17,500
Workforce Investment Act Adult	17.258	233,216
Workforce Investment Act Adult	17.258	8,643,979
Workforce Investment Act Dislocated Worker/Adult	17.258	1,530,000
Workforce Investment Act Youth	17.259	1,640,764
Workforce Investment Act Youth	17.259	5,904,574
Workforce Investment Act Dislocated Worker	17.278	4,251,545
Workforce Investment Act Dislocated Worker	17.278	2,732,420
Workforce Investment Act Rapid Response	17.278	487,181
Workforce Investment Act Rapid Response	17.278	197,642
CA Multi-Sector Workforce Partnership Project 25%	17.278	1,512,511
<i>Subtotal WIA Cluster (17.258, 17.259, 17.278)</i>		<u>27,133,832</u>

COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>County Program Title</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipients</u>
National Emergency Grant - CA Multi-Sector Partnerships	17.277	\$ 934,647
Title VII - Elder Abuse Prevention (A3)	93.041	22,899
Title VII - Elder Abuse Prevention	93.041	58,082
Title VII - Ombudsman (A3)	93.042	25,993
Title VII - Ombudsman	93.042	93,805
Area Agency on Aging III D (A3)	93.043	92,334
Area Agency on Aging III D	93.043	265,213
Area Agency on Aging III B	93.044	2,425,743
Area Agency on Aging III B (A3)	93.044	746,613
Area Agency on Aging III C-I	93.045	3,649,639
Area Agency on Aging III C-I (A3)	93.045	1,217,156
Area Agency on Aging III C-II	93.045	2,673,681
Area Agency on Aging III C-II (A3)	93.045	1,192,697
C-II Special Nutrition Funds	93.045	148,221
C-I Special Nutrition Funds	93.045	251,976
Area Agency on Aging Title E (A3)	93.052	326,230
Area Agency on Aging Title E	93.052	1,116,282
Area Agency on Aging III USDA C-II (A3)	93.053	131,036
Area Agency on Aging III USDA C-II	93.053	514,620
Area Agency on Aging III USDA C-I (A3)	93.053	179,474
Area Agency on Aging III USDA C-I	93.053	672,257
<i>Subtotal Aging Cluster (93.041, 93.042, 93.043 93.044, 93.045, 93.052, 93.053)</i>		<u>15,803,951</u>
Public Health Preparedness and Response for Bioterrorism	93.069	73,786
Public Health Emergency Preparedness	93.069	1,559,073
<i>Subtotal 93.069</i>		<u>1,632,859</u>
McKinney Homeless Act Program	93.150	1,036,180
Project ABC Family Wellness Network	93.243	1,685,001
Strategic Prevention Framework State Incentive Grant	93.243	48,191
Adult Drug Court Program (SAMHSA)	93.243	112,991
Integrated Behavioral Health and Primary Care Program	93.243	681,832
<i>Subtotal 93.243</i>		<u>2,528,015</u>

COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>County Program Title</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipients</u>
Effectiveness of Peer Navigation to Link Released HIV/Jail Inmates to HIV Care	93.279	\$ 197,893
Title V Maternal, Infant, and Early Childhood Home Visiting Program	93.505	1,532,065
Enhanced HIV Prevention Planning and Implementation	93.523	40,164
Community Transformation Grant	93.531	4,595,930
Promoting Safe and Stable Families Program (PSSF)	93.556	7,082,250
CalWORKs Single	93.558	94,954,632
Refugee Employment Social Services	93.566	1,086,355
Community Services Block Grant 13F-3021	93.569	3,347,438
Community Services Block Grant American Indian 13F-3058	93.569	127,037
Community Services Block Grant American Indian 12F-4458	93.569	91,354
<i>Subtotal 93.569</i>		<u>3,565,829</u>
Targeted Assistance Discretionary Grant	93.576	61,274
Older Refugee Discretionary Grant	93.576	52,940
<i>Subtotal 93.576</i>		<u>114,214</u>
Refugee Targeted Assistance Program	93.584	1,161,549
Financial Alignment	93.626	111,454
Foster Care Title IV-E	93.658	2,640,189
Aid to Families with Dependent Children - FC - Administration and Assistance	93.658	22,723,142
<i>Subtotal 93.658</i>		<u>25,363,331</u>
Independent Living Skills - Children's Services	93.674	4,642,181
Medi-Cal Administrative Activities (MAA)	93.778	885,691
Bioterrorism Hospital Preparedness Program	93.889	6,611,400
Area Agency on Aging - Health Insurance Counseling and Advocacy Program (HICAP) (H3)	93.779	88,321
Area Agency on Aging - Health Insurance Counseling and Advocacy Program (HICAP)	93.779	175,668
<i>Subtotal 93.779</i>		<u>263,989</u>

COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>County Program Title</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipients</u>
HIV Emergency Relief Project Grant	93.914	\$ 22,168,372
Minority AIDS Initiative (MAI)	93.914	3,183,587
<i>Subtotal 93.914</i>		<u>25,351,959</u>
HIV Care Program	93.917	7,595,759
National HIV Behavioral Surveillance	93.940	171,869
HIV Prevention Project	93.940	9,632,655
<i>Subtotal 93.940</i>		<u>9,804,524</u>
PS09-007 Evaluating Locally-Developed Homegrown HIV Prevention Interventions	93.941	194,450
HIV AIDS Surveillance and Seroprevalence	93.944	72,400
Mental Health Services: Block Grant	93.958	1,889,231
Substance Abuse Prevention and Treatment Set- Aside	93.959	10,517,764
Substance Abuse Prevention and Treatment Block Grant Adolescent Treatment	93.959	1,629,097
Substance Abuse Block Grant New HIV Set-Aside	93.959	4,011,045
New Prenatal Set-Aside	93.959	3,173,728
Alcohol Block Grant	93.959	19,309,273
Drug Free Schools and Communities - Club Live	93.959	88,741
Drug Free Schools and Communities (DFSC) - Friday Night Live	93.959	88,741
Federal Female Offender	93.959	180,458
<i>Subtotal 93.959</i>		<u>38,998,847</u>
Comprehensive STD Preventions Systems	93.977	397,786
Los Angeles County STD Programs Through Assessment, Assurance, Policy Development, and Prevention Strategies	93.977	300,617
STD Surveillance Network	93.977	22,078
<i>Subtotal 93.977</i>		<u>720,481</u>
2012 Emergency Management Performance Grant	97.042	1,281,361
2013 Emergency Management Performance Grant	97.042	224,148
<i>Subtotal 97.042</i>		<u>1,505,509</u>

**COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>County Program Title</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipients</u>
State Homeland Security Program 11	97.067	\$ 331,939
State Homeland Security Program 10	97.067	5,981,715
<i>Subtotal 97.067</i>		<u>6,313,654</u>
Buffer Zone Protection Program 10	97.078	<u>1,556,896</u>
Total Amount Provided to Subrecipients		<u>\$ 300,884,729</u>

NOTE 4 – GRANT PROGRAMS REIMBURSED IN ARREARS

The County 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>
FY11-12	FY13-14	\$5,683,067

Southwest Border Prosecution Initiative (SWBPI), CFDA #16.755

<u>Expenditures Incurred</u>	<u>Expenditures Reimbursed</u>	<u>Amount</u>
FY11-12 & FY12-13	FY13-14	\$736,487

Pest Exclusion/ Dog Teams Program, CFDA #10.025

<u>Expenditures Incurred</u>	<u>Expenditures Reimbursed</u>	<u>Amount</u>
FY12-13	FY13-14	\$63,103

Glassy Winged Sharpshooter (GWSS), CFDA #10.025

<u>Expenditures Incurred</u>	<u>Expenditures Reimbursed</u>	<u>Amount</u>
FY12-13	FY13-14	\$349,955

COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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 187 through 190.

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.

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 \$3,992 is reflected on the Schedule of Expenditures of Federal Awards.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT 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, 2014, 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, 2014, except for the report on the schedule of expenditure of federal awards, the community services block grant supplementary schedules of revenues and expenditures, and the supplementary schedule of expenditures of federal and state awards granted by California Department of Aging, as to which the date is March 31, 2015. As discussed in Note 2 to the basic financial statements, effective July 1, 2013, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 opinions 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 a material weakness and significant deficiencies.

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 deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-002 and 2014-003 to be significant deficiencies.

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 2014-001, 2014-002 and 2014-003.

County's Response to Findings

The County's response to the findings identified in our audit is 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.

A handwritten signature in dark ink that reads "Macias Gini E O'Connell LPA". The signature is written in a cursive, flowing style.

Los Angeles, California
December 16, 2014



Certified Public Accountants.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

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, 2014. 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 \$347,591,032 and \$232,407, respectively, in federal awards, which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2014. 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, *Audit of States, Local Governments, and Non-Profit Organizations*. However, the First 5 LA did not issue a report in accordance with OMB A-133 because it did not meet the reporting threshold under OMB 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 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, 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, 2014.

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 2014-004, 2014-005, 2014-006, 2014-007, 2014-008, 2014-009, and 2014-010. 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 2014-004, 2014-005, 2014-006, 2014-008, and 2014-009 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 Gini É O'Connell LAP

Los Angeles, California
March 31, 2015

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

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? **Yes**

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, 2014**

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
17.258/17.259/17.278	WIA Cluster
20.205	Highway Planning and Construction Cluster
93.069	Public Health Emergency Program
93.090	Guardianship Assistance
93.525	State Planning and Establishment Grants for the Affordable Care Act Exchanges
93.556	Promoting Safe and Stable Families
93.558	Temporary Assistance for Needy Families (TANF) Cluster
93.658	Foster Care - Title IV-E
93.659	Adoption Assistance – Title IV-E
93.674	Chafee Foster Care Independence
93.889	National Bioterrorism Hospital Preparedness Program
93.914	HIV Emergency Relief Projects Grants
93.959	Block Grant for Prevention and Treatment of Substance Abuse
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:
\$7,799,803.

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

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section II – Financial Statement Findings

Reference Number:	2014-001
Federal Program Title:	Refugee and Entrant Assistance- State Administered Programs
Federal Catalog Number:	93.566
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	California Department of Public Health
Federal Award Number and Year:	N/A – 2014
Name of Department:	Department of Public Health
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 the award identification including Catalog of Federal Domestic Assistance (CFDA) title and number is accurate. A-C continues to train and provide guidance to County departments on the importance of identifying correct CFDA title and number on the SEFA. Each County department is responsible to report accurate federal award title, number and expenditures to the A-C by specified deadlines.

Condition

On the SEFAs prior to FY 13-14, the Department of Public Health (DPH) incorrectly reported CFDA 93.566, *Refugee and Entrant Assistance-State Administered Programs* (known as *Refugee Health Assessment Program* per California Department of Public Health) as CFDA 93.978, *Refugee Preventive Health Services* (or *Preventive Health Services-Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants*, pursuant to CFDA program title).

Cause

The State did not provide the CFDA number, and DPH was not aware of the correct CFDA number for this program until they received a letter from the State in FY 13-14.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Effect

Failure to report the correct CFDA number on the SEFA resulted in program not being audited in accordance with OMB A-133.

Context

In FY 13-14, A-C issued a memo to all County departments requesting a review of their grants to ensure that all federal expenditures as well as correct CFDA title and number were reported on the SEFA. During this review, DPH noted that the CFDA title and number were inaccurate on the SEFAs prior to FY 13-14.

Recommendation

We recommend that the DPH reviews all grant agreements and correspondence from the grantors to ensure that CFDA title and number are reported correctly on the SEFA.

Management Response and Corrective Action

1. Person responsible: Chief Financial Officer
2. Corrective action plan:

The Department of Public Health concurs with this recommendation. The Department will develop and implement procedures to ensure that all grant agreements and correspondence from the grantors reference the correct CFDA title and number and is reported correctly on the SEFA.

3. Anticipated implementation date: April 15, 2015

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Reference Number:	2014-002
Federal Program Title:	Community-Based Child Abuse Prevention Grants
Federal Catalog Number:	93.590
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	California Department of Social Services
Federal Award Number and Year:	ACIN I-82-06 – 2007 ACIN I-23-07 – 2008 ACIN I-70-08 – 2009 ACIN I-65-09 – 2010 ACIN I-77-10 – 2011 ACIN I-69-11E – 2012 ACIN I-57-12 – 2013
Name of Department:	Department of Children and Family Services
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 Department of Children and Family Services (DCFS) did not report the following expenditures of federal awards on the FY 06-07 to FY 12-13 SEFA:

- 1) FY 06-07: \$336,974
- 2) FY 07-08: \$341,710
- 3) FY 08-09: \$452,742
- 4) FY 09-10: \$985,403
- 5) FY 10-11: \$375,692
- 6) FY 11-12: \$370,624
- 7) FY 12-13: \$351,603

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Cause

The funding source for the Community-Based Child Abuse Prevention (CBCAP) grants was not clearly indicated in the All County Information Notice, and DCFS did not contact the State of California to obtain clarification in FY 06-07, which is the first year that DCFS started receiving funding for this program.

Effect

Failure to timely report federal awards on the SEFA could result 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.

Context

In FY 13-14, 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, DCFS noted that federal expenditures pertaining to the CBCAP grants incurred in FY 06-07 to FY 12-13 were not reported on the SEFA in the correct fiscal years.

Recommendation

We recommend DCFS to reinforce its federal grant tracking process. When a funding source is unclear, DCFS should contact the funding agency to obtain such information. This will enable proper reporting of the grant.

Management Response and Corrective Action

1. Person responsible: Departmental Finance Manager III
2. Corrective action plan:

The Department agrees with the recommendation. DCFS has received funding for the Community-Based Child Abuse Prevention (CBCAP) grant since FY 06-07. The funding source was not clearly indicated in the All County Information Notice, and DCFS staff did not contact the State of California to obtain clarification. To prevent the reoccurrence of this type, management will instruct staff to ensure any grant is fully researched and if it is determined to be a federal grant then it will be appropriately reported on the SEFA.

3. Anticipated implementation date: March 31, 2015

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Reference Number:	2014-003
Federal Program Title:	Schools and Roads – Grants to States
Federal Catalog Number:	10.665
Federal Agency:	U.S. Department of Agriculture
Pass-Through Entity:	California Department of Food and Agriculture
Federal Award Number and Year:	2013
Name of Department:	Department of Public Works
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 Department of Public Works (DPW) did not report \$648,057 on the FY 12-13 SEFA.

Cause

DPW received funding from the California Department of Food and Agriculture passed through the California State Controller's Office (SCO). DPW was not made aware by the SCO that the source of funds was federal in nature.

Effect

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

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Context

The \$648,057 passed through from the California State Controller's Office was not reported on the FY 12-13 SEFA.

Recommendation

We recommend that DPW reinforce its federal grant tracking process. When a funding source is unclear, DPW should contact the funding agency to obtain such information. This will enable proper reporting of the grant.

Management Response and Corrective Action

1. Person responsible: Principal Engineer
2. Corrective action plan:

We agree with the finding, but partly disagree with the recommendation. Our federal competitive grant tracking process is appropriate. We do not apply for this formula-based grant, which is allocated to DPW per Government Code. However, DPW will establish protocols to identify receipt of non-competitive or formula-based revenue for reporting purposes.

3. Anticipated implementation date: December 31, 2015

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section III – Federal Award Findings and Questioned Costs

Reference Number:	2014-004
Federal Program Title:	Adoption Assistance – Title IV-E
Federal Catalog Number:	93.659
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	California Department of Social Services
Federal Award Number and Year:	CFL No. 12/13-20 - 2013
Name of Department:	Department of Children and Family Services
Category of Finding:	Eligibility

Criteria

The following is in accordance with the United States Code (USC) Title 42 – The Public Health and Welfare:

1. Eligibility may be extended to age 21 for individual who is “(I) completing secondary education or a program leading to an equivalent credential; (II) enrolled in an institution which provides post-secondary or vocational education, (III) participating in a program or activity designed to promote, or remove barriers to, employment; (IV) employed for at least 80 hours per month; or (V) incapable of doing any of the activities described in sub-clauses (I) through (IV) due to a medical condition...” (42 USC 675 (8)).
2. DCFS is required to determine whether a child meets the special needs eligibility provision. Special needs means that there is a specific factor or condition (such as ethnic background, age, or membership in a minority of sibling group, or the presence of factors such as medical conditions or physical, mental, or emotional handicaps) because of which it is reasonable to conclude that the child cannot be placed with adoptive parents without providing financial assistance (42 USC 673(c)(1)(B) and 673 (c)(2)(B), as amended/added by Pub. L. No. 110-351).
3. DCFS is required to make reasonable efforts to place the child for adoption without a subsidy. The only exception to this requirement is where it would be against the best interests of the child because of such factors as the existence of significant emotional ties with prospective adoptive parents while in their care as a foster child (42 USC 673(c)(1)(B) and 42 USC 673(c)(2), as amended by Pub. L. No. 110-351).
4. DCFS is required to enter into an adoption assistance agreement with the adoptive parents of children with special needs, and that it is signed before the

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

final decree of adoption and contains information concerning the nature of services, the amount and duration of the subsidy (42 USC 675(3)). In addition, at the time of initiation of adoption, proceedings are in pursuant to an involuntary removal of the child from the home in accordance with a judicial determination to the effect that continuation in the home would be contrary to the welfare of the child, or a voluntary placement agreement or voluntary relinquishment (42 USC 673(a)), and the prospective adoptive parent must satisfactorily have met a criminal records check (42 USC 671(a)(20)(A)).

Condition

Of the sixty (60) samples selected for testing, we noted the following:

1. Auditor noted one case where eligibility was extended to age 21 due to meeting the medical condition clause per review of the Adoption Assistance Program (AAP) 4 form. However, this determination was not properly documented on the AAP 2 - *Payment Instructions* form (AAP 2).
2. Auditor noted one case where Barriers to Adoption on the AAP 4 was not completed to determine whether the child meets the special needs eligibility provision.
3. Auditor noted two cases where a reasonable search effort to place a child for adoption without subsidy, or waiver, was not properly documented on the AAP 4.
4. Auditor was not provided with adoption assistance agreement (AD 4320), court order, criminal background check, and final decree of adoption (ADPT 215) for one case.

Cause

1. Adoption staff failed to document the Benefit Extension determination on the AAP 2.
2. Adoption staff failed to complete Barriers to Adoption determination on the AAP 4 in order to deem child with special needs.
3. Adoption staff failed to complete section of AAP 4 to demonstrate effort was made to place the child for adoption with appropriate parents without providing financial assistance or that the search requirement was waived.
4. DCFS was unable to locate the adoption case file.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Effect

Lack of proper completion and documentation supporting eligibility results in questioned costs and noncompliance with Title IV-E of the Social Security Act and 45 CFR parts 1355 and 1356.

Questioned Costs

\$13,872 (known questioned costs based on sample items tested)

Context

Of the sixty (60) samples selected for testing, which totaled \$144,458, the number of samples noted with exceptions are as followed for each condition:

- 1) One sample (no questioned costs)
- 2) One sample, or \$4,386
- 3) Two samples, or \$6,324
- 4) One sample, or \$3,162

Recommendation

We recommend that DCFS strengthen their review process to ensure completeness on the AAP 4 - *Eligibility Certification* and AAP 2 – *Payment Instructions* forms, and to maintain proper documentation for adoption case files.

Management Response

1. Person responsible: Acting Division Chief; Division Chief
2. Corrective action plan:

The Department agrees with the recommendation and in order to address errors in completing the AAP 4 and AAP2, Adoption & Permanency Resources Division Management will issue a memo to social work staff reinforcing policy and reminding of the necessity to be thorough in completing all AAP documentation, and instruct supervising staff to ensure that all needed areas are completed thoroughly and accurately. The memo will be reviewed in supervisor and unit meetings.

3. Anticipated implementation date: March 31, 2015

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Reference Number:	2014-005
Federal Program Title:	Highway Planning and Construction
Federal Catalog Number:	20.205
Federal Agency:	U.S. Department of Transportation
Pass-Through Entity:	California Department of Transportation
Federal Award Number and Year:	BRLSZD-5953 (544), 2009
Name of Department:	Department of Public Works
Category of Finding:	Davis-Bacon Act

Criteria

In accordance with the Davis-Bacon Act, all laborers and mechanics employed by contractors or subcontractors who work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor [40 USC 3141-3144, 3146, and 3147].

Non-federal entities (County) shall include in their construction contracts subject to the Davis-Bacon Act a requirement that contractors or subcontractors comply with the requirements of the Davis-Bacon Act...This includes a requirement for the contractor or subcontractor to submit to the County weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) [29 CFR sections 5.5 and 5.6].

Condition

During our testing of the Davis-Bacon Act compliance requirements, the Department of Public Works (DPW) could not provide eight (8) weekly certified payroll records for two contractors.

Cause

The certified payrolls were misplaced and could not be located.

Effect

Undocumented weekly certified payrolls submitted by contractors and subcontractors resulted in non-compliance with OMB A-133 compliance requirements governed by 29 CFR sections 5.5 and 5.6.

Questioned Costs

N/A

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Context

Of the forty (40) weeks selected for testing, certified payroll records submitted by the contractors and subcontractors to DPW were not provided as evidence for eight (8) weeks.

Recommendation

We recommend that the DPW strengthens their procedures for the safeguarding of the weekly certified payrolls submitted by the contractors and subcontractors.

Management Response and Corrective Action

1. Person responsible: Civil Engineer

2. Corrective action plan:

The Department agrees with the recommendation. The Certified Payrolls received from two contractors were misplaced and cannot be found. We are considering acquiring a labor compliance software to be able to receive contractors' certified payrolls online and retain them electronically instead of hard copies. We will also revisit our records filing and retention procedures with staff to ensure project records are filed correctly and can be easily retrieved.

3. Anticipated implementation date: July 15, 2015

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Reference Number:	2014-006
Federal Program Title:	Promoting Safe and Stable Families
Federal Catalog Number:	93.556
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	California Department of Social Services
Federal Award Number and Year:	CFL No. 13/14-12, 2014
Name of Department:	Department of Children and Family Services
Category of Finding:	Subrecipient Monitoring

Criteria

U.S. Office of Management and Budget (OMB) Circular A-133, Subpart D - §__.400(d) states that a pass-through entity (County) shall monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

In accordance with 31 USC 7502(f)(2)(C), each pass-through entity (County), shall review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings.

In addition, per Department of Children and Family Services (DCFS) Contracting Services Desk Reference Guide, submission of the Single Audits, a component of audited financial statements, is required under OMB Circular A-133. The DCFS Contracts Administration's Division staff are required to read all incoming audited financial statements submitted by contract agencies.

Condition

Of the nine (9) subrecipients selected for testing, we noted that eight (8) subrecipients did not have documentation indicating that DCFS reviewed the required single audit reports to ensure the report was being submitted in a timely manner and to ensure corrective action was being taken for any deficiencies noted.

Cause

Lack of enforcement of policies and procedures led to inadequate documentation to support the sub-award monitoring process.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Effect

Failure to comply with subrecipient monitoring requirements results in non-compliance with OMB Circular A-133 compliance requirements, 31 USC 7502(f)(2)(C) and DCFS Contracting Services Desk Reference Guide.

Questioned Costs

N/A

Context

DCFS has performed monitoring and obtained the Single Audit reports from the subrecipients. However, of the nine (9) subrecipients selected for testing (\$2,931,934, or 42% of the total program subrecipient expenditures), there was no evidence that DCFS reviewed the Single Audit reports for eight (8) subrecipients (\$2,854,115).

Recommendation

We recommend that DCFS regularly and consistently apply procedures to ensure their subrecipients are being adequately monitored.

Management Response

1. Person responsible: Deputy Director
2. Corrective action plan:

The Department agrees with the recommendation. DCFS Management will instruct departmental staff to regularly and consistently monitor subrecipients to ensure compliance with OMB Circular A-133 requirements.

3. Anticipated implementation date: June 30, 2015

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Reference Number:	2014-007
Federal Program Title:	Promoting Safe and Stable Families
Federal Catalog Number:	93.556
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	California Department of Social Services
Federal Award Number and Year:	CFL No. 13/14-12, 2014
Name of Department:	Department of Children and Family Services
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: “To be allowable under Federal awards, costs must meet the following general criteria...(d) Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other government regulations as to types or amounts of cost items.

In addition, in accordance with 45 CFR section 1357.32(h)(1), “States claiming Federal financial participation for services provided in FY 1994 and subsequent years may not claim more than 10 (ten) percent of expenditures under subpart 2 for administrative costs”.

Condition

The Department of Children and Family Services (DCFS) contracted with the Alcohol and Drug Program Administration for \$2,201,992. DCFS applied the 10% limitation of administrative costs to the contract amount instead of to actual expenditures incurred in the amount of \$2,090,275. As a result, total administrative costs paid in FY 13-14 were \$220,199, which exceeded the 10% limitation by \$11,172.

Cause

DCFS applied the 10% limit of administrative costs to the total contract amount instead of to actual expenditures.

Effect

Charging administrative costs over the limitation led to non-compliance with OMB Circular A-87 and 45 CFR section 1357.32.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Questioned Costs

\$11,172

Context

Of the total \$220,199 administrative costs paid to the Alcohol and Drug Program Administration in FY 13-14, \$11,172 exceeded the 10% limitation to administrative costs.

Recommendation

We recommend that DCFS ensure the 10% limitation of administrative costs is applied to the actual expenditures and strengthen their controls over the review of expenditures to ensure that administrative costs do not exceed such limitation.

Management Response

1. Person responsible: Deputy Director

2. Corrective action plan:

The Department concurs with this finding that there was an amount in administrative expenses that exceeded 10%. In the past three fiscal years, the subrecipient, Los Angeles County Department of Public Health (DPH), had expended all allocated funds thus the practice of claiming 10% of the contract amount did not impact the annual expectation of claiming 10% of the actual expenditures for the administrative costs since they did not exceed the contract amount. With this information that subrecipients should not claim more in administrative costs than actual expenditures in any given period, DCFS Management is enacting the following plan: (1) DCFS will collaborate with DPH to ensure the practice of taking administrative costs reflect the actual costs incurred and not a percentage of the total contract award; (2) DCFS will consult with fiscal staff to determine the best method to recoup the overage in administrative expenses from FY 13-14; and (3) DCFS will work with DPH to implement a re-payment of the overage in administrative costs.

3. Anticipated implementation date: March 6, 2015

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Reference Number:	2014-008
Federal Program Title:	Chafee Foster Care Independence Program
Federal Catalog Number:	93.674
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	California Department of Social Services
Federal Award Number and Year:	CFL No. 13/14- 18, 2014
Name of Department:	Department of Children and Family Services (DCFS)
Category of Finding:	Subrecipient Monitoring

Criteria

In accordance with 31 USC 7502(f)(2)(C), each pass-through entity (County), shall review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings.

US Office of Management and Budget (OMB) Circular A-133 Subpart C §__.300(b) states that the auditee (County) 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 that could have a material effect of each of its Federal programs.

In addition, per Department of Children and Family Services (DCFS) Contracting Services Desk Reference Guide, submission of the Single Audits, a component of audited financial statements, is required under OMB Circular A-133. The DCFS Contracts Administration's Division staff are required to read all incoming audited financial statements submitted by contract agencies. Each review must be tracked and documented to ensure that all audited financial statements are reviewed in a timely manner.

Condition

Of the two subrecipients selected for testing, we noted the following:

- 1) One subrecipient file did not have documentation indicating that DCFS reviewed the required single audit report to ensure that the report was submitted in a timely manner and to ensure corrective action was taken for any deficiencies noted.
- 2) One subrecipient's FY 12-13 Single Audit report was not reviewed until February 15, 2015.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Cause

- 1) Lack of enforcement of policies and procedures led to inadequate documentation to support the sub-award monitoring process.
- 2) Lack of enforcement of policies and procedures led to the single audit report not being reviewed in a timely manner.

Effect

Failure to comply with subrecipient monitoring requirements resulted in non-compliance with OMB Circular A-133 compliance requirements, 31 USC 7502(f)(2)(C) and DCFS Contracting Services Desk Reference Guide.

Questioned Costs

N/A

Context

DCFS has performed monitoring and obtained the Single Audit reports from the subrecipients. However, of the two (2) subrecipients selected for testing (\$3,493,466, or 75% of the total program subrecipient expenditures), there was no evidence that DCFS reviewed the Single Audit report for one subrecipient (\$1,461,188), and one subrecipient's (\$2,032,278) Single Audit report was not reviewed in a timely manner.

Recommendation

We recommend that DCFS regularly and consistently apply procedures to ensure their subrecipients are being adequately monitored.

Management Response

1. Person responsible: Contracts Division Manager
2. Corrective action plan:

The Department agrees with the recommendation. DCFS Management will instruct departmental staff to regularly and consistently monitor subrecipients to ensure compliance with OMB Circular A-133 requirements.

3. Anticipated implementation date: June 30, 2015

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Reference Number:	2014-009
Federal Program Title:	Guardianship Assistance
Federal Catalog Number:	93.090
Federal Agency:	U.S. 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 No. 13/14-10, 2014
Name of Department:	Department of Children and Family Services
Category of Finding:	Allowable Costs/Cost Principles

Criteria

Kinship guardianship assistance payments cannot exceed the amount of the foster care maintenance payment the child would have received in a foster family home; however, the amount of the payments may be up to 100 percent of the foster care maintenance payment rate which would have been paid on behalf of the child if the child had remained in a foster family home (42 USC 673(d)(2)). In addition, under OMB guidance, Public Law No. 107-300, as amended by Public Law 111-204, the Improper Payments Elimination and Recovery Act, Executive Order 13520 on reducing improper payments, "... Federal agencies are required to take actions to prevent improper payments, ..., reclaim improper payments. Improper payment means... overpayments or underpayments that are made to eligible recipients".

Condition

During our testing of Kinship guardianship assistance payments (payments), we noted that the payment rate for two eligible cases were not in accordance with the state-approved rate per All County Letter (ACL) No. 13-62 and the Specialized Care Increment Rates for Los Angeles County issued by the California Department of Social Services. The state-approved rates were \$1,398 and \$3,162, however the actual payment rates applied were \$1,232, and \$3,045.

Cause

- The payment of \$1,232 to an eligible case is not paid with a correct rate of \$1,398 because the case was created in the system on January 7, 2013, which is after the cost-of-living adjustment was made on 12/17/2012 and the system did not capture this case to update to the correct rate.
- One payment of \$3,045 is not paid with a correct rate of \$3,162 because the Children's Social Worker mistakenly applied the FY 11-12 rate instead of the one for FY 13-14.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Effect

Underpayments to the recipients resulted in non-compliance with 42 USC 673(d)(2) and Public Law No. 107-300, as amended by Public Law 111-204, the Improper Payments Elimination and Recovery Act, Executive Order 13520 on reducing improper payments.

Questioned Costs

N/A (The discrepancies resulted in underpayments to the recipients.)

Context

Out of 60 assistance payments selected for testing, which totaled \$111,146 payments, two payments made on behalf of the children were underpaid by \$166 and \$117, respectively.

Recommendation

We recommend that DCFS reinforces procedures to ensure that the correct rate is applied.

Management Response and Corrective Action

1. Person responsible: Division Chief
2. Corrective action plan:

The Department agrees with the recommendation. To prevent a reoccurrence of this type, DCFS management has provided staff with the most recent rate schedule and has instructed staff in writing to utilize it when processing Kin-GAP payments to ensure that payments are issued with the correct applicable rates. In addition, management will convene a meeting to discuss the Kin-GAP audit conditions mentioned in this letter of finding, and reiterate Kin-GAP policy and procedures. Furthermore, Kin-GAP staff will complete a 100% review of Kin-GAP host county rates to ensure correct rates are paid.

Additionally, all identified underpayments in this letter of finding have been issued to the caregivers.

3. Anticipated implementation date: June 30, 2015

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Reference Number:	2014-010
Federal Program Title:	Homeland Security Grant Program
Federal Catalog Number:	97.067
Federal Agency:	U.S. Department of Homeland Security
Pass-Through Entity:	California Office of Emergency Services
Federal Award Number and Year:	037-00000, 2010
Name of Department:	Chief Executive Office/County Disaster Administrative Team
Category of Finding:	Cash Management

Criteria

In accordance with Section 6 – Post Award Requirements of the California Supplement to the Federal Program Guidance issued by the California Emergency Management Agency, Department of Homeland Security allows subgrantees to request funds up to 120 days prior to expenditure/disbursement, or on a reimbursement basis. The federal guide requires that advances must be deposited in interest-bearing accounts, and describes how interest earned should be returned quarterly to the federal government.

Condition

During our review of forty (40) transactions, we noted that advances for twenty-seven (27) transactions were received prior to the disbursements ranging from six (6) to thirty-eight (38) days. The advances were deposited into the County's treasury pool which is an interest bearing account. However, no interest was calculated and returned to the granting agency. The interest amount that should have been returned is \$463 based on the selected transactions.

Cause

The Chief Executive Office/County Disaster Administrative Team (CEO/CDAT) considered the program on a reimbursement basis. Also, CEO/CDAT disbursed the money as soon as possible after the advances were received. Therefore, CEO/CDAT determined that any interest that should have been earned on the funds received were not subject to the requirement of returning to the granting agency, and the interest earned would be minimal.

Effect

Not returning interest earned may result in non-compliance with the California Supplement to the Federal Program Guidance.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Questioned Costs

N/A

Context

Out of forty (40) transactions tested, the interest for twenty seven (27) transactions should have been returned to the granting agency.

Recommendation

We recommend that the CEO/CDAT consider the substance of a request for fund to determine if the request is an advance or reimbursement and adhere to the California Supplement to the Federal Program Guidance to ensure that interest earned on advances is returned to the granting agency.

Management Response and Corrective Action

1. Person responsible: Chief Program Specialist

2. Corrective action plan:

The Department agrees with the recommendation. CEO/CDAT will submit requests to the California Office of Emergency Services (Cal OES) on a reimbursement basis and only report County incurred expenses in its reimbursement submissions to Cal OES.

3. Anticipated implementation date: March 2, 2015

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENT FINDINGS:

Finding #2013-001 – Financial Reporting - SEFA

CFDA #97.056 – Port Security Grant Program

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.

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.

Current Year Management Response

The Sheriff's Department concurs with this recommendation. Future federal grant awards received through an MOU/MOA from a pass-through agency will be posted on the Department's grant tracking report by the responsible unit or unit manager who received the funding. The responsible manager will be required to track and monitor the federal grant expenditures and to timely report such expenditures to the Auditor-Controller on the Schedule of Expenditures of Federal Awards (SEFA) in the appropriate Fiscal Year.

Current Status as of June 30, 2014

Implemented

Finding #2013-002 – Financial Reporting - SEFA

CFDA #97.083 – Staffing for Adequate Fire and Emergency Response

Condition

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

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

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

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.

Current Year Management Response

The Grants Section has developed a comprehensive list of Federal grants received to track grant-related expenditures to ensure that such are reported to the Financial Management Division (FMD) Claims Management Section (CMS) for submittal to the Los Angeles County Auditor-Controller (LAC A-C) on the grants inventory in the proper fiscal year. This comprehensive list includes all Grants Section planned expenditures to assist the FMD CMS with the overall tracking of grant-related expenditures to ensure all federal expenditures are accurately reported. Grants Section planned expenditures are reported to the FMD CMS on a quarterly basis to ensure grant expenditure estimates/actuals can be anticipated and claims prepared accurately, and subsequently reported accurately to the LAC A-C on the grant inventory for the proper fiscal year.

Current Status as of June 30, 2014

Implemented

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
 - 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

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

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

DHS management is still evaluating funding sources and the decision to replace and/or repair the fire suppression system at the Olive View-UCLA Medical Center (OVMC) facility. OVMC will again be turning in to DHS finance, this fiscal year a request to upgrade their server room. DHS is turning to enterprise applications and has two primary data centers. OVMC has and is moving some enterprise systems to the primary data centers. DHS is also building a new electronic health record for all of the DHS locations and they too will be using this application. At the present time, the "Affinity" system for the DHS electronic health record is not housed at OVMC but at our two primary data centers. OVMC is making positive process and has no apparent server room problems.

Current Status as of June 30, 2014

Recommendation a – Implemented
Recommendation b – Partially implemented

Expected Implementation Date

To be determined

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL AWARD FINDINGS:

Finding #2013-003 Eligibility

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 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.

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.

Current Year Management Response

The Revenue Enhancement Kin-GAP manager convened a series of meetings (January 15, 2014, February 18, 2014, and March 26, 2014) where he discussed the Single Audit finding and recommendation, and reiterated the importance of following Kin-GAP policy and procedures.

On March 6, 2014, during the quarterly Eligibility Supervisor's Meeting, Revenue Enhancement Management reiterated the significance of the approval action for payment, the timely approval of the Statement of Facts supporting eligibility, and the verification of aid code accuracy. Furthermore, on March 24, 2014, the Revenue Enhancement manager issued a memo to all eligibility staff reminding them of the importance of adhering to current Kin-GAP policy and procedures.

Current Status as of June 30, 2014

Implemented

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

Finding #2013-004 Allowable Costs/Activities

CFDA #93.889 – National Bioterrorism Hospital Preparedness Program

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.

Recommendation

We recommend that the Department of Health Services accrue expenditures in the proper period by reviewing unpaid purchases on a timely basis.

Current Year Management Response

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.

Current Status as of June 30, 2014

Implemented

Finding #2013-005 Reporting

CFDA #93.724 – ARRA – Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)

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.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

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.

Current Year Management Response

The Department, in a meeting with staff on February 5, 2014, reinforced to staff the requirement to adhere to the due date for submitting the final FFRs.

Current Status as of June 30, 2014

Implemented

Finding #2013-006 ARRA – Cash Management

CFDA #93.724 – ARRA – Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)

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.

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.

Current Year Management Response

The Department, in a meeting with staff on February 5, 2014, reinforced to staff the requirement to adhere to established cash management policies and procedures.

Current Status as of June 30, 2014

Implemented

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

Finding #2013-007 Allowable Costs/Cost Principles

CFDA #93.658 – Foster Care Title IV-E

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.

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.

Current Year Management Response

Title IV-E related trainings have been provided to District Bureau Chiefs and their Special Assistants. The training included the description of Title IV-E codes and the Title IV-E management review process.

Probation Budget and Fiscal Services disseminates time study instructions to all juvenile filed operations on a quarterly basis. Per these instructions, supervisors are to review time study cards against the employees' time cards to avoid discrepancies.

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, 2014

Implemented

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

**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 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 series of meetings (January 15, 2014, February 18, 2014, and March 26, 2014) where he discussed the Single Audit finding and recommendation, and reiterated the importance of following Kin-GAP policy and procedures.

On March 6, 2014, during the quarterly Eligibility Supervisor's Meeting, Revenue Enhancement Management reiterated the significance of the approval action for payment, the timely approval of the Statement of Facts supporting eligibility, and the verification of aid code accuracy. Furthermore, on March 24, 2014, the Revenue Enhancement manager issued a memo to all eligibility staff reminding them of the importance of adhering to current Kin-GAP policy and procedures.

Current Status as of June 30, 2014

Implemented

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 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.

Current Year Management Response

Title IV-E related trainings have been provided to District Bureau Chiefs and their Special Assistants. The training included the description of Title IV-E codes and the Title IV-E management review process.

Probation Budget and Fiscal Services disseminates time study instructions to all juvenile filed operations on a quarterly basis. Per these instructions, supervisors are to review time study cards against the employees' time cards to avoid discrepancies.

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, 2014

Implemented

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

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.

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, 2014

Implemented

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**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, 2014**

CFDA # 93.569

	January 1, 2013 through June 30, 2013	July 1, 2013 through June 30, 2014	Total Costs	Total Budget ⁽¹⁾
REVENUE				
Grant Revenue	\$ 1,955,481	\$ 3,386,195	\$ 5,341,676	\$ 6,683,336
Interest Income				
Other Income				
Total Revenue	<u>1,955,481</u>	<u>3,386,195</u>	<u>5,341,676</u>	<u>6,683,336</u>
EXPENDITURES ⁽²⁾				
<u>Administrative Costs</u>				
Salaries and Wages	81,381	210,640	292,021	370,323
Fringe Benefits	43,546	103,312	146,858	154,095
Operating Expenses	4,453	9,801	14,254	14,852
Out-of State Travel				1,773
Other Costs:				
Indirect Costs	26,235	58,206	84,441	108,010
Other Costs				
Subcontractor Services				
Total Administrative Costs	<u>155,615</u>	<u>381,959</u>	<u>537,574</u>	<u>649,053</u>
<u>Program Costs</u>				
Salaries and Wages	199,712	325,769	525,481	661,673
Fringe Benefits	92,294	148,469	240,763	258,623
Other Costs:				
Indirect Costs	61,321	90,105	151,426	184,059
Other Costs				
Subcontractor Services	253,765	3,632,667	3,886,432	4,929,928
Total Program Costs	<u>607,092</u>	<u>4,197,010</u>	<u>4,804,102</u>	<u>6,034,283</u>
Total Expenditures	<u>762,707</u>	<u>4,578,969</u>	<u>5,341,676</u>	<u>6,683,336</u>
Revenue Over (Under) Expenditures	<u>\$ 1,192,774</u>	<u>\$ (1,192,774)</u>	<u>\$ -</u>	<u>\$ -</u>

(1) The Total budget amounts are based on the CSBG Contract Budget Summary contained in the contract (as Attachment I to the Grant Agreement), with a year-end and close out budget shifts. The interests 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 Department of Community Services and Development.

**COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC SOCIAL SERVICES
SUPPLEMENTARY SCHEDULE OF REVENUE AND EXPENDITURES
CSBG CONTRACT NO. 14F-3021
FOR THE YEAR ENDED JUNE 30, 2014**

CFDA # 93.569

	January 1, 2014 through June 30, 2014	Total Costs	Total Budget ⁽¹⁾
REVENUE			
Grant Revenue	\$ 2,157,833	\$ 2,157,833	\$ 258,184
Interest Income			
Other Income			
Total Revenue	<u>2,157,833</u>	<u>2,157,833</u>	<u>258,184</u>
EXPENDITURES			
<u>Administrative Costs</u>			
Salaries & Wages	71,995	71,995	10,451
Fringe benefits	48,562	48,562	4,606
Operating Expenses	1,588	1,588	
Equipment			
Out-of-State Travel			
Other Costs			
Indirect Cost/Other Costs	24,351	24,351	
Total Administrative Costs	<u>146,496</u>	<u>146,496</u>	<u>15,057</u>
<u>Program Costs</u>			
Salaries & Wages	216,124	216,124	
Fringe benefits	100,656	100,656	
Operating Expenses			
Equipment			
Out-of-State Travel			
Other Costs			243,127
Indirect Costs/Other Costs	60,188	60,188	
Subcontractor Services			
Total Program Costs	<u>376,968</u>	<u>376,968</u>	<u>243,127</u>
Total Expenditures	<u>523,464 ⁽²⁾</u>	<u>523,464</u>	<u>258,184</u>
Revenue over (under) Expenditures	<u>\$ 1,634,369 ⁽³⁾</u>	<u>\$ 1,634,369</u>	<u>\$ -</u>

(1) The Expenditure and Total Budget amounts are based on the CSBG Contract Budget Summary contained in the contract (as Attachment I to the Grant Agreement.) The Contract Budget amounts are from January 1, 2014 - December 31, 2014.

(2) The Expenditure amounts are based on the monthly CSBG Expenditure Claim Reports filed with the Department of Community Services and Development (CSD) from January 1, 2014 through June 30, 2014.

(3) Revenue Over (Under) Expenditures: This amount represents the balance of CSBG program advances at the end of FY 2013-14. The amount will be applied to FY 2014-15 CSBG expenditure claims.

**COUNTY OF LOS ANGELES
COMMUNITY AND SENIOR SERVICES
SUPPLEMENTARY SCHEDULE OF REVENUE AND EXPENDITURES
CSBG CONTRACT NO. 13F-3058
FOR THE YEAR ENDED JUNE 30, 2014**

CFDA # 93.569

	January 1, 2013 through June 30, 2013	July 1, 2013 through December 31, 2013	Total Costs	Total Budget
REVENUE				
Grant Revenue	\$ 127,464	\$ 130,720	\$ 258,184	\$ 258,184
Interest Income		103	103 *	
Other Income				
Total Revenue	<u>127,464</u>	<u>130,823</u>	<u>258,287</u>	<u>258,184</u>
EXPENDITURES				
<u>Administrative Costs</u>				
Salaries & Wages	7,823	2,731	10,554	10,451
Fringe benefits	3,551	1,055	4,606	4,606
Operating Expenses				
Equipment				
Out-of-State Travel				
Subcontractor Services				
Other Costs				
Total Administrative Costs	<u>11,374</u>	<u>3,786</u>	<u>15,160</u>	<u>15,057</u>
<u>Program Costs</u>				
Salaries & Wages				
Fringe benefits				
Operating Expenses				
Equipment				
Out-of-State Travel				
Subcontractor Services	116,090	127,037	243,127	243,127
Other Costs				
Total Program Costs	<u>116,090</u>	<u>127,037</u>	<u>243,127</u>	<u>243,127</u>
Total Expenditures	<u>127,464</u>	<u>130,823</u>	<u>258,287</u>	<u>258,184</u>
Revenue over (under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* Represents interest earned on advances. \$103 in earned interest was reprogrammed to provide additional administrative services.

**COUNTY OF LOS ANGELES
COMMUNITY AND SENIOR SERVICES
SUPPLEMENTARY SCHEDULE OF REVENUE AND EXPENDITURES
CSBG CONTRACT NO. 14F-3058
FOR THE YEAR ENDED JUNE 30, 2014**

CFDA # 93.569

	January 1, 2014 through June 30, 2014	Total Costs	Total Budget
REVENUE			
Grant Revenue	\$ 115,736	\$ 115,736	\$ 261,949
Interest Income			
Other Income			
Total Revenue	<u>115,736</u>	<u>115,736</u>	<u>261,949</u>
EXPENDITURES			
<u>Administrative Costs</u>			
Salaries & Wages	17,294	17,294	22,858
Fringe benefits	7,088	7,088	12,573
Operating Expenses			
Equipment			
Out-of-State Travel			
Subcontractor Services			
Other Costs			
Total Administrative Costs	<u>24,382</u>	<u>24,382</u>	<u>35,431</u>
<u>Program Costs</u>			
Salaries & Wages			
Fringe benefits			
Operating Expenses			
Equipment			
Out-of-State Travel			
Subcontractor Services	91,354	91,354	226,518
Other Costs			
Total Program Costs	<u>91,354</u>	<u>91,354</u>	<u>226,518</u>
Total Expenditures	<u>115,736</u>	<u>115,736</u>	<u>261,949</u>
Revenue over (under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**COUNTY OF LOS ANGELES
COMMUNITY AND SENIOR SERVICES
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
GRANTED BY CALIFORNIA DEPARTMENT OF AGING
FOR THE YEAR ENDED JUNE 30, 2014**

Grant	CFDA	Single Audit	State	Total
		Federal	Expenditures	Expenditures
Older American Title V Project	17.235	\$ 1,923,895	\$ -	\$ 1,923,895
AAA HICAP (H9)	93.779	194,989	494,474	689,463
AAA HICAP (H3)	93.779	98,134	172,393	270,527
Financial Alignment	93.626	115,408	-	115,408
Total Others		<u>2,332,426</u>	<u>666,867</u>	<u>2,999,293</u>
Ombudsman Volunteer Recruitment Initiative (A9)	*	-	354,093	354,093
Ombudsman Volunteer Recruitment Initiative (A3)	*	-	118,031	118,031
AAA Title III E (A9)	93.052	1,639,254	-	1,639,254
AAA Title III E (A3)	93.052	632,410	-	632,410
Area Agency On Aging III B (A9)	93.044	3,859,055	-	3,859,055
Area Agency On Aging III B (A3)	93.044	1,230,664	-	1,230,664
Title VII - Ombudsman (A9)	93.042	93,805	-	93,805
Title VII - Ombudsman (A3)	93.042	25,993	-	25,993
Area Agency On Aging III C-I (A9)	93.045	4,086,393	433,328	4,519,721
Area Agency On Aging III C-I (A3)	93.045	1,341,813	144,444	1,486,257
Area Agency On Aging III C-II (A9)	93.045	2,910,810	526,993	3,437,803
Area Agency On Aging III C-II (A3)	93.045	1,267,863	147,217	1,415,080
CI - Special Nutrition Funds	93.045	251,976	-	251,976
CII - Special Nutrition Funds	93.045	148,221	-	148,221
Title VII - Elder Abuse Prevention (A9)	93.041	58,082	-	58,082
Title VII - Elder Abuse Prevention (A3)	93.041	22,899	-	22,899
Area Agency On Aging - III - D (A9)	93.043	267,439	-	267,439
Area Agency On Aging - III - D (A3)	93.043	92,997	-	92,997
AAA III USDA CI (A9)	93.053	672,257	-	672,257
AAA III USDA CI (A3)	93.053	179,474	-	179,474
AAA III USDA CII (A9)	93.053	514,620	-	514,620
AAA III USDA CII (A3)	93.053	131,036	-	131,036
Total Title III and VII		<u>19,427,061</u>	<u>1,724,106</u>	<u>21,151,167</u>
Total		<u>\$ 21,759,487</u>	<u>\$ 2,390,973</u>	<u>\$ 24,150,460</u>

* This grant does not have a CFDA number. It is 100% State funded.