



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

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

**ARLENE BARRERA**  
AUDITOR-CONTROLLER

**OSCAR VALDEZ**  
CHIEF DEPUTY AUDITOR-CONTROLLER

ASSISTANT AUDITOR-CONTROLLERS

**PETER HUGHES**  
**KAREN LOQUET**  
**CONNIE YEE**

October 5, 2021

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

FROM: Arlene Barrera *Arlene B26*  
Auditor-Controller

SUBJECT: **FISCAL YEAR 2019-20 SINGLE AUDIT REPORT**

Attached is the Single Audit Report (Report) of the County of Los Angeles (County) for Fiscal Year 2019-20. The audit was performed by the independent accounting firm Macias Gini & O'Connell LLP. Federal law requires the County to have an annual audit of all expenditures that were funded by federal assistance received by the County. This year, the audit covered expenditures of approximately \$2.892 billion.

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

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

If you have any questions please contact me, or your staff may contact Elaine Boyd at (213) 974-8321 or [eboyd@auditor.lacounty.gov](mailto:eboyd@auditor.lacounty.gov).

AB:OV:CY:EB

H:\Financial Reporting\GRANTS\2019-2020\Final\FY 2019-20 Single Audit Board Transmittal Letter.docx

Attachment

c: Fesia A. Davenport, Chief Executive Officer  
Celia Zavala, Executive Officer, Board of Supervisors  
Audit Committee  
Each Department Head  
Countywide Communications

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**COUNTY OF LOS ANGELES**  
**BASIC FINANCIAL STATEMENTS AND**  
**SINGLE AUDIT REPORTS**  
**For the Year Ended June 30, 2020**



Certified  
Public  
Accountants



**COUNTY OF LOS ANGELES  
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**COUNTY OF LOS ANGELES  
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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## 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, 2020, 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 Los Angeles County Development Authority (LACDA) (discretely presented component unit), the 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
Aggregate discretely presented component units	100%	100%	100%
Aggregate remaining fund information	70%	73%	8%

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 LACDA, 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, 2020, 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, Flood Control District, LA County Library, Regional Park and Open Space District, and Mental Health Services Act for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

As discussed in Note 22 to the financial statements, in March 2020, a presidential emergency was declared due to the Coronavirus Disease 2019 (COVID-19) pandemic. The County was advanced federal and State disaster assistance funding to supplement the County's recovery efforts. As of June 30, 2020, the County reported \$1.10 billion in advances payable (unearned revenues) related to these advances. 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, the schedule of the County's proportionate share of the net pension liability and related ratios, the schedule of County's pension contributions, the schedule of changes in net RHC OPEB liability and related ratios, the schedule of County's RHC OPEB contributions, and the schedule of changes in the total LTD OPEB liability and related ratios as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 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 California Department of Aging are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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. Such 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 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 11, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Macias Gini & O'Connell LLP*

Los Angeles, California

December 11, 2020, 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 California Department of Aging, as to which the date is September 30, 2021



**COUNTY OF LOS ANGELES  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020. 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 negative \$12.437 billion. Net position is classified into three categories and the unrestricted component is negative \$33.831 billion.

During the current year, the County's net position increased by \$1.056 billion. Net position related to governmental activities increased by \$786 million, while net position related to business-type activities increased by \$270 million.

At the end of the current year, the County's General Fund reported a total fund balance of \$4.519 billion. The fund balance categories and amounts consisted of nonspendable fund balance of \$127 million, restricted fund balance of \$83 million, committed fund balance of \$594 million, assigned fund balance of \$697 million, and \$3.018 billion of unassigned fund balance.

The County's capital asset balances were \$19.990 billion at year-end and increased by \$246 million during the year.

During the current year, the County's total long-term debt decreased by \$28 million. Newly issued and accreted long-term debt of \$1.041 billion was more than the long-term debt maturities of \$1.069 billion.

**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, 2020**

**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 pension and Other Postemployment Benefits (OPEB) 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 Funds represent the County's business activities.
- **Discretely Presented Component Units** - Component units are separate entities for which the County is financially accountable. The Los Angeles County Development Authority 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, 2020**

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 enterprise funds are used to account for functions that are 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, 2020**

**REQUIRED SUPPLEMENTARY INFORMATION**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the County's proportionate share of the net pension liability and related ratios, the County's contributions to pension benefits, the County's schedule of changes in net Retiree Healthcare (RHC) OPEB Liability and related ratios, the County's contributions to RHC OPEB, and the schedule of changes in the total Long-Term Disability OPEB liability and related ratios.

**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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$12.437 billion at the close of the most recent fiscal year.

Summary of Net Position  
As of June 30, 2020 and 2019 (in thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current and other assets	\$ 14,602,673	\$ 12,857,626	\$ 2,797,820	\$ 2,638,388	\$ 17,400,493	\$ 15,496,014
Capital assets	16,905,953	16,676,242	3,083,994	3,067,230	19,989,947	19,743,472
<b>Total assets</b>	<b>31,508,626</b>	<b>29,533,868</b>	<b>5,881,814</b>	<b>5,705,618</b>	<b>37,390,440</b>	<b>35,239,486</b>
Deferred outflows of resources	7,735,216	4,991,057	1,106,895	833,848	8,842,111	5,824,905
Current and other liabilities	4,755,867	3,414,482	861,869	643,334	5,617,736	4,057,816
Long-term liabilities	39,445,607	36,141,322	7,705,603	8,039,108	47,151,210	44,180,430
<b>Total liabilities</b>	<b>44,201,474</b>	<b>39,555,804</b>	<b>8,567,472</b>	<b>8,682,442</b>	<b>52,768,946</b>	<b>48,238,246</b>
Deferred inflows of resources	4,645,118	5,357,831	1,255,100	960,494	5,900,218	6,318,325
<b>Net position:</b>						
Net investment in capital assets	15,304,410	15,166,340	2,095,825	2,109,416	17,400,235	17,275,756
Restricted	3,926,849	3,811,405	67,499	138,686	3,994,348	3,950,091
Unrestricted (deficit)	(28,834,009)	(29,366,455)	(4,997,187)	(5,351,572)	(33,831,196)	(34,718,027)
<b>Total net position</b>	<b>\$ (9,602,750)</b>	<b>\$ (10,388,710)</b>	<b>\$ (2,833,863)</b>	<b>\$ (3,103,470)</b>	<b>\$ (12,436,613)</b>	<b>\$ (13,492,180)</b>

**COUNTY OF LOS ANGELES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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

Current and Other Assets

Current and other assets increased by \$1.745 billion for governmental activities. There was an increase of \$1.081 billion in pooled cash and investments, largely due to the improved cash position of the County's General Fund and the Safe, Clean Water Program Measure W fund. The County's General Fund pooled cash and investments increase was mainly attributable to the receipt of \$1.057 billion from the Coronavirus Aid, Relief, and Economic Security (CARES) Act to assist the County in responding to the Coronavirus Disease 2019 (COVID-19) pandemic. In addition, the Safe, Clean Water Program Measure W became effective this fiscal year and had a \$263 million year-end cash balance. Other receivables were higher by \$1.137 billion from the prior year. General fund receivables were higher for the ambulatory care network by \$572 million, children and family services by \$137 million, community health programs by \$113 million, and public health programs by \$100 million due to higher year-end federal and State revenue accruals. The County also recognized \$218 million of COVID-19 receivables at year-end.

For business-type activities, current and other assets increased by \$159 million. The business-type activities pooled cash and investments and internal balances increased by \$234 million and \$433 million, respectively, from the prior year. This was offset by a decrease in accounts receivable and other receivables of \$103 million and \$406 million, respectively, over the prior year.

Deferred Outflows of Resources

In the current year, the County's deferred outflows of resources balances were \$8.842 billion. The deferred outflows of resources were \$7.735 billion and \$1.107 billion for governmental and business-type activities, respectively. The total deferred outflows of resources amounts and net increases of \$3.017 billion were mostly related to pension and OPEB RHC. The total OPEB related deferred outflows increased by \$2.462 billion and \$329 million for governmental and business-type activities, respectively, from the prior year. This increase was primarily due to the restructuring of the RHC plan from a cost-sharing to an agent plan, as discussed in Note 9. The net increases of \$2.340 billion and \$306 million for governmental and business-type activities, respectively, were primarily from the assumptions changes and changes in proportion. The total pension related deferred outflows increased by \$284 million and decreased by \$56 million for governmental and business-type activities, respectively, from the prior year. These amounts vary from year to year due to differences between projected and actual experience, assumption changes and changes in proportion, as required by GASB 68 and GASB 75.

Liabilities

Current and other liabilities increased by \$1.341 billion for governmental activities. Advances payable increased by \$1.250 billion. Of this amount, \$951 million was attributable to COVID-19 federal funds received in advance as an advance payable, as discussed in Note 22. There was also an increase of \$299 million, which was largely due to higher advances for health, mental health, public protection and social services programs. Accounts payable increased by \$155 million for amounts owed for the year-end expenditure accruals. Accrued payroll was higher by \$11 million due to increases in amounts owed for the year-end payroll accruals. For business-type activities, a net increase of \$219 million in current and other liabilities was largely associated with \$154 million for COVID-19 Provider Relief Funds received in advance and a \$64 million increase in accounts payable for the hospitals.

**COUNTY OF LOS ANGELES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Liabilities-Continued

Long-term liabilities increased by \$3.304 billion for governmental activities and decreased by \$334 million for business-type activities. Net OPEB liabilities significantly increased by \$1.516 billion for governmental and decreased by \$233 million for business-type activities, respectively. As previously stated, the increase in the Net OPEB liability was primarily a result of the restructuring of the plan from a cost-sharing to an agent plan. Net pension liabilities increased in the current year by \$1.217 billion and decreased by \$1 million for governmental and business-type activities, respectively, which was due to the investment earnings being lower than the actuarial assumptions. For governmental activities, liabilities for bonds payable, notes, loans, workers' compensation and compensated absences were higher by \$274 million. For business-type activities, amounts owed to third party payors by the County's hospitals were lower by \$107 million as discussed in Note 14. Specific disclosures related to pension liabilities, OPEB liabilities, and other changes in long-term liabilities are discussed and referenced in Notes 8, 9, and 11 to the basic financial statements, respectively.

Deferred Inflows of Resources

In the current year, the County's deferred inflows of resources were \$5.900 billion. Deferred inflows of resources decreased by \$713 million and increased by \$295 million for governmental and business-type activities, respectively. The total OPEB RHC related deferred inflows decreased by \$419 million and increased by \$200 million for governmental and business-type activities, respectively, from the prior year and was mostly due to the change from a cost-sharing to an agent plan. The OPEB RHC and pension changes in deferred inflows of resources will vary from year to year due to differences between projected and actual experience, assumption changes and changes in proportion. Pension related deferred inflows of resources decreased by \$448 million and increased by \$13 million for governmental and business-type activities, respectively. Pension and OPEB matters are discussed in more detail in Note 8 and 9, respectively, to the basic financial statements. For service concession arrangements, there were also \$78 million of deferred inflows of resources recognized in the current year, which represents a decrease of \$4 million from the prior year in governmental activities. This amount represents the present value of installment payments associated with private operators of twenty 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, \$17.400 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 and related deferred outflows of resources 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 \$3.994 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.

**COUNTY OF LOS ANGELES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Unrestricted Net Position (Deficit)

The County's total unrestricted net position is negative \$33.831 billion. Both governmental and business-type activities reported deficits in this category of \$28.834 billion and \$4.997 billion, respectively. OPEB related liabilities of \$25.921 billion, along with pension liabilities totaling \$11.561 billion, continued to be the most significant factors associated with the reported deficits.

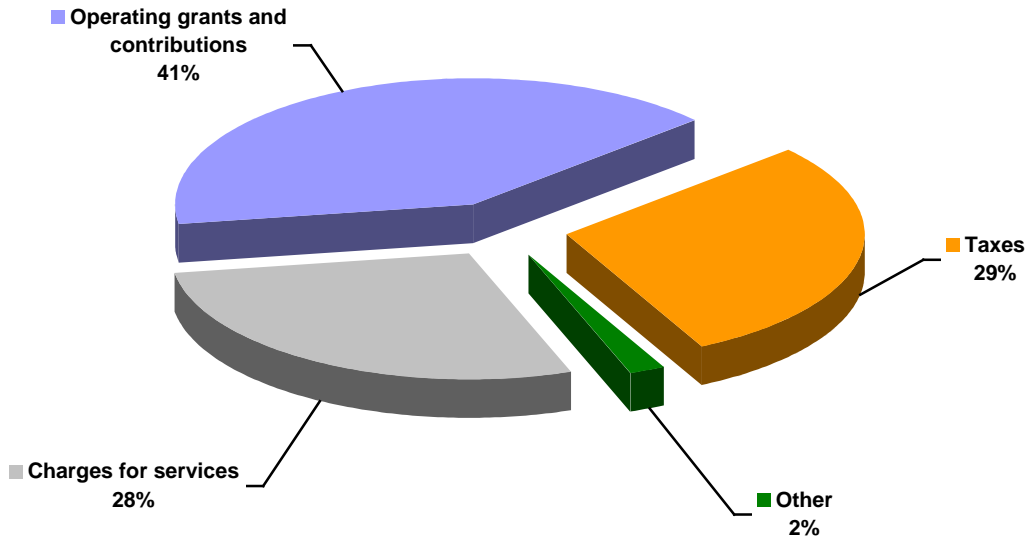
The following table details and identifies changes in net position for governmental and business-type activities:

Summary of Changes in Net Position  
For the Years Ended June 30, 2020 and 2019  
(in thousands)

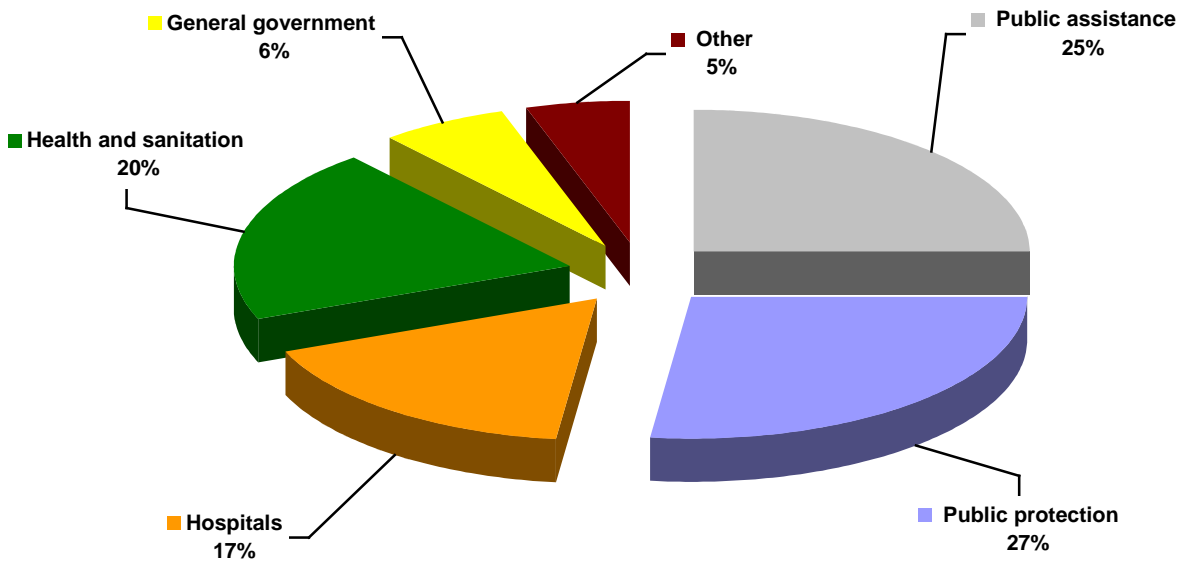
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 4,229,428	\$ 3,680,145	\$ 3,835,719	\$ 3,526,524	\$ 8,065,147	\$ 7,206,669
Operating grants and contributions	11,927,097	10,719,454	247,784	488,087	12,174,881	11,207,541
Capital grants and contributions	52,174	72,955	8,484	3,850	60,658	76,805
<b>General revenues:</b>						
Taxes	8,559,288	8,184,940	6,832	6,504	8,566,120	8,191,444
Unrestricted grants and contributions	85,688	473,800	459	32	86,147	473,832
Investment earnings	238,439	380,361	5,950	6,600	244,389	386,961
Miscellaneous	255,931	269,931	809	36	256,740	269,967
<b>Total revenues</b>	<b>25,348,045</b>	<b>23,781,586</b>	<b>4,106,037</b>	<b>4,031,633</b>	<b>29,454,082</b>	<b>27,813,219</b>
<b>Expenses:</b>						
General government	1,571,995	1,660,335			1,571,995	1,660,335
Public protection	7,648,073	7,772,364			7,648,073	7,772,364
Public ways and facilities	417,325	453,758			417,325	453,758
Health and sanitation	5,742,957	5,433,924			5,742,957	5,433,924
Public assistance	7,235,705	6,922,346			7,235,705	6,922,346
Education	146,480	161,012			146,480	161,012
Recreation and cultural services	476,798	320,838			476,798	320,838
Interest on long-term debt	199,528	124,549			199,528	124,549
Hospitals			4,844,797	4,827,429	4,844,797	4,827,429
Waterworks			109,259	104,906	109,259	104,906
Aviation			5,598	5,954	5,598	5,954
<b>Total expenses</b>	<b>23,438,861</b>	<b>22,849,126</b>	<b>4,959,654</b>	<b>4,938,289</b>	<b>28,398,515</b>	<b>27,787,415</b>
<b>Excess (deficiency) before transfers</b>	<b>1,909,184</b>	<b>932,460</b>	<b>(853,617)</b>	<b>(906,656)</b>	<b>1,055,567</b>	<b>25,804</b>
<b>Transfers</b>	<b>(1,123,224)</b>	<b>(671,446)</b>	<b>1,123,224</b>	<b>671,446</b>		
<b>Change in net position</b>	<b>785,960</b>	<b>261,014</b>	<b>269,607</b>	<b>(235,210)</b>	<b>1,055,567</b>	<b>25,804</b>
<b>Net position - beginning</b>	<b>(10,388,710)</b>	<b>(10,649,724)</b>	<b>(3,103,470)</b>	<b>(2,868,260)</b>	<b>(13,492,180)</b>	<b>(13,517,984)</b>
<b>Net position - ending</b>	<b>\$ (9,602,750)</b>	<b>\$ (10,388,710)</b>	<b>\$ (2,833,863)</b>	<b>\$ (3,103,470)</b>	<b>\$ (12,436,613)</b>	<b>\$ (13,492,180)</b>

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

**REVENUES BY SOURCE – ALL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**



**EXPENSES BY TYPE – ALL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**





**COUNTY OF LOS ANGELES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Governmental Activities

Revenues from governmental activities increased by \$1.566 billion (6.6%) 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 \$1.208 billion. For health and sanitation programs, there was net revenue growth of \$665 million which was from mental health and community health programs of \$264 million and \$233 million, respectively, which was primarily associated with revenues from the Whole Person Care (WPC) program and Public Health Redesign and Incentives in Medi-Cal (PRIME). State and federal funding for public health programs grew by \$149 million primarily from the Substance Abuse Prevention Control program and COVID-19 grants. Revenues for public assistance programs grew by \$210 million as there were higher levels of administrative and program reimbursable costs. Revenues for public protection programs increased by \$188 million, which was associated with \$84 million for the Probation Juvenile Justice Crime Prevention Act State funds, \$67 million for the federal and State disaster aid related to the CARES Act and Federal Emergency Management Agency (FEMA) funding, and \$24 million for the Diversion and Reentry program.
- Program revenues recognized from charges for services increased by \$549 million. The increase was primarily attributable to charges for services for public protection and health and sanitation programs which grew by \$267 million and \$315 million, respectively. As previously discussed, the Clean, Safe Water Program Measure W increased revenue by \$283 million for public protection programs. The County ambulatory care network charges for services increased by \$419 million and was offset by a decrease in community health programs Global Payment Program (GPP) revenues of \$83 million for health and sanitation programs.
- Taxes, the County's largest general revenue source, were \$374 million higher than the prior year and were mostly attributable to property taxes, which grew by \$393 million, and was offset by a decline in sales and other taxes of \$19 million. The County's total taxable assessed property tax value is \$1.626 trillion, which grew by 6.25% in the current year. Property tax revenues were also recognized in conjunction with the dissolution of redevelopment agencies. "Pass through" payments from redevelopment dissolution were \$364 million and increased by \$8 million from the prior year. Redevelopment dissolution also provides residual property taxes to local governments, including the County. The County's share of such residual tax revenues in the current year was \$278 million, a decrease of \$12 million compared to the prior year. Revenues also declined by \$30 million from the Homeless and Housing Measure H program sales and use taxes.

Expenses related to governmental activities increased by \$590 million (2.6%) during the current year. There was an increase in general operating expenses of \$1.172 billion which was offset by a decrease in salary and employee benefit expenses of \$667 million. The increase in operating expenses was primarily from public assistance and health and sanitation by \$653 million and \$285 million, respectively. Public assistance operating expenses were higher for the Children and family and public social services and homeless and housing programs by \$311 million and \$342 million, respectively. Health and sanitation operating expenses were higher for the ambulatory network services by \$283 million. Recreation expenses were higher by \$178 million. The increase was associated with the capital assets adjustment that was made in the prior year. Salary and employee benefit expenses decrease was largely attributable to the change from a cost-sharing to an agent plan for the RHC OPEB program, as previously discussed, in all functional categories. Depreciation expense was \$457 million in the current year, an increase of \$9 million from the prior year amount of \$448 million.

**COUNTY OF LOS ANGELES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Business-type Activities

Revenues from business-type activities for the current year were \$4.106 billion, an increase of \$74 million (1.8%) from the previous year. The most significant increase was in charges for services by \$308 million which was offset by a decline in operating grants and contributions by \$241 million for the County's hospitals. The net increase of \$67 million can be attributed to an increase in GPP revenue of \$346 million and a decrease in PRIME revenue of \$259 million. 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. GPP provides federal funding to the County for health-care programs that shift the focus from cost-based and hospital-centric models of care, to financial incentives to provide cost-effective primary and specialty care. Medi-Cal Managed Care Graduate Medical Education provides new revenue to help cover the Medi-Cal's share of the cost associated with interns and residents receiving training at public hospitals.

Expenses related to business-type activities increased from the previous year by a net total of \$21 million (0.4%), and were associated primarily with the County's hospitals, where expenses increased by \$17 million. As previously stated, the net change was primarily from the change from a cost sharing to an agent multiple employer RHC OPEB plan. RHC OPEB expenses were lower by \$424 million. This was offset by higher hospital payroll, pension, and compensated absences expenses of \$143 million, \$94 million, \$27 million, respectively. In addition, there was an increase in intergovernmental transfer expense of \$130 million. For all hospital facilities, the average daily inpatient census during the current year was 1,153 patients, which was slightly higher than the 1,145 patients for the prior year.

**Financial Analysis of the County's Funds**

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

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. Types of governmental funds reported by the County include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects 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 \$9.103 billion, an increase of \$324 million in comparison with the prior year. Of the total fund balances, \$141 million is nonspendable to indicate the extent that funds are not in spendable form or are required to remain intact. An additional \$4.271 billion is classified as restricted, \$729 million as committed, and \$944 million as assigned. The remaining balance of \$3.018 billion is classified as unassigned and is entirely associated with the General Fund.

Revenues from all governmental funds for the current year were \$25.198 billion, an increase of \$1.688 billion (7.2%) from the previous year. Expenditures for all governmental funds in the current year were \$24.053 billion, an increase of \$1.727 billion (7.7%) from the previous year. In addition, other financing uses were \$821 million, an increase of \$552 million (204.9%) as compared to \$269 million in the prior year.

**COUNTY OF LOS ANGELES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Governmental Funds-Continued

The General Fund is the County's principal operating fund. During the current year, the fund balance in the General Fund increased by \$85 million (1.9%). At the end of the current fiscal year, the General Fund's total fund balance was \$4.519 billion. Of this amount, \$127 million is classified as nonspendable, \$83 million as restricted, \$594 million as committed, \$697 million as assigned and the remaining \$3.018 billion is classified as unassigned.

General Fund revenues during the current year were \$20.978 billion, an increase of \$1.427 billion (7.3%) from the previous year. General Fund expenditures during the current year were \$20.699 billion, an increase of \$1.528 billion (8.0%) from the previous year. Other financing sources/uses-net was negative \$194 million in the current year as compared to positive \$159 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Intergovernmental revenues increased by \$708 million overall, and were primarily associated with State and federal revenue increases of \$11 million and \$707 million, respectively. The County recognized \$248 million of State and federal revenue related to the COVID-19 pandemic. Other State and federal revenue growth was attributable to higher levels of reimbursable program and administrative costs in the health administration programs of \$231 million, mental health programs of \$230 million, ambulatory care network programs of \$183 million, public social services programs of \$169 million, and public health programs of \$106 million. In addition, the AB85 amount owed was higher than the prior year which resulted in a \$400 million decrease in State realignment revenue. The remaining variance was a net decrease of \$59 million.
- Charges for services increased by a total of \$459 million. The significant increase was primarily associated with the GPP revenues for the ambulatory care network program and community health programs of \$337 million. Also, there was an increase in charges for services revenues from the managed care services program of \$123 million. The Sheriff's department law enforcement services revenues decreased by \$18 million due to lower level of security services provided to the hospitals. The remaining variance was a net increase of \$17 million from a variety of other programs.
- Revenues from taxes increased by \$287 million and property taxes comprised \$302 million of this increase which was offset by a decline in sales and other taxes by \$15 million. The property taxes increase was primarily associated with growth in assessed property values of \$311 million. Residual property tax revenues, which are associated with redevelopment dissolution, were \$233 million in the current year, \$11 million lower than the prior year. Property tax growth was also reflected in "pass through" property tax revenues, which were \$7 million higher in the current year. The sales tax and other taxes declines are a result of the disruption to the economy from the March 2020 stay-at-home orders in response to the COVID-19 pandemic.

**COUNTY OF LOS ANGELES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Governmental Funds-Continued

- General Fund expenditures increased by a total of \$1.528 billion, or 8.0%. Current expenditures increased by \$1.531 billion, and debt service and capital outlay expenditures remained nearly the same. The most significant increase in current expenditures was reflected in the health and sanitation programs, where expenditures grew by \$662 million. This was primarily due to an increase of \$381 million for ambulatory care network and community health programs. In addition, an increase of \$259 million was for mental health programs and \$121 million was for public health programs. Public protection program costs were higher by \$236 million, of which \$62 million was in response to the COVID-19 pandemic to purchase personal protective equipment (PPE) and COVID-19 testing kits. In addition, \$106 million, \$47 million, and \$10 million were associated with the Sheriff's department, the Diversion and Reentry Program, and the District Attorney's office, respectively. Public assistance expenditures were higher by \$392 million, of which \$72 million was for salary and employee benefit increases and \$274 million was for increased spending on public assistance, children and family assistance, the affordable housing program, and homelessness programs. General government spending increased by \$220 million and was associated with an increase of \$142 million for the Registrar-Recorder office to implement the Voting Solutions for All People (VSAP) election system for the March 2020 Presidential Primary election and \$127 million for costs associated with capital improvements.

The Fire Protection District reported a year-end fund balance of \$172 million, which represented an increase of \$25 million in fund balance compared to the previous year decrease of \$29 million, resulting in a net difference of \$54 million. The Fire Protection District responds to a number of major incidents and emergencies during the fiscal year, including the COVID-19 pandemic. Revenues increased by \$88 million, of which \$36 million was related to property taxes and primarily associated with growth in assessed property values, \$33 million was from federal and State revenue and primarily from the federal CARES Act funds, and \$21 million in contract cities services. Expenditures were higher by \$37 million, of which \$32 million was related to an increase in salaries and employee benefits and \$8 million was related to services and supplies, and the increase was offset by decreases of \$3 million in capital asset equipment costs.

The Flood Control District reported a year-end fund balance of \$483 million, which represented a decrease of \$5 million in fund balance compared to the previous year decrease of \$15 million, resulting in a net difference of \$10 million. The change in fund balance was primarily due to lower expenditures for infrastructure improvement projects to support flood protection and water conservation. Revenues were nearly the same as the previous year.

The LA County Library Fund reported a year-end fund balance of \$97 million, which represented an increase of \$10 million in fund balance which was the same increase as the previous year. The LA County Library operations were significantly impacted by the COVID-19 pandemic. Charges for services revenues declined by \$10 million due to the library closures and was offset by \$6 million in federal CARES Act funds. Overall, revenue and expenditures were higher by \$1 million.

The Regional Park and Open Space District reported a year-end fund balance of \$450 million, which represented an increase of \$46 million in fund balance compared to the previous year increase of \$84 million, resulting in a net difference of \$38 million. The net change in fund balance was primarily attributable to a reduction of revenue from the 1992 Proposition A Safe Neighborhood Parks Act, which had a sunset date of June 2019 and increased expenditures for new projects related to the Measure A Safe, Clean Neighborhood Parks, Open Space, Beaches, Rivers Protection, and Water Conservation. Overall, current year revenues were lower by \$19 million and expenditures were higher by \$19 million.

**COUNTY OF LOS ANGELES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Governmental Funds-Continued

The Mental Health Services Act (MHSA) Fund reported a year-end fund balance of \$882 million, which represented a decrease of \$57 million in fund balance compared to the previous decrease of \$112 million, resulting in a net difference of \$55 million. Current year revenues were lower by \$46 million, primarily from a decrease in State revenues, while transfers out were lower by \$65 million from a decrease in expenditures for affordable housing projects for mental health clients.

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 \$69 million for the Rancho Los Amigos National Rehabilitation Center to \$475 million for the LAC+USC Medical Center. The total subsidy amount was \$883 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 \$632 million. During the current year, the County's hospital operations experienced higher levels of patient care revenues and operating expenses in comparison to the prior year as previously discussed.

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 (\$128 million), Harbor-UCLA Medical Center (\$44 million), and Olive-View UCLA Medical Center (\$44 million). The total current year amount of \$216 million in Measure B transfers was slightly lower from the prior year amount of \$217 million.

Waterworks Funds reported year-end net position of \$780 million, which was \$10 million lower than the previous year due to higher operating expenses. There were no significant operational changes during the current year. Current year operating revenues for charges for services were higher by \$2 million, operating expenses were higher by \$4 million, and nonoperating revenue/(expenses) were higher by \$2 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 160 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 \$107 million in the General Fund's available (unassigned) fund balance from the previous year.

**COUNTY OF LOS ANGELES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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 (Decrease) From Original Budget</u>	<u>Final Budget Amount</u>	<u>Actual Amount</u>	<u>Variance- Positive (Negative)</u>
Taxes	\$ 65,731	\$ 6,326,725	\$ 6,352,063	\$ 25,338
Intergovernmental revenues	(30,602)	11,657,616	11,052,133	(605,483)
Charges for services	369,256	3,276,357	2,931,403	(344,954)
All other revenues	85,142	679,306	737,951	58,645
Other sources and transfers in	80,794	1,379,040	978,292	(400,748)
Total	<u>\$ 570,321</u>	<u>\$ 23,319,044</u>	<u>\$ 22,051,842</u>	<u>\$ (1,267,202)</u>

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources were approximately \$570 million. The most significant changes occurred in the following areas:

- The estimated revenue for "Charge for Services" increased by \$369 million. The increase is primarily from the ambulatory care network, which is associated with improved managed care and GPP revenues from the redesign of the Patient Centered Medical Home staffing model of \$374 million. There were \$5 million of net budget decreases in charges for services.
- The budgeted "all other revenues" increased by \$85 million. Budgeted revenues were increased by \$62 million from the Southern California Edison Woolsey Fire settlement funds and \$12 million for tobacco settlement revenues. The remaining increases of \$11 million were associated with a wide variety of revenues.
- The budget for "other sources and transfers in" increased by \$81 million. Budgeted transfers in for information technology and capital projects increased by \$59 million from the nonmajor special revenue funds. Mental Health programs funded by the Mental Health Services Act Special Revenue Fund increased by \$8 million. Homeless housing programs funded by the Homeless and Housing Measure H nonmajor special revenue fund increased by \$6 million. There were net increases to budgeted "other sources and transfers in" of \$8 million.
- The budget for tax revenues increased by \$66 million. Of this increase, budgeted property taxes increased by \$42 million to backfill the potential loss of sales-tax based revenue and vehicle license fees due to the COVID-19 economic impact of \$40 million and a loss of animal licenses revenue of \$2 million. There was an increase of \$16 million that 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. Also, there was an increase of \$8 million from funds received from the redevelopment agency asset sales for affordable housing and economic development projects.

**COUNTY OF LOS ANGELES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately \$22.052 billion. This amount was \$1.267 billion, or 5.4%, 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 \$605 million lower than the amount budgeted. Approximately \$486 million of intergovernmental revenues were 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. Budgeted intergovernmental revenues of \$288 million were not realized for various capital improvements and disaster recovery programs, as these initiatives were not completed prior to year-end. Probation programs accounted for approximately \$44 million of this variance, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues. This was offset by higher revenue for public health and ambulatory care network programs. Public health related programs experienced budgeted revenue increases of \$107 million, most of which was associated with federal and State grants related to the COVID-19 pandemic. The ambulatory care network services increased by \$98 million primarily from the PRIME revenues. The remaining difference of \$8 million was related to a variety of other programs.
- Actual charges for services were \$345 million lower than the amount budgeted. The decrease was primarily attributable to \$143 million of costs associated with public health programs which experienced lower than anticipated reimbursable costs for charges for services due to the shift of resources to respond to the COVID-19 pandemic. Net reductions in revenues of \$119 million were from the ambulatory care network and community health programs. Sheriff's department experienced a reduction in collections for their law enforcement services from contract cities and other governmental agencies by \$30 million. Approximately \$25 million was associated with the Internal Services Department (ISD), which experienced lower reimbursable expenditures. There were net decreases of \$28 million related to a variety of other programs.
- The actual amount of "other sources and transfers in" was \$401 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 \$234 million lower than budgeted. In addition, "transfers in" totaling \$60 million were assumed in the budget for capital improvements and extraordinary building maintenance projects, which did not incur expected costs. The "transfers in" for the housing for health program, funded by the Homeless and Housing Measure H nonmajor special revenue fund, were \$49 million less than budgeted. Costs associated with Probation, Sheriff, and Consumer Protection departmental programs funded by the Other Public Protection Special Revenue Funds were \$41 million less than budgeted. There were various other sources and transfers that comprised the remaining variance of \$17 million.

**COUNTY OF LOS ANGELES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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	\$ (279,888)	\$ 2,610,867	\$ 1,553,384	\$ 1,057,483
Public protection	387,625	6,484,520	6,208,853	275,667
Health and sanitation	(64,022)	6,030,102	5,779,553	250,549
Public assistance	72,281	7,661,921	6,984,870	677,051
All other expenditures	207,040	1,733,310	664,417	1,068,893
Transfers out	183,660	994,937	993,232	1,705
Contingencies	(47,683)	(9,908)		(9,908)
Fund balance changes-net	111,308	(96,865)	(239,501)	142,636
Total	<u>\$ 570,321</u>	<u>\$ 25,408,884</u>	<u>\$ 21,944,808</u>	<u>\$ 3,464,076</u>

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations and fund balance component changes were approximately \$570 million. The most significant changes occurred in the following areas:

- Public protection appropriations were increased by \$388 million. The federal and State disaster budget increased by \$160 million to respond to the COVID-19 pandemic. Law enforcement appropriations were increased by \$124 million which was funded by provisional financing uses for the Sheriff's department operations and to respond to the COVID-19 pandemic. There was also an increase of \$74 million for Sheriff salaries and employee benefits appropriations to fund salary increases and overtime expenditures. Probation appropriation were increased by \$15 million to help respond to the wildfire damages at the probation camps. There were net increases of \$15 million for other public protection programs.
- The category referred to as "All other expenditures" appropriation increased by \$207 million. Of this amount, \$199 million represented increases in capital improvement projects. The most significant increase within the capital projects was related to facilities for mental health treatment and restorative care villages by \$128 million. The remaining variance of \$8 million was for recreation and cultural services.
- Appropriations for "Transfers out" were increased by \$184 million. The increase was primarily attributable to augmenting the amount of fund transfers from the General Fund to the various Hospital Enterprise Funds by \$189 million. The remaining variance of \$5 million was from transfers out to various other funds.



**COUNTY OF LOS ANGELES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Changes from Amounts Originally Budgeted-Continued

- Net fund balance budgetary changes of \$111 million had the effect of reducing the available (unassigned) fund balance component. At the end of the year, the restricted fund balance increased by \$61 million for utility users' taxes that were not expended and remained obligated for programs in unincorporated areas. Committed fund balance was increased by \$40 million for the reserve for rainy day funds, \$24 million for the Woolsey Fire recovery effort, and \$17 million for Board Budget Policies and Priorities. This was offset by a decrease of \$30 million in the committed fund balance for System of Care. The remaining variance of \$1 million was attributable to various other fund balance accounts.
- General government appropriations decreased by \$280 million. The decrease was largely attributable to appropriations not associated with specific County departments. Provisional appropriations decreased by \$189 million and were transferred to fund the Sheriff's department operation costs and COVID-19 related expenditures, legal settlements, community programs, and unspent User Utility Tax funds to obligated fund balance and to other functional categories. In addition, \$73 million shifted funds for extraordinary maintenance to capital projects. Nondepartmental special accounts appropriations decreased by \$34 million to fund salaries and employee benefits increases for the cost of living adjustments to employees. There were net increases of \$16 million for other general governmental programs.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were \$3.464 billion lower (13.6%) than the final total budget of \$25.409 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 \$1.069 billion less than the budgeted amount. Of this variance, \$1.034 billion was in the capital outlay category and was related to numerous capital improvements anticipated in the budget that remained in the planning and development stages and did not incur expenditures during the year. Most of the unused balance has been re-established in the following year's budget to ensure the continuity of the projects, many of which are multi-year in nature.
- The general government function reported actual expenditures that were \$1.057 billion less than the amount budgeted. Of this amount, \$735 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations and central non-departmental appropriations. Salaries and employee benefits savings of \$153 million were due to the hiring freeze and vacancies. The Board of Supervisors had budgetary savings of \$104 million to be spent in future years for various community projects. The Registrar-Recorder had budgetary savings of \$29 million due to lower than anticipated costs associated with election services. The Internal Services Department budget had budgetary savings of \$26 million from the continued implementation of the Countywide energy efficiency programs. The remaining \$10 million was spread across County departments comprising general government and was mostly related to savings in the areas of services and supplies.

**COUNTY OF LOS ANGELES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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

- Actual public assistance expenditures were \$677 million lower than the final budget. Vendor and assistance payments for social services and children and family programs were lower than budgeted by \$415 million. Administrative cost savings in these areas were due to lower than anticipated costs for professional, contracted, and information technology services and the hiring freeze. There were also direct program savings associated with lower than anticipated caseloads. Salaries and employee benefits savings of \$170 million were due to the hiring freeze, hiring delays and vacancies. There were \$64 million of savings related to homeless and housing programs due to delays in carrying out multi-year projects. The remaining variance of \$28 million was related to other public assistance programs.
- Actual public protection expenditures were \$276 million less than the budgeted amount. Salaries and employee benefits savings of \$114 million were due to the hiring freeze and vacancies. The federal and State Disaster budget unit had budgetary savings of \$120 million to be spent on the COVID-19 pandemic projects which were carried over to the following fiscal year. The Probation department had budgetary savings of \$18 million due to a delay in purchasing non-essential expenditures. The remaining variance of \$24 million was related to other public protection programs.
- Overall expenditures for the health and sanitation category were \$251 million less than the budgeted amount. Specifically, the budgetary savings of \$155 million was from mental health programs. There were also \$90 million from salaries and employee benefits savings from the hiring freeze and vacancies. The remaining variance of \$6 million was due to lower than expected services and supplies and contracted costs related to other health and sanitation programs.

**Capital Assets**

The County's capital assets for its governmental and business-type activities as of June 30, 2020, were \$19.990 billion (net of depreciation). Capital assets include land, easements, buildings and improvements, equipment, software, and infrastructure. The major infrastructure network elements are roads, sewers, water, flood control, and aviation. Specific capital asset changes during the current year are presented in Note 6 to the basic financial statements.

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was \$246 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	\$ 7,649,058	\$ 7,632,374	\$ 16,684
Buildings and improvements	5,724,949	5,629,127	95,822
Infrastructure	4,201,735	4,279,689	(77,954)
Equipment	638,867	661,062	(22,195)
Software	271,428	238,719	32,709
Capital assets, in progress	1,503,910	1,302,501	201,409
Total	<u>\$ 19,989,947</u>	<u>\$ 19,743,472</u>	<u>\$ 246,475</u>

**COUNTY OF LOS ANGELES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued**  
**FOR THE YEAR ENDED JUNE 30, 2020**

The most significant increase in capital assets was in Capital assets, in progress, which increased by \$201 million. The County's major capital asset initiatives during the current year continued to focus on new facilities and major improvements. For governmental activities, the major capital asset projects were for health and sanitation of \$275 million, public protection of \$58 million, and recreation and cultural services of \$50 million. The governmental activities major projects included the Vermont Corridor County Administration Building, Martin Luther King, Jr. Behavioral Health Center, High Desert Mental Health Urgent Care Center, and the Ervin "Magic" Johnson Park projects. In addition, there were capitalized software-in-progress costs of \$11 million for the Assessor's Modernization Project Phase 4. The Mental Health Treatment Center project was cancelled by the Board on August 13, 2019 and resulted in a reduction of \$60 million in capital assets, in progress. For business-type activities, major construction-in-progress was \$23 million at the Rancho Los Amigos National Rehabilitation Campus for various projects, including the North Campus and Support Services Annex Building Renovation projects. There were also \$28 million of capitalized construction-in-progress costs at Harbor-UCLA Medical Center for various projects, including the new Outpatient/Support Building and Inpatient Building Replacement.

Buildings and improvements increased by \$96 million. Various projects were completed during the fiscal year, including the Music Center Plaza Renovation, with a net book value of \$39 million, Martin Luther King, Jr. Medical Campus Augustus F. Hawkins Building Air-Handler Units Phase One Replacement, with a net book value of \$7 million, and Fort Moore Pioneer Monument Refurbishment, with a net book value of \$5 million. In addition, the County acquired the 636 Maple Avenue Parking Structure Leasehold, with a net book value of \$8 million, and the South El Monte's Assessor's Office, with a net book value of \$7 million. As of June 30, 2020, there were \$227 million of capital asset commitments outstanding.

**Debt Administration**

During the current year, the County's liabilities for long-term debt, including accreted interest, decreased by \$28 million, as newly issued debt and accretions of \$1.041 billion were less than the debt maturities of \$1.069 billion. Specific changes related to governmental and business-type activities are presented in Note 11 to the basic financial statements.

During the current year, significant long-term debt transactions were as follows:

- New debt of \$382 million (including bond premium proceeds) was issued to refund the outstanding principal amount of \$392 million Tobacco Settlement Asset-Backed bonds Series 2006 through defeasance and redemption.
- Lease Revenue Obligation Notes (LRON) of \$325 million were issued for governmental and business-type activities in the amounts of \$225 million and \$100 million, respectively. For governmental activities, debt was issued to finance renovations for fire stations, beach and park facilities, parking structure, probation buildings and various public health centers. For business-type activities, debt was issued to finance hospital improvements.
- New debt of \$320 million (including bond premium proceeds) was issued to redeem LRON notes for various capital improvements.
- New debt of \$10 million was issued to finance the acquisition of equipment for governmental activities. Equipment debt totaling \$26 million was redeemed during the year in accordance with maturity schedules.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling \$700 million in tax and revenue anticipation notes.

**COUNTY OF LOS ANGELES  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued  
FOR THE YEAR ENDED JUNE 30, 2020**

The notes matured and were redeemed on June 30, 2020. The General Fund also relied upon periodic borrowing from available agency funds.

**Bond Ratings**

The County's debt is rated by Moody's, S&P Global Ratings (S&P), and Fitch. The following is a schedule of ratings assigned by the respective rating agencies:

	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitch</u>
Certificates of Participation	Aa3	AA+	AA
Equipment/Non-Essential Leases	Aa2	AA+	AA
Operating/Non-Essential Leases	Aa2	AA+	AA
Short-Term	MIG1	SP-1+	F1+
Regional Park and Open Space District Bonds	Aa1	AA+	AAA

The County's bond ratings assigned by S&P for Certificates of Participation, Equipment Lease Revenue, Operating Leases, and Regional Park and Open Space District bonds were upgraded from the previous year. S&P revised its ratings outlook from stable to negative in June 2020.

**Economic Conditions and Outlook**

The County's 2020-2021 Budget reflects the County's values and vision, and provides a framework for the County's commitment to improving life for all County residents, especially the vulnerable and underserved. Throughout this year's budgetary process, the COVID-19 pandemic has driven economic uncertainty and a great humanitarian need in Los Angeles County. The Board of Supervisors adopted the County's 2020-2021 Budget on June 29, 2020. The Budget was adopted based on estimated fund balances that would be available at the end of 2019-2020. The Board updated the Budget on September 29, 2020, to reflect final 2019-2020 fund balances and other pertinent financial information. For the County's General Fund, the 2020-2021 Budget utilized \$2.197 billion of fund balance, which exceeded the previously estimated fund balance of \$1.582 billion. Of the additional fund balance of \$615 million, \$141 million was used to carryover lapsed appropriations and ensure the continuity of funded program initiatives. The remaining \$474 million was primarily used to fund programs for alternatives to incarceration; affordable housing and the continued fight against homelessness; funding for health and public health programs to respond to the COVID-19 pandemic; support of youths, seniors, and resilient communities; meals for seniors and adults at high risk of COVID-19; jobs, workforce development and small business relief; investing in public assets; and increasing the County's Rainy Day fund by \$54 million.

The County's budget continues to reflect the County's long-standing commitment to responsible and sustainable fiscal practices. The COVID-19 pandemic has had a negative impact to the local economy and the County budget. County residents, families, and local businesses have all been hard hit during these unprecedented times. Specifically, the State and County have elevated unemployment rates compared to the rest of the nation and are experiencing a slower recovery as a result. This is a particular concern since the County has a large concentration of workers in industries devastated by the pandemic, including tourism, retail, dining, and entertainment. As such, elevated unemployment rates will likely increase demand for County services, hamper consumer spending, and negatively affect sales tax and other locally-generated revenues. Finally, slower than projected growth in the Consumer Price Index,

**COUNTY OF LOS ANGELES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued**  
**FOR THE YEAR ENDED JUNE 30, 2020**

combined with potential challenges in the commercial and industrial section of the real estate market, could negatively impact the assessed valuation and property taxes as more people work from home. The County will continue to advocate for additional federal stimulus funding and closely monitor key economic indicators to guide our efforts in the development of future budget recommendations that support the needs of County residents and advance the Board's priorities. The County's budget also anticipates uncertainty with budget proposals from both the federal and State agencies that could create significant short and long-term budget challenges for the County.

The County's budget outlook continues to be influenced by the fiscal condition and outlook of the State of California. As part of the State of California's FY 2020-2021 budget, the County received \$163 million in federal CARES Act funds and \$239 million to backfill the revenue loss from realignment sales tax. The State's economy abruptly grounded to a halt when the COVID-19 pandemic was declared in March 2020. In this regard, the State Legislative Analyst's Office (LAO) reports that California's State economy has undergone rapid but uneven recovery, tax collections and expenditures have been consistent with a more positive economic factor, and a potential windfall of \$26 billion in the 2021-2022 budget, but the State also faces an operating deficit beginning in 2021-2022. For the longer term, the LAO recommends the State use half of the windfall to restore the State budget's fiscal resilience, address one-time COVID-19 pandemic needs to mitigate the adverse economic and health consequences of the public health emergency, and begin a multiyear effort to address the ongoing deficit. Health and human services programs are subject to considerable challenges and uncertainty as the State depends on information from the federal government or State executive branch.

The results of the November 3, 2020 nationwide election will bring transition to the United States and federal administration. The County receives substantial federal revenues and operates many programs, which are subject to federal rules and regulations. Federal assistance is especially critical to the County's ability to operate its four County hospitals and health care network. The County is carefully monitoring State and federal policy developments to determine the future impacts, if any, on its ability to administer federal programs and deliver County services that rely upon federal funding.

On November 3, 2020, the voters of Los Angeles County successfully passed a ballot measure (Measure J) to annually allocate in the County's budget no less than ten percent of the County's locally generated unrestricted revenues in the General Fund to address the disproportionate impact of racial injustice through community investment and alternatives to incarceration and prohibit using those funds for carceral systems and law enforcement agencies. Measure J will take effect in FY 2021-2022 and will be phased in over a three-year period. The budgetary impact of Measure J in future years to the County has yet to be quantified.

**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 90012-3873.

## BASIC FINANCIAL STATEMENTS



COUNTY OF LOS ANGELES  
STATEMENT OF NET POSITION  
JUNE 30, 2020 (in thousands)

	PRIMARY GOVERNMENT			DISCRETELY PRESENTED
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating	\$ 6,597,158	244,038	\$ 6,841,196	\$ 511,327
Other	3,167,171	185,140	3,352,311	
Total pooled cash and investments	9,764,329	429,178	10,193,507	511,327
Other investments (Note 5)	204,137		204,137	531,956
Taxes receivable	364,395	892	365,287	
Accounts receivable - net (Note 14)		2,339,991	2,339,991	21,927
Interest receivable	15,632	323	15,955	492
Other receivables (Note 14)	3,932,640	115,776	4,048,416	23,828
Internal balances (Note 15)	227,639	(227,639)		
Inventories	87,946	54,806	142,752	13,881
Restricted assets (Note 5)	5,955	84,493	90,448	
Capital assets: (Notes 1, 6 and 10)				
Capital assets, not being depreciated	8,765,585	387,383	9,152,968	91,557
Capital assets, net of accumulated depreciation	8,140,368	2,696,611	10,836,979	92,175
Total capital assets	16,905,953	3,083,994	19,989,947	183,732
TOTAL ASSETS	31,508,626	5,881,814	37,390,440	1,287,143
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	7,735,216	1,106,895	8,842,111	14,669
LIABILITIES				
Accounts payable	927,622	573,798	1,501,420	49,594
Accrued payroll	525,891	101,317	627,208	
Other payables	98,443	11,790	110,233	9,031
Accrued interest payable	19,758	18,854	38,612	
Advances payable	3,184,153	156,110	3,340,263	23,355
Long-term liabilities: (Note 11)				
Due within one year	1,313,300	363,971	1,677,271	5,205
Due in more than one year	38,132,307	7,341,632	45,473,939	92,894
TOTAL LIABILITIES	44,201,474	8,567,472	52,768,946	180,079
DEFERRED INFLOWS OF RESOURCES (Note 20)	4,645,118	1,255,100	5,900,218	2,544
NET POSITION				
Net investment in capital assets	15,304,410	2,095,825	17,400,235	143,401
Restricted for:				
Capital projects	43,487		43,487	
Debt service	243,494	67,499	310,993	408
Permanent funds - nonspendable	2,135		2,135	
Permanent funds - spendable	131		131	
General government	126,630		126,630	
Public protection	1,095,600		1,095,600	
Public ways and facilities	697,506		697,506	
Health and sanitation	1,155,141		1,155,141	
Recreation	453,728		453,728	
Community development				588,810
First 5 LA				338,631
Other	108,997		108,997	
Unrestricted (deficit)	(28,834,009)	(4,997,187)	(33,831,196)	47,939
TOTAL NET POSITION (DEFICIT) (Note 3)	\$ (9,602,750)	(2,833,863)	\$ (12,436,613)	\$ 1,119,189

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, 2020 (in thousands)

FUNCTIONS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 1,571,995	584,296	170,348	27,358
Public protection	7,648,073	1,548,253	1,871,002	24,491
Public ways and facilities	417,325	30,681	299,626	
Health and sanitation	5,742,957	1,921,273	3,681,283	
Public assistance	7,235,705	20,634	5,891,273	
Education	146,480	6,331	5,574	
Recreation and cultural services	476,798	117,960	7,991	325
Interest on long-term debt	199,528			
Total governmental activities	23,438,861	4,229,428	11,927,097	52,174
Business-type activities:				
Hospitals	4,844,797	3,744,598	245,812	
Waterworks	109,259	86,366	1,665	251
Aviation	5,598	4,755	307	8,233
Total business-type activities	4,959,654	3,835,719	247,784	8,484
Total primary government	\$ 28,398,515	8,065,147	12,174,881	60,658
DISCRETELY PRESENTED COMPONENT UNITS	\$ 765,103	29,668	809,396	4,545

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 (DEFICIT), JULY 1, 2019

NET POSITION (DEFICIT), JUNE 30, 2020

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	
\$ (789,993)		\$ (789,993)	
(4,204,327)		(4,204,327)	
(87,018)		(87,018)	
(140,401)		(140,401)	
(1,323,798)		(1,323,798)	
(134,575)		(134,575)	
(350,522)		(350,522)	
(199,528)		(199,528)	
(7,230,162)		(7,230,162)	
	(854,387)	(854,387)	
	(20,977)	(20,977)	
	7,697	7,697	
	(867,667)	(867,667)	
(7,230,162)	(867,667)	(8,097,829)	
			\$ 78,506
7,401,427	6,832	7,408,259	
43,590		43,590	
478,211		478,211	
83,371		83,371	
49,143		49,143	
503,546		503,546	
85,688	459	86,147	
238,439	5,950	244,389	16,988
255,931	809	256,740	2,649
(1,123,224)	1,123,224		
8,016,122	1,137,274	9,153,396	19,637
785,960	269,607	1,055,567	98,143
(10,388,710)	(3,103,470)	(13,492,180)	1,021,046
\$ (9,602,750)	(2,833,863)	\$ (12,436,613)	\$ 1,119,189

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

DISCRETELY PRESENTED COMPONENT UNITS

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 (DEFICIT), JULY 1, 2019

NET POSITION (DEFICIT), JUNE 30, 2020

COUNTY OF LOS ANGELES  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	LA COUNTY LIBRARY	REGIONAL PARK AND OPEN SPACE DISTRICT
<b>ASSETS</b>					
Pooled cash and investments: (Notes 1 and 5)					
Operating	\$ 1,933,777	146,163	560,589	95,276	453,159
Other	3,093,846	9,025	1,179	1,439	756
Total pooled cash and investments	5,027,623	155,188	561,768	96,715	453,915
Other investments (Note 5)	3,678			117	
Taxes receivable	260,740	55,581	16,797	7,860	2,397
Interest receivable	9,971	144	646	118	524
Other receivables	3,569,537	49,991	5,379	7,326	3,361
Due from other funds (Note 15)	872,764	990	20,896	1,574	58
Advances to other funds (Note 15)	77,748		6,338		
Inventories	66,482	11,737	1	450	
<b>TOTAL ASSETS</b>	<b>9,888,543</b>	<b>273,631</b>	<b>611,825</b>	<b>114,160</b>	<b>460,255</b>
<b>DEFERRED OUTFLOWS OF RESOURCES (Note 20)</b>					
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 9,888,543</b>	<b>273,631</b>	<b>611,825</b>	<b>114,160</b>	<b>460,255</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 790,780	4,643	4,000	1,462	703
Accrued payroll	457,444	40,928		4,994	
Other payables	91,569	2,495	3	501	
Due to other funds (Note 15)	246,092	15,028	57,751	4,319	6,336
Advances payable	3,073,192		55,855		
Third party payor (Notes 11 and 14)	92,105				
<b>TOTAL LIABILITIES</b>	<b>4,751,182</b>	<b>63,094</b>	<b>117,609</b>	<b>11,276</b>	<b>7,039</b>
<b>DEFERRED INFLOWS OF RESOURCES (Note 20)</b>	<b>618,557</b>	<b>38,282</b>	<b>11,576</b>	<b>5,556</b>	<b>2,846</b>
<b>FUND BALANCES (Note 21)</b>					
Nonspendable	126,630	11,737	1	450	
Restricted	83,372	160,518	482,540	24,518	450,370
Committed	594,193				
Assigned	696,775		99	72,360	
Unassigned	3,017,834				
<b>TOTAL FUND BALANCES</b>	<b>4,518,804</b>	<b>172,255</b>	<b>482,640</b>	<b>97,328</b>	<b>450,370</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 9,888,543</b>	<b>273,631</b>	<b>611,825</b>	<b>114,160</b>	<b>460,255</b>

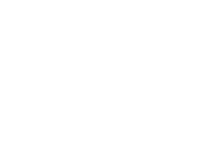
The notes to the basic financial statements are an integral part of this statement.

MENTAL HEALTH SERVICES ACT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				ASSETS
				Pooled cash and investments: (Notes 1 and 5)
\$ 1,080,259	2,268,265		\$ 6,537,488	Operating
1,651	50,235		3,158,131	Other
1,081,910	2,318,500		9,695,619	Total pooled cash and investments
	200,342		204,137	Other investments (Note 5)
	21,020		364,395	Taxes receivable
1,371	2,666		15,440	Interest receivable
	200,599		3,836,193	Other receivables
41	52,073		948,396	Due from other funds (Note 15)
	11,383		95,469	Advances to other funds (Note 15)
	1		78,671	Inventories
1,083,322	2,806,584		15,238,320	TOTAL ASSETS
	212,504		212,504	DEFERRED OUTFLOWS OF RESOURCES (Note 20)
\$ 1,083,322	3,019,088		\$ 15,450,824	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES
				LIABILITIES
\$	116,527		\$ 918,115	Accounts payable
	81		503,447	Accrued payroll
	1,445		96,013	Other payables
201,410	329,137		860,073	Due to other funds (Note 15)
	54,870		3,183,917	Advances payable
	246		92,351	Third party payor (Notes 11 and 14)
201,410	502,306		5,653,916	TOTAL LIABILITIES
	17,274		694,091	DEFERRED INFLOWS OF RESOURCES (Note 20)
				FUND BALANCES (Note 21)
	2,136		140,954	Nonspendable
881,912	2,188,255		4,271,485	Restricted
	134,851		729,044	Committed
	174,266		943,500	Assigned
			3,017,834	Unassigned
881,912	2,499,508		9,102,817	TOTAL FUND BALANCES
\$ 1,083,322	3,019,088		\$ 15,450,824	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, 2020 (in thousands)

Fund balances - total governmental funds (page 29)		\$ 9,102,817
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	\$ 7,482,241	
Construction-in-progress	1,283,344	
Buildings and improvements - net	3,793,685	
Equipment - net	367,605	
Intangible software - net	258,820	
Infrastructure - net	<u>3,588,686</u>	16,774,381
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	\$ 12,927	
Deferred outflows from OPEB	3,558,542	
Deferred outflows from pension	3,878,095	
Deferred inflows from service concession arrangements	(78,497)	
Deferred inflows from OPEB	(3,685,937)	
Deferred inflows from pension	<u>(705,101)</u>	2,980,029
Deferred outflows and inflows of resources reported in the balance sheet, but not recognized in the statement of net position:		
Deferred outflows from tobacco settlement revenues	\$ (212,504)	
Deferred inflows from tobacco settlement revenues	212,504	
Deferred inflows from property taxes	248,176	
Deferred inflows from long-term receivables	<u>233,411</u>	481,587
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	\$ 2,730	
Accrued interest on long-term receivables	<u>85</u>	2,815
Installment receivables from service concession arrangements.		78,497
Accrued interest payable is not recognized in governmental funds.		(19,399)
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	\$ (1,835,164)	
Unamortized premiums on bonds	(170,221)	
Accreted interest on bonds	(7,820)	
Capital lease obligations	(148,826)	
Accrued compensated absences	(1,761,303)	
Workers' compensation	(2,704,337)	
Litigation and self-insurance	(540,319)	
Pollution remediation obligation	(48,673)	
Net pension liability	(9,619,469)	
Net OPEB liability	(21,018,318)	
Third party payor liability	<u>(12,388)</u>	(37,866,838)
Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net position.		<u>(1,136,639)</u>
Net position (deficit) of governmental activities (page 25)		<u><u>\$ (9,602,750)</u></u>

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, 2020 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	LA COUNTY LIBRARY	REGIONAL PARK AND OPEN SPACE DISTRICT
REVENUES					
Taxes	\$ 6,321,404	936,823	165,175	101,213	102,299
Licenses, permits and franchises	70,299	17,158	1,372		
Fines, forfeitures and penalties	184,798	2,666	1,433	375	473
Revenue from use of money and property:					
Investment income (Note 5)	146,571	1,426	11,133	1,797	8,570
Rents and concessions (Note 10)	110,127	96	4,835	13	
Royalties	39		440		
Intergovernmental revenues:					
Federal	4,650,319	26,428	183	5,539	
State	6,240,055	18,486	12,923	422	
Other	42,472	8,784	868	391	
Charges for services	2,964,007	231,295	128,741	5,772	867
Miscellaneous	248,008	1,607	82	2,324	
TOTAL REVENUES	20,978,099	1,244,769	327,185	117,846	112,209
EXPENDITURES					
Current:					
General government	1,504,452				
Public protection	6,130,313	1,250,397	309,015		
Public ways and facilities					
Health and sanitation	5,727,283				
Public assistance	6,893,502				
Education				153,131	
Recreation and cultural services	407,052				65,902
Debt service:					
Principal	8,735	2,290		47	
Interest and other charges	26,861	426		27	
Capital outlay	1,052	964			
TOTAL EXPENDITURES	20,699,250	1,254,077	309,015	153,205	65,902
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	278,849	(9,308)	18,170	(35,359)	46,307
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 15)	982,034	42,050		45,952	
Transfers out (Note 15)	(1,178,412)	(8,669)	(23,162)	(819)	
Issuance of debt (Note 11)					
Payment to refunded bonds escrow agent (Note 11)					
Bond premium proceeds (Note 11)					
Capital leases (Note 10)	1,052	964			
Sales of capital assets	1,272	90	23	5	
TOTAL OTHER FINANCING SOURCES (USES)	(194,054)	34,435	(23,139)	45,138	
NET CHANGE IN FUND BALANCES	84,795	25,127	(4,969)	9,779	46,307
FUND BALANCES, JULY 1, 2019	4,434,009	147,128	487,609	87,549	404,063
FUND BALANCES, JUNE 30, 2020	\$ 4,518,804	172,255	482,640	97,328	450,370

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

MENTAL HEALTH SERVICES ACT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				REVENUES
\$	760,811		\$ 8,387,725	Taxes
	21,976		110,805	Licenses, permits and franchises
	37,559		227,304	Fines, forfeitures and penalties
				Revenue from use of money and property:
23,571	45,199	(352)	237,915	Investment income (Note 5)
	36,819		151,890	Rents and concessions (Note 10)
	3		482	Royalties
				Intergovernmental revenues:
	31,213		4,713,682	Federal
515,636	416,484		7,204,006	State
	12,371		64,886	Other
	428,998		3,759,680	Charges for services
11,663	76,114		339,798	Miscellaneous
550,870	1,867,547	(352)	25,198,173	TOTAL REVENUES
				EXPENDITURES
				Current:
	10,988		1,515,440	General government
	78,532		7,768,257	Public protection
	396,357		396,357	Public ways and facilities
149	171,255		5,898,687	Health and sanitation
	234,765		7,128,267	Public assistance
	151		153,282	Education
	10,544		483,498	Recreation and cultural services
				Debt service:
	304,226	(13,620)	301,678	Principal
	178,876	(352)	205,838	Interest and other charges
	199,494		201,510	Capital outlay
149	1,585,188	(13,972)	24,052,814	TOTAL EXPENDITURES
550,721	282,359	13,620	1,145,359	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES)
	268,165		1,338,201	Transfers in (Note 15)
(607,304)	(631,823)		(2,450,189)	Transfers out (Note 15)
	632,392		632,392	Issuance of debt (Note 11)
	(394,116)		(394,116)	Payment to refunded bonds escrow agent (Note 11)
	48,516		48,516	Bond premium proceeds (Note 11)
			2,016	Capital leases (Note 10)
	405		1,795	Sales of capital assets
(607,304)	(76,461)		(821,385)	TOTAL OTHER FINANCING SOURCES (USES)
(56,583)	205,898	13,620	323,974	NET CHANGE IN FUND BALANCES
938,495	2,293,610	(13,620)	8,778,843	FUND BALANCES, JULY 1, 2019
\$ 881,912	2,499,508		\$ 9,102,817	FUND BALANCES, JUNE 30, 2020



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, 2020 (in thousands)

Net change in fund balances - total governmental funds (page 33)		\$ 323,974
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	\$ 708,720	
Less - current year depreciation expense	(422,135)	286,585
In the statement of activities, only the gain or loss on the disposal and impairment 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.		(61,445)
Contribution of capital assets is not recognized in the governmental funds.		24,851
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.		(1,525)
Changes in unavailable revenues are reported as changes in deferred inflows of resources for governmental funds, but were recognized when earned for governmental activities.		49,318
Timing differences result in more or less revenues and expenses in the statement of activities.		
Change in accrued interest on long-term receivables	\$ (80)	
Change in unamortized premiums	2,572	2,492
Issuance of long-term debt provides resources in the governmental funds, but increases long-term liabilities in the statement of net position.		(682,924)
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	\$ 431,927	
Notes, loans, and lease revenue obligation notes	239,175	
Assessment bonds	13,620	
Other long-term notes, loans and capital leases	11,072	695,794
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	\$ (131,546)	
Change in litigation and self-insurance	(275,995)	
Change in pollution remediation obligation	(4,561)	
Change in accrued compensated absences	(162,658)	
Change in net pension liability, net of related deferred outflows of resources and deferred inflows of resources	(466,083)	
Change in net OPEB liability, net of related deferred outflows of resources and deferred inflows of resources	1,154,678	
Change in third party payor liability	10,558	
Change in accrued interest payable	(96)	
Change in accretion of bonds and notes	13,879	
Change in accretion of tobacco settlement bonds	(5,553)	
Transfer of capital assets between governmental fund and enterprise fund	(22,986)	109,637
The portion of internal service funds that is reported with governmental activities.		39,203
Change in net position of governmental activities (page 27)		<u>\$ 785,960</u>

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, 2020 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 6,260,994	6,326,725	6,352,063	25,338
Licenses, permits and franchises	59,367	58,369	70,299	11,930
Fines, forfeitures and penalties	173,523	173,523	184,798	11,275
Revenue from use of money and property:				
Investment income	111,030	112,869	124,713	11,844
Rents and concessions	125,522	126,022	110,127	(15,895)
Royalties			39	39
Intergovernmental revenues:				
Federal	4,721,602	5,095,700	4,760,837	(334,863)
State	6,890,853	6,465,369	6,242,560	(222,809)
Other	75,763	96,547	48,736	(47,811)
Charges for services	2,907,101	3,276,357	2,931,403	(344,954)
Miscellaneous	124,722	208,523	247,975	39,452
TOTAL REVENUES	21,450,477	21,940,004	21,073,550	(866,454)
EXPENDITURES				
Current:				
General government	2,890,755	2,610,867	1,553,384	1,057,483
Public protection	6,096,895	6,484,520	6,208,853	275,667
Health and sanitation	6,094,124	6,030,102	5,779,553	250,549
Public assistance	7,589,640	7,661,921	6,984,870	677,051
Recreation and cultural services	431,991	440,232	405,589	34,643
Debt service-				
Interest	9,852	9,852	9,852	
Capital outlay	1,084,427	1,283,226	248,976	1,034,250
TOTAL EXPENDITURES	24,197,684	24,520,720	21,191,077	3,329,643
DEFICIENCY OF REVENUES OVER EXPENDITURES	(2,747,207)	(2,580,716)	(117,527)	2,463,189
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	525	525	1,272	747
Transfers in	1,297,721	1,378,515	977,020	(401,495)
Transfers out	(811,277)	(994,937)	(993,232)	1,705
Appropriations for contingencies	(37,775)	9,908		(9,908)
Changes in fund balance	208,173	96,865	239,501	142,636
TOTAL OTHER FINANCING SOURCES (USES)	657,367	490,876	224,561	(266,315)
NET CHANGE IN FUND BALANCE	(2,089,840)	(2,089,840)	107,034	2,196,874
FUND BALANCE, JULY 1, 2019 (Note 16)	2,089,840	2,089,840	2,089,840	
FUND BALANCE, JUNE 30, 2020 (Note 16)	\$		2,196,874	2,196,874

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, 2020 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 940,876	941,750	942,664	914
Licenses, permits and franchises	18,331	18,662	17,158	(1,504)
Fines, forfeitures and penalties	2,285	2,285	2,666	381
Revenue from use of money and property:				
Investment income	1,302	1,302	884	(418)
Rents and concessions	101	101	96	(5)
Intergovernmental revenues:				
Federal	10,483	19,606	23,071	3,465
State	20,441	21,267	18,487	(2,780)
Other		8,777	8,784	7
Charges for services	225,314	232,258	226,177	(6,081)
Miscellaneous	1,731	2,043	1,607	(436)
TOTAL REVENUES	1,220,864	1,248,051	1,241,594	(6,457)
EXPENDITURES				
Current-Public protection:				
Salaries and employee benefits	1,095,898	1,127,275	1,095,552	31,723
Services and supplies	156,593	175,767	143,357	32,410
Other charges	5,332	8,911	5,871	3,040
Capital assets	3,487	4,970	2,444	2,526
TOTAL EXPENDITURES	1,261,310	1,316,923	1,247,224	69,699
DEFICIENCY OF REVENUES OVER EXPENDITURES	(40,446)	(68,872)	(5,630)	63,242
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	270	270	90	(180)
Transfers in	45,002	45,550	42,050	(3,500)
Transfers out	(4,798)	(6,451)	(6,450)	1
Appropriations for contingencies	(20,191)	(874)		874
Changes in fund balance		10,214	22,867	12,653
TOTAL OTHER FINANCING SOURCES (USES)	20,283	48,709	58,557	9,848
NET CHANGE IN FUND BALANCE	(20,163)	(20,163)	52,927	73,090
FUND BALANCE, JULY 1, 2019 (Note 16)	20,163	20,163	20,163	
FUND BALANCE, JUNE 30, 2020 (Note 16)	\$		73,090	73,090

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, 2020 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 162,428	164,520	166,745	2,225
Licenses, permits and franchises	1,094	1,094	1,372	278
Fines, forfeitures and penalties	801	801	1,433	632
Revenue from use of money and property:				
Investment income	10,397	10,397	8,976	(1,421)
Rents and concessions	6,582	6,582	4,835	(1,747)
Royalties	760	760	440	(320)
Intergovernmental revenues:				
Federal			183	183
State	2,555	2,555	12,923	10,368
Other	847	847	868	21
Charges for services	114,120	114,120	129,056	14,936
Miscellaneous	26	26	82	56
TOTAL REVENUES	299,610	301,702	326,913	25,211
EXPENDITURES				
Current-Public protection:				
Services and supplies	318,753	314,804	275,785	39,019
Other charges	8,283	8,283	3,140	5,143
Capital assets	1,153	1,153	638	515
Capital outlay	60,670	68,670	27,614	41,056
TOTAL EXPENDITURES	388,859	392,910	307,177	85,733
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(89,249)	(91,208)	19,736	110,944
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	50	50	23	(27)
Transfers out	(23,246)	(29,195)	(23,162)	6,033
Appropriations for contingencies		(2,092)		2,092
Changes in fund balance	52,346	62,346	64,905	2,559
TOTAL OTHER FINANCING SOURCES (USES)	29,150	31,109	41,766	10,657
NET CHANGE IN FUND BALANCE	(60,099)	(60,099)	61,502	121,601
FUND BALANCE, JULY 1, 2019 (Note 16)	60,099	60,099	60,099	
FUND BALANCE, JUNE 30, 2020 (Note 16)	\$		121,601	121,601

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  
LA COUNTY LIBRARY  
FOR THE YEAR ENDED JUNE 30, 2020 (in thousands)

	LA COUNTY LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 100,465	100,641	101,884	1,243
Fines, forfeitures and penalties	556	556	375	(181)
Revenue from use of money and property:				
Investment income	1,200	1,200	1,443	243
Rents and concessions	15	15	13	(2)
Intergovernmental revenues:				
Federal			5,580	5,580
State	540	540	422	(118)
Other	130	130	391	261
Charges for services	6,035	6,035	5,772	(263)
Miscellaneous	584	584	2,324	1,740
TOTAL REVENUES	109,525	109,701	118,204	8,503
EXPENDITURES				
Current-Education:				
Salaries and employee benefits	114,104	114,104	107,376	6,728
Services and supplies	83,363	83,175	50,222	32,953
Other charges	1,218	1,218	963	255
Capital assets	963	963	123	840
TOTAL EXPENDITURES	199,648	199,460	158,684	40,776
DEFICIENCY OF REVENUES OVER EXPENDITURES	(90,123)	(89,759)	(40,480)	49,279
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	13	13	5	(8)
Transfers in	51,786	51,619	45,952	(5,667)
Transfers out		(21)	(21)	
Appropriation for contingencies		(176)		176
Changes in fund balance	(3,023)	(3,023)	5,346	8,369
TOTAL OTHER FINANCING SOURCES (USES)	48,776	48,412	51,282	2,870
NET CHANGE IN FUND BALANCE	(41,347)	(41,347)	10,802	52,149
FUND BALANCE, JULY 1, 2019 (Note 16)	41,347	41,347	41,347	
FUND BALANCE, JUNE 30, 2020 (Note 16)	\$		52,149	52,149

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, 2020 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 94,000	100,400	102,300	1,900
Fines, forfeitures and penalties	230	230	473	243
Revenue from use of money and property:				
Investment income	1,800	1,800	6,877	5,077
Charges for services	585	585	530	(55)
TOTAL REVENUES	96,615	103,015	110,180	7,165
EXPENDITURES				
Current-Recreation and cultural services:				
Services and supplies	14,720	14,720	6,956	7,764
Other charges	270,778	275,659	49,881	225,778
TOTAL EXPENDITURES	285,498	290,379	56,837	233,542
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(188,883)	(187,364)	53,343	240,707
OTHER FINANCING SOURCES (USES)				
Transfers in	107,522	113,922	112,640	(1,282)
Transfers out	(107,522)	(113,922)	(112,640)	1,282
Changes in fund balance	7,423	5,904	7,592	1,688
TOTAL OTHER FINANCING SOURCES (USES)	7,423	5,904	7,592	1,688
NET CHANGE IN FUND BALANCE	(181,460)	(181,460)	60,935	242,395
FUND BALANCE, JULY 1, 2019 (Note 16)	181,758	181,758	181,758	
FUND BALANCE, JUNE 30, 2020 (Note 16)	\$ 298	298	242,693	242,395

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  
MENTAL HEALTH SERVICES ACT  
FOR THE YEAR ENDED JUNE 30, 2020 (in thousands)

	MENTAL HEALTH SERVICES ACT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Revenue from use of money and property:				
Investment income	\$ 23,109	23,109	19,343	(3,766)
Intergovernmental revenues:				
State	590,717	590,717	515,636	(75,081)
Miscellaneous			11,663	11,663
TOTAL REVENUES	613,826	613,826	546,642	(67,184)
EXPENDITURES				
Current-Health and sanitation:				
Services and supplies	1,041	1,041		1,041
TOTAL EXPENDITURES	1,041	1,041		1,041
EXCESS OF REVENUES OVER EXPENDITURES	612,785	612,785	546,642	(66,143)
OTHER FINANCING SOURCES (USES)				
Transfers out	(815,599)	(848,910)	(607,304)	241,606
Appropriations for contingencies	(85,316)	(85,316)		85,316
Changes in fund balance	74,502	107,813	107,814	1
TOTAL OTHER FINANCING SOURCES (USES)	(826,413)	(826,413)	(499,490)	326,923
NET CHANGE IN FUND BALANCE	(213,628)	(213,628)	47,152	260,780
FUND BALANCE, JULY 1, 2019 (Note 16)	213,628	213,628	213,628	
FUND BALANCE, JUNE 30, 2020 (Note 16)	\$		260,780	260,780

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, 2020 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor-UCLA Medical Center	Olive View- UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
<b>ASSETS</b>				
Current assets:				
Pooled cash and investments: (Notes 1 and 5)				
Operating	\$ 5,896	47,916	66,600	480
Other	76,470	6,716	89,725	9,039
Total pooled cash and investments	82,366	54,632	156,325	9,519
Taxes receivable				
Accounts receivable - net (Note 14)	750,214	335,929	948,586	282,685
Interest receivable	79	50	23	16
Other receivables	20,399	12,737	33,284	5,665
Due from other funds (Note 15)	88,084	48,185	178,511	4,431
Advances to other funds (Note 15)				
Inventories	26,872	8,759	16,172	3,003
Total current assets	968,014	460,292	1,332,901	305,319
Noncurrent assets:				
Restricted assets (Note 5)	54,834	15,014		9,384
Other receivables (Note 14)	28,790	5,029	6,531	3,237
Capital assets: (Notes 1, 6 and 10)				
Land and easements	1,671	1,894	16,194	217
Buildings and improvements	940,569	226,534	1,050,748	455,518
Equipment	128,961	90,321	151,656	36,806
Intangible - software	16,921	14,359	20,704	5,616
Infrastructure				
Construction in progress	77,205			89,924
Less accumulated depreciation	(342,378)	(189,361)	(405,666)	(152,464)
Total capital assets - net	822,949	143,747	833,636	435,617
Total noncurrent assets	906,573	163,790	840,167	448,238
<b>TOTAL ASSETS</b>	<b>1,874,587</b>	<b>624,082</b>	<b>2,173,068</b>	<b>753,557</b>
<b>DEFERRED OUTFLOWS OF RESOURCES (Note 20)</b>				
	336,747	198,722	473,031	98,395
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	168,732	74,586	236,812	84,023
Accrued payroll	32,304	17,465	43,059	8,489
Other payables	4,438	2,177	3,826	1,196
Accrued interest payable	13,646	4,529		659
Due to other funds (Note 15)	170,292	67,203	194,410	37,995
Advances from other funds (Note 15)	4,737	2,553	6,401	61,187
Advances payable	66,804	2,047	79,110	6,392
Current portion of long-term liabilities (Note 11)	136,208	38,072	140,794	45,918
Total current liabilities	597,161	208,632	704,412	245,859
Noncurrent liabilities:				
Accrued compensated absences (Note 11)	75,357	40,268	95,117	18,356
Bonds and notes payable net of premiums for bonds payable (Note 11)	535,305	198,300		202,643
Capital lease obligations (Notes 10 and 11)		43		
Workers' compensation (Notes 11 and 18)	104,069	42,399	154,257	30,645
Litigation and self-insurance (Notes 11 and 18)	15,541	718	23,302	167
Net pension liability (Notes 8 and 11)	484,659	274,195	659,788	146,986
Net OPEB liability (Notes 9 and 11)	1,157,068	671,365	1,764,772	367,753
Third party payor (Notes 11 and 14)	104,732	34,617	111,006	20,462
Total noncurrent liabilities	2,476,731	1,261,905	2,808,242	787,012
<b>TOTAL LIABILITIES</b>	<b>3,073,892</b>	<b>1,470,537</b>	<b>3,512,654</b>	<b>1,032,871</b>
<b>DEFERRED INFLOWS OF RESOURCES (Note 20)</b>				
	345,945	332,031	480,599	96,525
<b>NET POSITION</b>				
Net investment in capital assets	257,693	(45,162)	833,636	209,663
Restricted-				
Debt service	10,651	8,558		43,202
Unrestricted (deficit)	(1,476,847)	(943,160)	(2,180,790)	(530,309)
<b>TOTAL NET POSITION (DEFICIT) (Note 3)</b>	<b>\$ (1,208,503)</b>	<b>(979,764)</b>	<b>(1,347,154)</b>	<b>(277,444)</b>

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
\$ 113,403	9,743	\$ 244,038	\$ 59,670
1,900	1,290	185,140	9,040
<u>115,303</u>	<u>11,033</u>	<u>429,178</u>	<u>68,710</u>
892		892	
15,574	7,003	2,339,991	
141	14	323	107
	104	72,189	15,006
4,147	331	323,689	123,191
1,409		1,409	
		54,806	9,275
<u>137,466</u>	<u>18,485</u>	<u>3,222,477</u>	<u>216,289</u>
		79,232	11,216
		43,587	
12,149	134,692	166,817	
119,091	42,227	2,834,687	
1,582	1,465	410,791	288,061
1,322		58,922	
1,215,135	69,996	1,285,131	
43,608	9,829	220,566	
(729,178)	(73,873)	(1,892,920)	(156,489)
<u>663,709</u>	<u>184,336</u>	<u>3,083,994</u>	<u>131,572</u>
<u>663,709</u>	<u>184,336</u>	<u>3,206,813</u>	<u>142,788</u>
<u>801,175</u>	<u>202,821</u>	<u>6,429,290</u>	<u>359,077</u>
		<u>1,106,895</u>	<u>285,652</u>
5,583	4,062	573,798	9,507
		101,317	22,444
	153	11,790	2,431
	19	18,853	361
6,548	1,412	477,860	57,343
		74,878	22,000
25		154,378	1,752
2,700	107	363,799	40,992
<u>14,856</u>	<u>5,753</u>	<u>1,776,673</u>	<u>156,830</u>
		229,098	65,753
6,339	1,403	943,990	10,000
		43	
		331,370	52,051
		39,728	
		1,565,628	375,571
		3,960,958	942,223
		270,817	
<u>6,339</u>	<u>1,403</u>	<u>7,341,632</u>	<u>1,445,598</u>
<u>21,195</u>	<u>7,156</u>	<u>9,118,305</u>	<u>1,602,428</u>
		<u>1,255,100</u>	<u>175,583</u>
657,169	182,826	2,095,825	101,902
		62,411	5,088
122,811	12,839	(4,995,456)	(1,240,272)
<u>\$ 779,980</u>	<u>195,665</u>	<u>(2,837,220)</u>	<u>\$ (1,133,282)</u>
		3,357	
		<u>\$ (2,833,863)</u>	

#### 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)

Capital assets: (Notes 1, 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

#### DEFERRED OUTFLOWS OF RESOURCES (Note 20)

#### 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

Current portion of long-term liabilities (Note 11)

Total current liabilities

##### Noncurrent liabilities:

Accrued compensated absences (Note 11)

Bonds and notes payable net of premiums for bonds payable (Note 11)

Capital lease obligations (Notes 10 and 11)

Workers' compensation (Notes 11 and 18)

Litigation and self-insurance (Notes 11 and 18)

Net pension liability (Notes 8 and 11)

Net OPEB liability (Notes 9 and 11)

Third party payor (Notes 11 and 14)

Total noncurrent liabilities

#### TOTAL LIABILITIES

#### DEFERRED INFLOWS OF RESOURCES (Note 20)

#### NET POSITION

Net investment in capital assets

Restricted-

Debt service

Unrestricted (deficit)

#### TOTAL NET POSITION (DEFICIT) (Note 3)

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

NET POSITION (DEFICIT) 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, 2020 (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)	\$ 1,172,032	548,382	1,591,354	432,830
Rentals				
Charges for services				
Other (Note 14)	109,541	27,034	100,364	9,322
TOTAL OPERATING REVENUES	1,281,573	575,416	1,691,718	442,152
OPERATING EXPENSES:				
Salaries and employee benefits	715,723	365,521	932,761	184,832
Services and supplies	192,078	91,212	259,246	38,776
Other professional services	223,235	127,393	419,154	52,062
Depreciation and amortization (Note 6)	24,676	12,842	30,060	12,275
Medical malpractice	6,476	1		
Rent	3,618	1,686	3,190	639
TOTAL OPERATING EXPENSES	1,165,806	598,655	1,644,411	288,584
OPERATING INCOME (LOSS)	115,767	(23,239)	47,307	153,568
NONOPERATING REVENUES (EXPENSES):				
Taxes				
Investment income	1,279	1,001	358	563
Gain (loss) on disposal of capital assets	6		(559)	(116)
Interest expense	(35,892)	(9,626)	(1,454)	(12,684)
Intergovernmental transfers expense (Note 14)	(314,776)	(136,122)	(450,872)	(188,027)
Intergovernmental revenues:				
State				
Federal				
Other				
TOTAL NONOPERATING REVENUES (EXPENSES)	(349,383)	(144,747)	(452,527)	(200,264)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(233,616)	(167,986)	(405,220)	(46,696)
Capital contributions	19,356	3,827		24
Transfers in (Note 15)	393,730	223,423	602,358	88,272
Transfers out (Note 15)	(534)	(820)	(199,453)	(6,696)
CHANGE IN NET POSITION	178,936	58,444	(2,315)	34,904
NET POSITION (DEFICIT), JULY 1, 2019	(1,387,439)	(1,038,208)	(1,344,839)	(312,348)
NET POSITION (DEFICIT), JUNE 30, 2020	\$ (1,208,503)	(979,764)	(1,347,154)	(277,444)

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	
\$		\$ 3,744,598	\$	OPERATING REVENUES:
	4,409	4,409	24,215	Net patient service revenues (Note 14)
86,366	346	86,712	640,315	Rentals
731	78	247,070		Charges for services
87,097	4,833	4,082,789	664,530	Other (Note 14)
				TOTAL OPERATING REVENUES
		2,198,837	490,463	OPERATING EXPENSES:
83,019	2,335	666,666	53,702	Salaries and employee benefits
2,265	690	824,799	54,072	Services and supplies
23,819	2,526	106,198	35,349	Other professional services
		6,477		Depreciation and amortization (Note 6)
		9,133		Medical malpractice
109,103	5,551	3,812,110	633,586	Rent
(22,006)	(718)	270,679	30,944	TOTAL OPERATING EXPENSES
				OPERATING INCOME (LOSS)
6,832		6,832		NONOPERATING REVENUES (EXPENSES):
2,502	228	5,931	621	Taxes
		(669)		Investment income
(156)	(47)	(59,859)	(1,983)	Gain (loss) on disposal of capital assets
		(1,089,797)		Interest expense
1,696	8	1,704		Intergovernmental transfers expense (Note 14)
	299	299		Intergovernmental revenues:
428		428		State
11,302	488	(1,135,131)	(1,362)	Federal
(10,704)	(230)	(864,452)	29,582	Other
251	8,233	31,691		TOTAL NONOPERATING REVENUES (EXPENSES)
39		1,307,822	11,792	INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS
(18)	(64)	(207,585)	(41)	Capital contributions
(10,432)	7,939	267,476	41,333	Transfers in (Note 15)
790,412	187,726		(1,174,615)	Transfers out (Note 15)
\$ 779,980	195,665			CHANGE IN NET POSITION
		2,131		NET POSITION (DEFICIT), JULY 1, 2019
		\$ 269,607		NET POSITION (DEFICIT), JUNE 30, 2020
				Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
				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, 2020 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor-UCLA Medical Center	Olive View- UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from patient services	\$ 1,402,509	662,372	2,105,233	316,001
Rentals received				
Rentals received from other funds				
Cash received from charges for services				
Other operating revenues	109,541	27,034	100,364	9,322
Cash received for services provided to other funds	30,867	30,037	31,539	613
Cash paid for salaries and employee benefits	(761,191)	(406,812)	(1,007,444)	(200,890)
Cash (paid) returned for services and supplies	(122,476)	(55,983)	(59,373)	23,104
Other operating expenses	(228,976)	(136,860)	(445,741)	(52,873)
Cash (paid) returned for services from other funds	(288,451)	(125,430)	(233,172)	(80,700)
Net cash provided by (required for) operating activities	141,823	(5,642)	491,406	14,577
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash advances received from other funds	614,752	55,736	952,054	190,465
Cash advances paid/returned to other funds	(845,332)	(111,914)	(1,282,147)	(130,535)
Interest paid on advances	(1,546)	(103)	(1,454)	(313)
Intergovernmental transfers	(314,776)	(136,122)	(450,872)	(188,027)
Intergovernmental receipts				
Transfers in	526,247	266,979	646,533	115,059
Transfers out	(534)	(820)	(199,453)	(6,696)
Net cash provided by (required for) noncapital financing activities	(21,189)	73,756	(335,339)	(20,047)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from taxes				
Capital contributions				
Proceeds from bonds and notes	102,395			191,477
Interest paid on capital borrowing	(35,180)	(10,189)		(11,712)
Principal payments on bonds and notes	(102,629)	(4,714)		(233,573)
Principal payments on capital leases	(43)	(30)		
Proceeds from bond premiums	8,433			43,861
Acquisition and construction of capital assets	(30,125)	(5,580)	(13,628)	(30,280)
Net cash provided by (required for) capital and related financing activities	(57,149)	(20,513)	(13,628)	(40,227)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	1,305	999	350	621
Net increase (decrease) in cash and cash equivalents	64,790	48,600	142,789	(45,076)
Cash and cash equivalents, July 1, 2019	72,410	21,046	13,536	63,979
Cash and cash equivalents, June 30, 2020	\$ 137,200	69,646	156,325	18,903

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	
			CASH FLOWS FROM OPERATING ACTIVITIES	
\$		\$ 4,486,115	\$	Cash received from patient services
	4,409	4,409	5	Rentals received
			26,506	Rentals received from other funds
82,157	(5,843)	76,314	64,246	Cash received from charges for services
731	78	247,070		Other operating revenues
		93,056	566,471	Cash received for services provided to other funds
		(2,376,337)	(514,261)	Cash paid for salaries and employee benefits
(83,673)	1,897	(296,504)	(38,647)	Cash (paid) returned for services and supplies
(1,599)	(690)	(866,739)	(54,072)	Other operating expenses
		(727,753)		Cash (paid) returned for services from other funds
(2,384)	(149)	639,631	50,248	Net cash provided by (required for) operating activities
			CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
		1,813,007		Cash advances received from other funds
(41)		(2,369,969)	(2,169)	Cash advances paid/returned to other funds
		(3,416)		Interest paid on advances
		(1,089,797)		Intergovernmental transfers
2,124	307	2,431		Intergovernmental receipts
39		1,554,857	11,753	Transfers in
(18)	(64)	(207,585)	(2)	Transfers out
2,104	243	(300,472)	9,582	Net cash provided by (required for) noncapital financing activities
			CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
6,667		6,667		Proceeds from taxes
	8,233	8,233		Capital contributions
		293,872	10,000	Proceeds from bonds and notes
(156)	(48)	(57,285)	(2,407)	Interest paid on capital borrowing
(392)	(104)	(341,412)	(25,925)	Principal payments on bonds and notes
		(73)		Principal payments on capital leases
		52,294		Proceeds from bond premiums
(11,622)	(8,940)	(100,175)	(25,928)	Acquisition and construction of capital assets
(5,503)	(859)	(137,879)	(44,260)	Net cash provided by (required for) capital and related financing activities
			CASH FLOWS FROM INVESTING ACTIVITIES	
2,683	243	6,201	667	Investment income
(3,100)	(522)	207,481	16,237	Net increase (decrease) in cash and cash equivalents
118,403	11,555	300,929	63,689	Cash and cash equivalents, July 1, 2019
\$ 115,303	11,033	\$ 508,410	\$ 79,926	Cash and cash equivalents, June 30, 2020

Continued...

COUNTY OF LOS ANGELES  
STATEMENT OF CASH FLOWS - Continued  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020 (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 INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 115,767	(23,239)	47,307	153,568
Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:				
Depreciation and amortization	24,676	12,842	30,060	12,275
(Increase) decrease in:				
Accounts receivable - net	93,155	75,704	61,297	(118,633)
Other receivables	148,535	58,246	185,270	13,939
Due from other funds	(13,104)	28,897	254,741	358
Inventories	(18,510)	(4,208)	(5,926)	(1,048)
Increase (decrease) in:				
Accounts payable	(19,192)	(15,028)	54,214	40,073
Accrued payroll	1,455	721	889	273
Other payables	(440)	(163)	(428)	(153)
Accrued compensated absences	8,418	4,696	7,361	1,394
Due to other funds	(181,147)	(70,965)	(81,587)	(57,845)
Advances payable	66,804	2,029	78,694	6,366
Workers' compensation	3,115	2,077	4,923	916
Litigation and self-insurance	4,143	(7,780)	(23,397)	(172)
Net pension liability and related changes in deferred outflows and inflows of resources	22,367	8,933	29,783	6,776
Net OPEB liability and related changes in deferred outflows and inflows of resources	(78,933)	(59,024)	(117,626)	(25,216)
Third party payor	(35,286)	(19,380)	(34,169)	(18,294)
TOTAL ADJUSTMENTS	26,056	17,597	444,099	(138,991)
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	<u>\$ 141,823</u>	<u>(5,642)</u>	<u>491,406</u>	<u>14,577</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Contributions of capital assets	\$ 19,356	3,827		24
Gain (loss) on disposal of capital assets	6		(559)	(116)
TOTAL	<u>\$ 19,362</u>	<u>3,827</u>	<u>(559)</u>	<u>(92)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:				
Pooled cash and investments	\$ 82,366	54,632	156,325	9,519
Restricted assets	54,834	15,014		9,384
TOTAL	<u>\$ 137,200</u>	<u>69,646</u>	<u>156,325</u>	<u>18,903</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		
\$ (22,006)	(718)	\$ 270,679	\$ 30,944		RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
					Operating income (loss)
					Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:
23,819	2,526	106,198	35,349		Depreciation and amortization
					(Increase) decrease in:
(2,304)	(5,793)	103,426			Accounts receivable - net
	(104)	405,886	(6,218)		Other receivables
(1,905)	(292)	268,695	(2,353)		Due from other funds
		(29,692)	944		Inventories
					Increase (decrease) in:
330	3,761	64,158	589		Accounts payable
		3,338	1,144		Accrued payroll
	106	(1,078)	(538)		Other payables
		21,869	7,984		Accrued compensated absences
(984)	365	(392,163)	13,522		Due to other funds
		153,893			Advances payable
		11,031	1,799		Workers' compensation
666		(26,540)			Litigation and self-insurance
		67,859	19,050		Net pension liability and related changes in deferred outflows and inflows of resources
		(280,799)	(51,968)		Net OPEB liability and related changes in deferred outflows and inflows of resources
		(107,129)			Third party payor
19,622	569	368,952	19,304		TOTAL ADJUSTMENTS
\$ (2,384)	(149)	\$ 639,631	\$ 50,248		NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
					SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:
\$ 251		\$ 23,458	\$		Contributions of capital assets
		(669)			Gain (loss) on disposal of capital assets
\$ 251		\$ 22,789	\$		TOTAL
					RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:
\$ 115,303	11,033	\$ 429,178	\$ 68,710		Pooled cash and investments
		79,232	11,216		Restricted assets
\$ 115,303	11,033	\$ 508,410	\$ 79,926		TOTAL



COUNTY OF LOS ANGELES  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 5)	\$ 104,401	\$ 20,872,122	\$ 2,249,050
Other investments: (Note 5)		90,963	302
Short-term investments	2,690,654		
Equity	24,087,244		
Fixed income	19,348,557		
Private equity	7,141,781		
Real estate	5,271,546		
Hedge funds	2,193,437		
Cash collateral on loaned securities	1,177,374		
Taxes receivable			277,542
Interest receivable	133,940	24,470	54,830
Other receivables	704,918		
TOTAL ASSETS	62,853,852	20,987,555	2,581,724
LIABILITIES			
Accounts payable	1,598,943		
Other payables (Note 5)	1,251,873		
Due to other governments			2,581,724
TOTAL LIABILITIES	2,850,816		2,581,724
NET POSITION			
Restricted for:			
Pension	58,510,408		
OPEB	1,492,628		
Other		20,987,555	
TOTAL NET POSITION	\$ 60,003,036	\$ 20,987,555	\$

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, 2020 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS
ADDITIONS		
Contributions:		
Pension and OPEB trust contributions:		
Employer	\$ 2,707,658	\$
Member	708,496	
Contributions to investment trust funds		50,462,483
Total contributions	3,416,154	50,462,483
Investment earnings:		
Investment income	5,920,085	364,064
Net decrease in the fair value of investments	(4,262,695)	
Securities lending income (Note 5)	15,987	
Total investment earnings	1,673,377	364,064
Less - Investment expenses:		
Expense from investing activities	210,183	
Expense from securities lending activities (Note 5)	11,146	
Total net investment expense	221,329	
Net investment earnings	1,452,048	364,064
Miscellaneous	2,383	
TOTAL ADDITIONS	4,870,585	50,826,547
DEDUCTIONS		
Administrative expenses:		
Salaries and employee benefits	66,577	
Services and supplies	19,053	
Total administrative expenses	85,630	
Benefit payments	4,289,604	
Distributions from investment trust funds		50,583,168
Miscellaneous	25,628	
TOTAL DEDUCTIONS	4,400,862	50,583,168
CHANGE IN NET POSITION	469,723	243,379
NET POSITION, JULY 1, 2019	59,533,313	20,744,176
NET POSITION, JUNE 30, 2020	\$ 60,003,036	\$ 20,987,555

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, 2020 (in thousands)

	LOS ANGELES COUNTY DEVELOPMENT AUTHORITY	FIRST 5 LA	TOTAL
<b>ASSETS</b>			
Pooled cash and investments-			
Operating (Notes 1 and 5)	\$ 163,735	347,592	\$ 511,327
Other investments (Note 5)	531,956		531,956
Accounts receivable - net	21,927		21,927
Interest receivable		492	492
Other receivables	10,654	13,174	23,828
Inventories	13,881		13,881
Capital assets: (Notes 1 and 6)			
Capital assets, not being depreciated	89,518	2,039	91,557
Capital assets, net of accumulated depreciation	83,586	8,589	92,175
Total capital assets	173,104	10,628	183,732
<b>TOTAL ASSETS</b>	<b>915,257</b>	<b>371,886</b>	<b>1,287,143</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>14,669</b>		<b>14,669</b>
<b>LIABILITIES</b>			
Accounts payable	27,786	21,808	49,594
Other payables	9,015	16	9,031
Advances payable	23,355		23,355
Long-term liabilities: (Note 11)			
Due within one year	5,071	134	5,205
Due in more than one year	92,225	669	92,894
<b>TOTAL LIABILITIES</b>	<b>157,452</b>	<b>22,627</b>	<b>180,079</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>2,544</b>		<b>2,544</b>
<b>NET POSITION</b>			
Net investment in capital assets	132,773	10,628	143,401
Restricted for:			
Debt service	408		408
Community development	588,810		588,810
First 5 LA		338,631	338,631
Unrestricted	47,939		47,939
<b>TOTAL NET POSITION</b>	<b>\$ 769,930</b>	<b>349,259</b>	<b>\$ 1,119,189</b>

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, 2020 (in thousands)

	LOS ANGELES COUNTY DEVELOPMENT AUTHORITY	FIRST 5 LA	TOTAL
PROGRAM (EXPENSES) REVENUES:			
Expenses	\$ (650,719)	(114,384)	\$ (765,103)
Program revenues:			
Charges for services	29,668		29,668
Operating grants and contributions	729,336	80,060	809,396
Capital grants and contributions	4,545		4,545
Net program (expenses) revenues	112,830	(34,324)	78,506
GENERAL REVENUES:			
Investment income	8,696	8,292	16,988
Miscellaneous	2,538	111	2,649
Total general revenues	11,234	8,403	19,637
CHANGE IN NET POSITION	124,064	(25,921)	98,143
NET POSITION, JULY 1, 2019	645,866	375,180	1,021,046
NET POSITION, JUNE 30, 2020	\$ 769,930	349,259	\$ 1,119,189

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, 2020

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 blended, fiduciary 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 fiduciary component unit is reported under Fiduciary Funds in the basic financial statements. 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	Waterworks Districts
Flood Control District	Los Angeles County Capital Asset Leasing Corporation (a Not-for-Profit Corporation) (NPC)
Garbage Disposal Districts	Various Joint Powers Authorities (JPAs)
Improvement Districts	Los Angeles County Securitization Corporation (LACSC)
Regional Park and Open Space District	Los Angeles County Facilities Inc. (LACF)
Sewer Maintenance Districts	
Street Lighting Districts	

The various districts are included primarily because the Board is also their governing board and the County has operational responsibilities for the districts. 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.

The Los Angeles County Capital Asset Leasing Corporation (LACCAL) is organized as a not-for-profit corporation in which the primary government is the sole corporate member, as identified in LACCAL's articles of incorporation or bylaws, and the component unit is included in the financial reporting entity.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Blended Component Units-Continued

The LACSC is a California public benefit corporation created by the County Board 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.

LACF is a California nonprofit public benefit corporation and an organization described under Section 501(c)(3) of the Internal Revenue Code of 1986. It was formed on April 25, 2016. On July 26, 2018, LACF issued \$302.38 million of lease revenue bonds to be used to finance the construction of the Vermont Corridor County Administration Building and parking structure. LACF is reported as a blended component unit because it provides services solely to the County and it is fiscally dependent on the County. It is reported under Public Buildings Debt Service and Capital Projects funds.

Fiduciary Component Unit

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 (CERL). LACERA is a cost-sharing, multi-employer defined benefit plan. LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible members. LACERA also administers an agent multiple-employer Other Postemployment Benefit (OPEB) or Retiree Healthcare Program on behalf of the County. LACERA is reported in the Pension and 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. 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 or at [www.LACERA.com](http://www.LACERA.com).

Discretely Presented Component Units

Los Angeles County Development Authority

The Los Angeles County Development Authority (LACDA) was established on July 1, 1982 under the provisions of Section 34100-34160 of the Health and Safety Code of the State of California.

LACDA is responsible for:

- Administering the Housing Choice Voucher and other Section 8 programs;
- 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 and rehabilitating homes and businesses;
- Providing economic development, business revitalization services, and comprehensive planning systems for affordable housing; and
- Developing housing, business, and industry in designated areas.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Units-Continued

Los Angeles County Development Authority -Continued

While its Board members are the same as the County Board, LACDA 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) LACDA does not provide services entirely or almost entirely to the County; and 3) LACDA's total debt outstanding is not expected to be repaid with resources of the County. The financial activity of LACDA is reported within the Discretely Presented Component Units column of the government-wide financial statements. LACDA issues a separate financial report that can be obtained at <https://www.lacda.org/about-cdc/budget-and-finance> or by writing to the Los Angeles County Development Authority at 700 W. Main Street, Alhambra, California 91801.

Los Angeles County Children and Families First - Proposition 10 Commission

Los Angeles County Children and Families First - Proposition 10 Commission, also known as First 5 LA, 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 Board established First 5 LA 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, 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.

First 5 LA services support programs and services for children ages prenatal through five, and their families, in the areas of health, safety, early education and literacy. First 5 LA 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 LA 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 LA is reported within the Discretely Presented Component Units column of the government-wide financial statements. First 5 LA issues a separate financial report that can be obtained by writing to First 5 LA at 750 N. Alameda Street, Suite 300, Los Angeles, California 90012.

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. 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. LACOE issues a separate financial report that can be obtained by writing to the Los Angeles County Office of Education at 9300 Imperial Highway, Downey, California 90242-2890.



COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basic Financial Statements

In accordance with Governmental Accounting Standards Board Statement (GASB) 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," 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 blended and discretely presented component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, except for services provided among funds (other than internal service funds). These statements distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component units.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

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, 2020, the restricted net position balances were \$3.927 billion and \$67.50 million for governmental activities and business-type activities, respectively. For governmental activities, \$558.20 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.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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.

In accordance with GAAP, the County reports on each major fund. By definition, the general fund is always considered a major fund. Funds other than the general fund must be reported as major funds if they meet both the ten percent and five percent criterion, defined respectively, 1) an individual fund reports at least ten percent of any of the following: a) total fund assets and deferred outflows of resources, b) total fund liabilities and deferred inflows of resources, c) total fund revenues, or d) total fund expenditures/expenses; 2) an individual fund reports at least five percent of the aggregated total for both governmental funds and enterprise funds of any one of the items for which it met the ten percent criterion. In addition, a fund may be reported as major if it is believed to be of particular importance to financial statement users.

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 the Fire Protection District property and equipment. Funding comes primarily from the Fire Protection District's statutory share of the Countywide tax levy, voter-approved taxes and charges for services.

Flood Control District Fund

The Flood Control District provides flood protection services that incorporate an integrated water resource management approach in providing flood protection; increases local water availability through conservation efforts; increases stormwater capture and reduces stormwater and urban runoff pollution; and provides passive recreational opportunities. The primary sources of revenue for the Flood Control District are property taxes and benefit assessments (charges for services).

LA County Library Fund

The LA County 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 special taxes, benefit assessments (charges for services) and long-term debt proceeds.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Mental Health Services Act Fund

The Mental Health Services Act (MHSA) Fund is used to account for the County's mental health delivery system for children, transition age youth, adults, older adults, and families. Revenues are derived primarily by the passage of State Proposition 63 in November 2004. Proposition 63 generates mental health revenue through a one percent income surcharge on individuals with State taxable incomes over \$1.00 million.

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). 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.

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.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

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

Investment Trust Funds

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

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

Agency Funds

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

Basis of Accounting

The government-wide, proprietary, pension and other postemployment benefit trust, 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.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

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. 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.

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.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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 that 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. 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 \$38.553 billion and is currently controlled through the use of approximately 500 separate budget units. There were no excesses of expenditures over the related appropriations within any fund for the year ended June 30, 2020. 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 <https://ceo.lacounty.gov/budget>, 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.

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 Fiscal Year (FY) 2019-2020 assessed valuation of the County approximated \$1.626 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.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

The County is divided into 12,723 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 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.

Property owners affected by the Coronavirus Disease 2019 (COVID-19) pandemic may have late payment penalties cancelled if they were unable to pay their property taxes by the April 10, 2020, deadline. The California Revenue and Taxation Code (R&TC) grants the Treasurer and Tax Collector the authority to cancel payment penalties in limited circumstances. Beginning April 11, 2020, Treasurer and Tax Collector began accepting requests for a property tax penalty cancellation related to COVID-19.

Legislation Dissolving Redevelopment Agencies and Affect on Property Taxes

State Assembly Bill (AB) x1 26, also referred to as the "Redevelopment Dissolution Act" was approved in 2011. Under AB x1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as "residual taxes," are distributed as property tax revenue to the appropriate local government agencies, including the County. In FY 2018-2019, 5 Oversight Boards were established in the County per Senate Bill 107. 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, 2020, the County's share of residual property tax revenues was \$278.49 million, of which \$232.53 million was recognized in the County's General Fund.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments

Deposits and investments as discussed in Note 5 are reflected in the following asset accounts:

Pooled Cash and Investments

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

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

Operating Pooled Cash and Investments

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

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2020, 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

This account represents 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 entities.

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 and certificates of participation payable.



COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Inventories

Inventories, which consist of materials and supplies held for consumption, are valued at cost using the first in / first out basis. The inventory costs of the governmental funds are accounted for as expenditures when the inventory items are purchased. Reported inventories are categorized as nonspendable fund balance as required by GASB 54, "Fund Balance Reporting and Governmental Fund Type Definitions" (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, and 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, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. Certain buildings and equipment are being leased under capital leases as defined in GASB 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The present value of the minimum lease obligation has been capitalized in the statement of net position and is also reflected as a liability in that statement.

Capital outlay is recorded as expenditures in the governmental fund financial statements and as assets in the government-wide financial statements to the extent the County's capitalization threshold is met. GASB 89, "Accounting for Interest Cost Incurred before the End of a Construction Period," changed the accounting for interest cost incurred before the end of a construction period for business-type activities and enterprise funds. It requires that such interest cost be recognized as an expense in the period in which the cost is incurred. Accordingly, such interest costs for business-type activity and enterprise funds are no longer capitalized as part of the historical cost of a capital asset.

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 subject to the threshold in the affected asset category. 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

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

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 recognizes deferred outflows of resources and/or deferred inflows of resources in the government-wide statement of net position, governmental funds balance sheets, and proprietary funds statement of net position.

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, except for pension and OPEB related deferred inflows of resources, which will be recognized as a credit to expense.

Specific disclosures of items representing deferred outflows and inflows of resources appear in Note 20.

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. The unspent balance of certain COVID-19 related financial assistance payments are recognized as Advances Payable due to the uncertainty on the revenue recognition since these funds are subject to be returned to the U.S. Department of Treasury if unspent as of December 30, 2020. See Note 22 for additional information.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Compensated Absences

Vacation pay benefits accrue to employees ranging from 10 to 25 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 of sick leave 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).

Net Pension Liability and Related Balances

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of LACERA and additions to/deductions from LACERA's fiduciary net position have been determined on the same basis as they are reported by LACERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Reported results pertain to liability and asset information within the following defined timeframes:

Valuation Date - June 30, 2018 rolled forward to June 30, 2019

Measurement Date - June 30, 2019

Measurement Period - July 1, 2018 to June 30, 2019

Net OPEB Liability and Related Balances - Retiree Healthcare

For purposes of measuring the net OPEB liability related to Retiree Healthcare, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of LACERA and additions to/deductions from LACERA's fiduciary net position have been determined on the same basis as they are reported by LACERA. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Reported results pertain to liability and asset information within the following defined timeframes:

Valuation Date - June 30, 2018 rolled forward to June 30, 2019

Measurement Date - June 30, 2019

Measurement Period - July 1, 2018 to June 30, 2019

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Total OPEB Liability and Related Balances - Long-Term Disability

For purposes of measuring the total OPEB liability related to Long-Term Disability (LTD), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the plan. For this purpose, the LTD plan recognizes benefit payments when due and payable in accordance with the benefit terms. Reported results pertain to liability information within the following defined timeframes:

Valuation Date - June 30, 2019

Measurement Date - June 30, 2019

Measurement Period - July 1, 2018 to June 30, 2019

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.

Fund Balances

In the fund financial statements, the governmental funds report the classification of fund balance in accordance with GASB 54. 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.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balances-Continued

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

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

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

The Board 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 that are 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.

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.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

2. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB Statements have been implemented in the current basic financial statements.

GASB 89	Accounting for Interest Cost Incurred before the End of the Construction Period	Establishes accounting requirements for interest cost incurred before the end of a construction period for business-type activities and enterprise funds.. Refer to Note 1 for the required note disclosure information.
GASB 95	Postponement of the Effective Dates of Certain Authoritative Guidance	Provides temporary relief to governments in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that are scheduled to become effective for periods beginning after June 15, 2018, and later.

3. DEFICIT NET POSITION

The following activities/funds had a net deficit at June 30, 2020 (in thousands):

	<u>Accumulated Deficit</u>
<u>Government-wide:</u>	
Governmental Activities	\$ 9,602,750
Business-type Activities	2,833,863
<u>Enterprise Funds:</u>	
Harbor-UCLA Medical Center	1,208,503
Olive View-UCLA Medical Center	979,764
LAC+USC Medical Center	1,347,154
Rancho Los Amigos National Rehab Center	277,444
Internal Service Funds-	
Public Works	1,136,492

The government-wide governmental and business-type activities, enterprise and internal service funds' Public Works deficits result primarily from the recognition of certain liabilities including accrued compensated absences, net pension liability, net OPEB liability, 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.

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 JPAs. Under the terms of the agreement, the RPOSD sold \$510.19 million 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.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

4. ELIMINATIONS-Continued

The structure of the publicly offered JPA bonds was designed to match the RPOSD's bonds relative to the 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 FY 2004-2005 and the remaining 1997 bonds were fully refunded in FY 2007-2008. The transactions between the two component units have been accounted for as follows:

Fund Financial Statements

All bonds have matured as of June 30, 2020. Because all of the bonds matured during the year, there are no assets or liabilities reflected in the governmental funds financial statements.

In order to reflect the economic substance of the transaction described above, an eliminations column has been established in the governmental funds financial statements. The purpose of the column is to remove the duplication of 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 investment income and interest expense (\$352 thousand for each). Accordingly, there are no reconciling differences between the two sets of financial statements (after the effects of eliminations) for this matter.

Disclosures related to those outstanding bonds appear in Note 11 and are captioned "Assessment Bonds."

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, 2020 (in thousands):

	Pooled Cash and Investments	Other Investments	Restricted Assets		Total
			Pooled Cash and Investments	Other Investments	
Governmental Funds	\$ 9,695,619	204,137			\$ 9,899,756
Proprietary Funds	497,888		88,952	1,496	588,336
Fiduciary Funds (excluding Pension and OPEB)	23,121,172	91,265			23,212,437
Pension and OPEB Trust Funds	104,401	61,910,593			62,014,994
Discretely Presented Component Units	511,327	531,956			1,043,283
Total	<u>\$ 33,930,407</u>	<u>62,737,951</u>	<u>88,952</u>	<u>1,496</u>	<u>\$ 96,758,806</u>

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

A summary of cash and investments (by type) as of June 30, 2020 is as follows (in thousands):

Cash:	Cash and investments are reported as follows:			
County				
Imprest Cash	\$	10,561	Governmental Funds	\$ 9,899,756
Cash in Vault		157	Proprietary Funds	588,336
Cash in Bank		586,616	Investment Trust Funds	20,963,085
Deposits in Transit		17,175	Agency Funds	2,249,352
Held by Outside Trustees		111,440	Pension and OPEB	
LACDA		11,252	Trust Funds (LACERA)	62,014,994
Total Cash		<u>737,201</u>	Discretely presented component units:	
			- First 5 LA	347,592
			- LACDA	695,691
			Total Cash and Investments	<u>\$ 96,758,806</u>
Investments:				
In Treasury Pool		33,404,850		
In Specific Purpose Investment (SPI)		94,641		
In Other Specific Investments		302		
Held by Outside Trustees		90,515		
In LACERA		61,910,593		
In Discretely Presented Component Unit - LACDA		520,704		
Total Investments		<u>96,021,605</u>		
Total Cash and Investments	\$	<u>96,758,806</u>		

County Treasurer Cash

As of June 30, 2020, the County Treasurer (Treasurer) maintained accounts in six banks. The carrying amount of the Treasurer's total deposits in financial institutions was \$586.62 million, deposits in transit were \$17.18 million, and cash in the Treasurer's vault was \$0.16 million.

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

The total balance of deposits in financial institutions was covered by federal depository insurance or collateralized with securities monitored by the California Department of Business Oversight (DBO). DBO confirmed that the pools of collateral related to the County Treasurer's deposits were maintained at required levels as of June 30, 2020.



COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

County Investment Pool

California Government Code Sections 53601 and 53635 authorize the Treasurer to invest the External Investment Pool (Pool) and SPI funds in obligations of the United States Treasury, federal agencies, municipalities, asset-backed securities, bankers' acceptances, commercial paper, negotiable certificates of deposit, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, forwards, futures, options, shares of beneficial interest of a Joint Powers Authority (JPA) 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 (SEC), securities lending agreements, the State of California's Local Agency Investment Fund (LAIF), and supranational institutions. California Government Code Section 53534 authorizes the Treasurer to enter into interest rate swap agreements. However, these agreements should only be used in conjunction with the sale of the bonds approved by the Board. As permitted by the California Government Code, the Treasurer developed, and the Board adopted, an Investment Policy that further defines and restricts the limits within which the Treasurer may invest. The investments are managed by the Treasurer, which reports investment activity to the Board on a monthly basis. In addition, the Treasurer's investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial review, and annual financial reporting. The Treasurer also maintains Other Specific Investments, which are invested pursuant to Section 1300.76.1, Title 28, California Code of Regulations. The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2020, to support the value of shares in the Pool.

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Fifty-two percent (52.46%) of the Treasurer's Pool consists of these involuntary participants. Voluntary participants in the County's 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 SPI have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's Pool and is reported in the Specific Investment Trust Fund in the amount of \$90.96 million. The Pool is not registered as an investment company with the SEC. California Government Code statutes and the County Board set forth the various investment policies that the Treasurer must follow.

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

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

Investments in LAIF are governed by the California Government Code and overseen by a 5 member Local Investment Advisory Board as designated by the California Government Code. As of June 30, 2020, the total amount invested by all California local governments and special districts in LAIF was \$32.080 billion. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2020 had a balance of \$100.980 billion. The PMIA is not SEC registered, but is required to invest according to the California Government Code. Included in the PMIA's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities totaling \$3.400 billion at June 30, 2020. Collectively, these represent 3.37% of the PMIA balance of \$100.980 billion. The SPI holdings in the LAIF investment pool as of June 30, 2020, were \$43.29 million, which were valued using a fair value factor provided by LAIF.

The Treasurer has the following recurring fair value measurements as of June 30, 2020 (in thousands):

Pool	Fair Value	Fair Value Measurement Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	External Government Investment Pools
Commercial Paper	\$ 7,714,420	\$	\$ 7,714,420	\$	\$
Corporate and Deposit Notes	103,746		103,746		
Los Angeles County Securities	39,866			39,866	
Negotiable Certificates of Deposit	1,501,192		1,501,192		
U.S. Agency Securities	21,719,708		21,719,708		
U.S. Treasury Securities:					
U.S. Treasury Notes	102,235		102,235		
U.S. Treasury Bills	2,199,064		2,199,064		
Municipals	24,619		24,619		
Total Investments	<u>\$ 33,404,850</u>	<u>\$</u>	<u>\$ 33,364,984</u>	<u>\$ 39,866</u>	<u>\$</u>
<u>SPI</u>					
Local Agency Investment Fund	\$ 43,294	\$	\$	\$	\$ 43,294
Los Angeles County Securities	3,677			3,677	
U.S. Agency Securities	47,670		47,670		
Total Investments	<u>\$ 94,641</u>	<u>\$</u>	<u>\$ 47,670</u>	<u>\$ 3,677</u>	<u>\$ 43,294</u>
<u>Other Specific Investments</u>					
U.S. Treasury Bills	\$ 302	\$	\$ 302	\$	\$
Total Investments	<u>\$ 302</u>	<u>\$</u>	<u>\$ 302</u>	<u>\$</u>	<u>\$</u>

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

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

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

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

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

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

A summary of investments held by the Pool at June 30, 2020 is as follows (dollars in thousands):

Pool	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
Commercial Paper	\$ 7,714,420	\$ 7,714,181	0.10% - 1.43%	07/01/20 - 09/21/20	0.06
Corporate and Deposit Notes	103,746	101,946	1.50% - 3.05%	11/09/20 - 02/28/23	1.80
Los Angeles County Securities	39,866	40,000	0.66% - 2.07%	06/30/21 - 06/30/22	1.25
Negotiable Certificates of Deposit	1,501,192	1,500,003	0.10% - 1.84%	07/01/20 - 02/12/21	0.07
Municipals	24,619	24,737	2.96%	08/01/24	4.09
U.S. Agency Securities	21,719,708	21,629,656	0.10% - 2.94%	07/06/20 - 11/04/27	2.42
U.S. Treasury Securities:					
U.S. Treasury Notes	102,235	99,944	1.13% - 1.63%	07/31/21 - 11/15/22	1.74
U.S. Treasury Bills	2,199,064	2,198,127	0.10% - 1.56%	07/07/20 - 03/25/21	0.27
Total	<u>\$ 33,404,850</u>	<u>\$ 33,308,594</u>			1.27

The unrealized gain on investments held in the Pool was \$96.26 million as of June 30, 2020. This amount takes into account all changes in fair value that occurred during the year. The method used to apportion the unrealized gain was based on a pro-rata share of each funds' cash balance as of June 30, 2020 relative to the County Pool balances. A separate financial report is issued for the Pool for the year ended June 30, 2020 and can be obtained at <https://ttc.lacounty.gov/investor-information/>.

Specific Purpose Investments and Other Specific Investments

A summary of investments held by the SPI and Other Specific Investments at June 30, 2020 is as follows (dollars in thousands):

SPI	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
Local Agency Investment Fund	\$ 43,294	\$ 43,083			0.52
Los Angeles County Securities	3,677	3,510	5.00%	12/02/27	7.43
U.S. Agency Securities	47,670	44,016	2.50% - 3.27%	03/23/35 - 02/10/45	17.58
Total	<u>\$ 94,641</u>	<u>\$ 90,609</u>			8.51

Other Specific Investments	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
U.S. Treasury Bills	\$ 302	\$ 302	0.17%	11/27/20	0.41

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

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 five years, with the exception of U.S. Treasury Notes, Bills, and Bonds and U.S. Agency Securities, which may have maturities beyond five years. The Treasurer manages the 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 Treasurer manages the Pool's exposure to declines in fair value by limiting its weighted average maturity target to a range between 1.0 and 2.0 years, in accordance with the Investment Policy. For purposes of computing weighted average maturity, the maturity date of variable-rate notes is the stated maturity.

The balance of the Pool's investments at June 30, 2020, is \$33.405 billion, of which 59.78% will mature in six months or less. Of the remainder, 31.76% have a maturity of more than one year. At June 30, 2020, the weighted average maturity in years for the Pool was 1.27.

The California Government Code and the Investment Policy allow the 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 Investment Policy limits the amount invested in floating rate notes to 10% of the Pool portfolio. The Investment Policy prohibits the purchase of inverse floating rate notes and hybrid or complex structured investments and for the year ended June 30, 2020, there were none.

At June 30, 2020, the Pool contained floating rate notes at fair value of \$39.87 million (0.12% of the Pool). The notes are tied to the six-month U.S. Treasury Bill and Bank of America prime rates. The fair value of variable securities is generally less susceptible to changes in value than fixed rate securities because the variable-rate coupon resets back to the market rate on a periodic basis. There were no variable rate notes in the SPI and Other Specific Investments.

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

Custodial Credit Risk

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

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk

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

The Investment Policy establishes acceptable credit ratings for investments from any two Nationally Recognized Statistical Rating Organizations (NRSRO). For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's), and F-1 (Fitch) while an issuer of long-term debt shall be rated no less than an "A." All investments purchased during the year ended June 30, 2020 met the credit rating criteria in the Investment Policy, at the issuer level. However, while the NRSROs did rate the issuer of the investments purchased, the NRSRO did not, in all instances, rate the investment itself (e.g., commercial paper, corporate and deposit notes, negotiable certificates of deposit, and U.S. Treasury bills, bonds and notes). Accordingly, for purposes of reporting the credit quality distribution of investments, some investments are reported as not rated.

The Investment Policy also permits investments in LAIF, pursuant to California Government Code Section 16429.1. At June 30, 2020, a portion of the SPI was invested in LAIF, which is unrated as to credit quality.

The Pool and SPI had the following investments in a single issuer that represent 5% or more of total investments at June 30, 2020 (dollars in thousands):

Issuer	Pool		SPI	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio
Federal Home Loan Bank	\$ 11,763,133	35.21%	\$	
Federal Home Loan Mortgage Corporation	4,494,906	13.46%		
Federal Farm Credit Bank	4,786,038	14.33%	47,495	50.18%

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020:

Pool	S&P	Moody's	Fitch	% of Portfolio
Commercial Paper	Not Rated	Not Rated	Not Rated	23.09 %
Corporate and Deposit Notes (ST)	AA-	Not Rated	A+	0.06 %
	A+	Not Rated	A+	0.03 %
Corporate and Deposit Notes (LT)	AAA	Not Rated	Not Rated	0.07 %
	A+	Not Rated	AA	0.15 %
Los Angeles County Securities	Not Rated	Not Rated	Not Rated	0.12 %
Municipals	AA	Not Rated	AA	0.07 %
Negotiable Certificates of Deposits	Not Rated	Not Rated	Not Rated	4.50 %
U.S. Agency Securities	AA+	Aaa	AAA	15.49 %
	AA+	Not Rated	AAA	0.30 %
	AA+	Aaa	Not Rated	4.51 %
	Not Rated	Aaa	AAA	11.57 %
	Not Rated	Not Rated	Not Rated	33.15 %
U.S. Treasury Securities*				6.89 %
				<u>100.00 %</u>
SPI				
Local Agency Investment Fund	Not Rated	Not Rated	Not Rated	45.74 %
Los Angeles County Securities	Not Rated	Not Rated	Not Rated	3.89 %
U.S. Agency Securities	AA+	Aaa	AAA	50.18 %
	AA+	Aaa	Not Rated	0.19 %
				<u>100.00 %</u>
Other Specific Investments				
U.S. Treasury Securities*				100.00 %
				<u>100.00 %</u>

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

Reverse Repurchase Agreements

The California Government Code permits the 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.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

Reverse Repurchase Agreements-Continued

The County's investment guidelines limit the maximum par value of reverse repurchase agreements to \$500.00 million 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.

Securities Lending Transactions

For the year ended June 30, 2020, the Pool did not enter into any securities lending transactions.

Cash and Investments - Held by Outside Trustees

NPC and JPAs have been established for the purpose of rendering assistance to the County to refinance, acquire, construct, improve, lease and sell properties and equipment, including the construction of buildings, and purchase of equipment, land, and any other real or personal property, for the benefit of County residents, through the issuance of bonds, certificates of participation notes (COPs) and commercial paper.

The NPC and JPAs' cash is invested with the outside trustees and the amounts are held in the NPC and JPAs name. Investment practices are governed by the County's investment guidelines, established pursuant to the California Government Code and the County Board's action.

Investments are stated at fair value. Deposits held by outside trustees as of June 30, 2020 were \$111.44 million. A total of \$108.73 million of investments held by outside trustees are invested in the Pool. In addition, the outside trustees invested \$90.52 million outside of the Pool.

The following is a summary of deposits and investments held by outside trustees as of June 30, 2020 (dollars in thousands):

	<u>Amortized Cost</u>	<u>Principal</u>	<u>Interest Rate Range</u>	<u>Maturity Range</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Mutual Funds	\$ 90,515	\$ 90,515	0.01% - 0.08%	07/01/20	N/A

The following is a summary of the credit quality distribution and concentration of credit risk as of June 30, 2020:

<u>Other Investments</u>	<u>S&amp;P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>% of Portfolio</u>
Money Market Mutual Funds	Not Rated	Not Rated	Not Rated	100.00%



COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio

*Narratives and tables presented for the Pension and OPEB Trust funds managed by LACERA are taken directly from LACERA's CAFR for the year ended June 30, 2020 (certain terms have been modified to conform with the County's CAFR presentation). The custodial credit risk, credit risk, concentration of credit risk, interest rate risk, and foreign currency risk related to Pension and OPEB Trust Fund investments are different than the corresponding risk on investments held by the Treasurer. Detailed deposit and investment risk disclosures are included in Note G, Note I and the fair value measurement disclosures are included in Note P of LACERA's CAFR.*

Investments

The investments of the Pension and OPEB Trust Funds are reported at fair value at June 30, 2020, (in thousands) and are as follows:

	<u>Fair Value</u>
Cash Collateral on Loaned Securities	\$ 1,177,374
Short-term Investments	2,690,654
Domestic and International Equity	24,087,244
Fixed Income	19,348,557
Real Estate*	5,271,546
Private Equity	7,141,781
Hedge Funds	2,193,437
Total	<u>\$ 61,910,593</u>

\* Refer to Note J of LACERA's CAFR for the year ended June 30, 2020, for additional discussion on special purpose entities.

The Pension and OPEB Trust Funds also had deposits with the Pool at June 30, 2020 totaling \$104.40 million.

Investment Risks

The County Employees Retirement Law of 1937 (CERL) vests the Board of Investments (BOI) with exclusive control over LACERA's investment portfolio. The BOI established Investment Policy Statements and Manager Guidelines for the management of the LACERA defined benefit retirement plan (Pension Plan) and the LACERA Other Post-Employment Benefit Master Trust (OPEB Master Trust or OPEB Trust). BOI members exercise authority and control over the management of LACERA's Net Position Restricted for Benefits by setting a policy that the investment staff executes either internally or through the use of prudent external experts.

Each Investment Policy Statement recognizes that every investment asset class and type is subject to certain risks. Outlined below are the Investment Risks as they relate to fixed income investments.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations, causing the investment to decline in value. LACERA seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the Pension and OPEB plans at an acceptable level of risk within this asset class. To control credit risk, credit quality guidelines have been established.

Investment Grade Bonds

Investment Grade bonds are categorized as a component of the Risk Reduction and Mitigation functional asset category and are subdivided into two types of strategies: Core and Core Plus, with target allocation weights of 80% for Core and 20% for Core Plus. Investment guidelines for Core managers require that they invest predominantly in sectors represented in their benchmark index, which consists 100% of bonds rated investment grade. As a result, Core portfolios consist almost 100% of bonds rated investment grade by the major credit rating agencies: Moody's, S&P, and Fitch. Core Plus managers are afforded some latitude to deviate from the benchmark index in order to generate excess return, so investment grade bonds must comprise at least 70% of Core Plus portfolios.

High Yield Bonds

Dedicated High Yield bond portfolios are categorized in the Credit functional asset category. By definition, high yield bonds are securities rated below investment grade. Therefore, the majority of bonds in the high yield portfolios are rated below investment grade by at least one of the major credit rating agencies: Moody's, S&P, and Fitch.

The credit portfolios allow for the assumption of more credit risk than Investment Grade portfolios by investing in securities that include unrated bonds, bonds rated below investment grade issued by corporations undergoing financial stress or distress, junior tranches of structured securities backed by residential and commercial mortgages, bank loans, illiquid credit, and emerging market debt. LACERA utilizes specific investment guidelines for these portfolios that limit maximum exposure by issuer, industry, and sector, which result in well-diversified portfolios.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Credit Quality Ratings

The following is a schedule as of June 30, 2020 of the credit quality ratings by Moody's, a nationally recognized statistical rating organization, of investments in fixed income securities. Whole loan mortgages included in the Pension Plan portfolio of \$22.09 million are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed Income Securities - Pension Plan  
As of June 30, 2020  
(dollars in thousands)

Quality Ratings	U.S. Treasury	U.S. Govt. Agencies	Municipals	Corporate Debt/Credit Securities	Pooled Investment	Non U.S. Fixed Income	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	\$ 1,858,678	1,922,386	4,058	153,132	2,597,269	8,480	200,858	\$ 6,744,861	35.96 %
Aa			20,640	79,420	2,020,117	33,057	35,783	2,189,017	11.67 %
A			9,415	531,485	749,190	114,523	128,535	1,533,148	8.17 %
Baa			9,373	772,037	871,061	193,341	360,294	2,206,106	11.76 %
Ba				403,950	35,453	104,058	171,367	714,828	3.81 %
B			81	837,605		173,683	261,083	1,272,452	6.79 %
Caa				153,355	2,882	19,498	166,901	342,636	1.83 %
Ca			4,548	9,495		4,180	2,150	20,373	0.11 %
C				499			15	514	0.00 %
Not Rated		1,267	828	159,187	3,270,486	49,325	251,064	3,732,157	19.90 %
Total Investment in Fixed Income Securities - Pension Plan	\$ 1,858,678	1,923,653	48,943	3,100,165	9,546,458	700,145	1,578,050	\$18,756,092	100.00 %

Note: Pooled Investments included within the Not Rated Quality Ratings, represents investments in commingled funds.

Credit Quality Ratings of Investments in Fixed Income Securities - OPEB Trust  
As of June 30, 2020  
(dollars in thousands)

Quality Ratings	Pooled Investments	Total	Percentage of Portfolio
Not Rated	\$ 570,375	\$ 570,375	100.00 %
Total Investment in Fixed Income Securities - OPEB Trust	\$ 570,375	\$ 570,375	100.00 %

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Custodial Credit Risk

LACERA's contract with its custodian, State Street Bank and Trust (Bank), provides that the Bank may hold LACERA's securities registered in the Bank's or its agent's nominee name, in bearer form, book-entry form, with a clearing house corporation, or with a depository, so long as the Bank's records clearly indicate that the securities are held in custody for LACERA's account. The Bank may also hold securities in custody in LACERA's name when required by LACERA. When held in custody by the Bank, the securities are not at risk of loss in the event of the Bank's financial failure, because the securities are not property (assets) of the Bank. Cash invested overnight in the Bank's depository accounts is subject to the risk that in the event of the Bank's failure, LACERA might not recover all or some of those overnight deposits. This risk is mitigated when the overnight deposits are insured or collateralized.

LACERA's policy as incorporated in its current contract with the Bank requires the Bank to certify it has taken all steps to assure all LACERA monies on deposit with the Bank are eligible for and covered by "pass-through insurance," in accordance with applicable law and FDIC rules and regulations. The steps taken by the Bank include paying deposit insurance premiums when due, maintaining a "prompt corrective action" capital category of "well capitalized," and identifying on the Bank's records that it acts as a fiduciary for LACERA with respect to the monies on deposit. In addition, the Bank is required to provide evidence of insurance and to maintain a Financial Institution Bond, which would cover the loss of money and securities with respect to any and all property the Bank or its agents hold in or for LACERA's account, up to the amount of the bond. To implement certain investment strategies, some of LACERA's assets are invested in investment managers' pooled vehicles. The securities in these vehicles may be held by a different custodian other than the Bank.

Counterparty Risk

Counterparty risk for investments is the risk that, in the event of the failure of the counterparty to complete a transaction, LACERA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. LACERA and its managers seek to minimize risk of loss from its counterparties by diversifying the number of counterparties, periodically reviewing their credit quality and seeking to structure agreements so that collateral is posted on accrued gains if they reach certain size thresholds.

Concentration of Credit Risk

No more than 5.00% of the Investment Grade bond and High Yield bond portfolios may be invested in securities of a single issuer, except: U.S. Treasury securities, government-guaranteed debt (including G-7 countries), agency debt, agency mortgage-backed securities, and approved commingled funds. During FY 2019-2020, LACERA revised the investment Manager Guidelines to allow an allocation to one high yield bond portfolio of up to 7.00%.

As of June 30, 2020, LACERA did not hold any investments in any one issuer that would represent 5.00% or more of the Pension Plan Fiduciary Net Position. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

To manage interest rate risk, the duration of all Investment Grade bond portfolios is restricted to +/- 25.00% of the duration of the portfolios' respective benchmarks. Deviations from any of the stated guidelines require prior written authorization from LACERA.

The Duration in Fixed Income Securities - Pension Plan schedule for the year ended June 30, 2020 presents the duration by investment type. Whole loan mortgages included in the Pension Plan Portfolio of \$22.09 million are excluded from this presentation.

Duration in Fixed Income Securities - Pension Plan  
As of June 30, 2020  
(dollars in thousands)

Investment Type	Fair Value	Portfolio Weighted Average Effective Duration*
U.S. Treasuries, U.S. Government Agency, and Municipal Instruments:		
U.S. Treasuries	\$ 1,858,678	9.41
U.S. Government Agency	1,923,653	1.40
Municipal / Revenue Bonds	48,943	10.06
Subtotal U.S. Treasuries, U.S. Government Agency, and Municipal Instruments	3,831,274	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	223,901	2.03
Corporate and Other Credit	2,898,210	3.93
Fixed Income Swaps and Options	(21,946)	N/A
Pooled Funds	9,546,458	4.24
Subtotal Corporate Bonds and Credit Securities	12,646,623	
Non-U.S. Fixed Income	700,145	3.58
Private Placement Fixed Income	1,578,050	3.62
Subtotal Non-U.S. and Private Placement Securities	2,278,195	
Total Fixed Income Securities - Pension Plan	\$ 18,756,092	

\*Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a duration of 5 indicates that a 1.00% increase in a bond's yield will cause the bond price to decline 5.00%.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Interest Rate Risk-Continued

Duration in Fixed Income Securities - OPEB Trust  
As of June 30, 2020  
(dollars in thousands)

Investment Type	Fair Value	Portfolio Weighted Average Effective Duration*
Corporate Bonds and Credit Securities:		
Pooled Investments	\$ 570,375	3.22
<b>Total Fixed Income Securities - OPEB Trust</b>	<b>\$ 570,375</b>	

\*Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a duration of 5 indicates that a 1.00% increase in a bond's yield will cause the bond price to decline 5.00%.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERA's authorized managers are permitted to invest in approved countries or regions, as stated in their respective investment guidelines. To mitigate foreign currency risk with global equity, LACERA has implemented a passive currency hedging program, which hedges into U.S. dollars approximately 50.00% of LACERA's foreign currency exposure for developed market equities.

The following schedule represents LACERA's exposure to foreign currency risk in U.S. dollars. LACERA is invested in several non-U.S. commingled funds. This means LACERA owns units of commingled funds, and the fund holds the actual securities and/or currencies. The values shown include LACERA's pro-rata portion of non-U.S. commingled fund holdings.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Non-U.S. Investment Securities at Fair Value - Pension Plan  
As of June 30, 2020  
(in thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	Total
<b>AFRICA</b>							
Ghana New Cedi	\$	5,303				\$	5,303
Kenya Shilling		7,919					7,919
Mauritian Rupee		1,865					1,865
Moroccan Dirham	1,000	5,600					6,600
Mozambican Metical		2,517					2,517
Nigerian Naira	6,072	8,110					14,182
Rwandan Franc		3,908					3,908
South African Rand	131,118	37,872	23				169,013
Tunisian Dinar		6,342					6,342
West African CFA Franc		14,102					14,102
<b>AMERICAS</b>							
Argentine Peso	2,290	11,683	2,290				16,263
Bahamian Dollar		7,725					7,725
Barbadian Dollar		935					935
Belize Dollar		1,734					1,734
Brazilian Real	119,265	55,423	543				175,231
Canadian Dollar	685,483	3,031	887			(8,347)	681,054
Chilean Peso	14,979	4,942					19,921
Colombian Peso	6,554	29,981	5				36,540
Costa Rican Colon		2,528					2,528
Dominican Peso		8,704					8,704
Honduran Lempira		815					815
Mexican Peso	61,287	101,390	10			(13)	162,674
Paraguayan Guarani		4,664					4,664
Peruvian Sol	6,386	15,854				55	22,295
Uruguayan Peso		7,696					7,696
Venezuelan Bolivar		657					657
<b>ASIA</b>							
Armenian Dram		6,534					6,534
Australian Dollar	475,390		921			(17,686)	458,625
Chinese Renminbi	127,322	15,101					142,423
Georgia Lari		8,594					8,594
Hong Kong Dollar	787,639		192			(55)	787,776
Indian Rupee	112,742	10,724					123,466
Indonesian Rupiah	47,276	92,387	28				139,691
Japanese Yen	1,383,238	1,901	1,000			4,541	1,390,680
Kazakhstani Tenge		6,932					6,932
Malaysian Ringgit	61,344	28,472	997				90,813
New Zealand Dollar	38,694	234	26			(695)	38,259
Pakistan Rupee	2,173	2,660					4,833
Philippine Peso	20,597	6,297	1				26,895
Singapore Dollar	70,910	5,366	38			(709)	75,605
South Korean Won	304,513	12,265	161				316,939
Sri Lankan Rupee		3,199					3,199
Taiwan Dollar	103,008	4,216	296				107,520
Thai Baht	56,749	39,131	5				95,885
Uzbekistani So'm		2,596					2,596
Vietnamese Dong	26,033						26,033
<b>EUROPE</b>							
Albanian Lek		2,049					2,049
Belarusian Ruble		1,623					1,623
British Pound Sterling	1,169,459	30,093	2,348	1,366	52,403	(8,223)	1,247,446
Czech Republic Koruna	2,600	21,209					23,809
Danish Krone	174,988		(120)			(1,329)	173,539
Euro	2,141,350	97,461	16,789	233,477	339,601	(17,930)	2,810,748
Hungarian Forint	13,231	13,520					26,751
Norwegian Krone	81,508		52			(1,751)	79,809
Polish Zloty	19,432	39,244	25				58,701
Romanian New Leu	14,125	16,833					30,958
Russian Ruble	24,594	78,099	302			(537)	102,458
Serbian Dinar		5,414					5,414
Swedish Krona	309,333		931			(5,602)	304,662
Swiss Franc	595,671		48			(4,604)	591,115
Ukrainian Hryvnia		19,162					19,162
<b>MIDDLE EAST</b>							
Bahraini Dinar		2,770					2,770
Egyptian Pound	3,660	14,615					18,275
Israeli New Shekel	35,560	1,150	2			(657)	36,055
Jordanian Dinar	4,705						4,705
Qatari Rial	18,305	26,536					44,841
Saudi Riyal	2,695	(620)					2,075
Turkish Lira	15,115	14,166					29,281
UAE Dirham	18,708	6,012	13				24,733
<b>Total Investment Securities Subject to Foreign Currency Risk - Pension Plan</b>							
	\$ 9,297,101	987,245	27,813	234,843	392,004	(63,542)	\$10,875,464

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Non-U.S. Investment Securities at Fair Value - OPEB Trust  
As of June 30, 2020  
(in thousands)

Currency	Equity	Fixed Income	Total
AFRICA			
Liberian Dollar	\$	82	\$ 82
South African Rand	3,322	4,272	7,594
AMERICAS			
Argentine Peso	227		227
Brazilian Real	4,756	5,305	10,061
Canadian Dollar	21,062		21,062
Cayman Islands Dollar		6,264	6,264
Chilean Peso	528	1,415	1,943
Colombian Peso	226	3,423	3,649
Dominican Peso		70	70
Mexican Peso	1,585	6,180	7,765
Panamanian Balboa		118	118
Peruvian Sol	226	2,103	2,329
Uruguay Peso		198	198
ASIA			
Australian Dollar	15,098	539	15,637
Chinese Renminbi	34,122	2,135	36,257
Hong Kong Dollar	7,247		7,247
Indian Rupee	7,474		7,474
Indonesian Rupiah	1,359	5,900	7,259
Japanese Yen	56,542	678	57,220
Malaysian Ringgit	1,736	4,104	5,840
New Zealand Dollar	906		906
Pakistan Rupee	76		76
Philippine Peso	755	244	999
Singapore Dollar	2,642	14	2,656
South Korean Won	10,946	144	11,090
Taiwan Dollar	12,078		12,078
Thailand Baht	2,114	5,549	7,663
EUROPE			
British Pound Sterling	31,177	3,657	34,834
Czech Republic Koruna	75	2,784	2,859
Danish Krone	4,907	49	4,956
Euro	66,280	7,262	73,542
Hungarian Forint	226	2,163	2,389
Norwegian Krone	1,661	149	1,810
Polish Zloty	755	5,086	5,841
Romanian Leu		1,749	1,749
Russian Ruble	2,718	5,032	7,750
Swedish Krona	7,927	163	8,090
Swiss Franc	20,835		20,835
MIDDLE EAST			
Egyptian Pound	151		151
Iraqi Dinar		269	269
Israeli New Shekel	1,812	92	1,904
Qatari Rial	830		830
Saudi Riyal	2,340		2,340
Turkish Lira	453	1,759	2,212
UAE Dirham	528		528
Total Investment Securities Subject to Foreign Currency Risk - OPEB Trust	\$ 327,702	78,951	\$ 406,653



COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Securities Lending Program

The BOI policies authorize LACERA to participate in a securities lending program. Securities lending is an investment management activity that mirrors the fundamentals of a loan transaction. Securities are lent to brokers and dealers (borrower), and in turn, LACERA receives cash and non-cash collateral. When cash collateral is received, the income that is generated from securities lending has two sources: lending and reinvestment. LACERA pays the borrower interest on the collateral and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. When non-cash collateral is received, the borrower pays a fee for borrowing the security.

LACERA's securities lending program is managed by two parties: LACERA's custodian bank, State Street Bank and Trust, and a third-party lending agent, Goldman Sachs Agency Lending (GSAL). The Bank lends LACERA's non-U.S. equities, U.S. Treasury, and U.S. Agency securities. GSAL lends LACERA's U.S. equities and corporate bonds. Collateralization is set on non-U.S. loans at 105% and on U.S. loans at 102% of the market value of securities on loan.

State Street Global Advisors invests the collateral received from both lending programs. The collateral is invested in short-term highly liquid instruments. The maturities of the investments made with cash collateral typically do not match the maturities of their securities loans. Loans are marked-to-market daily, so that if the market value of a security on loan rises, LACERA receives additional collateral. Conversely, if the market value of a security on loan declines, then the borrower receives a partial return of the collateral. Earnings generated in excess of the interest paid to the borrowers represent net income. LACERA shares this net income with the two lending agents based on contractual agreements.

Under the terms of their lending agreements, both lending agents provide borrower default indemnification in the event a borrower does not return securities on loan. The terms of the lending agreements entitle LACERA to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities" when loaned securities are not returned. LACERA does not have the ability to pledge assets received as collateral without a borrower default. In the event the purchase price of replacement securities exceeds the amount of collateral, the lending agent is liable to LACERA for the difference, plus interest. Either LACERA or the borrower of the security can terminate a loan on demand.

At fiscal year end, LACERA had no credit risk exposure to borrowers, because the amount of collateral received exceeded the value of securities on loan. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the year ended June 30, 2020.

As of June 30, 2020, the fair value of securities on loan was \$1.693 billion, with a value of cash collateral received of \$1.177 billion, which is included in Other payables on the financial statements, and non-cash collateral of \$587.47 million. LACERA's income, net of expenses from securities lending, was \$4.84 million for the year ended June 30, 2020.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Securities Lending Program-Continued

Securities Lending  
As of June 30, 2020  
(in thousands)

Securities on Loan	Fair Value of Securities on Loan	Cash Collateral Received	Non-Cash Collateral Received	Calculated Mark <sup>(1)</sup>
U.S. Equity	\$ 610,659	\$ 621,794	\$	\$
U.S. Fixed Income	625,588	494,950	156,849	(91)
Non-U.S. Equity	457,198	60,630	430,620	463
Total	<u>\$ 1,693,445</u>	<u>\$ 1,177,374</u>	<u>\$ 587,469</u>	<u>\$ 372</u>

(1) Calculated Mark is performed daily, and it is the amount LACERA will collect from the borrower (if the amount is positive), or payment to the borrower (if the amount is negative), to bring the collateralization to appropriate levels based on market value.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate swaps are an example of an investment that has a fair value that is highly sensitive to interest rate changes. These investments are disclosed in the following table, not including holdings within a commingled structure:

Interest Rate Risk Analysis  
As of June 30, 2020  
(dollars in thousands)

Investment Type	Notional Value (Dollar)	Notional Shares Units	Fair Value	Investment Maturities (in years)			
				Less Than 1	1 - 5	6 - 10	More than 10
Credit Default Swaps Bought	\$ 5,947		\$ 41	\$	\$ 41	\$	\$
Credit Default Swaps Written	19,670		(39)	(5)	(42)		8
Fixed Income Options Bought		23,078	330	53	277		
Fixed Income Options Written		(307,189)	(244)	(224)	(20)		
Pay Fixed Interest Rate Swaps	567,556		(39,259)	(1,116)	(7,870)	(13,264)	(17,009)
Receive Fixed Interest Rate Swaps	394,439		11,329		7,217	3,963	149
Total Return Swaps Bond	342						
Total Return Swaps Equity	(339,278)		6,023	6,265	(242)		
Total	\$ 648,676	(284,111)	\$ (21,819)	\$ 4,973	\$ (639)	\$ (9,301)	\$ (16,852)

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Hedge Funds

LACERA's Investment Policy Statement establishes the portfolio framework for and role of the hedge funds program. The hedge fund category of investments is composed of strategies that may: 1) invest in securities within LACERA's existing asset classes or across multiple asset classes; 2) have an absolute return objective; and 3) include the ability to use specialized techniques, such as leverage and short-selling, and instruments such as derivatives.

At the beginning of the fiscal year, LACERA employed two hedge fund of funds managers, Grosvenor Capital Management (GCM) and Goldman Sachs Asset Management (GSAM), and one credit fund of funds manager, GCM. During the fiscal year, LACERA initiated the full redemption of the GCM and GSAM hedge fund of funds' portfolios. Furthermore, the GCM credit fund of funds portfolio entered its distribution phase. All three portfolios began returning cash in alignment with the liquidity terms of the portfolios or underlying managers. The relationship with GSAM ended on December 31, 2019. LACERA is managing the redemption process of the residual GSAM holdings. GCM is managing the redemption process of the GCM portfolios.

During the fiscal year, LACERA added two investment managers to the Direct hedge funds portfolio, increasing the portfolio to seven direct investments.

The investment performance for this strategy is measured separately from other asset classes. The fair value of assets invested in hedge funds as of June 30, 2020 was \$2.193 billion.

The GCM hedge funds of funds portfolio, residual GSAM holdings, and Direct portfolio reside within Diversified Hedge Funds under the Risk Reduction and Mitigation functional asset category of LACERA's Total Fund. The GCM credit portfolio resides within Illiquid Credit under the Credit functional asset category.

Fair Value

For the year ended June 30, 2016, LACERA adopted GASB 72, "Fair Value Measurement and Application". GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements and disclosures. LACERA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the investment securities and assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Certain investments held by LACERA are valued at net asset value (NAV) per share when an investment does not have a readily determined fair value, provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with the requirements of GAAP.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value-Continued

Equity and Fixed Income Securities

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities. Fixed income and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fixed income and equity securities classified in Level 3 are securities whose stated market price is unobservable by the marketplace; many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by LACERA's custodian bank.

Hedge Funds, Private Equity, Real Estate, Equity, and Fixed Income Funds

Investments in hedge funds, private equity, real estate, equity and fixed income funds are valued at estimated fair value, as determined in good faith by the General Partner (GP), in accordance with GAAP fair value principles and in instances where no observable public market values are available. Investments which are estimated at fair value, are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results, and other factors deemed relevant by the GP. These assets are reported by LACERA based on the practical expedient allowed under GAAP.

Real Estate Separate Account Investments

Investments in real estate are valued at estimated fair value, as determined in good faith by the Investment Manager. These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results, and other factors deemed relevant by the Investment Manager. Properties are subject to independent third party appraisals every year.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value-Continued

Investments and Derivatives Measured at Fair Value - Pension Plan  
As of June 30, 2020  
(in thousands)

Investments by Fair Value Level	Total	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<b>Fixed Income Securities</b>				
Asset-Backed Securities	\$ 223,901	\$	\$ 223,662	\$ 239
Corporate and Other Credit	2,898,209		2,861,134	37,075
Municipal/Revenue Bonds	48,943		48,943	
Non-U.S. Fixed Income	700,145		700,145	
Pooled Investments	1,060,424	1,060,424		
Private Placement Fixed Income	1,578,050		1,578,050	
U.S. Government Agency	1,923,653		1,923,653	
U.S. Treasuries	1,858,678		1,858,678	
Whole Loan Mortgages	22,090			22,090
Total Fixed Income Securities	10,314,093	1,060,424	9,194,265	59,404
<b>Equity Securities</b>				
Non-U.S. Equity	7,212,668	7,209,653	3,015	
Pooled Investments	404,964	404,964		
U.S. Equity	14,003,326	13,994,266	3,666	5,394
Total Equity Securities	21,620,958	21,608,883	6,681	5,394
Collateral from Securities Lending	1,177,374		1,177,374	
Total Investments by Fair Value Level	\$ 33,112,425	\$ 22,669,307	\$ 10,378,320	\$ 64,798
<b>Investments Measured at NAV</b>				
Fixed Income	\$ 8,486,033			
Equity	1,709,262			
Hedge Funds	2,193,437			
Private Equity	7,141,781			
Real Estate	5,128,771			
Total Investments Measured at NAV	24,659,284			
Total Investments	\$ 57,771,709			
<b>Derivatives</b>				
Foreign Exchange Contracts	\$ (63,545)	\$	\$ (63,545)	\$
Foreign Fixed Income Derivatives	2,743	(92)	2,835	
Foreign Equity Derivatives	546	546		
U.S. Equity Derivatives	1,475	1,475		
U.S. Fixed Income Derivatives	(24,690)	45	(24,735)	
Total Derivatives	\$ (83,471)	\$ 1,974	\$ (85,445)	\$

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value-Continued

Investments Measured at the Net Asset Value - Pension Plan  
As of June 30, 2020  
(dollars in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Fixed Income Funds <sup>(1)</sup>	\$ 8,486,033	\$ 662,967	Daily, Monthly or Not Eligible	1-60 days or N/A
Commingled Equity Funds <sup>(2)</sup>	1,709,262		Daily, Monthly or Not Eligible	1-60 days or N/A
Hedge Funds <sup>(3)</sup>	2,193,437		Daily, Monthly, Quarterly, Semi-Annual, Annual, Self-Liquidating	5-180 days
Private Equity <sup>(4)</sup>	7,141,781	4,680,875	Not Eligible	N/A
Real Estate <sup>(4)</sup>	5,128,771	961,383	Quarterly or Not Eligible	30 days+ or N/A
Total Investments Measured at the NAV	<u>\$ 24,659,284</u>			

- (1) Commingled Fixed Income Funds: 9 fixed income funds are considered commingled in nature. They are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month; 2 of the funds representing 3% of Commingled Fixed Income assets have liquidity available at the end of the fund terms which range from 3 to 7 years.
- (2) Commingled Equity Funds: 6 equity funds are considered commingled in nature. They are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month; 3 of the funds representing 5% of Commingled Equity assets have liquidity subject to lock up periods that limit or prohibit redemptions for the next 3 to 4 years.
- (3) Hedge Funds: This portfolio consists of 47 funds. Hedge Fund investments are valued at NAV per share. When considering liquidity terms, 66% of the fund assets are available within 12 months; these funds provide daily, monthly, quarterly, semi-annual, or annual liquidity. Some of these funds are subject to redemption notices that extend the time frame to receive redemptions beyond the next 12 months. The remaining 34% of fund assets are in funds that offer periodic liquidity that extends beyond the next 12 months.

LACERA's Hedge Funds portfolio invests in the following strategies:

- (a) Macro and Tactical Trading: This strategy makes investments based on analyses and forecasts of macroeconomic trends, including governmental and central bank policies, fiscal trends, trade imbalances, interest rate trends, inter-country relations, and economic and technical analysis.
  - (b) Equity Long/Short: This strategy purchases and/or sells equities based on fundamental and/or quantitative analysis and other factors.
  - (c) Credit: This strategy includes long-biased credit, long/short credit, structured credit, and mortgage credit.
  - (d) Relative Value: This strategy's focus is to benefit from valuation discrepancies that may be present in related financial instruments by purchasing and/or shorting these instruments.
  - (e) Multi-Strategy: This strategy aims to pursue varying strategies to diversify risks and reduce volatility.
  - (f) Event Driven: This strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event.
- (4) Private Equity and Real Estate Funds: LACERA's Private Equity portfolio consists of 224 funds, investing primarily in Buyout Funds, with some exposure to venture capital, special situation and co-investments. Due to contractual limitations, none of the 224 funds are eligible for redemption for up to 10 years. The Real Estate portfolio, composed of 23 commingled funds, invests in both U.S. and Non-U.S. commercial real estate. The fair values of these funds have been determined using net assets valued at the end of the period and net assets valued one quarter in arrears plus current quarter cash flows. 2 out of 23 Real Estate funds are eligible for redemption depending upon the availability of cash for redemptions in the fund. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5 to 10 years. For Real Estate investments held in separate accounts and debt program investments, see Note J - Special Purpose Entities of LACERA's CAFR.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value-Continued

Investments Measured at Fair Value - OPEB Trust  
As of June 30, 2020  
(in thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Pooled Investments	\$ 147,703	\$ 147,703	\$	\$
Total Fixed Income Securities	147,703	147,703		
Total Investments by Fair Value Level	<u>\$ 147,703</u>	<u>\$ 147,703</u>	<u>\$</u>	<u>\$</u>
Investments Measured at Net Asset Value (NAV)				
Fixed Income	\$ 422,672			
Equity	755,005			
Real Estate Investment Trust (REIT)	142,775			
Total Investments Measured at NAV	<u>1,320,452</u>			
Total Investments	<u><u>\$ 1,468,155</u></u>			

Investments Measured at Net Asset Value - OPEB Trust  
As of June 30, 2020  
(dollars in thousands)

Investment by Fair Value Level	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed Income Securities				
Commingled Fixed Income Funds	\$ 422,672	\$	Daily, Monthly	1-30 days or N/A
Commingled Equity Fund	755,005		Daily, Monthly	1-30 days or N/A
Real Estate Investment Trust (REIT)	142,775		Daily, Monthly	1-30 days or N/A
Total Investments Measured at NAV <sup>(1)</sup>	<u><u>\$ 1,320,452</u></u>			

(1) Commingled Funds: The OPEB Master Trust is invested in 8 funds that are considered commingled in nature. They are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 is as follows (in thousands):

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 2,478,984	3,875		\$ 2,482,859
Easements	4,986,824	12,558		4,999,382
Software in progress	56,427	40,152	(80,135)	16,444
Construction in progress-buildings and improvements	531,743	405,833	(146,886)	790,690
Construction in progress-infrastructure	416,150	173,973	(113,913)	476,210
Subtotal	<u>8,470,128</u>	<u>636,391</u>	<u>(340,934)</u>	<u>8,765,585</u>
Capital assets, being depreciated:				
Buildings and improvements	6,079,228	111,191	(10,537)	6,179,882
Equipment	1,782,838	109,568	(83,935)	1,808,471
Software	501,012	81,335		582,347
Infrastructure	7,955,303	100,047		8,055,350
Subtotal	<u>16,318,381</u>	<u>402,141</u>	<u>(94,472)</u>	<u>16,626,050</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,265,959)	(121,655)	1,417	(2,386,197)
Equipment	(1,259,445)	(132,501)	82,652	(1,309,294)
Software	(278,448)	(45,079)		(323,527)
Infrastructure	(4,308,415)	(158,249)		(4,466,664)
Subtotal	<u>(8,112,267)</u>	<u>(457,484)</u>	<u>84,069</u>	<u>(8,485,682)</u>
Total capital assets, being depreciated, net	<u>8,206,114</u>	<u>(55,343)</u>	<u>(10,403)</u>	<u>8,140,368</u>
Governmental activities capital assets, net	<u>\$ 16,676,242</u>	<u>581,048</u>	<u>(351,337)</u>	<u>\$ 16,905,953</u>
<u>Business-type Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 134,932			\$ 134,932
Easements	31,634	251		31,885
Construction in progress-buildings and improvements	261,205	54,424	(148,278)	167,351
Construction in progress-infrastructure	36,976	21,477	(5,238)	53,215
Subtotal	<u>464,747</u>	<u>76,152</u>	<u>(153,516)</u>	<u>387,383</u>
Capital assets, being depreciated:				
Buildings and improvements	2,669,414	165,273		2,834,687
Equipment	395,925	31,825	(16,959)	410,791
Software	58,922			58,922
Infrastructure	1,281,124	4,077	(70)	1,285,131
Subtotal	<u>4,405,385</u>	<u>201,175</u>	<u>(17,029)</u>	<u>4,589,531</u>



COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

6. CAPITAL ASSETS-Continued

Business-type Activities-Continued

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Less accumulated depreciation for:				
Buildings and improvements	\$ (853,556)	(49,867)		\$ (903,423)
Equipment	(258,256)	(29,018)	16,173	(271,101)
Software	(42,767)	(3,547)		(46,314)
Infrastructure	(648,323)	(23,766)	7	(672,082)
Subtotal	<u>(1,802,902)</u>	<u>(106,198)</u>	<u>16,180</u>	<u>(1,892,920)</u>
Total capital assets, being depreciated, net	<u>2,602,483</u>	<u>94,977</u>	<u>(849)</u>	<u>2,696,611</u>
Business-type activities capital assets, net	<u>3,067,230</u>	<u>171,129</u>	<u>(154,365)</u>	<u>3,083,994</u>
Total capital assets, net	<u>\$ 19,743,472</u>	<u>752,177</u>	<u>(505,702)</u>	<u>\$ 19,989,947</u>

Depreciation Expense

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

Governmental activities:

General government	\$ 48,374
Public protection	171,467
Public ways and facilities	91,408
Health and sanitation	52,392
Public assistance	11,292
Education	5,354
Recreation and cultural services	41,848
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>35,349</u>
Total depreciation expense, governmental activities	<u>\$ 457,484</u>

Business-type activities:

Hospitals	\$ 79,853
Waterworks	23,819
Aviation	<u>2,526</u>
Total depreciation expense, business-type activities	<u>\$ 106,198</u>

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

6. CAPITAL ASSETS-Continued

Discretely Presented Component Units

LACDA

Capital assets activity for the LACDA component unit for the year ended June 30, 2020, was as follows (in thousands):

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 89,264		(473)	\$ 88,791
Construction in progress-buildings and improvements	3,075	518	(2,866)	727
Subtotal	92,339	518	(3,339)	89,518
Capital assets, being depreciated:				
Buildings and improvements	237,650	8,944		246,594
Equipment	10,069	541	(1,466)	9,144
Software	1,025			1,025
Subtotal	248,744	9,485	(1,466)	256,763
Less accumulated depreciation for:				
Buildings and improvements	(160,100)	(5,035)		(165,135)
Equipment	(8,513)	(534)	1,159	(7,888)
Software	(51)	(103)		(154)
Subtotal	(168,664)	(5,672)	1,159	(173,177)
Total capital assets being depreciated, net	80,080	3,813	(307)	83,586
LACDA capital assets, net	<u>\$ 172,419</u>	<u>4,331</u>	<u>(3,646)</u>	<u>\$ 173,104</u>

First 5 LA

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2020, was as follows (in thousands):

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets, not being depreciated-				
Land	\$ 2,039			\$ 2,039
Capital assets, being depreciated:				
Buildings and improvements	12,076			12,076
Equipment	2,912	87		2,999
Subtotal	14,988	87		15,075
Less accumulated depreciation for:				
Buildings and improvements	(3,406)	(242)		(3,648)
Equipment	(2,780)	(58)		(2,838)
Subtotal	(6,186)	(300)		(6,486)
Total capital assets being depreciated, net	8,802	(213)		8,589
First 5 LA capital assets, net	<u>\$ 10,841</u>	<u>(213)</u>		<u>\$ 10,628</u>

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

7. SERVICE CONCESSION ARRANGEMENTS

GASB 60, "Accounting and Financial Reporting for Service Concession Arrangements (SCA)," (GASB 60) 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 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, 2020, the present value of the installment payments under contract is estimated to be \$78.50 million and reported as deferred inflows of resources in the statement of net position. The present values of the installment payments were calculated using discount rates of 5.12%, 3.55% and 3.70% for the term of the agreement for each SCA. The lease terms for the twenty golf courses cover remaining periods ranging from 4 to 19 years as of June 30, 2020. The FY 2019-2020 total monthly installment payments are approximately \$718,000. 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 acquisition value of the golf courses, including land, buildings, and construction in progress, is reported at \$23.64 million as of June 30, 2020.

8. PENSION PLAN

Plan Description

The County pension plan is administered by LACERA, which was established under the CERL. LACERA is a cost-sharing, multi-employer defined benefit plan. It provides benefits to employees of the County and the following additional entities that are not part of the County's reporting entity:

- Los Angeles Superior Court
- Little Lake Cemetery District
- Local Agency Formation Commission
- Los Angeles County Office of Education (LACOE)
- South Coast Air Quality Management District (SCAQMD)

New employees of LACOE hired on or after July 1971 and new employees of SCAQMD hired after December 31, 1979 are not eligible for LACERA benefits.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

8. PENSION PLAN-Continued

Plan Description-Continued

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 or at [www.LACERA.com](http://www.LACERA.com).

Benefits Provided

Benefits are authorized in accordance with the California Constitution, the CERL, the bylaws, and procedures and policies adopted by LACERA's Boards of Retirement and Investments. The Board may also adopt resolutions, as permitted by CERL, which may affect the benefits of LACERA members.

LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible members. Vesting occurs when a member accumulates 5 years of creditable service under contributory plans or accumulates 10 years of creditable service under the general service non-contributory plan. Benefits are based upon 12 or 36 months' average compensation, depending on the plan, as well as age at retirement and length of service as of the retirement date, according to applicable statutory formula. Vested members who terminate employment before retirement age are considered terminated vested (deferred) members. Service-connected disability benefits may be granted regardless of length of service consideration. Five years of service are required for nonservice-connected disability eligibility according to applicable statutory formula. Members of the non-contributory plan, who are covered under separate long-term disability provisions not administered by LACERA, are not eligible for disability benefits provided by LACERA.

Contributions

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.

The following employer rates were in effect for FY 2019-2020:

July 1, 2019 - September 30, 2019	A	B	C	D	E	G
General Members	26.94%	18.04%	16.85%	18.51%	19.84%	18.53%
Safety Members	34.11%	28.36%	23.97%			
October 1, 2019 - June 30, 2020	A	B	C	D	E	G
General Members	27.81%	19.33%	18.33%	19.42%	20.79%	19.42%
Safety Members	35.32%	29.30%	24.68%			

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

8. PENSION PLAN-Continued

Contributions-Continued

The rates were determined by the actuarial valuations performed as of June 30, 2017 and 2018, respectively. The assumptions remained unchanged from the assumptions used in the actuarial valuation performed as of June 30, 2017. The employer contribution rates used in FY 2019-2020, beginning October 1, 2019, increased by 0.71% to 1.48% over the rates used in FY 2018-2019 and may increase again during the following fiscal year. The most significant factor causing the increase was an increase to the normal cost rate.

Employee rates vary by option and employee entry age from 6% to 18% of their annual covered salary.

During FY 2019-2020, the County contributed the full amount of the Actuarial Determined Contribution, as determined by the actuarial valuations, in the form of semi-monthly cash payments in the amount of \$1.733 billion.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the County reported a liability of \$11.561 billion for its proportionate share of the net pension liability in accordance with the parameters of GASB 68, "Accounting and Financial Reporting For Pensions-an amendment of GASB Statement No. 27" (GASB 68). The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, projected forward to the measurement date, taking into account any significant changes between the valuation date and the measurement date. The County's proportion of the net pension liability was based on a projection of the County's future contribution effort to the pension plan relative to the projected contributions of all pension plan participants, actuarially determined. At June 30, 2019, the County's proportionate share was 96.22%, which was an increase of 0.05% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$2.286 billion which is reported as \$1.976 billion for governmental activities and \$309.58 million for business-type activities. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings	\$ 42,135	\$
Change in assumptions		1,852,233
Change in experience	504,419	646,597
Change in proportion and differences between County contributions and proportionate share of contributions	360,907	397,725
Contributions made subsequent to measurement date		1,732,960
Total	<u>\$ 907,461</u>	<u>\$ 4,629,515</u>

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

8. PENSION PLAN-Continued

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-Continued

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner. Investment gains or losses are recognized in pension expense over a 5 year period and economic/demographic gains or losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members, which is 8 years as of June 30, 2020.

Amounts currently reported as deferred outflows and inflows of resources, other than contributions related to pension, will be recognized in pension expense as follows (in thousands):

<u>Year Ending June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 556,858
2022	(136,319)
2023	346,144
2024	596,730
2025	465,659
Thereafter	160,022

Deferred outflows of \$1.733 billion related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the measurement year ending June 30, 2020.

Actuarial Assumptions

Valuation Timing	June 30, 2018, rolled forward to June 30, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.75%
General Wage Growth	3.25%
Projected Salary Increases	3.51% to 11.51%
Investment Rate of Return	7.38%, net of investment expense, including inflation
Cost of Living Adjustments (COLA)	Post-retirement benefit increases of either 2.75% or 2.00% per year are assumed based on the benefits provided. Supplemental Targeted Adjustment for Retirees (STAR) COLA benefits are assumed to be substantively automatic at the 80% purchasing power level until the STAR reserve is projected to be insufficient to pay further STAR benefits.
Mortality	Various rates based on the RP-2014 Healthy and Disabled Annuitant mortality tables and including projection for expected future mortality improvement using the MP2014 Ultimate Projection Scale. See June 30, 2018 actuarial valuation for details. It can be found at <a href="http://www.LACERA.com">www.LACERA.com</a> .
Experience Study	Covers the 3 year period ended June 30, 2016.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

8. PENSION PLAN-Continued

Actuarial Assumptions-Continued

The long-term expected rate of return on pension plan investments (7.25%, net of all expenses) was determined using a building block method in which a median, or expected, geometric rate of return was developed for each major asset class. The median rates were combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentages.

For the year ended June 30, 2019:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)
Growth	47.00%	6.50 %
Global Equity	35.00 %	5.70 %
Private Equity	10.00 %	7.10 %
Opportunistic Real Estate	2.00 %	6.20 %
Credit	12.00%	3.40 %
High Yield Bonds	3.00 %	3.60 %
Bank Loans	4.00 %	3.30 %
Emerging Market Bonds (local)	2.00 %	2.50 %
Illiquid Credit	3.00 %	3.20 %
Real Assets and Inflation Hedges	17.00%	3.80 %
Core and Value Added Real Estate	7.00 %	3.20 %
Natural Resources and Commodities	4.00 %	4.40 %
Infrastructure	3.00 %	4.10 %
TIPS	3.00 %	0.80 %
Risk Reduction and Mitigation	24.00%	1.40 %
Investment Grade Bonds	19.00 %	1.10 %
Diversified Hedge Fund Portfolio	4.00 %	2.80 %
Cash Equivalents	1.00 %	0.10 %

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

8. PENSION PLAN-Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. This is equal to the 7.25% long-term investment return assumption adopted by LACERA (net of investment and administrative expenses), plus 0.13% assumed administrative expenses. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be sufficient to pay all projected future benefit payments of current active and inactive plan members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, gross of administrative expenses.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the County's proportionate share of the net pension liability calculated using the discount rate of 7.38%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.38%) or 1-percentage point higher (8.38%) than the current rate (in thousands):

	1% Decrease (6.38%)	Discount Rate (7.38%)	1% Increase (8.38%)
Net Pension Liability	\$20,660,099	\$11,560,668	\$ 4,036,594

Pension Plan Fiduciary Net Position

Detailed information about pension plan fiduciary net position as of June 30, 2019 is available in the separately issued LACERA financial report, which can be found at [www.LACERA.com](http://www.LACERA.com).

Deferred Compensation Plans

The County offers to its employees three deferred compensation plans created in accordance with Sections 401 and 457 of the Internal Revenue Code. One or more of these plans are available to substantially all employees and allow participants to defer a portion of their current income until future years.



COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

8. PENSION PLAN-Continued

Deferred Compensation Plans-Continued

Plan Description and Funding Policy

The Deferred Compensation and Thrift Plan was established as a Section 457 defined contribution plan covering employees who have achieved full time and permanent employment status. The plan is designed to permit these employees to voluntarily defer a portion of their compensation and provide for retirement and death benefits. The plan is funded by employer and employee contributions. As of June 30, 2020, the County provided up to a 4% matching contribution per pay period of the employee's voluntary contribution. As of May 1, 2020, the match for non-represented employees was curtailed to help mitigate the economic effect of COVID-19. Matching contributions are scheduled to resume on July 1, 2021. Employer and employee contributions are deposited into the participant accounts and invested based on participant selected options. Total employer contributions for the year ended June 30, 2020, were \$267.05 million.

The Savings Plan is a Section 401(k) defined contribution plan covering eligible full-time permanent employees of the County not covered by collective bargaining agreements and who desire to participate in the plan. Employees eligible for voluntary participation in this plan are also eligible for participation in the Deferred Compensation and Thrift Plan. The plan is funded by employer and employee contributions. For the period July 1 through April 30, 2020, the County provided up to a 4% matching contribution per pay period of the employee's voluntary contribution. As of May 1, 2020, the match for non-represented employees was curtailed to help mitigate the economic effect of COVID-19. Matching contributions are scheduled to resume on July 1, 2021. Employer and employee contributions are deposited into the participant accounts and invested based on participant selected options. Total employer contributions for the year ended June 30, 2020, were \$66.31 million.

The Pension Savings Plan is a Section 457 defined contribution plan covering part-time, temporary and seasonal County employees who are not eligible to participate in the retirement programs provided through the LACERA. The plan was established in lieu of employee coverage under Social Security. Participation in the plan is mandatory and employees must contribute a minimum of 4.5% of their eligible earnings and the County makes a contribution equal to 3% of compensation. Participants may contribute additional amounts beyond the required 4.5%. Total employer contributions for the year ended June 30, 2020, were \$9.43 million.

The plans are administered through a third-party administrator. The assets of the plans are held in trust by Wells Fargo Bank, N.A. and invested at the direction of the participants. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

9. OTHER POSTEMPLOYMENT BENEFITS

Retiree Healthcare

Plan Description

LACERA administers an agent multiple-employer Retiree Healthcare (RHC) OPEB program on behalf of the County, its affiliated Superior Court, and four outside districts. The outside districts include: Little Lake Cemetery District, Local Agency Formation Commission, LACOE and the South Coast Air Quality Management District. As of July 1, 2018, LACERA transitioned the OPEB program from a cost-sharing, multi-employer plan. The agent plan structure determines program liabilities and costs directly by employer and allocates shared expenses. The measurement period for the RHC OPEB program is June 30, 2019 and the first valuation under the agent plan structure was performed as of July 1, 2018 to be implemented in the June 30, 2019 measurement date.

In April 1982, the County 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.

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.

Pursuant to the 1982, 1994, and 2014 Agreements between the County and LACERA, the parties agreed to the continuation of the health insurance benefits then in existence. The County agreed to subsidize a portion of the insurance premiums of certain retired members and their eligible dependents based on the member's length of service. The County further agreed to maintain the status quo of existing benefits provided to participants. As part of the 2014 Agreement, the County modified the existing healthcare benefit plan, which created a new benefit structure, Tier 2, for all employees hired after June 30, 2014. LACERA agreed not to change retired members' contributions toward insurance premiums or modify medical benefit levels without the County's prior consent. Active employees are not required to make contributions to the plan.

Pursuant to the California Government Code, the County established an irrevocable OPEB Trust for the purpose of holding and investing assets to pre-fund the RHP, which LACERA administers. On May 15, 2012, the County Board entered into a trust and investment services agreement with the LACERA Board of Investments to act as trustee and investment manager. The OPEB Trust does not modify the County's benefit programs.

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 or [www.LACERA.com](http://www.LACERA.com).

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Benefits Provided

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. Service includes all service on which the member's retirement allowance was based.

The RHC OPEB Program offers members an extensive choice of medical plans as well as two dental/vision plans. The medical plans are either HMOs or indemnity plans, and some are designed to work with Medicare benefits, such as the Medicare Supplement or Medicare HMO plans. Coverage is available regardless of preexisting medical conditions. Under Tier 2, retirees who are eligible for Medicare are required to enroll in that program. Medicare-eligible retirees and their covered dependents must enroll in Medicare Parts A and B and in a Medicare HMO plan or Medicare Supplement plan under Tier 2.

Medical and Dental/Vision - Program benefits are provided through third party insurance carriers with the participant's cost for medical and dental/vision insurance varying according to the years of retirement service credit with LACERA, the plan selected, and the number of persons covered. The County contribution subsidizing the participant's cost starts at 10 years of service credit in the amount of 40% of the lesser of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. For each year of retirement service credit earned beyond 10 years, the County contributes 4% per year, up to a maximum of 100% for a member with 25 years of service credit. The County contribution can never exceed the premium of the benchmark plans. Members are responsible for premium amounts above the benchmark plans, including those with 25 or more years of service credit.

Under Tier 1, the County subsidy is based on the coverage elected by the retiree. The benchmark plans are Anthem Blue Cross Plans I and II for medical and Cigna Indemnity Dental/Vision for dental and vision. Under Tier 2, the County subsidy is based on retiree only coverage. Tier 2 medical benchmark plans are Anthem Blue Cross Plans I and II for Medicare-ineligible members, Anthem Blue Cross Plan III for Medicare-eligible members, and Cigna Indemnity Dental/Vision for dental and vision plans.

Medicare Part B - The County reimburses the member's Medicare Part B Standard rate premiums paid by member to Social Security for Part B coverage, subject to annual approval by the County Board of Supervisors. Eligible members and their dependents must be enrolled in both Medicare Part A and Medicare Part B and enrolled in a LACERA- administered Medicare HMO Plan or Medicare Supplement Plan and meet all of the qualifications. Under Tier 2, the County reimburses for Medicare Part B (at the standard rate) for eligible members or eligible survivors only.

Disability - If a member is granted a service-connected disability retirement and has less than 13 years of service, the County contributes the lesser of 50% of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. Under Tier 2, the benchmark plan rate is based on retiree-only premiums. A member with 13 years of service credit receives a 52% subsidy. This percentage increases 4% for each additional completed year of service, up to a maximum of 100%.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Benefits Provided-Continued

Death/Burial Benefit - There is a one-time lump-sum \$5,000 death/burial benefit payable to the designated beneficiary upon the death of a retiree, reimbursed to LACERA by the County. Active and vested terminated (deferred) members are eligible for this benefit once they retire. Spouses and dependents are not eligible for this death benefit.

Employees Covered by Benefit Terms

Medical and Dental/Vision Benefits

	2019	
	Medical	Dental/ Vision
Retired Participants		
Retired Members and Survivors	51,216	52,499
Spouses and Dependents	26,147	29,949
Total Retired	77,363	82,448
Inactive Members - Vested	8,618	8,618
Active Members - Vested	72,660	72,660
Total Membership Eligible for Benefits	158,641	163,726

Death Benefits

	2019
Paid Death Benefits	2,538
Retired with Eligibility for Death Benefits	57,409
Active Members - Vested	72,660
Total Membership Eligible for Benefits	132,607

Contributions

The current funding policy requires the County to contribute on a pay-as-you-go basis. During FY 2019-2020, the County made payments to LACERA totaling \$634.75 million for retiree healthcare benefits. Included in this amount was \$73.60 million for Medicare Part B reimbursements and \$8.10 million in death benefits. Additionally, \$49.20 million was paid by member participants. During FY 2019-2020, the County also contributed \$246.20 million in excess of the pay-as-you-go amounts.

Net OPEB Liability

At June 30, 2020, the County reported a net RHC OPEB liability of \$24.828 billion. The net RHC OPEB liability was measured as of June 30, 2019, and the total RHC OPEB liability used to calculate the net RHC OPEB liability was determined by an actuarial valuation as July 1, 2018, projected forward to the measurement date taking into account any significant changes between the valuation date and the measurement date.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Actuarial Methods and Assumptions

Valuation Timing	July 1, 2018, rolled forward to June 30, 2019
Actuarial Cost Method	Individual Entry Age Normal, Level Percent of Pay
Asset Valuation Method	Fair Market Value
Inflation	2.75%
Salary Increases	3.25% general wage increase and merit according to Table A-5 of the June 30, 2018 actuarial valuation of retirement benefits. It can be found at: <a href="http://www.LACERA.com">www.LACERA.com</a> .
Mortality	Various rates based on the RP-2014 Healthy and Disabled Annuitant mortality tables and including projection for expected future mortality improvement using the MO Healthcare Cost Trend Rates MP-2014 Ultimate Projection Scale.
Experience Study	Covers the three year period ended June 30, 2016.
Discount Rate	4.69%
Long-term expected rate of return, net of investment expenses	6.00%
20 Year Tax-Exempt Municipal Bond Yield	3.50%

Healthcare Cost Trend rates:

	<u>Initial Year</u>	<u>Ultimate</u>
LACERA Medical Under 65	6.30%	4.50%
LACERA Medical Over 65	6.00%	4.50%
Part B Premiums	1.85%	4.35%
Dental/Vision	3.00%	3.70%
Weighted Average Trend	5.42%	4.47%

Investments

The LACERA Board of Investments is responsible for setting the investment policy and investing any contributions made to the OPEB Trust from the participating employers. In December 2017, the LACERA Board of Investments adopted a revised asset allocation policy which divides the OPEB Trust into four broad functional categories and contains asset classes that align with the purpose of each function. The approved target weights provide for diversification of assets in an effort to meet the LACERA's actuarial assumed rate of return, consistent with market conditions and risk control. The following was the adopted asset allocation policy as of June 30, 2019.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Investments-Continued

Asset Class	Target Allocation
Growth	50.00%
Global Equity	50.00 %
Credit	20.00%
High Yield Bonds	6.00 %
Bank Loans	10.00 %
EM Local Currency Bonds	4.00 %
Risk Reduction and Mitigation	10.00%
Cash Equivalents	2.00 %
Investment Grade Bonds	8.00 %
Inflation Hedges	20.00%
TIPS	6.00 %
Real Estate (REITs)	10.00 %
Commodities	4.00 %

Money-Weighted Rate of Return

As of the measurement date, June 30, 2019, the annual money-weighted rate of return on OPEB Trust investments, net of OPEB Trust investment expense, was 6.00 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the measurement date of June 30, 2018, the annual money-weighted rate of return was 6.30 percent.

Discount Rate

GASB 75 requires determination of whether the OPEB Trust's Fiduciary Net Position is projected to be sufficient to make projected benefit payments. The Plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate based on the 20-year Bond Buyer GO index (municipal bond rate) which was 3.50% as of June 30, 2019. For 2018, the long-term expected rate of return of 3.87% was applied to projected benefit payments from 2018 to 2058. The municipal bond rate was applied to the remaining periods. The resultant blended discount rate used to measure the Total OPEB Liability as of June 30, 2019 was 4.69%, a decrease of 0.42% from the rate as of June 30, 2018.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Changes in Net OPEB Liability			
Balance as of June 30, 2018 (Cost Sharing)	\$ 24,490,107	899,421	\$ 23,590,686
Changes for the year:			
Effect of change from Cost Sharing to Agent	(2,204,743)		(2,204,743)
Service cost	779,965		779,965
Interest on Total OPEB Liability	1,197,607		1,197,607
Effect of assumption changes or inputs	2,356,270		2,356,270
Benefit payments	(601,985)	(601,985)	
Employer contributions		840,965	(840,965)
Net investment income		59,606	(59,606)
Administrative expenses		(8,601)	8,601
Balances as of June 30, 2019	<u>\$ 26,017,221</u>	<u>\$ 1,189,406</u>	<u>\$ 24,827,815</u>

Sensitivity of the County's Net RHC OPEB Liability to Changes in the Discount Rate

The following represents the County's net RHC OPEB liability calculated using the discount rate of 4.69%, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.69%) or 1-percentage point higher (5.69%) than the current rate (in thousands):

	1% Decrease (3.69%)	Discount Rate (4.69%)	1% Increase (5.69%)
Net RHC OPEB Liability	\$ 29,827,664	\$ 24,827,815	\$ 20,890,074

Sensitivity of the County's Net RHC OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the County's proportionate share of the net RHC OPEB liability, as well as what the County's proportionate share of the net RHC OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates (in thousands):

	1% Decrease	Current Trend Rate	1% Increase
Net RHC OPEB Liability	\$ 20,158,802	\$ 24,827,815	\$ 31,041,404

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

OPEB Expense and the Deferred Outflows/Inflows of Resources Related to RHC OPEB

For the year ended June 30, 2020, the County recognized OPEB expense of (\$1.500) billion which is reported as (\$1.221) billion for governmental activities and (\$278.81) million for business-type activities. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of change in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits.

At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to RHC OPEB from the following sources (in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings	\$ 35,054	\$
Change of assumptions	2,538,280	2,095,398
Change in experience	1,023,949	
Change in proportion and differences between County contributions and the proportionate share of contributions	1,077,113	1,077,113
Contributions made subsequent to measurement date		880,949
Total	<u>\$ 4,674,396</u>	<u>\$ 4,053,460</u>

The deferred inflows of resources and deferred outflows of resources above represent the unamortized portion of changes to the net RHC OPEB liability to be recognized in future periods in a systematic and rationale manner. Investment gains or losses are recognized in OPEB expense over a five year period and economic/demographic gains or losses and assumption changes or inputs are recognized over the average remaining service life of all active and inactive members, which is 9 years as of June 30, 2020.

Amounts currently reported as deferred outflows and inflows of resources, other than contributions related to RHC OPEB, will be recognized in RHC OPEB expense as follows (in thousands):

<u>Year ending June 30:</u>	Deferred Outflows/(Inflows) of Resources
2021	\$ (288,593)
2022	(288,593)
2023	(278,307)
2024	(273,480)
2025	(273,714)
Thereafter	(99,198)

Deferred outflows of resources of \$880.95 million related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the measurement year ending June 30, 2020.



COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability

Plan Description

The County provides LTD benefits to employees and these benefits have been determined to fall within the definition of OPEB. The LTD plans are administered by the County and are not administered through a trust. Each of the LTD plans are a single employer plan and the amounts paid by the County are on a pay-as-you-go basis. These LTD benefits provide for income replacement if an employee is unable to work because of illness or injury. The Board approved the County's original LTD plan effective March 3, 1982. Effective January 1, 1991, a new Megaflex plan was approved by the Board and includes a Megaflex LTD plan and a LTD Health plan. The LTD Health plan was added to the LTD program and made available to all participants effective January 1, 2002.

Benefits Provided

The benefit provisions of the four LTD plans are as follows:

Eligibility

Non-Megaflex Income/Survivor Income Benefit (SIB) - The plan covers:

- (1) An employee who becomes totally disabled as a direct result of an injury or disease while performing his/her assigned duties; or,
- (2) An employee who becomes totally disabled after having completed five or more years of continuous service with the County; or,
- (3) A qualified beneficiary of a deceased employee who had previously become totally disabled as a direct result of an injury or disease while performing his/her assigned duties; or,
- (4) A qualified beneficiary of a deceased employee who had previously become totally disabled after having completed five or more years of continuous service with the County; or,
- (5) A qualified beneficiary of an employee who dies as a direct result of an injury or disease while performing his/her assigned duties, or,
- (6) A qualified beneficiary of an employee who dies in active service after having completed five or more years of continuous service with the County.

Megaflex Income/SIB - The plan covers:

- (1) An employee purchases LTD coverage and then becomes totally disabled; or,
- (2) An employee who becomes totally disabled after having completed five or more years of continuous service with the County and is a member of Retirement Plan E.
- (3) The Qualified Beneficiary of a Retirement Plan E participant who is currently enrolled in the SIB plan at the time of death.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Benefits Provided-Continued

Non-MegaFlex Member LTD Health Plan - The plan continues medical insurance coverage for employees who are receiving or eligible to receive LTD Income benefits and are enrolled in one of the County approved health plans.

MegaFlex Member LTD Health Plan - The plan continues medical insurance coverage for employees who are receiving or eligible to receive LTD Income benefits and are enrolled in one of the County approved health plans.

Benefit Formula

Non-Megaflex Income/SIB - The plan provides a basic monthly benefit of:

- (1) 60% of Basic Monthly Compensation (commences after 6 months of disability).
- (2) Annual COLA, beginning after 2 years of benefit payments (limited to a maximum of 2%/year), if disabled after 1/1/2001.
- (3) For a qualified beneficiary, 55% of the LTD disability benefit that the employee was receiving or would have received immediately prior to death; and, continues for the life of the qualified surviving spouse/domestic partner and upon spousal death to the qualified children beneficiaries.

Megaflex Income/SIB - The plan provides a basic monthly benefit of:

- (1) 40% or 60% of Basic Monthly Compensation (commences after 6 months of disability)
  - a. Plan E members
    - (1) With 5+ years of services 40% non-elective or can buy up to 60%
    - (2) With less than 5 years of service: can buy 40% or 60%
  - b. Plan A, B, C, or D members: can buy 40% or 60%
- (2) Annual COLA, beginning after 2 years of benefit payments (limited to a maximum of 2% per year), if disabled after 1/1/2001.
- (3) For a qualified beneficiary, the plan provides a basic monthly benefit of 10%, 15%, 25%, 35%, or 50% of employee's monthly salary if they elected.

Non-MegaFlex Member LTD Health Plan - The plan pays 75% of monthly medical premiums for disabled members.

MegaFlex Member LTD Health Plan - The plan pays 75% of monthly medical premiums for disabled members.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Benefits Provided-Continued

Maximum Period

Non-Megaflex Income/SIB and Megaflex Income/SIB - LTD benefits stop when:

- (1) Employee is no longer totally disabled or turns age 65, whichever occurs first. However, if employee is age 62 or older when benefit commences, benefit can continue beyond age 65 (length depends on age at commencement) as follows:

Age at Disability	Maximum Period
62	3 ½
63	3
64	2 ½
65	2
66	1 ¾
67	1 ½
68	1 ¼
69 and older	1

or

- (2) Employee takes early or normal retirement under Plan E.

Employees covered by benefit terms

At June 30, 2019, the following employees were covered by the benefit terms:

LTD Income and Survivor Benefit Plans:

Inactive employees or beneficiaries currently receiving benefit payments	2,249
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	82,263

LTD Health Plans

Inactive employees or beneficiaries currently receiving benefit payments	618
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	78,793

Total LTD OPEB Liability

At June 30, 2020, the County reported a total LTD OPEB liability of \$1.094 billion. The total LTD OPEB liability was determined by an actuarial valuation as of July 1, 2019.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Actuarial Methods and Assumptions

Valuation Timing	July 1, 2019
Actuarial Cost Method	Individual Entry Age Normal, Level Percent of Pay
Inflation	The inflation rate is included in the salary increase percentage and the Healthcare cost trend rates.
Salary Increases	3.25% general wage increase and merit according to Table A-5 of the June 30, 2019 RHC OPEB Program's actuarial valuation report. It can be found at <a href="http://www.LACERA.com">www.LACERA.com</a> .
Mortality	Various rates based on the RP-2014 Healthy and Disabled Annuitant mortality tables and including projection for expected future mortality improvement using the MO Healthcare Cost Trend Rates - MP-2014 Ultimate Projection Scale.
Discount Rate	Equal to the municipal bond rate based on the 20-year Bond Buyer GO index (municipal bond rate), which was 3.87% as of June 30, 2018, and 3.50% as of June 30, 2019.

Healthcare Cost Trend rates:

Year	Rate (pre Medicare/ post Medicare)	Year	Rate (pre Medicare/ post Medicare)
2019-2020	3.30%/2.90%	2048-2049	5.60%/5.30%
2020-2021	6.40%/6.30%	2058-2059	5.30%/5.70%
2021-2022	5.70%/6.00%	2068-2069	4.90%/5.10%
2022-2023	5.60%/5.90%	2078-2079	4.40%/4.50%
2023-2024	5.20%/5.10%	2088-2089	4.40%/4.50%
2024-2025	5.20%/5.20%	2098-2099	4.40%/4.50%
2025-2026	5.30%/5.30%	2099+	4.40%/4.50%
2026-2027	5.40%/5.30%		
2027-2028	5.60%/5.30%		
2028-2029	5.70%/5.30%		
2038-2039	5.90%/5.40%		

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Changes in the Total LTD OPEB Liability (in thousands):

Total LTD OPEB Liability at 6/30/2018	\$ 1,048,244
Service cost	41,832
Interest	41,028
Changes of benefit terms	
Differences between expected and actual experience	(55,159)
Changes of assumptions or other inputs	78,190
Benefit payments	(60,451)
Net Changes	<u>45,440</u>
Total LTD OPEB Liability at 6/30/2019	<u><u>\$ 1,093,684</u></u>

Changes of assumptions or other inputs reflect a change in the discount rate from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019.

Sensitivity of the Total LTD OPEB Liability to Changes in the Discount Rate

The following represents the County's total LTD OPEB liability calculated using the discount rate of 3.50%, as well as what the County's total LTD OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.50%) or 1-percentage point higher (4.50%) than the current rate (in thousands):

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total LTD OPEB Liability	\$ 1,216,766	\$ 1,093,684	\$ 983,052

Sensitivity of the County's Total LTD OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the County's total LTD OPEB liability, as well as what the County's total LTD OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates (in thousands):

	1% Decrease	Current Trend Rate	1% Increase
Total LTD OPEB Liability	\$ 1,079,589	\$ 1,093,684	\$1,111,272

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long Term Disability-Continued

OPEB Expense and the Deferred Outflows of Resources and Deferred Inflows of Resources Related to LTD OPEB

For the year ended June 30, 2020, the County recognized LTD OPEB expense of \$12.16 million which is reported as \$14.15 million for governmental activities and (\$1.99) million for business-type activities. OPEB expense represents the change in the total LTD OPEB liability during the measurement period, adjusted for the deferred recognition of change in actuarial gain/loss, actuarial assumptions or methods, and plan benefits.

At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to LTD OPEB from the following sources (in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Change in experience	\$ 50,145	\$ 1,368
Change of assumptions	115,961	71,083
Change in proportionate share	73,758	73,758
Total	<u>\$ 239,864</u>	<u>\$ 146,209</u>

The deferred inflows of resources and deferred outflows of resources above represent the unamortized portion of changes to the total LTD OPEB liability to be recognized in future periods in a systematic and rational manner. Economic/demographic gains or losses, assumption changes or inputs, and change in proportion are recognized over the average remaining service life of all active and inactive members, which is 11 years. The change in proportionate share represents the changes in allocation percentages to the individual funds, including the proprietary funds, of the total OPEB LTD liability from the prior measurement date to the current measurement date.

Amounts currently reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows (in thousands):

<u>Year Ending June 30:</u>	Deferred Outflows/(Inflows) of Resources
2021	\$ (10,244)
2022	(10,244)
2023	(10,244)
2024	(10,244)
2025	(10,244)
Thereafter	(42,435)

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long Term Disability-Continued

Combined Balances of the Net OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and the OPEB Expense

The following total balances are reflected in the accompanying statement of net position (in thousands):

	RHC OPEB	LTD OPEB	Total
Net OPEB Liability	\$ 24,827,815	1,093,684	\$ 25,921,499
Deferred Outflows of Resources	4,053,460	146,209	4,199,669
Deferred Inflows of Resources	4,674,396	239,864	4,914,260
OPEB Expense	(1,499,606)	12,161	(1,487,445)

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, 2020 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2021	\$ 102,436
2022	87,739
2023	72,609
2024	59,361
2025	46,542
2026-2030	113,978
2031-2035	38,446
2036-2040	21,023
2041-2045	15,522
2046-2050	10,089
Total	<u>\$ 567,745</u>

Rent expenses related to operating leases were \$115.12 million for the year ended June 30, 2020.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020 (in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2021	\$ 27,657	\$ 52
2022	27,169	34
2023	27,100	11
2024	26,902	
2025	19,765	
2026-2030	92,063	
2031-2035	54,348	
2036-2040	19,019	
Total	<u>294,023</u>	<u>97</u>
Less: Amount representing interest	<u>145,197</u>	<u>5</u>
Present value of future minimum lease payments	<u>\$ 148,826</u>	<u>\$ 92</u>

The following is a schedule of property under capital leases by major classes at June 30, 2020 (in thousands):

	Governmental Activities	Business-type Activities
Land	\$ 32,238	\$
Buildings and improvements	142,638	
Equipment	61,073	276
Accumulated depreciation	(80,631)	(189)
Total	<u>\$ 155,318</u>	<u>\$ 87</u>

Future rent revenues to be received from noncancelable subleases are \$792,000 as of June 30, 2020.

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, regional parks, asset development projects and Whiteman Airport. 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 are entered into by the County for private sector development of commercial, industrial, residential, and cultural uses on vacant or underutilized County owned property. The Whiteman Airport lease is for hanger space. The asset development leases cover remaining periods ranging generally from 7 to 78 years and are accounted for in the General Fund. The lease terms for the regional parks cover remaining periods ranging from 1 to 19 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 2 to 58 years and are accounted for in the General Fund. The airport lease covers a remaining period of 11 years and is accounted for in the Aviation Enterprise Fund.



COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

10. LEASES-Continued

Leases of County-Owned Property-Continued

The land carrying value of the asset development project ground leases and the Marina del Rey Project area leases is \$753.34 million. The carrying value of the capital assets associated with the regional park and Whiteman Airport operating leases is not determinable.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2020 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2021	\$ 50,755	\$ 197
2022	50,912	201
2023	48,631	206
2024	46,191	212
2025	45,961	217
Thereafter	1,669,206	1,420
Total	<u>\$ 1,911,656</u>	<u>\$ 2,453</u>

The following is a schedule of rental income for these operating leases for the year ended June 30, 2020 (in thousands):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Minimum rentals	\$ 49,708	\$ 192
Contingent rentals	18,455	
Total	<u>\$ 68,163</u>	<u>\$ 192</u>

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

11. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans from direct borrowings and direct placements, pension (see Note 8), 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.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

11. LONG-TERM OBLIGATIONS-Continued

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

	Original Par Amount of Debt	Balance June 30, 2020
NPC Bonds, 5.00%	\$ 26,986	\$ 443
Public Buildings Bonds and Notes, 0.32% to 7.62%	1,435,466	1,394,827
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds, 1.75% to 5.35%	349,584	382,333
NPC Bond Anticipation Notes, 0.675% to 2.96%	40,000	40,000
Marina del Rey Loans, 4.50% to 4.70%	23,500	11,227
Lease Revenue Obligation Notes, 0.20% to 0.45%	224,818	224,818
Total	<u>\$ 2,100,354</u>	<u>\$ 2,053,648</u>

A summary of bonds, and notes and loans from direct borrowings and direct placements recorded within business-type activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2020
NPC Bonds, 5.00%	\$ 10,494	\$ 172
Public Buildings Bonds and Notes, 2.00% to 7.62%	968,128	959,287
Lease Revenue Obligation Notes, 0.20% to 0.45%	99,972	99,972
Waterworks District Loans, 2.28%	8,869	6,539
Aviation Loan, 2.95%	2,000	1,510
Total	<u>\$ 1,089,463</u>	<u>\$ 1,067,480</u>

Assessment Bonds

The RPOSD 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 RPOSD. 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 RPOSD's boundaries. The bonds matured on October 1, 2019.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

11. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation and Bonds

The County has issued lease revenue bonds through various financing entities that have been established 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. The County has pledged a total of 15 County-owned properties as collateral for various bonds, including the new bonds below.

During FY 2019-2020, the County issued \$251.90 million of lease revenue bonds, which includes \$219.34 million (2019 Series E-1) and \$32.56 million (2019 Series E-2), to redeem Lease revenue obligation notes (LRON) for various capital improvement projects. The proceeds from these bonds plus the associated premium of \$15.77 million for governmental activities and \$52.29 million for business-type activities less issuance costs of \$1.20 million were used to redeem \$73.48 million of LRON for governmental activities and \$245.27 million of LRON for business-type activities. The County has pledged nine County-owned properties as collateral for the debt. The debts issued are \$57.99 million for governmental activities and \$193.90 million for business-type activities.

Principal and interest requirements on NPC bonds and Public Buildings certificates of participation and bonds for governmental activities and 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>
2021	\$ 40,461	\$ 73,755	\$ 21,768	\$ 52,223
2022	50,945	63,647	22,469	51,088
2023	55,881	61,136	23,425	49,868
2024	35,371	58,666	24,454	48,542
2025	37,026	56,773	25,609	47,046
2026-2030	215,012	249,717	148,468	208,684
2031-2035	222,516	186,829	189,544	155,354
2036-2040	242,518	121,941	240,092	88,196
2041-2045	210,028	56,598	127,437	24,494
2046-2050	105,695	19,494	55,040	7,155
2051-2052	34,525	1,747		
Subtotal	1,249,978	<u>\$ 950,303</u>	878,306	<u>\$ 732,650</u>
Add: Accretions	7,820			
Unamortized bond premiums	137,472		81,153	
Total certificates of participation and bonds	<u>\$ 1,395,270</u>		<u>\$ 959,459</u>	

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

11. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds

In 2006, the County entered into a Sale Agreement with the 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 \$319.83 million and a residual certificate in exchange for the rights to receive and retain 25.90% 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 2020 were \$131.51 million. 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 5.70% interest rate at the time of the sale, was \$309.23 million. 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.

On June 10, 2020, the California County Tobacco Securitization Agency issued \$349.59 million of Tobacco Settlement Bonds comprised of three series, maturing on various dates between 2021 and 2055, as reflected in governmental activities. These tax-exempt Tobacco Settlement Bonds Series 2020A (Senior) totaling \$213.46, Series 2020B-1 (Subordinate) totaling \$52.50 million, and Series 2020B-2 (Subordinate) totaling \$83.63 million were issued to refund on a current basis all of the outstanding principal amount of \$392.40 million of the Agency's Tobacco Settlement Asset-Backed Bonds Series 2006 through defeasance and redemption. The effective interest rates of the Series 2020 bonds vary from 0.71% through 5.35%.

Proceeds from the sale of the bonds were deposited in an irrevocable trust with an escrow agent to provide for the prepayment of debt service payments on the refunded bonds. Accordingly, the refunded bonds were considered to be defeased and the liabilities for those bonds were removed from the government-wide statement of net position – governmental activities. Specific disclosures related to the refunding issue are as follows (in thousands):

Proceeds of refunding bonds issued	\$ 349,584
Prior years' net bond reserves and/or premiums	44,313
Deposit to escrow	<u>\$ 393,897</u>
Net present value savings (economic gain)	<u>\$ 101,974</u>

For the refunding transaction, the carrying amount of the refunded debt of \$392.40 million was less than the reacquisition price of \$393.90 million. The difference of \$1.50 million for governmental activities was fully amortized. This amount has been reported as interest expense in the basic financial statements.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

11. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds-Continued

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2021	\$ 13,105	\$ 11,108
2022	13,165	11,086
2023	13,520	10,675
2024	14,015	10,060
2025	14,590	9,359
2026-2030	71,616	37,023
2031-2035	62,487	26,938
2036-2040	62,958	18,821
2041-2045	53,898	10,630
2046-2050	30,230	3,028
Subtotal	349,584	\$ 148,728
Add: Unamortized bond premiums	32,749	
Total tobacco settlement asset-backed bonds	\$ 382,333	

Notes, Loans, and Lease Revenue Obligation Notes

Notes from Direct Placements

BANs are issued by LACCAL to provide interim financing for equipment purchases. BANs are purchased by the County Treasury Pool and are payable within 5 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 2019-2020, LACCAL, an Internal Service Fund, issued additional BANs in the amount of \$10.00 million as reflected in governmental activities. As of June 30, 2020, the note balance is \$40.00 million for governmental activities only.

Loans from Direct Borrowings

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. The loan contract contains a provision that in the event the County fails to make payment due, all principal and interest outstanding shall become immediately due and payable, and the deficiency will be added to, and become part of, the principal of the loan. As of June 30, 2020, the balance is \$11.23 million.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Loans from Direct Borrowings-Continued

In June 2010, the Board approved a resolution authorizing the Waterworks Districts to obtain Safe Drinking Water State Revolving loans in the amount of \$3.41 million and \$5.47 million 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 46.73% of the annual surcharge revenues. The funding agreements contain a provision that in an event of default, obligations may be immediately due and payable, and further disbursements may be terminated. During FY 2019-2020, the County did not obtain any additional loans. As of June 30, 2020, total loans drawn are \$3.40 million on the Sepulveda Feeder Interconnection project and \$5.47 million on the Marina del Rey Waterline Replacement project. As of June 30, 2020, the balance is \$6.54 million.

In July 2014, the Board approved the Whiteman Airport Leasehold Interest Acquisition Project, with a total Project cost of \$4.02 million. To partially finance the acquisition, the Aviation Enterprise Fund obtained an Airport Development Loan from the State of California Department of Transportation, Aeronautics Program for \$2.00 million with an annual interest rate of 2.95%. The Airport Development Loan will be repaid over 17 years with revenue generated by rental income. The loan agreement contains a provision that if the County fails to comply with or perform any term or condition in the agreement, or fails to pay the annual loan payment, the entire outstanding principal amount of the loan and all accrued interest may be immediately due and payable. In addition, the County may be ineligible for future financing under the program. During FY 2019-2020, the County did not obtain any additional airport development loans. As of June 30, 2020, the balance is \$1.51 million.

Lease Revenue Obligation Notes from Direct Borrowings

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 four irrevocable direct-pay letters of credit (LOC) from separate banks supporting the issuance of LRON. This program is secured by fifteen County-owned properties pledged as collateral in a lease-revenue financing structure with LACCAL. The LOCs were issued for a five-year period and have a termination date of April 4, 2024. The County has the option to extend the LOCs 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, 2020

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Lease Revenue Obligation Notes from Direct Borrowings-Continued

The aggregate maximum principal amount of the four LOCs is \$600.00 million, which consists of \$100.00 million of Series A (Bank of the West), \$200.00 million of Series B (U.S. Bank), \$200.00 million of Series C (Wells Fargo Bank), and \$100.00 million of Series D (State Street Bank). The County is responsible for the payment of a non-refundable letter of credit fee for each LOC 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 all four series of LOCs is equal to 0.35% of the maximum principal amount of the LOC. As of June 30, 2020, \$324.79 million of LRON issued under the program were outstanding, including \$76.60 million of Series A, \$103.27 million of Series B, \$90.80 million of Series C, and \$54.12 million of 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. In the event the notes are not able to be reissued in the note market, the bank will make a Principal Advance to pay the principal of the maturing note. If the Principal Advance remains outstanding longer than 90 days, a term loan is created to repay the bank. During FY 2019-2020, the County redeemed \$343.53 million and reissued \$239.18 million for governmental activities and reissued \$323.14 million for business-type activities, representing the total amounts outstanding at the beginning of the year. These reissues, along with an additional \$106.00 million of new County LRON, which is reported as \$83.90 million for governmental activities and \$22.10 million for business-type activities, are reflected as notes payable. The total outstanding LRON as of June 30, 2020 is \$324.79 million, which is reported as \$224.82 million for governmental activities and \$99.97 million for business-type activities. The average interest rate on LRON issued in FY 2019-2020 was 1.37%.

Principal and interest requirements on NPC BANS, Marina del Rey Loans and LRON for governmental activities and NPC BANS, Waterworks District Loans, Aviation Loan and LRON for business-type activities are as follows (in thousands):

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 255,857	\$ 505	\$ 100,278	\$ 119
2022	11,086	458	516	184
2023	1,135	410	529	171
2024	1,186	359	541	159
2025	1,240	305	554	145
2026-2030	5,541	637	2,981	517
2031-2035			2,622	148
Total notes, loans, and LRON	<u>\$ 276,045</u>	<u>\$ 2,674</u>	<u>\$ 108,021</u>	<u>\$ 1,443</u>

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

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):

Debt Type	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
Certificates of participation and bonds	\$ 1,249,978	\$ 950,303	\$ 878,306	\$ 732,650
Tobacco settlement asset-backed bonds	349,584	148,728		
Notes, Loans, and LRON from direct borrowings and placements	276,045	2,674	108,021	1,443
Subtotal	1,875,607	<u>\$ 1,101,705</u>	986,327	<u>\$ 734,093</u>
Add: Accretions	7,820			
Unamortized premiums on bonds payable	170,221		81,153	
Total bonds and notes	<u>\$ 2,053,648</u>		<u>\$ 1,067,480</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. GASB 86, "Certain Debt Extinguishment Issues," requires that debt also be considered defeased when cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust to extinguish debt. Accordingly, the trust account assets and the related debt service payments for the defeased bonds would not be reflected in the County's statement of net position. At June 30, 2020, there were no outstanding bonds and certificates of participation considered defeased.



COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2020 (in thousands):

	Balance July 1, 2019	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2020	Due Within One Year
<u>Governmental activities:</u>					
Bonds payable	\$ 1,514,222	407,574	322,234	\$ 1,599,562	\$ 53,566
Add: Unamortized premium on bonds payable	124,277	48,516	2,572	170,221	3,281
Total bonds payable	1,638,499	456,090	324,806	1,769,783	56,847
Interest accretion on capital appreciation bonds payable	143,725	3,839	139,744	7,820	7,820
Notes, loans, and LRON from direct borrowings and placements	301,397	234,818	260,170	276,045	255,857
Other long-term liabilities:					
Capital lease obligations (Note 10)	156,887	2,016	10,077	148,826	10,815
Accrued compensated absences	1,659,451	293,125	122,483	1,830,093	109,514
Workers' compensation (Note 18)	2,630,383	603,509	470,164	2,763,728	518,948
Litigation and self-insurance (Note 18)	264,324	348,683	72,688	540,319	257,416
Pollution remediation obligation (Note 19)	44,112	17,228	12,667	48,673	3,733
Net pension liability (Note 8)	8,778,440	1,216,600		9,995,040	
Net OPEB liability (Note 9)	20,444,614	1,515,927		21,960,541	
Third party payor	79,490	56,567	31,318	104,739	92,350
Total governmental activities	<u>\$36,141,322</u>	<u>4,748,402</u>	<u>1,444,117</u>	<u>\$ 39,445,607</u>	<u>\$ 1,313,300</u>
<u>Business-type activities:</u>					
Bonds payable	\$ 703,836	193,900	19,430	\$ 878,306	\$ 21,768
Add: Unamortized premium on bonds payable	30,118	52,294	1,259	81,153	1,444
Total bonds payable	733,954	246,194	20,689	959,459	23,212
Notes, loans, and LRON from direct borrowings and placements	331,690	99,972	323,641	108,021	100,278
Other long-term liabilities:					
Capital lease obligations (Note 10)	165		73	92	49
Accrued compensated absences	220,524	37,045	15,176	242,393	13,295
Workers' compensation (Note 18)	359,434	41,621	30,590	370,465	39,095
Litigation and self-insurance (Note 18)	83,306	5,669	32,209	56,766	17,038
Net pension liability (Note 8)	1,566,769		1,141	1,565,628	
Net OPEB liability (Note 9)	4,194,316		233,358	3,960,958	
Third party payor (Note 14)	548,950	55,098	162,227	441,821	171,004
Total business-type activities	<u>\$ 8,039,108</u>	<u>485,599</u>	<u>819,104</u>	<u>\$ 7,705,603</u>	<u>\$ 363,971</u>

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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 LA County Library Special Revenue Fund have typically been used to liquidate workers' compensation, accrued compensated absences, pension, OPEB, and litigation and self-insurance.

Bond interest accretions for deep discount bonds have been included in the amounts reported for Bonds. Accretions decreased during FY 2019-2020, thereby decreasing liabilities for Bonds by \$135.91 million 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 LACDA discretely presented component unit for the year ended June 30, 2020, was as follows (in thousands):

	July 1, 2019	Additions	Maturities	Balance June 30, 2020	Due Within One Year
<u>Governmental activities:</u>					
Notes from direct borrowing	\$ 10,584		1,564	\$ 9,020	\$ 1,568
Compensated absences	1,000	1,339	1,100	1,239	1,115
Capital lease obligations	738	433	558	613	291
Claims payable	3,522	2,656	2,652	3,526	353
Net pension liability	20,103	5,557	2,298	23,362	
Net OPEB liability	1,516	3,826	794	4,548	
Total governmental activities	<u>\$ 37,463</u>	<u>13,811</u>	<u>8,966</u>	<u>\$ 42,308</u>	<u>\$ 3,327</u>
<u>Business-type activities:</u>					
Bonds payable	\$ 33,440		735	\$ 32,705	\$ 775
Notes from direct borrowing	2,200			2,200	
Compensated absences	897	1,080	900	1,077	969
Net pension liability	14,977	4,507	1,863	17,621	
Net OPEB liability	257	1,434	306	1,385	
Total business-type activities	<u>\$ 51,771</u>	<u>7,021</u>	<u>3,804</u>	<u>\$ 54,988</u>	<u>\$ 1,744</u>
Total long-term obligations	<u>\$ 89,234</u>	<u>20,832</u>	<u>12,770</u>	<u>\$ 97,296</u>	<u>\$ 5,071</u>

12. SHORT-TERM DEBT

On July 1, 2019, the County issued \$700.00 million of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 1.24%. 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 2019. The notes matured and were redeemed on June 30, 2020.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

13. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2020, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling \$19.16 million and limited obligation improvement bonds totaling \$798,487. 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, 2020, the amount of industrial development and other conduit bonds outstanding was \$68.14 million.

Redevelopment Refunding Bonds

The County of Los Angeles Redevelopment Refunding Authority, a JPA between the County and the Public Works Financing Authority, was established to issue bonds that would enable successor agencies to former redevelopment agencies within the County to refund their outstanding tax allocation bonds in order to achieve 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 of successor agencies. 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, 2020, the amount of redevelopment refunding bonds outstanding was \$571.09 million.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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: Medi-Cal 2020

On December 30, 2015, the federal Centers for Medicaid and Medicare Services (CMS) approved the special terms and conditions (STCs) for Medi-Cal 2020 - a five-year renewal of California's Section 1115(a) Medi-Cal Demonstration Project, which provides California with new federal funding through programs with an intent to shift focus away from hospital-based and inpatient care, towards outpatient, primary, and preventative care. Medi-Cal 2020 covers the period January 1, 2016 to December 31, 2020.

Revenues for the public hospitals under Medi-Cal 2020 are composed of:

1. Global Payment Program
2. Public Hospitals Redesign and Incentives in Medi-Cal
3. Whole Person Care

Global Payment Program

The Global Payment Program (GPP) is a payment reform program that aims to change the way county-owned and operated Public Hospital Systems (PHS) in California are compensated for providing care to the remaining uninsured. The program encourages a shift away from cost-based, hospital-centric models of care, through financial incentives to provide cost-effective primary and specialty care.

The GPP funds are comprised of Disproportional Share Hospital (DSH) funds that otherwise would have been allotted to a PHS, and Safety Net Uncompensated Care Pool (SNCP). DSH is a federal program to support safety-net hospital caring for a disproportionate share of low-income patients. SNCP was established under California's 2005 waiver to support services provided to uninsured patients. The GPP lifts restrictions that have historically impeded providing services for the remaining uninsured in the most appropriate setting for each patient, and now includes non-traditional methods of care delivery that have not been covered under either program.

The shift from volume to value is done through a value-based point methodology, which takes into account both the value of care to the patient, and the recognition of costs to the health care system.

Each participating PHS has an opportunity to earn a global budget for care to the remaining uninsured, and must meet service thresholds to receive full funding. Points are assigned to services in the following categories:

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project: Medi-Cal 2020-Continued

Global Payment Program-Continued

- Traditional Outpatient (e.g., primary or specialty care visit, dental, ER/urgent care, mental health visit).
- Non-Traditional Outpatient (e.g., health coaching, care navigation, community wellness encounters).
- Technology-Based Outpatient (e.g., nurse advice line, email consultation, provider-to-provider eConsult for specialty care).
- Inpatient and Facility Stays (e.g., trauma care, ICU stays, recuperative care, respite care, sober center stays, skilled nursing facility stays).

The County provides funding for the State of California's (State's) share of the program by using "Intergovernmental Transfers (IGTs)" to draw down federal matching funds.

The estimated GPP revenues and related IGTs recorded in FY 2019-2020, in thousands, were as follows:

	GPP Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	\$ 359,347	\$ 222,625
Olive View-UCLA Medical Center	202,631	115,643
LAC+USC Medical Center	489,273	357,356
Rancho Los Amigos National Rehab Center	170,199	145,463
Total	<u>\$ 1,221,450</u>	<u>\$ 841,087</u>

The General Fund received \$302.67 million for GPP and paid \$95.42 million of related IGTs, which were recorded as "Charges for Services" revenue and "Health and Sanitation" expenditures, respectively, on the governmental funds statement.

Public Hospital Redesign and Incentives in Medi-Cal

The Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program is the successor to the 2010 Bridge to Reform waiver's Delivery System Reform Incentive Program (DSRIP), a pay-for-performance program that improves care delivery to prepare California's PHS for an influx of newly covered patients through the implementation of the Affordable Care Act (ACA).

PRIME directs PHS, district, and municipal hospitals to use evidence-based quality improvement methods to achieve ambitious, year-over-year performance targets. All federal funding for this program is contingent on meeting these targets.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project: Medi-Cal 2020-Continued

Public Hospital Redesign and Incentives in Medi-Cal-Continued

Efforts within PRIME include (1) increasing the capability to furnish patient-centered, data driven, team-based care, (2) improving the capacity to provide point-of-care services, complex care management and population health management, (3) improving population and health outcomes, (4) high quality care that integrates physical and behavioral health services in the most appropriate setting and (5) moving towards value-based payments. The estimated revenues below, in thousands, were recorded as "other operating revenues" in FY 2019-2020:

	PRIME Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	\$ 25,893	\$ 25,893
Olive View-UCLA Medical Center	3,246	3,246
LAC+USC Medical Center	11,945	11,945
Rancho Los Amigos National Rehab Center	9,088	9,088
Total	<u>\$ 50,172</u>	<u>\$ 50,172</u>

The General Fund received \$254.00 million for PRIME and paid \$101.92 million of related IGTs, which were recorded as "Intergovernmental Revenue Federal" and "Health and Sanitation" expenditures, respectively, on the governmental funds statement.

Whole Person Care

Whole Person Care (WPC) pilot program focuses on coordination of health, behavioral health, and social services in a patient-centered manner with the goals of improved beneficiary health and well-being through more efficient and effective use of resources.

WPC program is on a calendar year basis, starting with 2016. The General Fund received \$326.95 million for WPC revenues, which were recorded as "Intergovernmental Revenue Federal" on the governmental funds statement. In addition, the General Fund recorded \$185.77 million of WPC IGT expenditures, which were recorded as "Health and Sanitation" expenditures on the governmental funds statement.

Medi-Cal Demonstration Project: Bridge to Reform

Bridge to Reform was approved in November 2010 by CMS, pursuant to Section 1115(a) of the Social Security Act. This waiver affected many aspects of Medi-Cal revenue for the County hospitals and clinics including the financing methods by which the State drew down federal matching funds. Bridge to Reform covered the period November 1, 2010 to October 31, 2015, with a temporary extension to December 31, 2015.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project: Medi-Cal 2020-Continued

Disproportionate Share Hospital Program

In FY 2019-2020, the Department of Health Care Services completed their final reconciliation of the Disproportionate Share Hospital Program (DSH) for Years 2006-2007 and 2007-2008. Additional DSH revenues and related IGTs recorded in FY 2019-2020, in thousands, were as follows:

	DSH Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	\$ 13,582	\$ (108)
Olive View-UCLA Medical Center	(4,944)	(11,155)
LAC+USC Medical Center	(3,688)	(24,460)
Rancho Los Amigos National Rehab Center	1,331	(1,463)
Total	<u>\$ 6,281</u>	<u>\$ (37,186)</u>

Safety Net Care Pool

The Department of Health Care Services completed their final reconciliation of Safety Net Care Pool (SNCP) Program Years 2006-2007 through 2009-2010. The hospitals recorded an additional \$5.30 million of SNCP revenues in FY 2019-2020.

Healthy Way LA

The "Bridge to Reform" Medicaid Demonstration authorized the State to create "The Low Income Health Program" (LIHP) that enabled counties to develop, implement, and manage a health care coverage program for the uninsured from the period FY 2010-2011 through FY 2013-2014. The County enrolled their uninsured patients into their newly created LIHP called the Healthy Way LA Program. The Department of Health Services (DHS) certified the public expenditures for each fiscal year to claim federal funding to reimburse health care services costs for the County. In FY 2019-2020, the hospitals recorded Healthy Way LA revenues in the amount of \$20.55 million.

Medi-Cal Demonstration Project: Medi-Cal Redesign

Medi-Cal Redesign covered the period of July 1, 2005 to June 30, 2010. The implementing State legislation (SB 1100) was enacted by the Legislature in September 2005. This waiver restructured inpatient hospital fee-for-service (FFS) payments and DSH payments, as well as the financing method by which the State drew down federal matching funds.

Coverage Initiative Settlements

Medi-Cal Redesign authorized the State to create a Health Care Coverage Initiative program for counties during FY 2007-2008 through FY 2010-2011. The Coverage Initiative expanded healthcare coverage for eligible low-income, uninsured individuals by using an allotment from SNCP. DHS certified the public expenditures for each fiscal year to claim federal funding to reimburse their health care services costs. Coverage Initiative revenues in the amount of \$7.46 million related to FY 2007-2008 through FY 2010-2011 were recognized.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Managed Care for Seniors and Persons with Disabilities

Under the Medi-Cal Demonstration Project, in an effort to provide more coordinated care and contain costs, Medi-Cal beneficiaries who are Seniors and Persons with Disabilities (SPDs) are required to enroll in managed care plans, rather than using a fee for service system. In FY 2019-2020, an estimated \$92.87 million of SPD revenues were recorded as part of net patient service revenue and (\$75.48) million of related IGTs were recorded as part of non-operating expense.

The General Fund received \$30.44 million for SPD, which were recorded as "Charges for Services" revenue on the governmental funds statement.

Affordable Care Act

On January 1, 2014, when the federal health care reform of the Patient Protection and Affordable Care Act went into effect, the Hospital Presumptive Eligibility program also provided individuals with temporary Medi-Cal benefits while a formal, permanent Medi-Cal application is being processed.

Medicaid Coverage Expansion

The Medicaid Coverage Expansion (MCE), also known as the Optional Medicaid Expansion 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 Federal Poverty Level. The Federal Medical Assistance Percentage (FMAP) for the MCE Program is 100.00% from July 1, 2016 through December 31, 2016, 95.00% from January 1, 2017 through December 31, 2017, 94.00% from January 1, 2018 through December 31, 2018, 93.00% from January 1, 2019 through December 31, 2019, and 90% effective January 2020 and thereafter.

During FY 2019-2020, the County negotiated new rates with LA Care Health Plan (LA Care) and Health Net Community Solutions, Inc. (Health Net), the health plans which subcontract with the County to provide services for their Medi-Cal managed care members. Both plans paid the County managed care capitation payment based on the new FY 2019-2020 contract rates.

In FY 2019-2020, the total estimated MCE revenues and related estimated IGTs, including prior year over/under-realization were as follows (in thousands):

	Program Revenues	Intergovernmental Transfers Expense
MCE	\$ 126,178	\$ (42,143)
MCRS - MCE	45,757	3,601
Total	<u>\$ 171,935</u>	<u>\$ (38,542)</u>

The General Fund received \$320.44 million for MCE and paid (\$3.25) million of related IGTs, which were recorded as "Charges for Services" revenue and "Health and Sanitation" expenditures, respectively, on the governmental funds statement.



COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs

Medi-Cal Fee-For-Service

The Medi-Cal Demonstration Project restructured the financing method by which the State draws down federal matching funds for the inpatient hospital FFS to cost based reimbursement. The non-federal share of the Medi-Cal FFS is provided by the hospitals primarily through certified public expenditures (CPE) whereby the hospital expends its local funding for services to draw down the federal financing participation, currently provided at a 50% match. For FY 2019-2020, an estimated \$341.27 million of Medi-Cal FFS revenues were recorded as part of net patient service revenue.

Medi-Cal Physician State Plan Amendment

The Medi-Cal Demonstration Project payment for inpatient and other facility services excluded professional services. State Plan Amendment 05-23 allows professional services provided by public entities to be paid similarly to the inpatient hospital services under the Medi-Cal 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.

Revenues of (\$71.42) million were recognized and recorded as part of net patient service revenue during FY 2019-2020 and included adjustments for the over/under-realization of revenues associated with FY 2008-2009 through FY 2013-2014 and FY 2015-2016 through FY 2018-2019.

Cost Based Reimbursement Clinics

Cost Based Reimbursement Clinics (CBRC) reimburse 100% of allowable costs for outpatient services provided to Medi-Cal beneficiaries at the County's hospital-based clinics, outpatient centers and Ambulatory Care Network health centers (excluding clinics that provide predominately public health services). In FY 2019-2020, CBRC revenues were \$123.77 million for the enterprise funds.

In FY 2018-19, DHS notified the California Department of Health Care Services (DHCS) that it would begin filing a single, consolidated Ambulatory Care Network cost report for most of the freestanding clinics. The change reflected a reorganization: effective July 1, 2018, finances related to those clinics were transferred from hospital enterprise funds to the County's General Fund. (The change did not impact CBRC cost reporting for hospital-based clinics.) While DHCS has acknowledged receipt of the 2018-19 cost reports, it has not yet formally accepted the FY 2018-19 *et. seq.* transition. DHS expects DHCS ultimately will accept the change; therefore, the numbers herein reflect that position.

As of June 30, 2020, the County estimated that approximately \$43.59 million of CBRC accounts receivable would not be collectible within 12 months and this amount is classified as a non-current asset in the proprietary fund statements of net position for each hospital.

The General Fund received \$19.26 million for CBRC, which was recorded as "Charges for Services" revenue on the governmental funds statement. As of June 30, 2020, the County estimated that approximately \$12.04 million of CBRC accounts receivable would not be collectible within 12 months.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Cost Report Settlements

In FY 2019-2020, the County recognized favorable audit settlements of \$42.84 million related to FY 2016-2017 and FY 2017-2018. The County's appeals of certain audit adjustments at various levels to the Office of Administrative Appeals have been favorably resolved resulting in \$1.59 million of final settlement revenues.

The State is in the process of auditing the FY 2018-2019 cost reports and settlements are expected by the 4th quarter of FY 2020-2021.

Medi-Cal Managed Care Graduate Medical Education

On March 19, 2020, the State executed State Plan Amendment Transmittal Number 17-009 that allows for graduate medical education (GME) payments to certain governmental hospitals for Medicaid managed care services effective January 1, 2017. The Medicaid managed care plans do not include GME payments within the capitation rates.

These supplemental GME payments are funded by voluntary IGTs made by the County pursuant to Welfare and Institutions Code (WIC) sections 14164 and 14105.29(c), that is used solely as the source for the non-federal share of GME payments made to the eligible providers of the Governmental Funding Entity pursuant to WIC section 14105.29 and Supplement 6 to Attachment 4.19-A of the SPA. The funds transferred qualify for federal financial participation (FFP) pursuant to 42 Code of Federal Regulations part 433 subpart B.

Under the SPA, the County is required by Welfare and Institutions Code Section 14105.29, to pay the State a 5% administrative fee that is assessed on the full amount of the IGTs. This amount is also recorded as part of the IGT.

In FY 2019-2020, the County recorded the GME supplemental gross revenue payments as listed below and recorded the corresponding IGT expense as follows:

	GME Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	\$ 147,507	\$ 77,441
Olive View-UCLA Medical Center	62,448	32,785
LAC+USC Medical Center	249,450	130,961
Rancho Los Amigos National Rehab Center	5,048	2,651
Total	<u>\$ 464,453</u>	<u>\$ 243,838</u>

Medi-Cal Managed Care Rate Supplements

The State is obtaining CMS' approval to continue the Medi-Cal Managed Care Rate Supplements (MCRS) paid to LA Care and Health Net Health Plans for FY 2019-2020. The supplements are funded by IGTs made by the County. The County does not receive the supplemental payments directly from the State; rather, the State contracts with LA Care and Health Net, which then subcontract for services with various provider networks.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Rate Supplements-Continued

In addition, in order to receive the supplemental payments, the County is required by Welfare and Institutions Code Section 14301.4, to pay the State a 20% administrative fee that is assessed on the full amount of the IGTs. This amount is also recorded as part of the IGT.

The total estimated managed care rate supplement revenues and related estimated IGTs recorded in FY 2019-2020, including prior year over/under realization, were as follows (in thousands):

	MCRS Revenues	Intergovernmental Transfers Expense
LA Care	\$ 43,008	\$ (1,834)
Health Net	76,858	39,894
Total	<u>\$ 119,866</u>	<u>\$ 38,060</u>

The General Fund recorded \$102.42 million of MCRS revenues and \$90.86 million of related IGTs as "Charges for Services" revenue and "Health and Sanitation" expenditures, respectively, on the governmental funds statement.

Managed Care Rule

On April 25 2016, CMS published the Medicaid and Children's Health Insurance Program (CHIP) Managed Care Final Rule. The rule, many provisions of which went into effect July 1, 2017, is an update to the regulatory framework for Medicaid, aligning it as much as possible with Medicare and other commercial insurance requirements for issues like rate setting, access standards, grievances and appeals, and quality.

The managed care rule limits the ability of states to direct payments to health care providers, unless certain conditions are met. Among the allowable exceptions are payments tied to performance, and payments that provide a uniform payment increase which includes a pre-determined increase over contracted rates. The previous SPD-SB208 and AB85 MCE-to-Cost programs did not meet these conditions. In order to retain this critical funding, the following two programs were introduced:

1. Enhanced Payment Program
2. Quality Incentive Program

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Managed Care Rule-Continued

Enhanced Payment Program

The Enhanced Payment Program (EPP) creates a funding to be used to supplement the base rates public health care systems receive through Medi-Cal managed care contracts, meant to meet the managed care rule's exception that allows payments that provide a uniform increase within a class of providers such as a predetermined increase over contracted rates.

Enhanced payments public health care systems would be eligible to receive depend largely on systems' existing payment arrangements with their managed care plans. Under the proposed structure, health plans would receive an add-on to their managed care rates and would provide interim payments to providers throughout the year. Payments would be reconciled at the end of the year, protecting health plans from any risk associated with payment.

At FY 2019-2020 year-end, the estimated EPP revenues and related IGTs are as follows (in thousands):

	EPP Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	\$ 170,745	\$ 25,962
Olive View-UCLA Medical Center	62,267	9,915
LAC+USC Medical Center	175,995	25,429
Rancho Los Amigos National Rehab Center	8,020	2,232
Total	<u>\$ 417,027</u>	<u>\$ 63,538</u>

The General Fund received \$325.11 million for EPP and paid \$42.41 million of related IGTs, which were recorded as "Charges for Services" revenue and "Health and Sanitation" expenditures, respectively, on the governmental funds statement.

Quality Incentive Program

The Quality Incentive Program (QIP) is meant to meet the Managed Care Rule's exception that allows payments tied to performance.

The QIP represents a new pay for performance program for California's public health care systems that would convert funding from previously existing supplemental payments into a value-based structure. QIP payments are tied to the achievement of performance on a set of clinically established quality measures for Medi-Cal managed care enrollees.

The QIP is structured similar to the PRIME program. The QIP's measures do not directly overlap with any of the quality measures being used in PRIME, but are designed to be complementary.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Managed Care Rule-Continued

Quality Incentive Program-Continued

At FY 2019-2020 year end, the estimated QIP revenues, recorded as "other operating revenues", and related IGTs, including prior year over/under realization, are as follows (in thousands):

	QIP Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	\$ 43,598	\$ 3,044
Olive View-UCLA Medical Center	15,258	879
LAC+USC Medical Center	37,524	1,603
Rancho Los Amigos National Rehab Center	(3,447)	(1,217)
Total	<u>\$ 92,933</u>	<u>\$ 4,309</u>

The General Fund received \$101.13 million for QIP and paid \$12.58 million of related IGTs, which were recorded as "Intergovernmental Revenue Federal" and "Health and Sanitation" expenditures, respectively, on the governmental funds statement.

Third Party Payor Liability

The County's Hospitals reported third party payor liabilities of \$441.82 million (see Note 11) as of June 30, 2020, as reported on the statement of net position for proprietary funds. The current liabilities for amounts due within one year are \$171.00 million.

The noncurrent liabilities for third party payors are \$270.82 million. The primary programs associated with third party payors liabilities include DSH (\$113.09 million), Medi-Cal (\$56.69 million), SNCP (\$29.88 million), Medicare (\$54.16 million), SPD (\$12.44 million), and other miscellaneous programs (\$4.56 million).

Accounts Receivable-Net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts as of June 30, 2020 (in thousands):

	H-UCLA	OV-UCLA	LAC+USC	Rancho	Total
Accounts receivable	\$ 2,311,255	1,276,830	3,630,560	744,891	\$ 7,963,536
Less: Allowance for uncollectible amounts	<u>1,561,041</u>	<u>940,901</u>	<u>2,681,974</u>	<u>462,206</u>	<u>5,646,122</u>
Accounts receivable - net	<u>\$ 750,214</u>	<u>335,929</u>	<u>948,586</u>	<u>282,685</u>	<u>\$ 2,317,414</u>

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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 DHS's Ability-to-Pay program, through other collection efforts by DHS, 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 estimated cost of charity care for the year ended June 30, 2020 was \$632.25 million. A portion of the charity care is funded by GPP at a rate of 20.87%. The total amount of such charity care provided by the hospitals for the year ended June 30, 2020 is as follows (in thousands):

Charity care at established rates	\$ 1,231,386
GPP reimbursement	254,917
Other reimbursements	33,312
Charges forgone	<u>\$ 943,157</u>

Realignment

As a result of the ACA, the 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. The redirection is based on the assumption that the counties will decrease their cost for healthcare for the indigent population. These savings will be shared between the counties' health departments and the State. The sharing ratio is 80% to the State and 20% to the County. This ratio has been in place since FY 2014-2015. AB85, as amended, provides a unique formula for the County to determine the amount to be redirected.

In FY 2019-2020, the State did not withhold any of the County's Health Realignment funds. This amount is expected to be reconciled against actual revenues and expenses for FY 2019-2020 within two years. The redirection amount will be subject to the State's review and approval. The financial impact of the potential redirection of realignment funding in future years is not yet known.

In FY 2018-2019, the State did not withhold any of the County's Health Realignment funds. However, based on updated revenues realized for FY 2018-2019 services in FY 2019-2020, the projected redirection amount is \$266.52 million. As a result, the "Intergovernmental Revenue - State" revenue has been reduced by \$266.52 million in the County's General Fund in FY 2019-2020.

In FY 2017-2018, the State did not withhold any of the County's Health Realignment funds. However, based on updated revenues realized for FY 2017-2018 services in FY 2019-2020, the projected redirection amount is \$351.20 million. As a result, the "Intergovernmental Revenue - State" revenue has been reduced by \$351.20 million in the County's General Fund in FY 2019-2020.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

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 (MLK-LA), to operate a new hospital at the MLK-MACC site. The hospital will: 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. The new MLK Community Hospital opened on May 14, 2015.

To assist with the opening of the MLK Hospital, the County provided MLK-LA with \$50.00 million of coordination start-up funds, \$39.10 million of grant funding, and \$82.00 million of long-term loan funding, which includes a 30-year loan in the amount of \$50.00 million, a 10-year revolving line of credit in the amount of \$20.00 million, and a 2-year loan in the amount of \$12.00 million. On January 5, 2016, the Board approved an additional short-term revolving loan in the amount of \$40.00 million to assist MLK-LA with post-hospital opening expenses. All the loans have been repaid in full, with the exception of the 30-year loan, which has a current outstanding balance of \$42.86 million. In addition, the DHS has committed to make ongoing annual payments of \$18.00 million for indigent care support, and \$50.00 million of intergovernmental transfers for the benefit of the MLK Hospital.

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, 2020.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	\$ 14,649
	Flood Control District	15,687
	LA County Library	4,317
	Regional Park and Open Space District	6,287
	Mental Health Services Act	201,410
	Nonmajor Governmental Funds	179,563
	Harbor-UCLA Medical Center	164,796
	Olive View-UCLA Medical Center	66,729
	LAC+USC Medical Center	177,997
	Rancho Los Amigos Nat'l Rehab Center	29,730
	Waterworks Enterprise Funds	415
	Nonmajor Aviation Funds	31
	Internal Service Funds	11,153
		<u>872,764</u>
Fire Protection District	General Fund	318
	Nonmajor Governmental Funds	666
	Internal Service Funds	6
		<u>990</u>
Flood Control District	General Fund	806
	Nonmajor Governmental Funds	1,693
	Waterworks Enterprise Funds	280
	Nonmajor Aviation Funds	45
	Internal Service Funds	18,072
		<u>20,896</u>
LA County Library	General Fund	1,363
	Nonmajor Governmental Funds	211
		<u>1,574</u>



COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Regional Park and Open Space District	General Fund	\$ 58
Mental Health Services Act	General Fund	41
Nonmajor Governmental Funds	General Fund	11,811
	Fire Protection District	49
	Flood Control District	75
	Regional Park and Open Space District	49
	Nonmajor Governmental Funds	16,338
	LAC+USC Medical Center	65
	Waterworks Enterprise Funds	18
	Internal Service Funds	23,668
		52,073
Harbor-UCLA Medical Center	General Fund	55,835
	Fire Protection District	19
	Nonmajor Governmental Funds	16,177
	Olive View-UCLA Medical Center	350
	LAC+USC Medical Center	12,849
	Rancho Los Amigos Nat'l Rehab Center	2,847
	Internal Service Funds	7
		88,084
Olive View-UCLA Medical Center	General Fund	24,837
	Fire Protection District	68
	Nonmajor Governmental Funds	22,618
	Harbor-UCLA Medical Center	238
	LAC+USC Medical Center	417
	Rancho Los Amigos Nat'l Rehab Center	7
		48,185
LAC+USC Medical Center	General Fund	112,041
	Fire Protection District	86
	Nonmajor Governmental Funds	65,685
	Harbor-UCLA Medical Center	300
	Olive View-UCLA Medical Center	64
	Rancho Los Amigos Nat'l Rehab Center	318
	Internal Service Funds	17
		178,511

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Rancho Los Amigos Nat'l Rehab Center	General Fund	\$ 1,277
	Fire Protection District	29
	Harbor-UCLA Medical Center	187
	Olive View-UCLA Medical Center	1
	LAC+USC Medical Center	2,936
	Rancho Los Amigos Nat'l Rehab Center	1
		<u>4,431</u>
Waterworks Enterprise Funds	General Fund	48
	Nonmajor Governmental Funds	10
	Internal Service Funds	<u>4,089</u>
		<u>4,147</u>
Nonmajor Aviation Funds	Internal Service Funds	<u>331</u>
Internal Service Funds	General Fund	37,657
	Fire Protection District	128
	Flood Control District	41,989
	LA County Library	2
	Nonmajor Governmental Funds	26,176
	Harbor-UCLA Medical Center	4,771
	Olive View-UCLA Medical Center	59
	LAC+USC Medical Center	146
	Rancho Los Amigos Nat'l Rehab Center	5,092
	Waterworks Enterprise Funds	5,835
	Nonmajor Aviation Funds	<u>1,336</u>
		<u>123,191</u>
Total Interfund Receivables/Payables		<u><u>\$ 1,395,276</u></u>

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the LA County Library and the 4 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 augment funding for programs operated in the General Fund and hospitals.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Interfund transfers to/from other funds for the year ended June 30, 2020 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Fire Protection District	\$ 37,789
	LA County Library	45,049
	Nonmajor Governmental Funds	212,270
	Harbor-UCLA Medical Center	198,014
	Olive View-UCLA Medical Center	141,896
	LAC+USC Medical Center	474,639
	Rancho Los Amigos Nat'l Rehab Center	68,705
	Internal Service Funds	50
		<u>1,178,412</u>
Fire Protection District	Nonmajor Governmental Funds	<u>8,669</u>
Flood Control District	General Fund	11,435
	Nonmajor Governmental Funds	71
	Internal Service Funds	11,656
		<u>23,162</u>
LA County Library	General Fund	21
	Nonmajor Governmental Funds	798
		<u>819</u>
Mental Health Services Act	General Fund	<u>607,304</u>
Nonmajor Governmental Funds	General Fund	363,272
	Fire Protection District	4,261
	LA County Library	903
	Nonmajor Governmental Funds	46,020
	Harbor-UCLA Medical Center	43,782
	Olive View-UCLA Medical Center	43,566
	LAC+USC Medical Center	127,718
	Rancho Los Amigos Nat'l Rehab Center	2,279
	Internal Service Funds	22
		<u>631,823</u>
Harbor-UCLA Medical Center	Nonmajor Governmental Funds	296
	Rancho Los Amigos Nat'l Rehab Center	238
		<u>534</u>

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Olive View-UCLA Medical Center	Rancho Los Amigos Nat'l Rehab Center	\$ 820
LAC+USC Medical Center	Harbor-UCLA Medical Center	147,960
	Olive View-UCLA Medical Center	35,263
	Rancho Los Amigos Nat'l Rehab Center	16,230
		<u>199,453</u>
Rancho Los Amigos Nat'l Rehab Center	Nonmajor Governmental Funds	23
	Harbor-UCLA Medical Center	3,974
	Olive View-UCLA Medical Center	2,698
	LAC+USC Medical Center	1
		<u>6,696</u>
Waterworks Enterprise Funds	Nonmajor Governmental Funds	18
Nonmajor Aviation Funds	Internal Service Funds	64
Internal Service Funds	General Fund	2
	Waterworks Enterprise Funds	39
		<u>41</u>
Total Interfund Transfers		<u><u>\$ 2,657,815</u></u>

Interfund Advances

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 advances to assist the Hospital Funds in meeting their cash flow requirements.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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15. INTERFUND TRANSACTIONS-Continued

Interfund Advances-Continued

Advances from/to other funds at June 30, 2020 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Harbor-UCLA Medical Center	\$ 4,737
	Olive View-UCLA Medical Center	2,553
	LAC+USC Medical Center	6,401
	Rancho Los Amigos Nat'l Rehab Center	61,187
	Internal Service Funds	2,870
		<u>77,748</u>
Flood Control District	Internal Service Funds	<u>6,338</u>
Nonmajor Governmental Funds	Internal Service Funds	<u>11,383</u>
Waterworks Enterprise Funds	Internal Service Funds	<u>1,409</u>
Total Interfund Advances		<u><u>\$ 96,878</u></u>

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 funds 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 and the portion of unassigned fund balance reserved for the "Rainy Day" fund 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 canceled 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.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

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

- 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.
- In conjunction with the sale of Tobacco Settlement Asset-Backed bonds in FY 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 are 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.
- 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, 2020.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

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

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	LA County Library	Regional Park and Open Space District	Mental Health Services Act
Fund balance - budgetary basis	\$ 2,196,874	\$ 73,090	\$121,601	\$ 52,149	\$ 242,693	\$ 260,780
Budgetary fund balances	2,143,393	110,702	366,254	45,870	205,879	618,074
Subtotal	4,340,267	183,792	487,855	98,019	448,572	878,854
Adjustments:						
Accrual of estimated liability for litigation and self-insurance claims	270,500	1,628		546		
Accrual of compensated absences	97,920					
Unamortized balance of sale of tobacco settlement revenue	(212,504)					
Change in revenue accruals	(168,890)	(23,867)	(5,215)	(3,058)	1,798	3,058
Change in OPEB Agency Fund	191,511	10,702		1,821		
Subtotal	178,537	(11,537)	(5,215)	(691)	1,798	3,058
Fund balance - GAAP basis	<u>\$ 4,518,804</u>	<u>\$ 172,255</u>	<u>\$482,640</u>	<u>\$ 97,328</u>	<u>\$ 450,370</u>	<u>\$ 881,912</u>

17. OTHER COMMITMENTS

Construction and Other Significant Commitments

At June 30, 2020, there were contractual commitments of approximately \$168.21 million for various general government construction projects and approximately \$58.80 million for various hospital construction projects that were financed by bonds and lease revenue obligation notes.

LACERA Capital Commitments

At June 30, 2020, LACERA had outstanding capital commitments to various investment managers, approximating \$6.300 billion.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

17. OTHER COMMITMENTS-Continued

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, 2020, the encumbrance balances for the governmental funds (in thousands) are reported as follows:

	Restricted	Committed	Assigned	Total
General Fund	\$		665,503	\$ 665,503
Fire Protection District	25,899			25,899
Flood Control District	143,867			143,867
LA County Library			20,886	20,886
Regional Park and Open Space District	43,074			43,074
Mental Health Services Act	776			776
Nonmajor Governmental Funds	156,735	12,391		169,126
Total Encumbrances	<u>\$ 370,351</u>	<u>12,391</u>	<u>686,389</u>	<u>\$ 1,069,131</u>

18. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as property, aviation, employee fidelity, boiler and machinery, cyber, catastrophic workers’ compensation, art objects, volunteers, special events, public official bonds, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been settlements related to these programs that exceeded self-insured retention in the last three years. Losses did not exceed coverage in FY 2017-2018, FY 2018-2019 or FY 2019-2020.

The County retains the risk for all other loss exposures. Major areas of risk include workers’ compensation, medical malpractice, law enforcement, natural disasters, inverse condemnation, non-tort and tort liability. 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 recovery/subrogation of approximately 10% of the total liability expenditures. 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, 2020 was approximately \$3.134 billion. This amount is undiscounted and is based on an actuarial study of the County’s self-insured program as of June 30, 2020. Approximately \$128.33 million of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.



COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

18. RISK MANAGEMENT-Continued

As of June 30, 2020, the County's estimate of these liabilities is \$3.731 billion. Changes in the reported liability since July 1, 2018 resulted from the following (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claim Payments	Balance At Fiscal Year- End
<u>2018-2019</u>				
Workers' Compensation	\$ 2,858,428	633,766	(502,377)	\$ 2,989,817
Other	299,273	146,178	(97,821)	347,630
Total	<u>\$ 3,157,701</u>	<u>779,944</u>	<u>(600,198)</u>	<u>\$ 3,337,447</u>
<u>2019-2020</u>				
Workers' Compensation	\$ 2,989,817	645,130	(500,754)	\$ 3,134,193
Other	347,630	354,352	(104,897)	597,085
Total	<u>\$ 3,337,447</u>	<u>999,482</u>	<u>(605,651)</u>	<u>\$ 3,731,278</u>

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately \$190.91 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.

The County receives substantial federal revenues and operates many programs which are subject to federal rules and regulations. Federal assistance is especially critical to the County's ability to operate its four County hospitals and health care network. The County is carefully monitoring State and federal policy developments to determine the future impacts, if any, on its ability to administer federal programs and deliver County services that rely upon federal funding.

19. POLLUTION REMEDIATION

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.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

19. POLLUTION REMEDIATION-Continued

As of June 30, 2020, the County's estimated pollution remediation obligation totaled \$48.67 million. This obligation was associated with the County's governmental activities. Obligations of enterprise and internal service funds were immaterial. The estimated liability was 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 the estimated obligation when new information indicates that such changes are required. At this time, the County has determined there are no estimated recoveries reducing the obligation.

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources balances in the government-wide and the proprietary funds statement of net position as of June 30, 2020 are described as follows:

- The deferred outflows of resources, included on the government-wide statement of net position, relate to the unamortized losses on refunding of debt, changes in the net pension liability as discussed in Note 8, and changes in the net OPEB liability as discussed in Note 9. The unamortized losses on refunding of debt are a deferred charge on refunding resulting 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.
- The deferred inflows of resources, included on the government-wide statement of net position, relate to the future installment payments of service concession arrangements as discussed in Note 7, from changes in the net pension liability as discussed in Note 8, and from changes in the net OPEB liability as discussed in Note 9.

Government-wide  
Statement of Net Position (in thousands)

	Governmental Activities	Business-type Activities	Total
Deferred outflows of resources:			
Unamortized losses on refunding of debt	\$ 12,927		\$ 12,927
Pensions	4,025,125	604,390	4,629,515
OPEB	3,697,164	502,505	4,199,669
Total government-wide deferred outflows of resources	<u>\$ 7,735,216</u>	<u>1,106,895</u>	<u>\$ 8,842,111</u>
Deferred inflows of resources:			
Service concession arrangements	\$ 78,497		\$ 78,497
Pensions	727,345	180,116	907,461
OPEB	3,839,276	1,074,984	4,914,260
Total government-wide deferred inflows of resources	<u>\$ 4,645,118</u>	<u>1,255,100</u>	<u>\$ 5,900,218</u>

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES-Continued

Proprietary Funds

Statement of Net Position (in thousands):

	H-UCLA	OV-UCLA	LAC+USC	Rancho	Total	ISF Funds
Deferred outflows of resources:						
Pensions	\$ 188,532	107,382	253,232	55,244	\$ 604,390	\$ 147,030
OPEB	148,215	91,340	219,799	43,151	502,505	138,622
Total proprietary funds deferred outflows of resources	<u>\$ 336,747</u>	<u>198,722</u>	<u>473,031</u>	<u>98,395</u>	<u>\$1,106,895</u>	<u>\$ 285,652</u>
Deferred inflows of resources:						
Pensions	\$ 50,461	53,739	65,300	10,616	\$ 180,116	\$ 22,244
OPEB	295,484	278,292	415,299	85,909	1,074,984	153,339
Total proprietary funds deferred inflows of resources	<u>\$ 345,945</u>	<u>332,031</u>	<u>480,599</u>	<u>96,525</u>	<u>\$1,255,100</u>	<u>\$ 175,583</u>

Deferred outflows and inflows of resources balances in the governmental funds balance sheet as of June 30, 2020 are described as follows:

- The intra-entity sales of future tobacco settlement revenues are 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. 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.

Governmental Funds

Balance Sheet (in thousands):

	General Fund	Fire Protection District	Flood Control District	LA County Library	Regional Park and Open Space District	Nonmajor Funds	Total
Deferred outflows of resources -							
Tobacco settlement revenues	<u>\$</u>					<u>212,504</u>	<u>\$ 212,504</u>
Deferred inflows of resources:							
Tobacco settlement revenues	\$ 212,504						\$ 212,504
Property tax revenues	177,457	37,311	11,576	5,556	2,846	13,430	248,176
Other long-term receivables	228,596	971				3,844	233,411
Total governmental funds deferred inflows of resources	<u>\$ 618,557</u>	<u>38,282</u>	<u>11,576</u>	<u>5,556</u>	<u>2,846</u>	<u>17,274</u>	<u>\$ 694,091</u>

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020 (in thousands) is as follows:

	General Fund	Fire Protection District	Flood Control District	LA County Library	Regional Park and Open Space District	Mental Health Services Act	Nonmajor Governmental Funds
Fund Balances:							
Nonspendable:							
Inventories	\$ 66,482	\$ 11,737	\$ 1	\$ 450	\$	\$	\$ 1
Long-term receivables	60,148						
Permanent fund principal							2,135
Total Nonspendable	<u>126,630</u>	<u>11,737</u>	<u>1</u>	<u>450</u>			<u>2,136</u>
Restricted for:							
Purpose of fund		160,518	482,540	24,518	450,370	881,912	1,672,489
Purpose of utility user tax	73,796						
Grand Avenue project	4,600						
Sheriff Pitchess landfill	2,976						
La Alameda project	2,000						
Capital projects							225,131
Debt service							290,504
Endowments and annuities							131
Total Restricted	<u>83,372</u>	<u>160,518</u>	<u>482,540</u>	<u>24,518</u>	<u>450,370</u>	<u>881,912</u>	<u>2,188,255</u>
Committed to:							
Purpose of fund							54,167
Capital projects and extraordinary maintenance	127,515						80,684
Affordable housing	8,362						
Board budget policies and priorities	17,448						
Budget uncertainties	80,041						
Corrections and rehab evaluation facilities	20,000						
Department of children and family services	8,840						
Financial system (eCAPS)	11,728						
Health services future financial requirements	3,328						
Health services-tobacco settlement	102,240						
Information technology enhancements	27,065						
Library services	12,434						
Live scan	2,000						

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

21. FUND BALANCES-Continued

	General Fund	Fire Protection District	Flood Control District	LA County Library	Regional Park and Open Space District	Mental Health Services Act	Nonmajor Governmental Funds
Office of Diversion and Re-Entry Permanent Supportive Housing	110,498						
Public works-permit tracking system	3,549						
Services to unincorporated areas	4,081						
Sheriff unincorporated patrol	90						
System of care	22,071						
TTC remittance processing and mailroom equipment	3,877						
TTC unsecured property tax system	463						
Voting solutions for all people	4,087						
Woolsey fire recovery efforts	24,476						
Total Committed	594,193						134,851
Assigned to:							
Purpose of fund			99	72,360			130,683
Future purchases	696,775						
Capital projects							43,583
Total Assigned	696,775		99	72,360			174,266
Unassigned	3,017,834						
Total Fund Balances	<u>\$4,518,804</u>	<u>\$ 172,255</u>	<u>\$482,640</u>	<u>\$97,328</u>	<u>\$450,370</u>	<u>\$881,912</u>	<u>\$ 2,499,508</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 10.00% of on-going locally generated revenue. Transfers, at a minimum of ten percent (10.00%) of excess fund balance, less Board approved carryovers, will be set aside in the Rainy Day Fund and/or OPEB trust fund each year until the 10.00% cap is met. Excess fund balance is defined as the difference between the actual year-end fund balance amount as determined by the Auditor-Controller, less the estimated fund balance amount included in the Adopted Budget. Board approved carryover is defined as unspent funding that was previously approved by the Board for critical programs and/or uncompleted projects.

When the Reserve cap of 10.00% is reached, the annual 10.00% of excess fund balance amount should be deposited into the OPEB trust fund to be made available for unfunded retiree health obligations. 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 \$642.42 million 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, 2020

22. CORONAVIRUS DISEASE 2019 (COVID-19)

On March 13, 2020, a presidential emergency was declared for all states, tribes, territories, and the District of Columbia due to the ongoing Coronavirus Disease 2019 (COVID-19) pandemic. The declaration made federal disaster assistance available; through the Coronavirus Aid, Relief, and Economic Security (CARES) Act to the County and to the State of California to supplement the County's local recovery efforts. To assist in the efforts to respond to COVID-19, the County received significant fiscal stimulus in federal funds as described below.

Federal CARES Act Funding

On April 23, 2020, the County received \$1.057 billion from the CARES Act. The County is a prime recipient and received the direct payment under section 601(b) of the Social Security Act. The CARES Act funds will be used only to cover those costs that a) are necessary expenditures incurred due to the public health emergency with respect to the COVID-19; b) were not accounted for in the budget most recently approved as of March 27, 2020; and c) were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

As part of the State of California's adopted Fiscal Year 2020-2021 budget, the County was advanced approximately \$163.40 million in CARES Act federal funding from the State of California to further support activities and expenses that promote public health and safety in response to the COVID-19 public health emergency.

On July 21, 2020, the Board approved a \$1.221 billion spending plan for the CARES Acts funds from the federal and State allocations to the County in response to the public health emergency caused by COVID-19. The spending plan allocated funds to 1) support the public health of County residents; 2) provide financial and other support for County residents; 3) support small businesses impacted by COVID-19; and 4) the support of County staff performing COVID-19 related functions and services. Due to the complexity and continually updated guidance from the U.S. Department of the Treasury, the amounts claimed as expenditures are subject to refinements in the FY 2020-2021 financial statements pending the eligibility requirements are met under the CARES Act.

As of June 30, 2020, an estimated \$167.37 million of expenditures were deemed to be eligible from the CARES Act and were recorded as revenue on the fund and government-wide financial statements. The remaining unspent balance, including the interest earnings, of \$890.76 million is reported as advances payable. There is uncertainty on the timing of the revenue recognition since these CARES Act funds are subject to be returned to the U.S. Department of Treasury if the County has any unspent funds as of December 30, 2020.

Federal Emergency Management Agency

The County also received \$119.00 million from the Federal Emergency Management Agency (FEMA) and \$3.70 million from the California Governor's Office of Emergency Services (Cal OES) for 5 expedited projects to respond to COVID-19. The 5 projects were for the 1) County's Emergency Operations Center and related emergency services/activities; 2) Non-congregate medical shelters; 3) COVID-19 testing; 4) Project Room Key – emergency non-congregate shelters for homeless individuals meeting certain criteria; and 5) Great Plates – emergency feeding for certain at-risk individuals. As of June 30, 2020, \$63.06 million of expenditures were deemed to be eligible and were recorded as revenue on the fund and government-wide financial statements. The remaining unspent balance (including interest earnings) of \$59.79 million is reported as advances payable.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

22. CORONAVIRUS DISEASE 2019 (COVID-19)-Continued

CARES Act Provider Relief Funds

In Fiscal Year 2019-2020, the County received \$153.85 million of CARES Act funds from the U.S. Department of Health and Human Services (HHS) Provider Relief Funds (PRF). In addition, the County received additional PRF of \$161.52 million in July 2020. As of June 30, 2020, no amounts have been recognized on the financial statements. In general, the funds are to reimburse eligible health care providers for health care related expenses or lost revenues that are attributable to COVID-19. Due to the complexity in the determination of eligibility rules, the balance from the PRF funds (including interest earnings) of \$153.89 million were reported as advances payable on the fund and government-wide financial statements.

The following activities/funds are reported as advances payable related to COVID-19 federal grants at June 30, 2020 (in thousands):

	<u>CARES Act</u>	<u>FEMA</u>	<u>PRF</u>	<u>Total</u>
Governmental Funds-				
General Fund	\$ 890,760	59,790		\$ 950,550
Enterprise Funds:				
Harbor-UCLA Medical Center			66,804	66,804
Olive-View Medical Center			2,029	2,029
LAC+USC Medical Center			78,694	78,694
Rancho Los Amigos National Rehab Center			6,366	6,366

23. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANS)

On July 10, 2020, the County issued \$1.200 billion in FY 2020-2021 TRANS, which will mature on June 30, 2021. The TRANS are collateralized by taxes and other revenues attributable to FY 2020-2021 and were issued in the form of Fixed Rate Notes at an effective interest rate of 0.28%.

LACCAL Lease Revenue Bonds

On July 23, 2020, LACCAL issued \$23.47 million in Lease Revenue Bonds, 2020 Series A at an effective interest rate of 5.00%. The proceeds will be used pay off BANs that were used to purchase new LACCAL equipment.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

23. SUBSEQUENT EVENTS-Continued

Public Works Financing Authority - Lease Revenue Bonds, 2020 Series A (LACMA Building for the Permanent Collection Project) (Green Bonds)

On November 3, 2020, the Authority issued \$363.23 million of lease revenue bonds, with an associated premium of \$63.60 million, resulting in proceeds of \$426.83 million, for the LACMA Building for the Permanent Collection Project. These bonds are maturing from 2021 to 2050, with yields from 0.22% to 2.64%. \$300.00 million of the proceeds will be used to finance the project, \$125.00 million of the proceeds were used to refinance outstanding LRON previously issued by the County for this project, and \$1.83 million of the proceeds covered the Costs of Issuances.

Lease Revenue Commercial Paper Obligation Notes (LRON)

On August 11, 2020, LACCAL issued an additional \$60.00 million in LRON, which includes \$20.00 million with an interest rate of 0.16%, \$26.20 with an interest rate of 0.17%, and \$13.80 million with an interest rate of 0.18%. On November 20, 2020, LACCAL issued an additional \$70.00 million in LRON, which includes \$41.50 million with an interest rate of 0.16% and \$28.50 million with an interest rate of 0.18%. The proceeds are being used to fund capital requirements of various capital projects. LRON issuances are supported and secured by four separate series of letters of credit and pledged County properties.

Measure J

On November 3, 2020, the voters of the County successfully passed a ballot measure (Measure J) to annually allocate in the County's budget no less than ten percent of the County's locally generated unrestricted revenues in the General Fund to address the disproportionate impact of racial injustice through community investment and alternatives to incarceration and to prohibit using those funds for carceral systems and law enforcement agencies. Measure J will take effect in FY 2021-2022 and will be phased in over a three-year period. The budgetary impact of Measure J in future years to the County has yet to be quantified.



COUNTY OF LOS ANGELES  
REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)

Los Angeles County Employees Retirement Association  
Schedule of the County's Proportionate Share of the Net Pension Liability and Related Ratios  
Last 10 Fiscal Years<sup>1,2</sup>  
(Dollar amounts in thousands)

	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Pension Plan's fiduciary net position as percentage of total pension liability	82.910 %	83.960 %	82.370 %	81.749 %	86.296 %	86.804 %
County's proportionate share of the collective net pension liability	\$ 11,560,668	\$ 10,345,209	\$ 10,849,931	\$ 10,272,671	\$ 7,448,374	\$ 6,957,082
County's proportion as percentage of the collective net pension liability	96.223 %	96.169 %	96.119 %	96.170 %	96.081 %	95.897 %
Covered payroll	\$ 8,031,454	\$ 7,631,381	\$ 7,320,575	\$ 6,986,004	\$ 6,948,738	\$ 6,672,228
County's proportionate share of the collective net pension liability as a percentage of its covered payroll	143.942 %	135.561 %	148.211 %	147.046 %	107.190 %	104.269 %

Schedule of County's Pension Contributions  
Last 10 Fiscal Years<sup>1,3</sup>  
(Dollar amounts in thousands)

	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution (ADC)	\$ 1,732,960	\$ 1,605,150	\$ 1,466,411	\$ 1,300,711	\$ 1,389,628	\$ 1,437,555
Less: Contributions in relation to the ADC	1,732,960	1,605,150	1,466,411	1,300,711	1,389,628	1,437,555
Contribution Deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll	\$ 8,377,352	\$ 8,031,454	\$ 7,631,381	\$ 7,320,575	\$ 6,986,004	\$ 6,948,738
Contributions as a percentage of total covered payroll	20.686 %	19.986 %	19.216 %	17.768 %	19.892 %	20.688 %

- (1) Historical information is required only for measurement periods for which GASB 68 is applicable. Eventually, 10 years of data will be shown.  
(2) Reflects data as of the measurement date.  
(3) Reflects data as of the reporting date.

COUNTY OF LOS ANGELES  
REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)

Los Angeles County Employees Retirement Association  
Notes to Required Supplementary Information

**Changes of benefit terms**

There were no plan changes after June 30, 2013.

**Changes of assumptions**

There were no changes of assumptions used to determine the Total Pension Liability.

There were no changes of assumptions in determining the ADC since FY 2014-2015.

COUNTY OF LOS ANGELES  
REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)

Los Angeles County Employees Retirement Association  
Schedule of Changes in Net RHC OPEB Liability and Related Ratios  
Last 10 Fiscal Years <sup>1,2,3</sup>  
(Dollar amounts in thousands)

	06/30/2019
Total OPEB Liability	
Effect of Change from Cost Sharing to Agent Plan	\$ (2,204,743)
Service cost	779,965
Interest on Total OPEB Liability	1,197,607
Effect of assumption changes or inputs	2,356,270
Benefit payments	(601,985)
Net change in Total OPEB Liability	1,527,114
Total OPEB Liability, beginning	24,490,107
Total OPEB liability, ending (a)	26,017,221
Fiduciary Net Position	
Employer contributions	\$ 840,965
Net Investment income	59,606
Benefit payments	(601,985)
Administrative expenses	(8,601)
Net change in plan Fiduciary Net Position	289,985
Fiduciary Net Position, beginning	899,421
Fiduciary Net Position, ending (b)	1,189,406
Net OPEB Liability, ending = (a) - (b)	\$ 24,827,815
Fiduciary Net Position as a % of Total OPEB Liability	4.57 %
Covered employee payroll	\$ 9,071,329
Net OPEB Liability as a % of covered employee payroll	273.70 %

Notes to Schedule:

Changes of benefit terms: No changes to benefit terms

Changes of Assumptions:

The Discount rate decreased from 5.11% as of June 30, 2018 to 4.69% as of June 30, 2019.

The Investment rate of return decreased from 6.30% as of June 30, 2018 to 6.00% as of June 30, 2019.

- (1) Historical information is required only for measurement periods for which GASB 75 is applicable. Eventually, 10 years of data will be shown.
- (2) Reflects data as of the Measurement Date.
- (3) As of July 1, 2018, LACERA transitioned from a cost-sharing, multiple employer plan to an agent plan structure. Therefore, this schedule only reflects one year of data.

COUNTY OF LOS ANGELES  
REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)

Schedule of County's RHC OPEB Contributions  
Last 10 Fiscal Years<sup>1,3</sup>  
(Dollar amounts in thousands)

	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ 1,482,200	\$ 1,549,500	\$ 1,901,000
Less: Contributions in relation to the ADC	880,949	787,366	679,872
Contribution Deficiency (excess)	<u>\$ 601,251</u>	<u>\$ 762,134</u>	<u>\$ 1,221,128</u>
Covered-employee payroll	\$ 9,404,208	\$ 9,071,329	\$ 8,571,345
Contributions as a percentage of total covered-employee payroll	9.368 %	8.680 %	6.523 %

- (1) Historical information is required only for measurement periods for which GASB 75 is applicable. Eventually, 10 years of data will be shown.  
(2) Reflects data as of the measurement date.  
(3) Reflects data as of the reporting date.

Actuarial Methods and Assumptions

Valuation Timing	July 1, 2018, rolled forward to June 30, 2019
Actuarial Cost Method	Individual Entry Age Normal, Level Percent of Pay
Asset Valuation Method	Fair Market Value
Inflation	2.75%
Salary Increases	3.25% general wage increase and merit according to Table A-5 of the June 30, 2017 actuarial valuation of retirement benefits. It can be found at <a href="http://www.LACERA.com">www.LACERA.com</a> .
Mortality	Various rates based on the RP-2014 Healthy and Disabled Annuitant mortality tables and including projection for expected future mortality improvement using the MO Healthcare Cost Trend Rates MP-2014 Ultimate Projection Scale.
Experience Study	Covers the three year period ended June 30, 2016.
Discount Rate	4.69%
Long-term expected rate of return, net of investment expenses	6.00%
20 Year Tax-Exempt Municipal Bond Yield	3.50%

COUNTY OF LOS ANGELES  
REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)

Schedule of Changes in the Total LTD OPEB Liability and Related Ratios  
Last 10 Fiscal Years<sup>1</sup>

(Dollar amounts in thousands)

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB Liability			
Service cost	\$ 41,832	\$ 43,162	\$ 49,068
Interest	41,028	38,818	33,546
Changes of benefit terms			
Differences between expected and actual experience	(55,159)	1,111	589
Changes of assumptions or other inputs	78,190	(43,574)	(106,200)
Benefit payments	<u>(60,451)</u>	<u>(64,313)</u>	<u>(63,430)</u>
Net Change in Total OPEB Liability	45,440	(24,796)	(86,427)
 Total LTD OPEB Liability - beginning	 <u>1,048,244</u>	 <u>1,073,040</u>	 <u>1,159,467</u>
Total LTD OPEB Liability - ending	<u><u>\$ 1,093,684</u></u>	<u><u>\$ 1,048,244</u></u>	<u><u>\$ 1,073,040</u></u>
 Covered-employee payroll	 \$ 9,071,329	 \$ 8,571,345	 \$ 8,176,831
 Total LTD OPEB Liability as a percentage of covered- employee payroll	 12.056 %	 12.230 %	 13.123 %

Notes to schedule:

Changes of benefit terms: No changes to benefit terms

Changes of assumptions:

Changes of Assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

As of June 30, 2017	3.58 %
As of June 30, 2018	3.87 %
As of June 30, 2019	3.50 %

(1) Historical information is required only for measurement periods for which GASB 75 is applicable. Eventually, 10 years of data will be shown.

COUNTY OF LOS ANGELES  
REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)

Total LTD OPEB Liability  
Notes to Required Supplementary Information

**Changes of benefit terms**

None

**Changes of assumptions**

The Discount rate decreased from 3.87% as of June 30, 2019 to 3.50% as of June 30, 2020.

No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4 to pay related benefits.



# SINGLE AUDIT REPORT





**COUNTY OF LOS ANGELES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>Federal Awarding Agency/Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance Number (CFDA#)</b>	<b>Identifying Number Assigned by Pass-Through Grantor (Note A)</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>SCHEDULE OF EXPENDITURES OF NON-COVID-19 FEDERAL AWARDS</b>				
<b><u>U.S. Agency for International Development</u></b>				
<i>Direct Program</i>				
USAID Foreign Assistance for Programs Overseas				
International Search and Rescue Operations AID-OFDA-A-15-00014	98.001		\$ 1,467,433	\$ -
<b>Total U.S. Agency for International Development</b>			<u>1,467,433</u>	<u>-</u>
<b><u>U.S. Department of Agriculture</u></b>				
<i>Direct Program</i>				
USDA Forest Service Angeles National Forest	10.680		36,308	-
<i>Passed Through the California Department of Aging</i>				
State Administrative Matching Grants for the Supplemental Nutrition Program				
Supplemental Nutrition Assistance Program - Education (SNAP-ED)	10.561 (1) (13)	SP-1920-19	167,129	141,827
CalFresh Expansion	10.561 (1) (13)	CF-1920-19	195,339	80,000
Supplemental Nutrition Assistance Program - Education (SNAP-ED)	10.561 (1) (13)	SP-1819-19	74,653	55,684
<i>Subtotal 10.561</i>			<u>437,121</u>	<u>277,511</u>
<i>Passed Through the California Department of Education</i>				
School Breakfast Program				
Child Nutrition Program - School Breakfast	10.553 (2)	01519-SN-19-R	12,591	-
National School Lunch Program				
Child Nutrition Program - School Lunch	10.555 (2)	01519-SN-19-R	25,157	-
Child and Adult Care Food Program				
Child and Adult Care Food Program	10.558		466,581	-
Summer Food Service Program for Children				
Summer Food Service Program for Children	10.559 (2)	197CACA3N1099	41,796	-
Summer Food Service Program	10.559 (2)		342,196	-
<i>Subtotal 10.559</i>			<u>383,992</u>	<u>-</u>
<i>Passed Through the California Department of Food and Agriculture</i>				
Plant and Animal Disease, Pest Control, and Animal Care (Note 3)				
Pest Exclusion/Dog Teams Program (Note 3)	10.025	18-0294-004-SF	232,228	-
Pest Exclusion/Dog Teams Program	10.025	19-0266-004-SF	534,727	-
Glassy Winged Sharpshooter (GWSS) (Note 3)	10.025	18-0230	150,182	-
Sudden Oak Death (SOD) Program (Note 3)	10.025	18-0295-005-SF	6,174	-
Pest Detection Emergency Program (Note 3)	10.025	18-0230	1,404,775	-
<i>Subtotal 10.025</i>			<u>2,328,086</u>	<u>-</u>
Senior Farmers Market Nutrition Program				
Senior Farmers Market Program	10.576		10,360	-
<i>Passed Through the California Department of Public Health</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				
Supplemental Nutrition Assistance Program - Education (SNAP-ED)	10.561 (1) (13)	19-10328	11,274,701	4,102,529
<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) (13)	CFL 19/20-99	255,212,052	3,912,544
<i>Subtotal 10.561</i>			<u>266,486,753</u>	<u>8,015,073</u>
<i>Passed Through the California State Controller's Office</i>				
Schools and Roads - Grants to States				
U.S. Forest Service	10.665 (3)		710,518	-
<b>Total U.S. Department of Agriculture</b>			<u>270,897,467</u>	<u>8,292,584</u>
<b><u>U.S. Department of Defense</u></b>				
<i>Direct Program</i>				
Procurement Technical Assistance for Business Firms				
Procurement Technical Assistance	12.002		272,103	-
<b>Total U.S. Department of Defense</b>			<u>272,103</u>	<u>-</u>

See legend on page 180 for CFDA No. Cluster Summary and Notes A and B.

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, 2020**

<b>Federal Awarding Agency/Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance Number (CFDA#)</b>	<b>Identifying Number Assigned by Pass-Through Grantor (Note A)</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b><u>U.S. Department of Education</u></b>				
<i>Direct Program</i>				
Federal Supplemental Educational Opportunity Grants	84.007	(12)	\$ 10,665	\$ -
Supplemental Educational Opportunity Grants				
Federal Pell Grant Program	84.063	(12)	276,765	-
Pell Grants			287,430	-
<i>Subtotal Student Financial Assistance Cluster (84.007, 84.063)</i>			287,430	-
<b>Total U.S. Department of Education</b>				
<b><u>U.S. Department of Health and Human Services</u></b>				
<i>Direct Program</i>				
Public Health Emergency Preparedness	93.069		20,503,946	1,143,099
Birth Defects and Developmental Disabilities - Prevention and Surveillance				
Sodium Reduction in Communities				
Los Angeles County Sodium Reduction Initiative (LACSRI)	93.082		358,196	87,850
Project Grants and Cooperative Agreements for Tuberculosis Control Programs				
Tuberculosis/Centers for Disease Control Cooperative Agreement	93.116		4,953,774	-
Acquired Immunodeficiency Syndrome (AIDS) Activity				
Los Angeles County HIV/AIDS Strategy for 2020 and Beyond: Ending the Epidemic	93.118		254,339	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance				
First Responders - Comprehensive Addiction and Recovery Act 17	93.243		20,921	-
First Responders - Comprehensive Addiction and Recovery Act (FR-CARA) Year 2	93.243		30,681	-
<i>Subtotal 93.243</i>			51,602	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)				
Epidemiology and Laboratory Capacity for Infectious Disease (ELC) - Building and Strengthening Epidemiology	93.323		3,710,520	-
Innovative State and Local Public Health Strategies to Prevent and Manage Diabetes and Heart Disease and Stroke				
Chronic Disease Prevention and Management Strategy: Innovation Solutions for Healthier Communities (SHC)	93.435		2,422,780	652,488
Ending the HIV Epidemic: A Plan for America - Ryan White HIV/AIDS Program Parts A and B				
Ending the HIV Epidemic: A Plan for America	93.686		36,496	-
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities				
Hospital Preparedness Program Ebola Preparedness and Response Activities	93.817		20,089	-
National Bioterrorism Hospital Preparedness Program				
Los Angeles County Hospital Preparedness Program	93.889	(17)	9,244,212	6,078,929
HIV Emergency Relief Project Grants				
HIV Emergency Relief Project Grant	93.914	(18)	39,901,379	26,565,307
Minority AIDS Initiative (MAI)	93.914	(18)	5,791,625	2,610,215
<i>Subtotal 93.914</i>			45,693,004	29,175,522
Healthy Start Initiative				
Healthy Start Initiative	93.926		717,208	-
HIV Prevention Activities - Health Department-Based				
Integrated HIV Surveillance and Prevention for Los Angeles County	93.940		18,269,225	8,444,947
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance				
Medical Monitoring Project (MMP)	93.944		745,212	-
Behavioral Surveillance Study of HIV Risk and Prevention Behaviors Among At-Risk Populations in Los Angeles	93.944		740,836	-
<i>Subtotal 93.944</i>			1,486,048	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants				
CDC Strengthening STD Prevention and Control for Health Departments (STD PCHD)	93.977	(19)	2,946,800	173,022
<i>Passed Through the Health Research Association, Inc.</i>				
Teenage Pregnancy Prevention Program	93.297	64750337	303,564	-
<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	(9)	AP-1920-19	83,643
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals				
Title VII - Ombudsman	93.042	(9)	AP-1920-19	123,674

See legend on page 180 for CFDA No. Cluster Summary and Notes A and B.

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, 2020**

<b>Federal Awarding Agency/Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance Number (CFDA#)</b>	<b>Identifying Number Assigned by Pass-Through Grantor (Note A)</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services				
Area Agency on Aging III D	93.043 (9)	AP-1920-19	\$ 462,735	\$ 462,735
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers				
Area Agency on Aging III B	93.044 (9)	AP-1920-19	5,918,394	3,460,745
Special Programs for the Aging - Title III, Part C - Nutrition Services				
Area Agency on Aging III C-I	93.045 (9)	AP-1920-19	6,346,998	5,691,624
Area Agency on Aging III C-II	93.045 (9)	AP-1920-19	6,212,675	5,802,448
<i>Subtotal 93.045</i>			<u>12,559,673</u>	<u>11,494,072</u>
National Family Caregiver Support, Title III, Part E				
Area Agency on Aging Title III E	93.052 (9)	AP-1920-19	2,479,219	1,530,431
Nutrition Services Incentive Program				
Area Agency on Aging III USDA C-I	93.053 (9)	AP-1920-19	967,572	967,572
Area Agency on Aging III USDA C-II	93.053 (9)	AP-1920-19	738,461	738,461
<i>Subtotal 93.053</i>			<u>1,706,033</u>	<u>1,706,033</u>
Medical Enrollment Assistance Program				
Medicare Improvements for Patients and Providers Act	93.071	MI1819-19	94,354	82,028
State Health Insurance Assistance Program				
Area Agency on Aging - Health Insurance Counseling and Advocacy Program (HICAP) H9	93.324	AP-1920-19	178,904	164,171
Area Agency on Aging - Health Insurance Counseling and Advocacy Program (HICAP) H3	93.324	HI-1718-19	50,876	43,821
<i>Subtotal 93.324</i>			<u>229,780</u>	<u>207,992</u>
Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRS) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models				
Financial Alignment	93.626	FA1718-19	39,692	35,009
<i>Passed Through the California Department of Child Support Services</i>				
Child Support Enforcement				
Child Support Enforcement Title IV-D	93.563		132,348,518	-
<i>Passed Through the National Association of County and City Health Officials</i>				
Strengthening Public Health Systems and Services				
Centers for Disease Control and Prevention through National Partnerships to Improve and Protect the Nation's Health	93.421	2019-120501	141,839	141,839
<i>Passed Through the California Department of Community Services and Development</i>				
Community Services Block Grant (Note 4)				
Community Services Block Grant	93.569	19F-4021	5,227,840	3,814,775
Community Services Block Grant	93.569	19F-4105	159,833	141,535
Community Services Block Grant	93.569	19F-4423	30,000	-
Community Services Block Discretionary Grant	93.569	19F-4458	29,161	15,161
Community Services Block Grant	93.569	20F-3021	1,046,823	638,395
Community Services Block Grant	93.569	20F-3105	135,453	124,233
<i>Subtotal 93.569</i>			<u>6,629,110</u>	<u>4,734,099</u>
<i>Passed Through the California Department of Education</i>				
Child Care and Development Block Grant				
Child Care Salary Retention Incentive Program	93.575 (10)	19-02419-00-9	3,073,982	-
Local Child Care Planning and Development Council (LCCPDC)	93.575 (10)	19-02419-00-9	276,437	-
Child Care and Development Block Grant	93.575 (10)	CAPP9026	1,830,477	-
<i>Subtotal 93.575</i>			<u>5,180,896</u>	<u>-</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund				
Child Day Care Program	93.596 (10)	CAPP9026	7,211,243	-
<i>Passed Through the California Department of Health Care Services</i>				
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)				
Project ABC South Los Angeles	93.104	H79SM063397	731,535	255,304
Projects for Assistance in Transition from Homelessness (PATH)				
McKinney Homeless Act Program	93.150	68-0317191	2,143,967	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance				
SAMHSA STR to the Opioid Crisis Grant - Bridge Program	93.243		15,609	-

See legend on page 180 for CFDA No. Cluster Summary and Notes A and B.

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, 2020**

<b>Federal Awarding Agency/Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance Number (CFDA#)</b>	<b>Identifying Number Assigned by Pass-Through Grantor (Note A)</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
Medical Assistance Program				
Medi-Cal Eligibility Determination	93.778 (11) (16)	CFL 19/20-99	\$ 298,034,705	\$ -
Medi-Cal Administrative Activities (MAA)	93.778 (11) (16)	17-94017	21,496,220	1,112,979
Medi-Cal Administrative Activities (MAA)	93.778 (11) (16)	17-94590	5,783,407	-
Federal Drug Medi-Cal (Prenatal and Drug) FMAP	93.778 (11) (16)	17-94199	21,734,219	-
Health Care Program Children in Foster Care	93.778 (11) (16)		11,367,480	-
Child Health and Disability Program	93.778 (11) (16)		5,742,917	-
Medi-Cal Health Enrollment Navigators Project	93.778 (11) (16)		221,260	154,008
Medi-Cal Navigators Project	93.778 (11) (16)	CFL 19/20-99	3,828	-
<i>Subtotal 93.778</i>			<u>364,384,036</u>	<u>1,266,987</u>
Opioid STR				
SAMHSA STR Opioid Crisis Grant - MAT	93.788		24,315	-
Block Grants for Community Mental Health Services				
Mental Health Services: Block Grant	93.958	1680317191A1	19,815,734	1,328,024
Block Grants for Prevention and Treatment of Substance Abuse				
Alcohol Block Grant	93.959	17-94136	73,448,625	57,468,368
Substance Abuse Prevention and Treatment Set-Aside	93.959	17-94136	2,827,794	2,827,794
Substance Abuse Prevention and Treatment Block Grant Adolescent Treatment	93.959	17-94136	1,613,785	1,613,785
Drug-Free Schools and Communities (DFSC) - Friday Night Live	93.959	17-94136	9,833	9,833
Drug Free Schools and Communities - Club Live	93.959	17-94136	9,834	9,834
New Prenatal Set-Aside	93.959	17-94136	2,737,978	615,584
<i>Subtotal 93.959</i>			<u>80,647,849</u>	<u>62,545,198</u>
<i>Passed Through the California Department of Public Health</i>				
Injury Prevention and Control Research and State and Community Based Programs				
National Violent Death Reporting System (NVDRS)	93.136	19-10634	39,965	-
Immunization Cooperative Agreements				
Vaccine Preventable Disease Control	93.268	17-10326	5,217,726	-
Refugee and Entrant Assistance - State/Replacement Designee Administered Programs				
Refugee Health Assessment Program	93.566 (15)	19-19-90899-00	339,337	-
Refugee and Entrant Assistance - Discretionary Grants				
Refugee Health Promotion Project (RHPP)	93.576	19-19-90893-00	46,700	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare				
Health Facilities Inspection	93.777 (11)	19-10042	38,677,770	-
Maternal, Infant, and Early Childhood Home Visiting Grant Program				
Title V Maternal, Infant, and Early Childhood Home Visiting Program	93.870	19-19, 19-19A	1,378,491	1,378,491
HIV Care Formula Grants				
HIV Care Program	93.917	18-10873	5,347,795	4,927,635
Sexually Transmitted Diseases (STD) Prevention and Control Grants				
STD Surveillance Network (SSUN)	93.977 (19)	18-10275	18,750	-
Maternal and Child Health Services Block Grant to the States				
Maternal and Child Health	93.994	201919	3,272,841	63,451
<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 16/17-69, 14/15-40 & 11/12-18	33,256,722	-
MaryLee Allen Promoting Safe and Stable Families Program				
Promoting Safe and Stable Families Program (PSSF)	93.556	CFL 19/20-35 & CFL 19/20-19	8,211,375	6,908,516
Temporary Assistance for Needy Families				
CalWORKS Single	93.558	CFL 19/20-99	419,418,083	124,879,053
CalWORKS - Family Group/Unemployed Parent (FG/U) Assistance	93.558	CFL 19/20-99	147,907,379	-
Temporary Assistance for Needy Families (TANF)	93.558	CFL 19/20-04	96,501,392	13,254,226
CalWORKS Fraud Incentives	93.558	CFL 19/20-99	417,415	-
CalWORKS Legal Immigrants (MC)	93.558	CFL 19/20-99	2,294,362	-
CalWORKS Diversion - Federal	93.558	CFL 19/20-99	1,851	-
<i>Subtotal 93.558</i>			<u>666,540,482</u>	<u>138,133,279</u>
Refugee and Entrant Assistance State/Replacement Designee Administered Programs				
Refugee Resettlement	93.566 (15)	CFL 19/20-99	1,451,862	-
Refugee Employment Social Services	93.566 (15)	RESS1702,1803,1902	2,058,820	1,250,153
Services to Older Refugees	93.566 (15)	ORSA1802	50,361	33,688
<i>Subtotal 93.566</i>			<u>3,561,043</u>	<u>1,283,841</u>

See legend on page 180 for CFDA No. Cluster Summary and Notes A and B.

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, 2020**

<b>Federal Awarding Agency/Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance Number (CFDA#)</b>	<b>Identifying Number Assigned by Pass-Through Grantor (Note A)</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
U.S. Repatriation				
U.S. Repatriation Program	93.579	CFL 19/20-99	\$ 9,325	\$ -
Community-Based Child Abuse Prevention	93.590	ACIN I-1-20	265,122	-
Adoptions and Legal Guardianship Incentive Payments	93.603	CFL 19/20-46	1,420,932	-
Stephanie Tubbs Jones Child Welfare Services Program				
Children's Welfare Services IV-B (Direct Cost)	93.645	CFL 19/20-04	7,442,054	-
Foster Care Title IV-E				
Aid to Families with Dependent Children - FC - Administration and Assistance	93.658	CFL 19/20-07 & CFL 19/20-04	133,884,720	65,500,548
Foster Care Title IV-E	93.658	CFL 19/20-07 & CFL 19/20-04	297,360,530	7,802,232
Foster Care Title IV-E	93.658	CFL 19/20-07	21,905,521	-
Foster Parent Training	93.658	CFL 19/20-07 & CFL 19/20-04	14,224	-
Foster Family Licensing	93.658	CFL 19/20-30	881,710	-
Group Home Month Visits / CWD	93.658	CFL 19/20-07 & CFL 19/20-04	1,547,861	-
Child Welfare Services Outcome Improvement Project (Cohort 1)	93.658	CFL 19/20-07 & CFL 19/20-04	642,149	-
<i>Subtotal 93.658</i>			<u>456,236,715</u>	<u>73,302,780</u>
Adoption Assistance				
Adoptions - Administration and Assistance	93.659	CFL 16/17-69, 14/15-40 & 11/12-18	170,370,143	-
Social Services Block Grant				
Children's Welfare Services Title XX	93.667	CFL 19/20-04	39,256,389	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood				
Independent Living Skills - Children's Services	93.674	CFL 19/20-60	5,316,774	3,567,658
Medical Assistance Program				
Children's Welfare Services XIX (Health-Related)		CFL 16/17-69, 14/15-40 & 11/12-18	35,661,764	-
In-Home Supportive Services - Personal Care Services Program (Health-Related)	93.778 (11) (16)	CFL 19/20-99	96,161,195	-
Adult Protective Services/County Services Block Grant	93.778 (11) (16)	CFL 19/20-99	41,096,652	-
<i>Subtotal 93.778</i>			<u>172,919,611</u>	<u>-</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>2,373,089,713</u>	<u>364,779,321</u>
<b><u>U.S. Department of Homeland Security</u></b>				
<i>Direct Program</i>				
National Urban Search and Rescue (US&R) Response System				
Urban Search and Rescue 2015	97.025		123,266	-
Urban Search and Rescue 2016	97.025		261,723	-
Urban Search and Rescue 2017	97.025		431,127	-
Urban Search and Rescue 2018	97.025		471,370	-
Urban Search and Rescue 2018	97.025		195,387	-
Urban Search and Rescue 2019	97.025		383,169	-
<i>Subtotal 97.025</i>			<u>1,866,042</u>	<u>-</u>
Port Security Grant Program				
Port Security Grant Program 17	97.056		213,979	-
Port Security Grant Program 18	97.056		334,871	-
<i>Subtotal 97.056</i>			<u>548,850</u>	<u>-</u>
<i>Passed Through the City of Los Angeles</i>				
Securing the Cities Program				
Securing the City Program (STC)	97.106		8,920	-
Securing the Cities Program	97.106	C-125298	51,213	-
<i>Subtotal 97.106</i>			<u>60,133</u>	<u>-</u>
Preparing for Emerging Threats and Hazards				
Communities for Complex Coordinated Terrorist Attacks	97.133	C-135252	79,021	-
<i>Passed Through the United Way</i>				
Emergency Food and Shelter National Board Program				
Emergency Food and Shelter Program	97.024	069500-009	15,500	-
<i>Passed Through the California Department of Parks and Recreation</i>				
Boating Safety Financial Assistance				
Recreational Boating Safety Program	97.012	C-1770602	63,652	-

See legend on page 180 for CFDA No. Cluster Summary and Notes A and B.

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**COUNTY OF LOS ANGELES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>Federal Awarding Agency/Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance Number (CFDA#)</b>	<b>Identifying Number Assigned by Pass-Through Grantor (Note A)</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<i>Passed Through the California Governor's Office of Emergency Services</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)				
2008 Wildfires	97.036	FEMA-1884-DR-CA	\$ 133,851	\$ -
2010 Winterstorms	97.036	FEMA-1810-DR-CA	229,020	-
2017 Late Jan 2017 Storms	97.036	FEMA-4305-DR-CA	1,143,661	-
2017 Skirball Fire	97.036	FEMA-5227-DR-CA	42,754	-
2018 Woolsey Fire	97.036	FEMA-4407-DR-CA	254,628	-
<i>Subtotal 97.036</i>			<u>1,803,914</u>	<u>-</u>
Emergency Management Performance Grants				
2018 Emergency Management Performance Grant	97.042	2018-0008	27,000	27,000
Homeland Security Grant Program				
State Homeland Security Program	97.067	2017-0083	8,238,053	4,283,170
State Homeland Security Program	97.067	2018-0054	22,849	-
State Homeland Security Program	97.067	2019-0035	3,340	-
Homeland Security Grant Program	97.067	2018-0054	457,085	-
Homeland Security Grant Program	97.067	037-95066	1,934,866	46,749
<i>Passed Through the California Governor's Office of Emergency Services/City of Los Angeles</i>				
Homeland Security Grant Program				
Urban Area Security Initiative 17	97.067	C-131830	197,728	-
Urban Area Security Initiative 17	97.067	C-131830	72,101	-
Urban Area Security Initiative 17	97.067	C-131830	1,129,519	-
Urban Area Security Initiative 18	97.067	C-133963	3,512,213	-
<i>Passed Through the California Governor's Office of Emergency Services/County of San Diego</i>				
Homeland Security Grant Program				
Operation Stonegarden Grant Program	97.067	073-91015	236,511	-
<i>Subtotal 97.067</i>			<u>15,804,265</u>	<u>4,329,919</u>
<b>Total U.S. Department of Homeland Security</b>			<u>20,268,377</u>	<u>4,356,919</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>				
<i>Direct Program</i>				
Lead Hazard Reduction Demonstration Grant Program				
Lead Hazard Reduction Demonstration Grant (LHRD)	14.905		1,296,982	-
<i>Passed Through the Los Angeles County Development Authority</i>				
Community Development Block Grants/Entitlement Grants				
Adventure Park Recreation Program	14.218	(4) F96410-19	78,659	-
ALPR Stationary Cameras - East LA	14.218	(4) 601907-17	1,479	-
Bike Patrol Pilot Program - Whittier Blvd	14.218	(4) 601937-17	58,267	-
Burke's Club Drug Prevention and Gang Intervention	14.218	(4) F96228-19	162,479	-
Century Station Code Enforcement Project	14.218	(4) 601938-17	164,832	-
Community Code Enforcement 4 <sup>th</sup> District	14.218	(4) 600727-19	120,000	-
Community Code Enforcement East Los Angeles-1 <sup>st</sup> District	14.218	(4) 601956-19	188,250	-
Enhanced Patrol Walnut Park - Century Station	14.218	(4) 601938-17	59,816	-
Equestrian Patrol Pilot Program - Industry Station	14.218	(4) 601936-17	110,762	-
Homeowners Fraud Prevention Program	14.218	(4) F96227-18	23,820	-
Loma Alta Park Recreation Program	14.218	(4) 600475-19	47,732	-
Our Spot at Mayberry Park	14.218	(4) 602139-19	500	-
Pamela Park Recreation Program	14.218	(4) 600482-19	28,203	-
Pearblossom Park Recreation Program	14.218	(4) 600483-19	46,114	-
Project Star (La Puente/Graham Library)	14.218	(4) 601638-17	30,000	-
Project Star (Studying, Tutoring, and Reading)	14.218	(4) F96125-17	90,000	-
Ringrove Park Recreation Program	14.218	(4) 601899-19	16,826	-
Rowland Heights Youth Athletic League Program-Carolyn Rosas Park	14.218	(4) 601827-18	35,856	-
Salazar Park Recreation Program	14.218	(4) 601829-19	46,295	-
Saybrook Park Recreation Program	14.218	(4) 602007-19	56,664	-
Unincorporated Areas Small Business Initiative	14.218	(4) 601827-18	110,999	-
Valleydale Park After-School Program	14.218	(4) 601826-19	36,114	-
<i>Subtotal 14.218</i>			<u>1,513,667</u>	<u>-</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>2,810,649</u>	<u>-</u>

See legend on page 180 for CFDA No. Cluster Summary and Notes A and B.

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**COUNTY OF LOS ANGELES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>Federal Awarding Agency/Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance Number (CFDA#)</b>	<b>Identifying Number Assigned by Pass-Through Grantor (Note A)</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b><u>U.S. Department of Justice</u></b>				
<i>Direct Program</i>				
Services for Trafficking Victims				
Enhanced Collaborative Model to Combat Human Trafficking 18 (2018-VT-BX-K088)	16.320		\$ 245,417	\$ 15,108
State Criminal Alien Assistance Program				
State Criminal Alien Assistance Program (SCAAP) (Note 3)	16.606		2,533,466	-
Public Safety Partnership and Community Policing Grants				
Community Policing Development Program (CPD) - Innovative Officer Accountability Model	16.710		3,868	-
Prison Rape Elimination Act (PREA) Program: Strategic Support for PREA Implementation				
Prison Rape Elimination Act	16.735		69,336	-
DNA Backlog Reduction Program				
DNA Capacity Enhancement and Backlog Reduction Program 17	16.741		113,039	-
DNA Capacity Enhancement and Backlog Reduction Program 18	16.741		788,502	-
DNA Capacity Enhancement and Backlog Reduction Program 19	16.741		455,736	-
<i>Subtotal 16.741</i>			<u>1,357,277</u>	<u>-</u>
Economic High-Tech and Cyber Crime Prevention				
Intellectual Property Enforcement Program-Counterfeit 18 (CAPE)	16.752		233,132	-
Comprehensive Opioid Abuse Site-Based Program				
Comprehensive Opioid Abuse Site-Based Program	16.838		214,871	-
Equitable Sharing Program				
Asset Seizure and Forfeiture	16.922		1,334,648	-
Asset Seizure and Forfeiture	16.922		19,521	-
Asset Seizure and Forfeiture	16.922		994,765	-
Domestic Cannabis Eradication Suppression Program 19	16.922		229,983	-
Domestic Cannabis Eradication Suppression Program 20	16.922		185,328	-
<i>Subtotal 16.922</i>			<u>2,764,245</u>	<u>-</u>
<i>Passed Through the City of Los Angeles</i>				
Edward Byrne Memorial Justice Assistance Grant Program				
School Resource Deputy/Rosemont Middle School (Sheriff) (JAG) 16	16.738	JAG 2016-DJ-BX-0246	5,978	-
Sheriff Patrol Services Overtime (JAG) 16	16.738	JAG 2016-DJ-BX-0246	31,115	-
Actor's Gang (JAG) 16	16.738	JAG 2016-DJ-BX-0246	12,216	-
Alternate Sentencing Program (APD) (JAG) 16	16.738	JAG 2016-DJ-BX-0246	98,033	-
Toberman Grace (JAG) 16	16.738	JAG 2016-DJ-BX-0246	59,831	-
New Earth - Dream Library and Flow Program (JAG) 16	16.738	JAG 2016-DJ-BX-0246	14,770	-
Public Health - Trauma Prevention Initiative (JAG) 16	16.738	JAG 2016-DJ-BX-0246	49,386	-
Soledad Enrichment Action - Life Program (JAG) 16	16.738	JAG 2016-DJ-BX-0246	85,715	-
School Resource Deputy/Rosemont Middle School (Sheriff) (JAG) 16	16.738	JAG 2017-DJ-BX-0337	4,132	-
Sheriff Youth Activities League (JAG) 16	16.738	JAG 2017-DJ-BX-0337	38,820	-
Alternate Sentencing Program (PD) (JAG) 15	16.738	JAG 2015-DJ-BX-0302	94,759	-
JAG City Clear Foothill	16.738		52,139	-
JAG City Clear Various Sites	16.738		417,109	-
JAG City Clear	16.738		229,614	-
<i>Passed Through the City of La Puente</i>				
JAG 17 - Gang Enforcement Grant	16.738		10,172	-
<i>Passed Through the Board of State and Community Corrections</i>				
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	BSCC 0034-18-MH	230,136	-
<i>Passed Through the City of Lakewood</i>				
JAG 18 - Automated License Plate Recognition (ALPR) System 18	16.738		15,640	-
JAG 19 - Automated License Plate Recognition (ALPR) System 19	16.738		17,336	-
<i>Subtotal 16.738</i>			<u>1,466,901</u>	<u>-</u>

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**COUNTY OF LOS ANGELES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>Federal Awarding Agency/Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance Number (CFDA#)</b>	<b>Identifying Number Assigned by Pass-Through Grantor (Note A)</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<i>Passed Through the California Governor's Office of Emergency Services</i>				
Crime Victim Assistance				
County Victim Services (XC)	16.575	XC16 01 0190	\$ 1,160,851	\$ 1,008,252
County Victim Services (XC)	16.575	XC19 02 0190	1,165,605	1,012,379
Elder Abuse Program (XE)	16.575	XE18 01 0190	91,182	-
Elder Abuse Program (XE)	16.575	XE19 02 0190	54,501	-
Human Trafficking Advocacy Program (HA)	16.575	HA18 01 0190	89,888	-
Human Trafficking Advocacy Program (HA)	16.575	HA19 02 0190	90,324	-
Underserved Victim Advocacy and Outreach Program (UV)	16.575	XV15 01 0190	58,336	-
Underserved Victim Advocacy and Outreach Program (UV)	16.575	UV19 02 0190	123,368	-
Victim Witness Assistance Program (VWAP)	16.575	VW18 37 0190	2,578,600	712,408
Victim Witness Assistance Program (VWAP)	16.575	VW19 38 0190	4,225,468	1,167,402
<i>Subtotal 16.575</i>			<u>9,638,123</u>	<u>3,900,441</u>
<i>Paul Coverdell Forensic Sciences Improvement Grant Program</i>				
Coverdell Forensic Sciences Improvement Act Program 18	16.742	CQ19 09 0190	112,553	-
2018 California Coverdell Grant Program	16.742	CQ18 08 0190	57,218	-
2019 California Coverdell Grant Program	16.742	CQ19 09 0190	4,535	-
<i>Subtotal 16.742</i>			<u>174,306</u>	<u>-</u>
<b>Total U.S. Department of Justice</b>			<u>18,700,942</u>	<u>3,915,549</u>
<b><u>U.S. Department of Labor</u></b>				
<i>Passed Through the California Department of Aging</i>				
Senior Community Service Employment Program				
Older American Title V Project	17.235	TV-1920-19	1,609,022	1,563,209
<i>Passed Through the California Employment Development Department</i>				
Workforce Innovation and Opportunity Act (WIOA) Adult Program				
1129 Slingshot Construction Pre-Apprenticeship Pipeline	17.258 (5)	K8106640	160,722	143,766
WIOA Adult	17.258 (5)	AA011012	7,600,560	3,973,093
1153 ELL Co-Enrollment Pilot FY 2018-19	17.258 (5)	K9110017	199,037	176,331
<i>Subtotal 17.258</i>			<u>7,960,319</u>	<u>4,293,190</u>
WIOA Youth Activities				
WIOA Youth	17.259 (5)	K9110017	6,646,273	6,646,273
WIOA Youth	17.259 (5)	AA011012	8,288,070	4,610,783
<i>Subtotal 17.259</i>			<u>14,934,343</u>	<u>11,257,056</u>
WIOA National Dislocated Worker Grants/WIA National Emergency Grants				
1140 2018 CA Megafires NDWG - Workforce Development	17.277	K9110017	263,015	230,920
2018 CA Megafires NDWG - Temporary Jobs	17.277	K9110017	498,433	447,227
<i>Subtotal 17.277</i>			<u>761,448</u>	<u>678,147</u>
WIOA Dislocated Worker Formula Grants				
WIOA Dislocated Worker	17.278 (5)	K9110017	696,037	696,037
WIOA Rapid Response	17.278 (5)	K9110017	208,862	58,299
WIOA Transfer DW to Adult (GC 500)	17.278 (5)	K9110017	3,291,897	3,291,897
WIOA Dislocated Worker	17.278 (5)	AA011012	3,291,041	1,952,984
WIOA Rapid Response	17.278 (5)	AA011012	953,721	823,239
WIOA Layoff Version RR (GC 292)	17.278 (5)	AA011012	41,916	-
WIOA Layoff Version RR (GC 293)	17.278 (5)	AA011012	198,871	-
1181 Keep LA Working Initiative (LAO)	17.278 (5)	K9110017	1,173,078	1,039,245
1165 LAO 25% AA Rapid Response Project	17.278 (5)	K8106640	255,000	-
1165 LAO 25% AA Rapid Response Project	17.278 (5)	K9110017	120,000	-
<i>Subtotal 17.278</i>			<u>10,230,423</u>	<u>7,861,701</u>
<b>Total U.S. Department of Labor</b>			<u>35,495,555</u>	<u>25,653,303</u>
<b><u>U.S. Department of the Interior</u></b>				
<i>Direct Program</i>				
Invasive and Noxious Plant Management				
National Recreation Area Vacant Lot Weeding	15.230		4,180	-
WaterSMART (Sustain and Manage America's Resources for Tomorrow)				
USBR WaterSMART AGR	15.507		52,268	-
USBR WaterSMART AGR	15.507		297,601	-
<i>Subtotal 15.507</i>			<u>349,869</u>	<u>-</u>

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**COUNTY OF LOS ANGELES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
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<b>Federal Awarding Agency/Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance Number (CFDA#)</b>	<b>Identifying Number Assigned by Pass-Through Grantor (Note A)</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<i>Passed Through the California State Controller's Office</i>				
Flood Control Act Lands	15.433		\$ 387	\$ -
<b>Total U.S. Department of the Interior</b>			<u>354,436</u>	<u>-</u>
<b><u>U.S. Department of Transportation</u></b>				
<i>Direct Program</i>				
Airport Improvement Program				
Airport Improvement Program	20.106 (14)		7,887,001	-
Vacant Lot Clearance - Federal Aviation	20.106 (14)		3,363	-
<i>Subtotal 20.106</i>			<u>7,890,364</u>	<u>-</u>
<i>Passed Through the California Department of Transportation</i>				
Highway Planning and Construction				
Bridge Retrofit Program	20.205 (6)		207,876	-
Surface Transportation Program (STP)	20.205 (6)		5,591,395	-
Highway Bridge Rehabilitation	20.205 (6)		5,589,303	-
Transportation Enhancement Activities	20.205 (6)		178,157	-
Congestion Mitigation and Air Quality Program	20.205 (6)		362,399	-
Emergency Relief Program	20.205 (6)		14,558,662	-
Highway Safety Improvement Program (HSIP)	20.205 (6)		1,748,965	-
Transportation Alternative Program	20.205 (6)		606,532	-
<i>Subtotal 20.205</i>			<u>28,843,289</u>	<u>-</u>
Formula Grants for Rural Areas				
Public Transportation for Non-Urbanized Areas	20.509		429,391	-
State and Community Highway Safety				
State and Community Highway Safety	20.600 (8)		92,122	-
<i>Passed Through the California Office of Traffic Safety</i>				
State and Community Highway Safety				
Selective Traffic Enforcement Program 19 (402PT-19), (PT 19061)	20.600 (8)	GTRAF19	265,790	-
<i>Passed Through the California Governor's Office of Emergency Services</i>				
State and Community Highway Safety				
Selective Traffic Enforcement Program 2019/20 (PT 20073), (State and Community Highway Safety 402PT)	20.600 (8)	GTRAF20	337,938	-
<i>Subtotal 20.600</i>			<u>695,850</u>	<u>-</u>
<i>Passed Through the Los Angeles Metropolitan Transportation Authority</i>				
New Freedom Program				
New Freedom Program - CA-57-X084	20.521 (7)	MOU.NFLACNTY09A	382,770	186,334
<i>Passed Through the California Office of Traffic Safety</i>				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated				
Intensive Probation Supervision for High-Risk Felony and Repeat DUI Offenders	20.608	AL06005 / AL20016	273,722	-
Selective Traffic Enforcement Program 19 (164AL-19)	20.608	GTRAF19	276,782	-
Selective Traffic Enforcement Program 2019/20	20.608	PT 20073	439,245	-
<i>Subtotal 20.608</i>			<u>989,749</u>	<u>-</u>
National Priority Safety Programs				
Alcohol & Drug Impaired Driver Vertical Prosecution Program	20.616 (8)	DI19006	531,930	-
Alcohol & Drug Impaired Driver Vertical Prosecution Program	20.616 (8)	DI20005	553,313	-
Office of Traffic Safety Program (OTS)	20.616 (8)	69A3751930000405bCAH	67,226	-
<i>Subtotal 20.616</i>			<u>1,152,469</u>	<u>-</u>
<b>Total U.S. Department of Transportation</b>			<u>40,383,882</u>	<u>186,334</u>
<b><u>U.S. Election Assistance Commission</u></b>				
<i>Passed Through the California Secretary of State</i>				
Help America Vote Act (HAVA) Requirements Payments				
HAVA Voting Systems Program	90.401	16G30110	2,489,717	-
HAVA VoteCal (Cybersecurity)	90.401	18G27119	200,000	-
HAVA Polling Place Accessibility Training Program	90.401	18G26119	51,817	-
HAVA Polling Place Accessibility Training Program	90.401	17G26158	200,000	-
HAVA Voters Choice Act	90.401	19S10056	4,406,987	-
<b>Total U.S. Election Assistance Commission</b>			<u>7,348,521</u>	<u>-</u>

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**COUNTY OF LOS ANGELES  
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<b>Federal Awarding Agency/Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance Number (CFDA#)</b>	<b>Identifying Number Assigned by Pass-Through Grantor (Note A)</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b><u>U.S. Environmental Protection Agency</u></b>				
<i>Direct Program</i>				
Congressionally-Mandated Projects				
Water Infrastructure - Regional Recycled Water Project	66.202		\$ 748	\$ -
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperation Agreements				
Fish Contamination Inspection, Outreach, and Education (Toxics Epidemiology)	66.802		92,469	-
Palos Verdes Fish Contamination - Enforcement Cooperative Agreement	66.802		2,906	-
Subtotal 66.802			95,375	-
<i>Passed Through the California Environmental Protection Agency</i>				
Beach Monitoring and Notification Program Implementation Grants				
Public Beach Safety Program	66.472	D 1914104	182,214	-
Total U.S. Environmental Protection Agency			278,337	-
<b><u>U.S. Executive Office of the President</u></b>				
<i>Direct Program</i>				
High Intensity Drug Trafficking Areas Program				
High Intensity Drug Trafficking Areas (HIDTA)	95.001		108,389	-
Total U.S. Executive Office of the President			108,389	-
<b>Total Expenditures of Non-COVID-19 Federal Awards</b>			<b>2,771,763,234</b>	<b>407,184,010</b>

See legend on page 180 for CFDA No. Cluster Summary and Notes A and B.

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, 2020**

<b>Federal Awarding Agency/Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance Number (CFDA#)</b>	<b>Identifying Number Assigned by Pass-Through Grantor (Note A)</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>SCHEDULE OF EXPENDITURES OF COVID-19 FEDERAL AWARDS</b>				
<b><u>U.S. Department of the Treasury</u></b>				
<i>Direct Program</i>				
Coronavirus Relief Fund				
COVID-19 - Coronavirus Aid, Relief, and Economic Security Act (CARES) Federal	21.019		\$ 98,397,697	\$ -
<b>Total U.S. Department of the Treasury</b>			<b>98,397,697</b>	<b>-</b>
<b><u>U.S. Department of Health and Human Services</u></b>				
<i>Direct Program</i>				
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response				
COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354		8,963,324	225,248
National Bioterrorism Hospital Preparedness Program				
COVID-19 - Los Angeles County Hospital Preparedness Program	93.889	(17)	1,032,979	372,880
HIV Emergency Relief Project Grants				
COVID-19 Ryan White HIV/AIDS Program Part A Response	93.914	(18)	13,338	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)				
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Disease (ELC) - Building and Strengthening Epidemiology	93.323		2,754,184	-
<i>Passed Through the California Department of Aging</i>				
Nutrition Services Incentive Program				
COVID-19 - Families First Coronavirus Response Act - OAA Home-Delivered Meals: Federal Title III C2	93.053	(9)	1,357,359	1,357,359
COVID-19 - Families First Coronavirus Response Act - OAA Congregate Nutrition: Federal Title III C1	93.053	(9)	1,229,130	1,206,641
<i>Subtotal 93.053</i>			<b>2,586,489</b>	<b>2,564,000</b>
<b>Total U.S. Department of Health and Human Services</b>			<b>15,350,314</b>	<b>3,162,128</b>
<b><u>U.S. Department of Homeland Security</u></b>				
<i>Direct Program</i>				
Assistance to Firefighters Grant				
COVID-19 - FY 2020 Assistance to Firefighters Grant Program Supplemental (AFG-S)	97.044		227,386	-
<i>Passed Through the California Governor's Office of Emergency Services</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)				
COVID-19 - 2020 COVID-19	97.036	FEMA-4482-DR-CA	5,046,911	-
<b>Total U.S. Department of Homeland Security</b>			<b>5,274,297</b>	<b>-</b>
<b><u>U.S. Department of Labor</u></b>				
<i>Passed Through the California Employment Development Department</i>				
WIOA National Dislocated Worker Grants / WIA National Emergency Grants				
COVID-19 - Disaster Recovery NDWG 1196 - Workforce Development	17.277	AA011012	358	-
COVID-19 - Disaster Recovery NDWG 1195 - Temporary Jobs	17.277	AA011012	358	-
<i>Subtotal 17.277</i>			<b>716</b>	<b>-</b>
Promotion of the Humanities Federal/State Partnership				
COVID-19 - 1187 Underserved COVID-19 Impacted Individual Grants	17.278	(5)	410,000	410,000
COVID-19 - 1187 Underserved COVID-19 Impacted Individual Grants	17.278	(5)	333,874	333,874
<i>Subtotal 17.278</i>			<b>743,874</b>	<b>743,874</b>
<b>Total U.S. Department of Labor</b>			<b>744,590</b>	<b>743,874</b>
<b><u>U.S. Department of Transportation</u></b>				
<i>Direct Program</i>				
Airport Improvement Program				
COVID-19 - CARES Act Airport	20.106	(14)	226,903	-
<b>Total U.S. Department of Transportation</b>			<b>226,903</b>	<b>-</b>
<b>Total Expenditures of COVID-19 Federal Awards</b>			<b>119,993,801</b>	<b>3,906,002</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 2,891,757,035</b>	<b>\$ 411,090,012</b>

See legend on page 180 for CFDA No. Cluster Summary and Notes A and B.

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, 2020**

Legend

	<u>Amounts</u>
(1) SNAP Cluster	\$ 266,923,874
(2) Child Nutrition Cluster	421,740
(3) Forest Service Schools and Roads Cluster	710,518
(4) CDBG - Entitlement Grants Cluster	1,513,667
(5) WIOA Cluster	33,868,959
(6) Highway Planning and Construction Cluster	28,843,289
(7) Transit Services Programs Cluster	382,770
(8) Highway Safety Cluster	1,848,319
(9) Aging Cluster (Note B)	25,919,860
(10) CCDF Cluster	12,392,139
(11) Medicaid Cluster	575,981,417
(12) Student Financial Assistance Cluster	287,430
(13) Total for CFDA #10.561 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	266,923,874
(14) Total for CFDA #20.106 - Airport Improvement Program	8,117,267
(15) Total for CFDA #93.566 - Refugee and Entrant Assistance State/Replacement Designee Administered Program	3,900,380
(16) Total for CFDA #93.778 - Medical Assistance Program	537,303,647
(17) Total for CFDA #93.889 - National Bioterrorism Hospital Preparedness Program	10,277,191
(18) Total for CFDA #93.914 - HIV Emergency Relief Project Grants	45,706,342
(19) Total for CFDA #93.977 - Sexually Transmitted Diseases (STD) Prevention and Control Grants	2,965,550

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)

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF LOS ANGELES  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

**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 Los Angeles County Development Authority (LACDA) and the Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA), which expended \$436,006,445 and \$689,567, respectively, in federal awards, which are not included in the accompanying SEFA. The LACDA engaged auditors to perform an audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). First 5 LA did not meet the minimum threshold of \$750,000 and, therefore, was exempt from having a Single 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 SEFA.

**NOTE 2 – BASIS OF ACCOUNTING**

The SEFA is prepared on 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 the Uniform Guidance. 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 SEFA are converted to and reported on a cash basis due to the claiming requirements of pass-through and federal agencies. These expenditures are presented on a cash basis to be consistent with the amounts previously claimed and reported for reimbursement purposes. The affected programs are listed below.

<b>Catalog of Federal Domestic Assistance Number (CFDA#)</b>	<b>Program Name</b>
10.561	CalFresh Expansion
10.561	Supplemental Nutrition Assistance Program - Education (SNAP-ED)
10.561	Supplemental Nutrition Assistance Program (SNAP) - Administration (CalFresh)
14.218	Adventure Park Recreation Program
14.218	ALPR Stationary Cameras - East LA

**COUNTY OF LOS ANGELES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>CFDA#</b>	<b>Program Name</b>
14.218	Bike Patrol Pilot Program - Whittier Blvd.
14.218	Burke's Club Drug Prevention and Gang Intervention
14.218	Century Station Code Enforcement Project
14.218	Community Code Enforcement 4 <sup>th</sup> District
14.218	Community Code Enforcement East Los Angeles-1 <sup>st</sup> District
14.218	Enhanced Patrol Walnut Park - Century Station
14.218	Equestrian Patrol Pilot Program - Industry Station
14.218	Homeowners Fraud Prevention Program
14.218	Loma Alta Park Recreation Program
14.218	Our Spot at Mayberry Park
14.218	Pamela Park Recreation Program
14.218	Pearblossom Park Recreation Program
14.218	Project Star (La Puente/Graham Library)
14.218	Project Star (Studying, Tutoring, and Reading)
14.218	Rimgrove Park Recreation Program
14.218	Rowland Heights Youth Athletic League Program-Carolyn Rosas Park
14.218	Salazar Park Recreation Program
14.218	Saybrook Park Recreation Program
14.218	Unincorporated Areas Small Business Initiative
14.218	Valleydale Park After-School Program
14.905	Lead Hazard Reduction Demonstration Grant (LHRD)
20.616	Alcohol & Drug Impaired Driver Vertical Prosecution Program
20.616	Office of Traffic Safety Program (OTS)
84.007	Supplemental Educational Opportunity Grants
84.063	Pell Grants
90.401	HAVA Polling Place Accessibility Training Program
90.401	HAVA Voters Choice Act
90.401	HAVA Voting Systems Program
90.401	HAVA VoteCal (Cyber Security)
93.090	Kinship Guardianship Assistance Payment Program (Kin-GAP) Title IV-E
93.136	National Violent Death Reporting System (NVDRS)
93.268	Vaccine Preventable Disease Control
93.556	Promoting Safe and Stable Families Program (PSSF)
93.558	CalWORKs Diversion - Federal
93.558	CalWORKs Family Group/Unemployed Parent (FG/U) Assistance
93.558	CalWORKs Fraud Incentives
93.558	CalWORKs Legal Immigrants (MC)
93.558	CalWORKs Single
93.558	Temporary Assistance for Needy Families (TANF)

**COUNTY OF LOS ANGELES  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>CFDA#</b>	<b>Program Name</b>
93.563	Child Support Enforcement Title IV-D
93.566	Refugee Employment Social Services
93.566	Refugee Health Assessment Program
93.566	Refugee Resettlement
93.566	Services to Older Refugees
93.569	Community Services Block Grant
93.569	Community Services Block Discretionary Grant
93.576	Refugee Health Promotion Project (RHPP)
93.579	U.S. Repatriation Program
93.590	Community-Based Child Abuse Prevention
93.596	Child Day Care Program
93.603	Adoptions and Legal Guardianship Incentive Payments
93.645	Children's Welfare Services IV-B (Direct Cost)
93.658	Aid to Families with Dependent Children - FC - Administration and Assistance
93.658	Child Welfare Services Outcome Improvement Project (Cohort 1)
93.658	Foster Care Title IV-E
93.658	Foster Family Licensing
93.658	Foster Parent Training
93.658	Group Home Month Visits/CWD
93.659	Adoptions - Administration and Assistance
93.667	Children's Welfare Services Title XX
93.674	Independent Living Skills - Children's Services
93.778	Adult Protective Services/County Services Block Grant
93.778	Child Health and Disability Program
93.778	Children's Welfare Services XIX (Health-Related)
93.778	Federal Drug Medi-Cal (Prenatal and Drug) FMAP
93.778	Health Care Program Children in Foster Care
93.778	In-Home Supportive Services - Personal Care Services Program (Health-Related)
93.778	Medi-Cal Administrative Activities (MAA)
93.778	Medi-Cal Eligibility Determination
93.778	Medi-Cal Health Enrollment Navigators Project
93.778	Medi-Cal Navigators Project
93.870	Title V Maternal, Infant, and Early Childhood Home Visiting Program
93.940	Integrated HIV Surveillance and Prevention for Los Angeles County



**COUNTY OF LOS ANGELES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 3 – 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>FY Exp. Incurred</u>	<u>FY Exp. Reimbursed</u>	<u>Amount</u>
16-17	19-20	\$2,533,466

Pest Detection Emergency Program, CFDA #10.025

<u>FY Exp. Incurred</u>	<u>FY Exp. Reimbursed</u>	<u>Amount</u>
18-19	19-20	\$1,404,775

Sudden Oak Death (SOD) Program, CFDA #10.025

<u>FY Exp. Incurred</u>	<u>FY Exp. Reimbursed</u>	<u>Amount</u>
18-19	19-20	\$ 6,174

Pest Exclusion/Dog Teams Program, CFDA #10.025

<u>FY Exp. Incurred</u>	<u>FY Exp. Reimbursed</u>	<u>Amount</u>
18-19	19-20	\$ 232,228

Glassy Winged Sharpshooter (GWSS), CFDA #10.025

<u>FY Exp. Incurred</u>	<u>FY Exp. Reimbursed</u>	<u>Amount</u>
18-19	19-20	\$150,182

**NOTE 4 – COMMUNITY SERVICES BLOCK GRANTS, CFDA #93.569**

At the request of the California Health and Human Services Agency, Department of Community Services and Development, supplementary schedules of expenditures for Community Services Block Grant (CSBG) programs are included on pages 233 through 238.

**COUNTY OF LOS ANGELES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 5 – MEDICAID CLUSTER**

Direct Medi-Cal and Medicare expenditures are excluded from the SEFA. These expenditures represent fees for services and are not included in the SEFA or in determining major programs. The County assists the State of California 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 SEFA under the Medicaid Cluster.

**NOTE 6 – INDIRECT COST RATE**

The County of Los Angeles has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 7 – LOS ANGELES COUNTY HOSPITAL PREPAREDNESS PROGRAM**

The Department of Health Services (DHS) receives federal funding for the Los Angeles County Hospital Preparedness Program (CFDA #93.889) from the United States Department of Health and Human Services (U.S. DHHS). DHS included 10% indirect costs in its reimbursement claims to U.S. DHHS, but did not report indirect costs on the SEFA for the FYs 2006-07 through 2018-19, as follows:

- FY 2006-07 - \$1,491,452
- FY 2007-08 - \$1,535,331
- FY 2008-09 - \$1,438,869
- FY 2009-10 - \$1,403,832
- FY 2010-11 - \$1,211,919
- FY 2011-12 - \$1,133,325
- FY 2012-13 - \$1,028,251
- FY 2013-14 - \$ 973,823
- FY 2014-15 - \$ 897,766
- FY 2015-16 - \$ 927,147
- FY 2016-17 - \$ 875,314
- FY 2017-18 - \$ 862,733
- FY 2018-19 - \$ 870,935

**NOTE 8 – CORONAVIRUS DISEASE 2019 (COVID-19)**

On March 13, 2020, a presidential emergency was declared for all states, tribes, territories, and the District of Columbia due to the ongoing Coronavirus Disease 2019 (COVID-19) pandemic. The declaration made federal disaster grant public assistance available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act to the County and to the State of California to supplement the County's local recovery efforts. To assist in the efforts to respond to COVID-19, the County received significant fiscal stimulus in federal funds as described below.

**COUNTY OF LOS ANGELES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Federal CARES Act Funding

On April 23, 2020, the County received a CARES Act award of \$1.057 billion from the U.S. Department of the Treasury. The County is a prime recipient and received the direct payment under section 601(b) of the Social Security Act. The accompanying SEFA includes expenditures of CARES Act funds (CFDA #21.019) in the amount of \$98.398 million that a) were necessary expenditures incurred due to the public health emergency with respect to COVID-19; b) were not accounted for in the budget most recently approved as of March 27, 2020; and c) were incurred during the period March 1, 2020 through June 30, 2020. The award's period of performance ends on December 31, 2021. The County is continuously reviewing the eligible CARES Act expenditures and will reflect any FY 2019-20 expenditures adjustments in the FY 2020-21 Single Audit Report due to the complexity of the federal guidance on the CARES Act.

Federal Emergency Management Agency Funding

The County received a \$132.000 million Public Assistance Grant from the Federal Emergency Management Agency (FEMA) and a \$3.700 million Public Assistance Grant from the California Governor's Office of Emergency Services (Cal OES) for five expedited projects to respond to COVID-19. The five projects were for the 1) County's Emergency Operations Center and related emergency services/activities; 2) Non-congregate medical shelters; 3) COVID-19 testing; 4) Project Room Key – emergency non-congregate shelters for homeless individuals meeting certain criteria; and 5) Great Plates – emergency feeding for certain at-risk individuals. The accompanying SEFA includes FEMA COVID-19 public assistance expenditures of \$5.047 million (CFDA #97.036).

On February 3, 2021, the President of the United States directed FEMA to waive the 25% share of cost and fully reimburse local governments at 100% for FEMA-eligible emergency costs retroactively to January 2020. The County is reviewing the impact on County expenditures and will report additional FY 2019-20 FEMA expenditures in the FY 2020-21 Single Audit Report due to this change in cost sharing ratio.

**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 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, 2020, 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 11, 2020, 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 September 30, 2021. Our report includes an emphasis of a matter paragraph for the advanced federal and State disaster assistance funding received by the County to supplement the County's recovery efforts related to the Coronavirus Disease 2019 pandemic. Our report includes a reference to other auditors who audited the financial statements of the Los Angeles County Development Authority (LACDA), the 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) as a basis for designing 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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material*

*weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

### ***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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.



Los Angeles, California  
December 11, 2020

## **Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

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 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, 2020. 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 Los Angeles County Development Authority (LACDA) and the Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA), which expended \$436,006,445 and \$689,567, respectively, in federal awards, which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2020. Our audit, described below, did not include the operations of LACDA and First 5 LA. The LACDA engaged other auditors to perform an audit of compliance. The First 5 LA did not issue a report in accordance with the Uniform Guidance because it did not meet the reporting threshold under the Uniform Guidance.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the County's compliance.

***Basis for Qualified Opinion on the MaryLee Allen Promoting Safe and Stable Families and Adoption Assistance Programs***

As described in finding numbers 2020-002 and 2020-004 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding the following:

<b>Finding No.</b>	<b>CFDA No.</b>	<b>Program Name</b>	<b>Compliance Requirement(s)</b>
2020-002	93.556	MaryLee Allen Promoting Safe and Stable Families Program	Earmarking
2020-004	93.659	Adoption Assistance	Activities Allowed or Unallowed and Eligibility

Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

***Qualified Opinion on the MaryLee Allen Promoting Safe and Stable Families and Adoption Assistance Programs***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 CFDA No. 93.556 MaryLee Allen Promoting Safe and Stable Families Program and CFDA No. 93.659 Adoption Assistance for the year ended June 30, 2020.

***Unmodified Opinion on Each of the Other Major Federal Programs***

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2020.

## **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-005, 2020-006, 2020-007, 2020-008, 2020-009, and 2020-010. 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 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 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 the Uniform Guidance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-002, 2020-004, and 2020-009 to be material weaknesses.



*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-003, 2020-006, 2020-007, 2020-008, and 2020-010 to be significant deficiencies.

The County's response to the internal control over compliance 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Macias Gini & O'Connell LLP*

Los Angeles, California  
September 30, 2021

**COUNTY OF LOS ANGELES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**Section I - Summary of Auditor's Results**

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**(a) Financial Statements**

Type of report issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified Opinion**

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? **No**

**(b) Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? **Yes**
- Significant deficiency(ies) identified? **Yes**

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

**Unmodified for all major programs except for the following, which were qualified:**

- **CFDA No. 93.556 MaryLee Allen Promoting Safe and Stable Families Program**
- **CFDA No. 93.659 Adoption Assistance**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**

**COUNTY OF LOS ANGELES  
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Identification of major federal programs:

<b><u>CFDA Number</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
21.019	Coronavirus Relief Fund
93.069	Public Health Emergency Preparedness
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response
93.435	Innovative State and Local Public Health Strategies to Prevent and Manage Diabetes and Heart Disease and Stroke
93.556	MaryLee Allen Promoting Safe and Stable Families Program
93.558	Temporary Assistance for Needy Families
93.569	Community Services Block Grant
93.658	Foster Care Title IV-E
93.659	Adoption Assistance
93.674	John H. Chafee Foster Care Program for Successful Transition to Adulthood
93.889	National Bioterrorism Hospital Preparedness Program
93.914	HIV Emergency Relief Project Grants

Dollar threshold used to distinguish between Type A and Type B programs: **\$8,675,271**

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

**COUNTY OF LOS ANGELES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**Section II – Financial Statement Findings**

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<b>Reference Number:</b>	<b>2020-001</b>
<b>Federal Program Title:</b>	<b>National Bioterrorism Hospital Preparedness Program</b>
<b>Federal Catalog Number:</b>	<b>93.889</b>
<b>Federal Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Pass-Through Entity:</b>	<b>N/A</b>
<b>Federal Award Number and Year:</b>	<b>1 NU90TP921934-01, 6 U3REP190604-01; Fiscal Year 2019-20</b>
<b>Name of Department:</b>	<b>Department of Health Services</b>
<b>Category of Finding:</b>	<b>Financial Reporting – SEFA</b>

*Criteria*

In accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart F – Audit Requirements, §200.508 Auditee responsibilities*, the auditee must prepare appropriate financial statements, including the schedule of expenditures of Federal awards (SEFA) in accordance with *§200.510 Financial statements*.

The 2 CFR *§200.510 Financial statements* states that the auditee must prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with *§200.502 Basis for determining Federal awards expended*.

According to 2 CFR *§200.502(a) Determining Federal awards expended*, the determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as: expenditure/expense transactions associated with awards including grants.

*Condition*

The Department of Health Services (DHS) received federal funding for the National Bioterrorism Hospital Preparedness Program, and as part of the federal award DHS is allowed to claim indirect costs up to 10% of the total direct costs. For FY 2019-20, DHS recorded direct costs of \$9,342,901 and claimed \$934,290 as indirect costs. However, we noted that the indirect costs of \$934,290 were not reported in the initial SEFA

**COUNTY OF LOS ANGELES  
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provided by management, which was subsequently adjusted to include these expenditures. Per inquires with DHS, indirect costs were not reported on the SEFA in the following fiscal years:

- FY 2006-07 - \$1,491,452
- FY 2007-08 - \$1,535,331
- FY 2008-09 - \$1,438,869
- FY 2009-10 - \$1,403,832
- FY 2010-11 - \$1,211,919
- FY 2011-12 - \$1,133,325
- FY 2012-13 - \$1,028,251
- FY 2013-14 - \$ 973,823
- FY 2014-15 - \$ 897,766
- FY 2015-16 - \$ 927,147
- FY 2016-17 - \$ 875,314
- FY 2017-18 - \$ 862,733
- FY 2018-19 - \$ 870,935

*Cause*

Because the indirect costs were calculated based on a percentage of program direct expenditures instead of actual incurred indirect costs, DHS did not consider these costs as federal awards expended.

*Effect*

Failure to timely report federal awards on the SEFA results in an understatement of expenditures on the SEFA and programs potentially not being audited in accordance with 2 CFR Part 200. The funding agency could withhold grant funds to the County. Omission of these expenditures did not result in changes to major programs for the prior fiscal years.

*Context*

DHS did not report indirect costs reimbursed for the National Bioterrorism Hospital Preparedness Program from FY 2006-007 to FY 2018-19 which totaled \$14,650,697.

*Recommendation*

We recommend that DHS report indirect costs that are reimbursable by federal awards on the SEFA.

**COUNTY OF LOS ANGELES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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*Views of Responsible Officials and Planned Corrective Action*

1. Person responsible: EMS Finance Manager

2. Corrective action plan:

Department of Health Services' Emergency Medical Services Agency (EMS) agrees with the finding and recommendation. EMS will report the 10% allowable indirect costs that are reimbursable by federal awards on the SEFA. On a semi-annual basis, EMS Health Care Financial Analyst will prepare the Hospital Preparedness Program detail report to show 90% direct and 10% indirect costs and submit the report to the EMS Finance Manager for her review and approval. DHS will then submit the approved SEFA report to the Auditor-Controller.

3. Anticipated implementation date: June 1, 2021

**COUNTY OF LOS ANGELES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**Section III – Federal Award Findings and Questioned Costs**

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<b>Reference Number:</b>	<b>2020-002</b>
<b>Federal Program Title:</b>	<b>MaryLee Allen Promoting Safe and Stable Families Program</b>
<b>Federal Catalog Number:</b>	<b>93.556</b>
<b>Federal Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Pass-Through Entity:</b>	<b>California Department of Social Services</b>
<b>Federal Award Number and Year:</b>	<b>CFL No. 19/20-19; Fiscal Year 2019-20</b>
<b>Name of Department:</b>	<b>Department of Children and Family Services</b>
<b>Category of Finding:</b>	<b>Earmarking</b>

*Criteria*

In accordance with the County Fiscal Letter (CFL) No. 19/20-19 issued by the California Department of Social Services (CDSS), the County received \$7,802,970 of MaryLee Allen Promoting Safe and Stable Families (PSSF) Program funds and was required to spend a minimum of 20 percent of these program funds on each of the four program components:

- (1) Family Preservation Services
- (2) Family Support Services
- (3) Adoption Promotion and Support
- (4) Time-Limited Family Reunification

Per CFL No. 19/20-35, the County also received \$408,405 for the PSSF program and was required to use these funds for improving the quality of monthly caseworker visits with an emphasis on caseworker decision-making and caseworker recruitment and retention. Therefore, the County received a total of \$8,211,375 of PSSF program funds in FY 2019-20.

*Condition*

During our review of the four quarterly County Expense Claims (CEC) submitted for FY 2019-20, we noted that the Department of Children and Family Services (DCFS) did not spend a minimum of 20 percent of PSSF program funds on the Time-Limited Family Reunification (TLFR) and the Family Preservation Services (FPS) components.

**COUNTY OF LOS ANGELES  
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*Cause*

DCFS has a memorandum of understanding with the County's Department of Public Health (DPH) to provide substance abuse treatment services for the TLFR. Due to a Medi-Cal waiver that allows DPH to bill additional substance abuse treatment service costs to the Medi-Cal program, DPH billed more costs to the Medi-Cal program and less to the TLFR, which caused DCFS to be out of compliance with the earmarking requirement. DCFS had informed CDSS in FY 2018-19 and prepared a quality improvement plan (QIP). The QIP indicates that DCFS will utilize the 20 percent of TLFR funding on FPS starting July 1, 2020. The State approved the QIP in May 2020. Since the implementation of QIP did not start in FY 2019-20, the minimum 20 percent requirement was not met.

DCFS management believes that the FPS expenditures of \$1,540,000, which represents 19.74 percent of the funding, could be rounded up to meet the minimum 20 percent requirement. Therefore, no additional funds were utilized on FPS.

*Effect*

Failure to spend the required minimum of 20 percent of program funds on the TLFR and FPS results in noncompliance with CFL No. 19/20-19.

*Questioned Costs*

\$1,534,179 (known questioned costs based on the minimum 20 percent requirement compared to the actual amount spent on TLFR)

\$20,594 (known questioned costs based on the minimum 20 percent requirement compared to the actual amount spent on FPS)

*Context*

Of the \$8,211,375 expenditures claimed, \$7,802,970 is subject to the minimum 20 percent earmarking requirement, which requires DCFS to spend at least \$1,560,594 on each program component. However, DCFS spent \$26,415 or 0.34 percent of the PSSF program funds on the TLFR component and \$1,540,000 or 19.74 percent on the FPS component, which did not meet the requirement.

This is a repeat finding as indicated in the Status of Prior Years' Findings, as finding number 2019-001.



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*Recommendation*

We recommend that DCFS follow its approved QIP to reallocate the 20 percent of PSSF funding from TLFR to FPS starting in FY 2020-21 and ensure each of the other components meets the minimum 20 percent requirement without rounding.

*Views of Responsible Officials and Planned Corrective Action*

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

DCFS agrees with the audit finding. On May 20, 2020, the State's Office of Child Abuse Prevention (OCAP) approved an interim plan to utilize the required 20 percent of the overall PSSF allocation for the Family Reunification (FR) Program through another PSSF program, Family Preservation (FP), commencing July 1, 2020. The amount specified in the approved QIP request relied on the FY 19/20 overall PSSF allocation of \$7,802,970, with an estimated \$1,560,594 being reallocated.

This interim plan will end upon implementation of the long-term plan, approved by the State on September 23, 2020. The long-term plan to utilize \$2,200,000 PSSF FR funding through PSSF FPP will commence July 1, 2021. DCFS' Claiming unit will maximize the 20% FPS on the FY 2019-20 adjustment claim that will be submitted on April 1, 2021 and will identify future PSSF expenditures without rounding.

3. Anticipated implementation date:

The interim corrective action plan has been implemented. The long-term corrective action plan will be implemented on July 1, 2021.

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<b>Reference Number:</b>	<b>2020-003</b>
<b>Federal Program Title:</b>	<b>Temporary Assistance for Needy Families</b>
<b>Federal Catalog Number:</b>	<b>93.558</b>
<b>Federal Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Pass-Through Entity:</b>	<b>California Department of Social Services</b>
<b>Federal Award Number and Year:</b>	<b>CFL No. 19/20-04; Fiscal Year 2019-20</b>
<b>Name of Department:</b>	<b>Department of Children and Family Services</b>
<b>Category of Finding:</b>	<b>Allowable Costs/Cost Principles</b>
<b>Federal Program Title:</b>	<b>Foster Care Title IV-E</b>
<b>Federal Catalog Number:</b>	<b>93.658</b>
<b>Federal Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Pass-Through Entity:</b>	<b>California Department of Social Services</b>
<b>Federal Award Number and Year:</b>	<b>CFL No. 19/20-04, 19/20-07; Fiscal Year 2019-20</b>
<b>Name of Department:</b>	<b>Department of Children and Family Services</b>
<b>Category of Finding:</b>	<b>Allowable Costs/Cost Principles</b>
<b>Federal Program Title:</b>	<b>Adoption Assistance</b>
<b>Federal Catalog Number:</b>	<b>93.659</b>
<b>Federal Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Pass-Through Entity:</b>	<b>California Department of Social Services</b>
<b>Federal Award Number and Year:</b>	<b>CFL No. 11/12-18, 14/15-40, 16/17-69; Fiscal Year 2019-20</b>
<b>Name of Department:</b>	<b>Department of Children and Family Services</b>
<b>Category of Finding:</b>	<b>Allowable Costs/Cost Principles</b>
<b>Federal Program Title:</b>	<b>John H. Chafee Foster Care Program for Successful Transition to Adulthood</b>
<b>Federal Catalog Number:</b>	<b>93.674</b>
<b>Federal Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Pass-Through Entity:</b>	<b>California Department of Social Services</b>
<b>Federal Award Number and Year:</b>	<b>CFL No. 19/20-60; Fiscal Year 2019-20</b>
<b>Name of Department:</b>	<b>Department of Children and Family Services</b>
<b>Category of Finding:</b>	<b>Allowable Costs/Cost Principles</b>

**COUNTY OF LOS ANGELES  
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*Criteria*

Title 2 *Code of Federal Regulations* (2 CFR) §200.303 states that the non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

*Condition*

The Department of Children and Family Services (DCFS) has common internal controls over the direct and indirect payroll process for its federal programs. We selected one hundred and eighteen (118) employees, two timesheets for each employee for a total of two hundred and thirty-six (236) timesheets, to test allowable costs and the internal controls over direct and indirect payroll. Eighty (80) timesheets represented indirect payroll expenditures allocated to the DCFS major programs. One hundred and fifty-six (156) timesheets represented direct payroll expenditures selected from each of the four major programs below:

1. CFDA No. 93.558 Temporary Assistance for Needy Families (TANF): Twenty-four (24) timesheets
2. CFDA No. 93.658 Foster Care Title IV-E: Forty-six (46) timesheets
3. CFDA No. 93.659 Adoption Assistance: Eighty (80) timesheets
4. CFDA No. 93.674 John H. Chafee Foster Care Program for Successful Transition to Adulthood – Six (6) timesheets

During our review of the payroll transactions, one (1) timesheet for indirect payroll and one (1) timesheet for direct payroll from the TANF program were not approved timely.

Payroll Type	Timesheet Period	Approval Date	Delay in Timesheet Approval
Indirect	5/1/2020–5/15/2020	1/26/2021	9 Months
Direct (TANF)	2/1/2020–2/15/2020	10/14/2020	8 Months

**COUNTY OF LOS ANGELES  
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*Cause*

The timesheets were initially submitted electronically and placed on draft/rejected status since corrections needed to be made. Due to an oversight, the manual timesheet corrections were not submitted and approved until the transactions were selected for our review.

*Effect*

The late approval of employee timesheet are deficiencies in internal control over compliance with 2 CFR §200.303(a), which could result in unallowable costs claimed.

*Questioned Costs*

No questioned costs were identified.

*Context*

Of the eighty (80) timesheets from forty (40) employees, totaling \$294,396, selected from the DCFS indirect payroll population of \$168,782,079, the timesheet for one (1) employee, totaling \$2,194, was not approved timely.

Of the one hundred fifty-six (156) timesheets from seventy-eight (78) employees, totaling \$67,130, selected from a population of \$388,465,838, the timesheet for one (1) employee for the TANF program, totaling \$3,378 was not approved timely.

However, we did not identify these costs as unallowable.

The sample was not a statistically valid sample. In addition, this is a repeat finding for the TANF payroll as indicated in the Status of Prior Years' Findings, as finding number 2019-004.

*Recommendation*

We recommend that DCFS strengthen its review process to ensure all timesheets and manual corrections are approved in a timely manner.

*Views of Responsible Officials and Planned Corrective Action*

1. Person responsible: Manager, Personnel Operations

**COUNTY OF LOS ANGELES  
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2. Corrective action plan:

The Department agrees with the audit finding and recommendation. DCFS was in compliance with the requirement in 234 (99.15%) out of the 236 timesheets. The two exceptions did not result in questioned costs. DCFS has in place and functioning internal controls that provide a reasonable, not absolute, assurance. In order to strengthen our process, in September 2020, Payroll staff implemented quarterly notifications to the Deputy Director of timesheets missing in their assigned bureaus. Payroll staff also updated the IPPG # 02-14 Missing Timesheet Report, which outlines the purpose, process, and procedure of the Missing Timesheet Report.

3. Anticipated implementation date: September 30, 2020

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<b>Reference Number:</b>	<b>2020-004</b>
<b>Federal Program Title:</b>	<b>Adoption Assistance</b>
<b>Federal Catalog Number:</b>	<b>93.659</b>
<b>Federal Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Pass-Through Entity:</b>	<b>California Department of Social Services</b>
<b>Federal Award Number and Year:</b>	<b>CFL No. 11/12-18, 14/15-40, 16/17-69; Fiscal Year 2019-20</b>
<b>Name of Department:</b>	<b>Department of Children and Family Services</b>
<b>Category of Finding:</b>	<b>Activities Allowed or Unallowed and Eligibility</b>

*Criteria*

The compliance criteria pertaining to the Adoption Assistance program are as follows:

The prospective adoptive parents must satisfactorily have met a criminal records check, including a fingerprint-based check (42 USC 671(a)(20)(A)), which involves a determination that such individuals have not committed any prohibited felonies in accordance with 42 USC 671(a)(20)(A)(i) and (ii). In addition, the prospective adoptive parents and any other adult living in the home who has resided in the provider home in the preceding 5 years must satisfactorily have met a child abuse and neglect registry check under 42 USC 671(a)(20)(B).

The agreement for the subsidy was signed and was in effect before the final decree of adoption and contains information concerning the nature of services; the amount and duration of the subsidy; the child's eligibility for Title XX services and Title XIX Medicaid; and covers the child should he/she move out of State with the adoptive family (42 USC 675(3)).

*Condition*

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

1. Three (3) samples where there was no criminal record check, as well as child abuse and neglect registry check in the case file.
2. Two (2) samples where there was no final decree of adoption in the case file. Therefore, we were not able to verify that the agreement for the subsidy was signed and was in effect before the final decree of adoption.

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Eligibility of Adoption Assistance Program cases is determined when the cases are initiated. No redetermination is required and eligible children can receive benefits until the age of 18 (or 21 if they meet specific requirements). Therefore, documentation of eligibility determination for some cases was prepared in the late 1990s or early 2000s, and the children in those cases could receive benefits in FY 2019-20 since they had not reached the age of 18 (or 21). Prior to 2010, there were many deficiencies in DCFS' documentation of eligibility determination for the program. In 2010, DCFS implemented procedures to improve the accuracy and completeness of their documentation. Three (3) out of the four (4) samples noted in this finding are cases that were initiated prior to 2010.

*Cause*

The criminal record check, the child abuse and neglect registry check, and the final decree of adoption could not be located. DCFS management represented that they were most likely misplaced.

*Effect*

The lack of documentation to support allowable activities and eligibility determinations results in questioned costs and noncompliance with 42 USC 675 and 42 USC 671.

*Questioned Costs*

\$47,230 (known questioned costs based on FY 2019-20 assistance payments for the 4 samples)

*Context*

From a population of \$146,000,290 of FY 2019-20 assistance payments, four (4) samples with total payments of \$47,230 are noted with the following exceptions:

1. Two (2) samples, totaling \$20,952, did not have a criminal record check, as well as a child abuse and neglect registry check in the case file.
2. One (1) sample, totaling \$18,082,
  - a. Did not have a criminal record check, as well as a child abuse and neglect registry check in the case file; and
  - b. Did not have an adoption order (ADOPT-215) in the case file.
3. One (1) sample, totaling \$8,196, did not have an adoption order (ADOPT-215) in the case file.

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The sample was not a statistically valid sample. In addition, this is a repeat finding as indicated in the Status of Prior Years' Findings, as finding numbers 2019-002 and 2018-005.

*Recommendation*

We recommend that DCFS maintain required documentation of criminal record checks, child abuse and neglect registry checks, and adoption order for adoption case files.

*Views of Responsible Officials and Planned Corrective Action*

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

The County of Los Angeles Department of Children and Family Services (Department) agrees with the audit findings and recommendations. To correct the current deficiencies, the Department will:

- Revise the Adoption Assistance Program Benefit Checklist (DCFS/A 65B) and the Adoption Finalization Checklist (DCFS/A 120),
- Provide additional training to RFSPD Adoption managers, supervisors and staff,
- Continue to do random sampling of cases for quality assurance
- Remind RFSPD Adoptions staff to ensure accurate and complete AAP forms and required documentations are included in the Adoption folders.

3. Anticipated implementation date: June 30, 2021



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<b>Reference Number:</b>	<b>2020-005</b>
<b>Federal Program Title:</b>	<b>Community Services Block Grant (CSBG)</b>
<b>Federal Catalog Number:</b>	<b>93.569</b>
<b>Federal Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Pass-Through Entity:</b>	<b>California Department of Community Services and Development</b>
<b>Federal Award Number and Year:</b>	<b>19F-4021, 19F-4423, 20F-3021; Fiscal Year 2019-20</b>
<b>Name of Department:</b>	<b>Department of Public Social Services</b>
<b>Category of Finding:</b>	<b>Special Tests and Provisions – Tripartite Board Compliance</b>

*Criteria*

In accordance with 42 United States Code (U.S.C.) §9910(b) Tripartite Boards, a public organization shall administer the Community Services Block Grant (CSBG) program through a tripartite board, which shall have members selected by the organization and shall be composed so as to assure that not fewer than one-third of the members are persons chosen in accordance with the democratic selection procedures adequate to assure that these members:

1. Are representative of low-income individuals and families in the neighborhood served;
2. Reside in the neighborhood served; and
3. Are able to participate actively in the development, planning, implementation, and evaluation of programs funded under this chapter.

Per California Government Code §12751, the tripartite board shall have:

1. One-third of the members be elected public officials, currently holding office, or their representatives;
2. At least one-third of the members are persons chosen in accordance with democratic selection procedures to represent the poor and reside in the area served; and
3. The remainder of the members are officials or members of business, industry, labor, religious, human services, education, or other major groups and interests in the community.

In addition, per the California 2020-2021 CSBG State Plan and Application (for period from October 1, 2019 to September 30, 2020), if a board vacancy of more than 12 months is identified during monitoring procedures, the California Department of Community Services and Development (CSD) determines it as a finding.

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*Condition*

The tripartite board administered for the Department of Public Social Services (DPSS) CSBG program is designed as a fifteen (15)-member board divided into three sectors: public, low-income, and private, which is equally represented by five (5) members for each sector. Per our review of the tripartite board roster at July 2019 and June 2020, we noted the following three (3) vacancies during FY 2019-20.

<b>Sector</b>	<b>Start Date of Vacancy</b>	<b>Length of Vacancy as of June 30, 2020</b>
Low-Income	12/20/2012	7 years, 6 months
Low-Income	4/20/2017	3 years, 2 months
Public	1/24/2019	1 year, 6 months

In CSD's monitoring report number C-19-025 dated April 25, 2019, CSD issued a finding over the DPSS tripartite board's long-term vacancies and indicated that the vacancies must be filled no later than March 31, 2020. However, those vacancies were not filled by the due date. CSD performed another review and issued a report in December 2020, which indicated a repeat finding of the long-term vacancies and expected that DPSS fill the vacancies no later than December 31, 2021. DPSS indicated this is an extension from the previous due date of March 31, 2020. However, according to the California 2020-2021 CSBG State Plan and Application, vacancies over 12 months are still considered as a finding.

*Cause*

DPSS demonstrated good faith efforts by conducting outreach events to fill the vacancies and is working with CSD closely to meet the requirements. However, the response rate from the community is very low, and DPSS cannot force any individuals to join the board.

*Effect*

Long-term vacancies on the tripartite board reduce low-income and public representation to below the one-third minimum requirement, resulting in noncompliance with 42 U.S.C. §9910(b) and California Government Code §12751.

*Questioned Costs*

No questioned costs were identified.

*Context*

Of the fifteen (15)-member tripartite board, there were two (2) vacancies from the low-income sector and one (1) vacancy from the public sector as of June 30, 2020. The vacancies reduced representation below the one-third minimum requirement.

**COUNTY OF LOS ANGELES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

*Recommendation*

We recommend that DPSS continue to work with CSD to fill the vacancies.

*Views of Responsible Officials and Planned Corrective Action*

1. Person responsible: Human Services Administrator II
2. Corrective action plan:

The Department agrees with the finding and recommendation. In an effort to fill the Community Action Board (CAB) vacancies, DPSS is exploring options to enhance the recruiting and outreach efforts within the communities where the vacancies are located. In collaboration with the CAB, DPSS will conduct CSBG public hearings during the months of April and May 2021, that will serve as outreach events at the districts where the vacancies are located.

Additionally, the CAB has formed an ad hoc committee consisting of CAB members who will discuss potential strategies to recruit and retain CAB members. DPSS will also be outreaching to other CSBG entities and with the State who is a partner (stakeholder) to gather best practices. We will continue to work with the State to obtain strategies and technical assistance to help us fill the vacancies, (it is our understanding that many agencies similar to ours throughout the state are not meeting the no vacancies requirement).

Moreover, DPSS has notified the State that one of the three vacancies has been filled. The Public Sector vacancy from January 24, 2019, was filled as of February 9, 2021. DPSS is working diligently on filling the remaining two vacancies by the December 31, 2021 deadline provided by the State.

3. Anticipated implementation date: December 31, 2021

**COUNTY OF LOS ANGELES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Reference Number:** 2020-006  
**Federal Program Title:** Community Services Block Grant (CSBG)  
**Federal Catalog Number:** 93.569  
**Federal Agency:** U.S. Department of Health and Human Services  
**Pass-Through Entity:** California Department of Community Services and Development  
**Federal Award Number and Year:** 19F-4105, 19F-4458, 20F-3105; Fiscal Year 2019-20  
**Name of Department:** Department of Workforce Development, Aging and Community Services  
**Category of Finding:** Subrecipient Monitoring

*Criteria*

In accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) §200.331, all pass-through entities (PTE) must:

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of the data elements change, the changes are included in subsequent subaward modifications.
  - (1) Federal award identification:
  - (ii) Subrecipient's unique entity identifier [generally the Data Universal Numbering System (DUNS) number]
  - (iii) Federal Award Identification Number (FAIN)
  - (xiii) Identification of whether the award is R&D

*Condition*

During our review of the Community Services Block Grant (CSBG) program, we selected two (2) subrecipient samples with active contracts with the Department of Workforce Development, Aging and Community Services (WDACS) during FY 2019-20, and noted that WDACS did not identify the subrecipients DUNS number, FAIN, and whether the award is R&D at the time of subaward to the subrecipients.

*Cause*

It was an oversight by WDACS personnel that information was not communicated to the subrecipients.

*Effect*

Failure to provide all the required subaward information results in noncompliance with 2 CFR §200.331(a). In addition, the subrecipients may not report or incorrectly report the federal award information in their Single Audit reports.

**COUNTY OF LOS ANGELES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

*Questioned Costs*

Questioned costs were not identified.

*Context*

For the two (2) subrecipients selected for testing, which totaled \$199,866 from a population of \$280,929, the WDACS did not communicate three (3) of the required subaward data elements: the subrecipients DUNS number, FAIN, and whether the award is R&D.

The samples tested were not statistically valid samples.

*Recommendation*

We recommend that WDACS perform the following procedures:

1. Develop a standard template to include the subaward information as required by 2 CFR §200.331(a) and provide it to subrecipients at the time of the subaward and communicate any changes in subsequent subaward modifications.
2. For existing subrecipients that were not previously provided the required elements, ensure they are communicated prior to the end of FY 2020-21.

*Views of Responsible Officials and Planned Corrective Action*

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

WDACS agrees with the finding and recommendation. As has been documented, WDACS has, prior to the receipt of this finding, undertaken steps to clear all of the issues in this finding. On February 23, 2021, WDACS issued Amendments and a letter to CSAIBG subrecipients notifying them of their DUNS and FAIN numbers as well as that R&D were not part of these awards. WDACS has also undertaken to change our contract template to include this information and no further corrective actions are necessary.

3. Anticipated implementation date: Completed February 23, 2021

**COUNTY OF LOS ANGELES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>Reference Number:</b>	<b>2020-007</b>
<b>Federal Program Title:</b>	<b>Public Health Emergency Preparedness</b>
<b>Federal Catalog Number:</b>	<b>93.069</b>
<b>Federal Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Pass-Through Entity:</b>	<b>N/A</b>
<b>Federal Award Number and Year:</b>	<b>1 NU90TP922022-01; Fiscal Year 2019-20</b>
<b>Name of Department:</b>	<b>Department of Public Health</b>
<b>Category of Finding:</b>	<b>Level of Effort</b>

*Criteria*

In accordance with 42 United States Code (U.S.C.) §247d-3a, an entity that receives an award under this section shall maintain expenditures for public health security at a level that is not less than the average level of such expenditures maintained by the entity for the preceding two-year period.

Per the grant agreement issued by the Centers for Disease Control and Prevention, awardees must maintain expenditures for health care preparedness and public health security at a level that is not less than the average level of such expenditures maintained by the awardee for the preceding two-year period. This represents an awardee's historical level of contributions or expenditures (money spent) related to federal programmatic activities that have been made prior to the receipt of federal funds.

*Condition*

During our review of the Public Health Emergency Preparedness program, we noted that the FY 2019-20 actual expenditures for public health security were less than the average level of such expenditures maintained by the County's Department of Public Health (DPH) for the preceding two-year period.

*Cause*

DPH budgeted and planned to spend expenditures necessary to maintain expenditures for public health security at a level that would not be less than the average of such expenditures of the preceding two-year period. However, due to the COVID-19 pandemic, some employees whose payroll costs were initially budgeted for public health security activities were deployed to respond to the COVID-19 public health emergency, and those payroll costs were reimbursed by COVID-19 funding from the Centers for Disease Control and Prevention. As such, DPH was not able to meet the requirement.

*Effect*

Not maintaining actual expenditures for health care preparedness at a level that is not less than the average level of such expenditures maintained for the preceding two years results in noncompliance with 42 U.S.C §247d-3a and the grant agreement.

**COUNTY OF LOS ANGELES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

*Questioned Costs*

No questioned costs were identified.

*Context*

The average level of expenditures for public health emergency preparedness maintained by DPH for the preceding two-year period were \$6,045,630. However, the actual expenditures spent for FY 2019-20 was \$5,837,015, which is \$208,615 less than the average of the preceding two-year period.

*Recommendation*

We recommend that DPH maintain the required expenditures levels regardless whether there are additional revenues to reimburse part of the public health security activities. When DPH is unable to meet the level of effort requirement, DPH should obtain written approval from the funding agency waiving such requirement.

*Views of Responsible Officials and Planned Corrective Action*

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

DPH agrees with this finding and recommendation. DPH will ensure to maintain the required expenditure levels. When the Department is unable to meet the level of effort requirement, DPH will notify CDC and obtain their written approval of waiving the requirement.

3. Anticipated implementation date: November 2, 2021

**COUNTY OF LOS ANGELES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Reference Number:** 2020-008  
**Federal Program Title:** National Bioterrorism Hospital Preparedness Program  
**Federal Catalog Number:** 93.889  
**Federal Agency:** U.S. Department of Health and Human Services  
**Pass-Through Entity:** N/A  
**Federal Award Number and Year:** 1 NU90TP921934-01, 6 U3REP190604-01; Fiscal Year 2019-20  
**Name of Department:** Department of Health Services  
**Category of Finding:** Reporting

*Criteria*

In accordance with *Title 2 Code of Federal Regulation (CFR) Part 170 – Reporting Subaward and Executive Compensation Information, Appendix A to Part 170 – Award Term*, prime awardees awarded a federal grant are required to file a Federal Funding Accountability and Transparency Act (FFATA) report by the end of the month following the month in which the prime awardee awards any sub-grant equal to or greater than \$25,000.

*Condition*

During our review of five (5) financial reports and one (1) performance report, we noted that one financial (1) report was submitted after the due date.

Report Name	Period Covered	Due Date	Date Submitted	Number of Days Late
FFATA Report	August 2019	9/30/2019	5/14/2020	227

*Cause*

Due to working on deadlines for the annual closing of grants and claims submission, it was an oversight that the FFATA report was not submitted on time.

*Effect*

Failure to submit the FFATA report on a timely basis results in noncompliance with the reporting requirements with 2 CFR Part 170.

*Questioned Cost*

Questioned costs were not identified.



**COUNTY OF LOS ANGELES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

*Context*

Of the six (6) reports selected from a total population of twenty (20) reports for testing, one (1) report was submitted 227 days after the due date.

The sample was not a statistically valid sample.

*Recommendation*

We recommend that the Department of Health Services strengthen its report submission process to ensure all reports are submitted timely.

*Views of Responsible Officials and Planned Corrective Action*

1. Person responsible: EMS Finance Manager
2. Corrective action plan:

Department of Health Services' Emergency Medical Services Agency (EMS) agrees with the finding and recommendation. EMS will strengthen its report submission process to ensure all reports are submitted timely. On the 15<sup>th</sup> day of each month, the EMS Health Care Financial Analyst handling the Hospital Preparedness Program (HPP) grant will run the electronic Countywide Accounting and Purchasing System (eCAPS) to identify and prepare a list of all payments over \$25,000 issued to subrecipients. By the 20<sup>th</sup> of each month, the EMS Health Care Financial Analyst will attach the list to the FFATA report and submit it to the EMS Finance Manager for review and approval. The EMS Health Care Financial Analyst will enter the data in the FFATA Sub-Award Reporting System and file the approved report to comply with FFATA deadline submission requirement.

3. Anticipated implementation date: June 20, 2021

**COUNTY OF LOS ANGELES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>Reference Number:</b>	<b>2020-009</b>
<b>Federal Program Title:</b>	<b>National Bioterrorism Hospital Preparedness Program</b>
<b>Federal Catalog Number:</b>	<b>93.889</b>
<b>Federal Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Pass-Through Entity:</b>	<b>N/A</b>
<b>Federal Award Number and Year:</b>	<b>1 NU90TP921934-01, 6 U3REP190604-01; Fiscal Year 2019-20</b>
<b>Name of Department:</b>	<b>Department of Health Services</b>
<b>Category of Finding:</b>	<b>Suspension and Debarment</b>

*Criteria*

In accordance with *Title 2 Code of Federal Regulation (CFR) §180.200*. A covered transaction is a nonprocurement or procurement transaction that is subject to the prohibitions of this part.

Per 2 *CFR §180.970(a)*, nonprocurement transaction means any transaction, regardless of type (except procurement contracts), including, but not limited to grants.

According to 2 *CFR §180.300*, when the County enters into a covered transaction with another person at the next lower tier, the County must verify that the person is not excluded or disqualified. The County can do this by:

1. Checking System for Award Management (SAM) exclusions
2. Collecting a certification from that person; or
3. Adding a clause or condition to the covered transaction with that person.

Per 2 *CFR §180.985 Person*, person means any individual, corporation, partnership, association, unit of government, or legal entity, however organized.

*Condition*

During our review of the National Bioterrorism Hospital Preparedness Program, we noted that twenty-two (22) subrecipient agreements reviewed did not include a suspension and debarment certification clause indicating the subrecipient was not suspended or debarred from participation in federally funded contracts. There was no other documentation available to demonstrate that the verification of suspension and debarment was performed prior to entering into the covered transactions. Based on subsequent review of the SAM exclusions, those twenty-two (22) subrecipients are not suspended or debarred.

**COUNTY OF LOS ANGELES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

In addition, the County Department of Health Services (DHS) provided a printout from SAM to indicate that one (1) vendor was not suspended or debarred. However, we noted that the printout was dated on April 6, 2021, which was subsequent to the date the covered transaction occurred.

*Cause*

DHS determined that the clause regarding subrecipients certifying that they are not suspended or debarred was not applicable to hospitals who received program funding from DHS. Therefore, the clause was intentionally omitted from the agreements for twenty-two (22) out of twenty-three (23) subrecipients tested. The agreement for one (1) subrecipient tested has the clause because it was inadvertently included.

Due to the COVID-19 pandemic, there was a significant shortage of personal protective equipment (PPE) used to protect healthcare workers. At the time the masks were ordered, DHS had not been awarded the supplemental COVID-19 funding for this program. Therefore, DHS proceeded with the purchase under the County's emergency purchasing guidelines using non-federal funds and did not perform verification of suspension and debarment for the vendor. Subsequently, DHS received the supplemental COVID-19 funding for this program which allowed DHS to claim reimbursements for eligible expenditures incurred from January 20, 2020. Therefore, DHS decided to use a portion of the funding to cover the costs of the masks.

*Effect*

Failure to verify suspension and debarment results in noncompliance with 2 *CFR* §180.300, and there is a risk that federal funds are used to pay subrecipients and vendors that are suspended or debarred.

*Questioned Costs*

Questioned costs were not identified as the twenty-two (22) subrecipients and the one (1) vendor are not suspended or debarred.

*Context*

Of the twenty-three (23) subrecipients selected for testing, which totaled \$4,413,496 from a population of \$6,451,809, there were twenty-two (22) subrecipients without evidence that the verification of suspension and debarment was performed before entering into a covered transaction.

Of the three (3) vendors selected for testing, which totaled \$673,692 from a population of \$922,372, the verification of suspension and debarment for one (1) vendor was performed after the covered transaction occurred.

The sample tested was not a statistically valid sample.

**COUNTY OF LOS ANGELES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

*Recommendation*

We recommend that when awarding federal funds to subrecipients, DHS verify the SAM exclusions prior to entering into a contract and maintain documentation of the verification or add a clause to the contract that subrecipients certify they are not suspended or debarred by signing the contract.

In addition, when federal funding is subsequently applied to a covered transaction, DHS check the SAM exclusions and collect a certification from the vendor prior to requesting reimbursements from federal funds.

*Views of Responsible Officials and Planned Corrective Action*

1. Person responsible: Chief Disaster Services, Hospital Preparedness Program Manager
2. Corrective action plan:

DHS' Emergency Medical Services Agency (EMS) agrees with the finding and recommendation. EMS will strengthen its processes when subawarding federal funds to recipients by ensuring the SAM exclusions are checked prior to entering into a contract and maintaining documentation of the certification or adding a clause to the contract that by signing the contract, subrecipients certify they are not suspended or debarred. EMS Agency Hospital Preparedness Program (HPP) staff will also ensure to check the SAM exclusions and collect a certification from the vendor prior to requesting reimbursements when Federal funding is subsequently applied to a covered transaction.

EMS Agency HPP staff will create a checklist that ensures the SAM exclusions are checked prior to the execution of any written agreement and will not enter into the agreement should the entity be excluded or disqualified. The checklist will be reviewed by EMS management and their signature will be their evidence of approval.

For non-procurement covered transactions, when the HPP Exhibit to the Specialty Care Center Designation Master Agreement is amended for the next performance period (January 1, 2022 through December 31, 2022) a provision will be added to the Exhibit titled *Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion – Lower Tier Covered Transactions (2 C.F.R. Part 376)*. Through this provision the contractor certifies that they are not suspended or debarred from securing federally funded contracts. EMS will include this provision for all new contracts.

3. Anticipated implementation date: June 18, 2021

**COUNTY OF LOS ANGELES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>Reference Number:</b>	<b>2020-010</b>
<b>Federal Program Title:</b>	<b>Coronavirus Relief Fund</b>
<b>Federal Catalog Number:</b>	<b>21.019</b>
<b>Federal Agency:</b>	<b>U.S. Department of Treasury</b>
<b>Pass-Through Entity:</b>	<b>N/A</b>
<b>Federal Award Number and Year:</b>	<b>Fiscal Year 2019-20</b>
<b>Name of Department:</b>	<b>Department of Public Health</b>
<b>Category of Finding:</b>	<b>Allowable Costs/Cost Principles</b>

*Criteria*

Title 2 *Code of Federal Regulations* (2 CFR) §200.303 states that the non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

According to the reimbursement instructions issued by the County Chief Executive Office (CEO), County departments must submit supporting timesheets and activity logs to demonstrate time/hours reported.

*Condition*

During our review of the payroll transactions, we noted that one (1) payroll sample selected from the Department of Public Health (DPH) had the supporting timesheets; however, the activity log that describes the COVID-19 related activities performed by the employee was not provided.

*Cause*

DPH requires employees to submit activity logs for each pay period to their supervisors for review, and upon approval, supervisors are responsible for submitting the activity logs to DPH’s Documentation Unit. When an employee fails to submit an activity log, it is the supervisor’s responsibility to follow up with the employee. Regarding the payroll sample in this finding, the supervisor did not follow the procedure to obtain and submit the activity log to the Documentation Unit.

**COUNTY OF LOS ANGELES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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*Effect*

The missing activity log is a deficiency in internal control over compliance with 2 CFR §200.303(a) and the CEO's reimbursement instructions, which could result in unallowable costs claimed.

*Questioned Costs*

\$5,571 (known questioned costs based on one payroll sample)

*Context*

Of the sixty (60) payroll samples, totaling \$78,197, selected from a population of \$77,301,892, the activity log for one (1) payroll sample was missing.

The sample was not a statistically valid sample.

*Recommendation*

We recommend that DPH perform the following:

1. Provide training to employees and supervisors to ensure they understand and follow the procedures.
2. Designate personnel to verify reimbursement claims include all supporting timesheets and activity logs before submission to CEO.

*Views of Responsible Officials and Planned Corrective Action*

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

DPH agrees with the finding and recommendation.

- A. DPH will reissue an email blast to the Department's workforce to highlight the importance of completing the ICS 214 form and to ensure that they include/reconcile to the project codes captured on the workforce's time sheet. DPH will also emphasize, as stated in the ICS 214 form, that the supervisor of the workforce member is responsible for validation and submission of the form to the Documentation Unit.
- B. In the short term, DPH will reconcile/verify a sample of ICS 214 forms. In calendar year 2020, DPH received over 32,452 unique ICS 214 forms. In calendar year 2021, DPH is trending to receive 45,664 unique ICS 214 forms. To account for present staffing shortages, DPH is projecting to review a minimum of 10% of ICS 214 forms received each month, until additional resources can be identified (See item C). Anomalies or

**COUNTY OF LOS ANGELES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

discrepancies identified from this sample will be investigated and may result in a review of additional ICS 214 forms. DPH will then implement corrective actions to address areas of non-compliance.

- C. DPH is working to secure contract staff to dedicate to these types of monitoring activities. Once additional staff are available, DPH will validate a larger sample of ICS 214 forms to identify training gaps and areas of non-compliance. DPH will investigate discrepancies where necessary and implement department-wide and/or targeted corrective actions.
  - D. In addition to the review of ICS 214 forms, DPH will explore the use of additional tools to ensure that staff are tracking and reporting their activity properly.
3. Anticipated implementation date: October 1, 2021

**COUNTY OF LOS ANGELES  
STATUS OF PRIOR YEARS' FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL STATEMENT FINDINGS:**

**Finding 09-04 – Protection of Information Assets (DHS)**

*Condition*

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 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*

Due to COVID-19 pandemic and subsequent budget shortfalls this project has been removed from the facility's priority list as of now, per OVMC Finance Director Dave Young.

*Current Status as of June 30, 2020*

Not implemented as of June 2020, resumption date unknown due to severe budgetary shortfalls.

**FEDERAL AWARDS FINDINGS:**

**Finding 2019-001 – Earmarking**

**CFDA #93.556 Promoting Safe and Stable Families**

*Condition*

During our review of the four quarterly County Expense Claims (CEC) submitted for fiscal year (FY) 2018-19, we noted that the Department of Children and Family Services (DCFS) did not spend a minimum of 20 percent of PSSF program funds on the Time-Limited Family Reunification (TLFR) component.

*Recommendation*

We recommend that DCFS continues to work on a plan to spend a minimum of 20 percent of PSSF program funds on the TLFR.

*Current Year Management Response*

On May 20, 2020, the State's Office of Child Abuse Prevention (OCAP) approved the request to utilize the required 20 percent of the overall PSSF allocation for the FR



**COUNTY OF LOS ANGELES  
STATUS OF PRIOR YEARS' FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

Program through another PSSF program, FP, commencing July 1, 2020. The amount specified in the approved QIP request relied on the FY 19/20 overall PSSF allocation of \$7,802,970, with an estimated \$1,560,594 being reallocated. The actual dollar amount necessary to meet the 20 percent requirement may change once the FY 20/21 CFL is released indicating the new PSSF allocations for individual California counties.

All services funded through the reallocation of the PSSF FR funds to FP will comply with the FR Program requirements. The FR Program allows service provision during the time a child has been removed and placed in foster care, and also within the 15 months from the date the child returned home. The overlapping services for both the PSSF FR and FP Programs include behavioral and mental health, child care, domestic violence, parent/sibling visitation, peer support, substance abuse treatment, and transportation in order to facilitate treatment. Case management and/or linkages to services are not allowable under PSSF FR.

The goals of the FP program include reducing recurrence of maltreatment, and that families will demonstrate progress towards alleviating risk of child maltreatment and increasing levels of family functioning. Desired outcome and quality assurance metrics will include the following indicators: (1) 70 percent of families who receive FP services will have lower substantiated abuse reports 12 months after case closing, compared to DCFS baseline; and (2) families will report a greater sense of well-being. Quality assurance surveys will be reviewed upon case termination.

The interim plan to utilize PSSF FR funding through the FP Program will end upon implementation of the long-term plan. A decision regarding the long-term plan is currently being evaluated as we move forward in this new fiscal climate. It should be noted that the long-term plan will address the true needs of families in a manner that is conducive to this new normal (post COVID-19) and in alignment with DCFS' Invest LA framework.

*Current Status as of June 30, 2020*

Not implemented (see current year finding 2020-002)

**Finding 2019-002 – Activities Allowed or Unallowed and Eligibility**

**CFDA #93.659 Adoption Assistance**

*Condition*

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

1. Three (3) samples where Section I Three Part Special Needs Determination or Barriers to Adoption of the AAP 4 form was not fully completed to support that the children have special needs.
2. Three (3) samples where documentation of the search for non-subsidy placement section of the AAP 4 form was not fully completed.

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STATUS OF PRIOR YEARS' FINDINGS  
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3. Three (3) samples where the AD 4320 AAP Agreements for two (2) were not fully completed and one (1) had an incorrect agreement date.
4. One (1) sample where the Federal Eligibility section of the AAP 4 form regarding the removal of a child from his or her parent(s) was not fully completed.
5. One (1) sample where there was no criminal record check, as well as child abuse and neglect registry check in the case file.

Eligibility of AAP cases is determined when the cases are initiated. No redetermination is required, and eligible children can receive benefits until the age of 18 (or 21 if they meet specific requirements). Therefore, documentation of eligibility determination for some cases were prepared in the late 1990s or early 2000s, and the children in those cases could receive benefits in FY 2018-19 since they had not reached the age of 18 (or 21). Prior to 2010, there were many deficiencies in DCFS's documentation of eligibility determination for the program. In 2010, DCFS implemented procedures to improve the accuracy and completeness of their documentation. Four (4) of the eight (8) samples noted in this finding are cases that were initiated prior to 2010.

*Recommendation*

We recommend that DCFS performs the following procedures:

1. Continue to strengthen their review process to ensure completeness and accuracy on the AAP 4 - Eligibility Certification and AD 4320 – Adoption Assistance Program (AAP) Agreement.
2. Maintain adequate documentation for adoption case files.

*Current Year Management Response*

Revenue Enhancement Division

AAP policies E050-0564 - Adoption Assistance Program (AAP) Payment Resolution and E050-0565 – Extended Adoption Assistance Program (AAP) beyond the age of 18 were approved by the Policy Committee and are in the process of final modification before being issued.

AAP policies E050-0560 – Adoption Assistance Program (AAP) Freed Child and AAP Intake, E050-0562 – Adoption Assistance Program (AAP) Reassessment/Post Adoption are still subject to the Meet and Confer process with the Union. The last two scheduled meetings were cancelled by the Union due to the pandemic situation.

The Revenue Enhancement Division continues the random sampling of AAP cases for quality assurance to ensure that the Eligibility Staff is in compliance with the existing policies and procedures. The quality assurance review results are systematically

**COUNTY OF LOS ANGELES  
STATUS OF PRIOR YEARS' FINDINGS  
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discussed by the Quality Assurance Eligibility Supervisor with the AAP Intake and Reassessment Eligibility Supervisors to identify errors and inaccuracies and to implement effective trainings to ensure staff development and workforce excellence.

The Resource Family Support and Permanency Division and the Revenue Enhancement Division are cooperatively working to develop and implement a comprehensive on-line training module for initiation, preparation, and completion of AAP forms including the eligibility forms.

Resource Family Support and Permanency Division

The RFSPD has been training staff, including supervisors and management at least once a year on proper completion of all AAP documents and the importance of ensuring that all AAP forms are fully completed and accurate. In addition, RFSPD is working on an e-learning on the proper completion of AAP. The e-learning completion is scheduled to be ready by August of 2020 so instructions can be readily available, as needed. Through coordination with the Policy Section, RFSPD is ensuring procedures and the updated forms can guide staff to fill forms properly. Managers perform a random sampling quality assurance review.

*Current Status as of June 30, 2020*

Condition 1 through 4: Implemented

Condition 5: Not implemented (see current year finding 2020-004)

**Finding 2019-003 – Subrecipient Monitoring**

**CFDA #93.959 Block Grants for Prevention and Treatment of Substance Abuse**

*Condition*

During our review of subrecipient monitoring, we noted that the agreement between the Department of Public Health (DPH) and three (3) subrecipients did not contain the subrecipients' DUNS numbers.

*Recommendation*

We recommend that DPH includes the subrecipients' DUNS numbers in the grant agreement for all subawards and communicate any changes in subsequent subaward modifications.

*Current Year Management Response*

DPH-SAPC implemented the corrective action and included the subrecipients' DUNS numbers in the subsequent subaward letters sent out to providers that received SABG funding. Internal procedures have been revised requiring listing of all subaward elements in subaward letters.

**COUNTY OF LOS ANGELES  
STATUS OF PRIOR YEARS' FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

*Current Status as of June 30, 2020*

Implemented

**Finding 2019-004 – Allowable Costs/Cost Principles**

**CFDA #93.558 Temporary Assistance for Needy Families**

*Condition*

The Department of Children and Family Services (DCFS) has common internal controls over the payroll process for its federal programs. We selected seventy-five (75) employees, two timesheets for each employee for a total of 150 timesheets, to test allowable costs and the internal controls over this category of compliance requirements. Twenty-five (25) employees were selected from each of the three major programs below:

1. CFDA No. 93.558 Temporary Assistance for Needy Families (TANF)
2. CFDA No. 93.778 Medical Assistance Program
3. CFDA No. 93.659 Adoption Assistance

During our review of the payroll transactions, two timesheets for one (1) employee were not approved timely for the TANF program.

<b>Timesheet Month</b>	<b>Timesheet Period</b>	<b>Approval Date</b>	<b>Delay in Timesheet Approval</b>
November 2018	11/1/2018 – 11/15/2018	9/5/2019	10 Months
November 2018	11/16/2018 – 11/30/2018	9/10/2019	10 Months

*Recommendation*

We recommend that DCFS strengthens its review process to ensure all timesheets and manual corrections are approved in a timely manner.

*Current Year Management Response*

DCFS Payroll Management tested the Missing Timesheet Excel spreadsheet for three consecutive pay periods, beginning with the end of the June 2019 pay period through the end of the July 2019 pay period, by processing and tracking controls based upon the criteria established in the prior year's response. Upon completion of this assessment, it was determined that due to the volume of documents that are received by the Timekeeping Unit for each payroll cycle, the Missing Timesheet Excel spreadsheet was not conducive to capture this data via a manual process. It was also learned that having the payroll receiving staff log information from each document to be effectively tracked

**COUNTY OF LOS ANGELES  
STATUS OF PRIOR YEARS' FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

created delays in the work being disseminated and processed by the applicable payroll deadlines. Therefore, in August 2019, the Timekeeping Unit supervisor began conducting monthly trainings for the Timekeeping Unit, which consisted of reminders to staff of the time study policy and procedures; and to submit all manual timesheet corrections for supervisory review and approval within two pay cycles. Timekeepers are also reminded to continue to run the Missing Timesheet reports twice monthly and notify employees and supervisors of their missing timesheets. These notices will be modified to be escalated to the employee's chain of command as appropriate. The Timekeeping Unit supervisors are currently developing a quarterly review to monitor the Missing Timesheet reports. Any timecards still pending submission after the following payroll deadline will be escalated to the Departmental Human Resources Manager (DHRM) and sent to the employee's Executive Leadership to take necessary action. Additionally, the Payroll managers will monitor transactions from each timekeeping staff every other month (bi-monthly). Payroll Management will review any pending work assignments and will ensure manual timesheet corrections are being processed. All monitored transactions will be documented and filed for a minimum of five years.

*Current Status as of June 30, 2020*

Not implemented (see current year finding 2020-003)

**Finding 2018-005 – Activities Allowed or Unallowed and Eligibility**

**CFDA #93.659 Adoption Assistance**

*Condition*

Of the sixty (60) samples selected for testing, we noted the following exceptions to documentation requirements:

1. Two (2) samples where Section I Three Part Special Needs Determination or Barriers to Adoption of the AAP 4 form was not fully completed to support that the children have special needs.
2. Two (2) samples where there were no criminal record checks and a child abuse and neglect registry check in the case files.

Eligibility of Adoption Assistance Program cases is determined when the cases are initiated. No redetermination is required, and eligible children can receive benefits until the age of 18 (or 21 if they meet specific requirements). Therefore, documentation of eligibility determination for some cases was prepared in the late 1990s or early 2000s, and the children in those cases could receive benefits in FY 17-18 since they had not reached the age of 18 (or 21). Prior to 2010, there were many deficiencies in DCFS's documentation of eligibility determination for the program. In 2010, DCFS implemented procedures to improve the accuracy and completeness of their documentation. Two (2) of the six (6) samples noted in this finding are cases that were initiated prior to 2010.

**COUNTY OF LOS ANGELES  
STATUS OF PRIOR YEARS' FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

*Recommendation*

We recommend that DCFS performs the following procedures:

1. Continue to strengthen their review process to ensure completeness on the AAP 4 - *Eligibility Certification*.
2. Maintain adequate documentation for adoption case files.

*Current Year Management Response*

Resource Family Support and Permanency Division

RFSPD has ensured managers participate in yearly training on the proper completion of all AAP documents and the importance of ensuring that all AAP forms are fully completed and accurate. On May 30, 2019, all staff and managers received a memo and copies of the forms with instructions on completing them. Managers continue to review the forms with their staff to ensure understanding quarterly since July 1, 2019. RFSPD is working on an e-learning on the proper completion of AAP. The e-learning completion is scheduled to be ready by August of 2020 so that instructions can be readily available, as needed. The AAP Documents Custodian maintains an AAP Documentation Tracking Logs to track AAP form errors and their resolutions. In a joint effort with RE, the AAP intake unit reviews submitted requests to initiate AAP and immediately request corrections prior to initiating the AAP.

Revenue Enhancement Division

AAP policies E050-0564 - Adoption Assistance Program (AAP) Payment Resolution and E050-0565 – Extended Adoption Assistance Program (AAP) beyond the age of 18 were approved by the Policy Committee and are in the process of final modification before being issued.

AAP policies E050-0560 – Adoption Assistance Program (AAP) Freed Child and AAP Intake, E050-0562 – Adoption Assistance Program (AAP) Reassessment/Post Adoption are still subject to the Meet and Confer process with the Union. The last two scheduled meetings were cancelled by the Union due to the pandemic situation.

The Revenue Enhancement Division continues the random sampling of AAP cases for quality assurance to ensure that the Eligibility Staff is in compliance with the existing policies and procedures. The quality assurance review results are systematically discussed by the Quality Assurance Eligibility Supervisor with the AAP Intake and Reassessment Eligibility Supervisors to identify errors and inaccuracies and to implement effective trainings to ensure staff development and workforce excellence.

**COUNTY OF LOS ANGELES  
STATUS OF PRIOR YEARS' FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

The Resource Family Support and Permanency Division and the Revenue Enhancement Division are cooperatively working to develop and implement a comprehensive on-line training module for initiation, preparation, and completion of AAP forms including the eligibility forms.

*Current Status as of June 30, 2020*

Condition 1: Implemented

Condition 2: Not implemented (see current year finding 2020-004)

**Finding 2017-007 – Activities Allowed or Unallowed and Eligibility**

**CFDA #93.659 Adoption Assistance**

*Condition*

Of the sixty (60) samples selected for testing, we noted that the supporting documentation was missing or not complete as described below:

1. One (1) sample where Section I Three Part Special Needs Determination or Barriers to Adoption of the AAP 4 form was not fully completed to support that the child has special needs.
2. One (1) sample where the adoption assistance agreement was not signed by the prospective adoptive parent.

Eligibility of Adoption Assistance Program cases is determined when the cases are initiated. No redetermination is required, and eligible children can receive benefits until the age of 18 (or 21 if they meet specific requirements). Therefore, documentation of eligibility determination for some cases was prepared in the late 1990s or early 2000s, and the children in those cases could receive benefits in FY 2016-17 since they had not reached the age of 18 (or 21). Prior to 2010, there were many deficiencies in DCFS' documentation of eligibility determination for the program. In 2010, DCFS implemented procedures to improve the accuracy and completeness of their documentation. The samples noted in this finding are cases that were initiated prior to 2010.

*Recommendation*

We recommend that DCFS continues to strengthen their review process to ensure completeness on the AAP 4 – *Eligibility Certification* and to maintain adequate documentation for adoption case files. In addition, we recommend that DCFS strengthens their review process over payments to ensure that only cases eligible for federal aid were paid with federal funds.

**COUNTY OF LOS ANGELES  
STATUS OF PRIOR YEARS' FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

*Current Year Management Response*

Resource Family Support and Permanency Division

As of November of 2017, the RFSPD has been training staff at least once a year on proper completion of all AAP documents and the importance of ensuring that all AAP forms are fully completed and accurate. To further strengthen the process, all staff and managers received a memo and copies of the forms with instructions on completing them on May 30, 2019. Since July 2016, the AAP Documents Custodian provides a secondary quality assurance of all AAP documentation upon adoption finalization. The AAP Documents Custodian maintains ongoing AAP Documentation Tracking logs to track AAP form errors and their resolutions. Adoption supervisor and managers ensure corrections are completed.

Revenue Enhancement Division

AAP policies E050-0564 – Adoption Assistance Program (AAP) Payment Resolution and E050-0565 – Extended Adoption Assistance Program (AAP) beyond the age of 18 were approved by the Policy Committee and are in the process of final modification before being issued.

AAP policies E050-0560 – Adoption Assistance Program (AAP) Freed Child and AAP Intake, E050-0562 – Adoption Assistance Program (AAP) Reassessment/Post Adoption are still subject to the Meet and Confer process with the Union. The last two scheduled meetings were cancelled by the Union due to the pandemic situation.

The Revenue Enhancement Division continues the random sampling of AAP cases for quality assurance to ensure that the Eligibility Staff is in compliance with the existing policies and procedures. The quality assurance review results are systematically discussed by the Quality Assurance Eligibility Supervisor with the AAP Intake and Reassessment Eligibility Supervisors to identify errors and inaccuracies and to implement effective trainings to ensure staff development and workforce excellence.

The Resource Family Support and Permanency Division and the Revenue Enhancement Division are cooperatively working to develop and implement a comprehensive on-line training module for initiation, preparation, and completion of AAP forms including the eligibility forms.

*Current Status as of June 30, 2020*

Condition 1: Implemented

Condition 2: Implemented



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**COUNTY OF LOS ANGELES  
DEPARTMENT OF PUBLIC SOCIAL SERVICES  
SUPPLEMENTARY SCHEDULE OF REVENUE AND EXPENDITURES  
CSBG CONTRACT NO. 19F-4021  
FOR THE YEAR ENDED JUNE 30, 2020**

CFDA #93.569

	January 1, 2019 through June 30, 2019	July 1, 2019 through May 31, 2020	Total Costs	Total Budget <sup>(1)</sup>
<b>REVENUE</b>				
Grant Revenue	\$ 2,362,258	\$ 3,709,820	\$ 6,072,078	\$ 6,072,078
Interest Income	-	-	-	500 <sup>(3)</sup>
Total Revenue	<u>2,362,258</u>	<u>3,709,820</u>	<u>6,072,078</u>	<u>6,072,578</u>
<b>EXPENDITURES<sup>(2)</sup></b>				
<b><u>Administrative Costs</u></b>				
Salaries and Wages	102,729	263,764	366,493	366,493
Fringe Benefits	63,578	151,848	215,426	215,426
Operating Expenses	2,259	11,277	13,536	13,536
Out-of-State Travel	1,578	3,730	5,308	5,308
Other Costs				
Indirect Cost/Other Costs	<u>34,092</u>	<u>82,019</u>	<u>116,111</u>	<u>116,111</u>
Total Administrative Costs	<u>204,236</u>	<u>512,638</u>	<u>716,874</u>	<u>716,874</u>
<b><u>Program Costs</u></b>				
Salaries and Wages	208,420	489,454	697,874	697,874
Fringe Benefits	114,400	268,347	382,747	382,747
Operating Expenses	-	-	-	-
Out-of-State Travel	-	-	-	-
Other Costs				
Indirect Costs/Other Costs	<u>69,182</u>	<u>142,631</u>	<u>211,813</u>	<u>211,813</u>
Subcontractor Services	<u>248,000</u>	<u>3,814,770</u>	<u>4,062,770</u>	<u>4,062,770</u>
Total Program Costs	<u>640,002</u>	<u>4,715,202</u>	<u>5,355,204</u>	<u>5,355,204</u>
<b>Total Expenditures</b>	<u>844,238</u>	<u>5,227,840</u>	<u>6,072,078</u>	<u>6,072,078</u>
<b>Revenue over (under) Expenditures:</b>	<u>\$ 1,518,020</u>	<u>\$ (1,518,020)</u>	<u>\$ -</u>	<u>\$ 500</u>

(1) Total Budget amounts are based on the CSBG Contract Budget Summary contained in the contract (as an Attachment to the Grant Agreement) with year-end budget shifts. The interest earned on the Advance in excess of \$500 was remitted to the U.S. Department of Health and Human Services.

(2) The Expenditure amounts are based on the monthly California Department of Community Services and Development Expenditure Claim Reports filed with the California Department of Community Services and Development.

(3) An administrative claim for \$500 to utilize the interest earned on the Advance was filed separately as a close-out claim.

**COUNTY OF LOS ANGELES  
DEPARTMENT OF PUBLIC SOCIAL SERVICES  
SUPPLEMENTARY SCHEDULE OF REVENUE AND EXPENDITURES  
CSBG CONTRACT NO. 19F-4423  
FOR THE YEAR ENDED JUNE 30, 2020**

CFDA #93.569

	October 1, 2019 through April 30, 2020	Total Costs	Total Budget <sup>(1)</sup>
<b>REVENUE</b>			
Grant Revenue	\$ 30,000	\$ 30,000	\$ 30,000
<b>EXPENDITURES<sup>(2)</sup></b>			
<b><u>Administrative Costs</u></b>			
Salaries and Wages	15,918	15,918	15,918
Fringe Benefits	9,292	9,292	9,292
Other Costs			
Indirect Cost/Other Costs	4,790	4,790	4,790
Total Administrative Costs	30,000	30,000	30,000
<b>Total Expenditures</b>	30,000	30,000	30,000
<b>Revenue over Expenditures:</b>	\$ -	\$ -	\$ -

(1) Total Budget amounts are based on the CSBG Contract Budget Summary contained in the contract (as an Attachment to the Grant Agreement) with year-end budget shifts.

(2) The Expenditure amounts are based on the monthly California Department of Community Services and Development Expenditure Claim Reports filed with the California Department of Community Services and Development.

**COUNTY OF LOS ANGELES  
DEPARTMENT OF PUBLIC SOCIAL SERVICES  
SUPPLEMENTARY SCHEDULE OF REVENUE AND EXPENDITURES  
CSBG CONTRACT NO. 20F-3021  
FOR THE YEAR ENDED JUNE 30, 2020**

CFDA #93.569

	January 1, 2020 through June 30, 2020	Total Costs	Total Budget <sup>(1)</sup>
<b>REVENUE</b>			
Grant Revenue	\$ 1,046,823	\$ 1,046,823	\$ 6,072,078
Interest Income	-	-	-
Total Revenue	<u>1,046,823</u>	<u>1,046,823</u>	<u>6,072,078</u>
<b>EXPENDITURES<sup>(2)</sup></b>			
<b><u>Administrative Costs</u></b>			
Salaries and Wages	117,958	117,958	372,938
Fringe Benefits	70,278	70,278	220,034
Operating Expenses	-	-	15,310
Out-of-State Travel	-	-	9,000
Other Costs			
Indirect Cost/Other Costs	<u>32,712</u>	<u>32,712</u>	<u>111,367</u>
Total Administrative Costs	<u>220,948</u>	<u>220,948</u>	<u>728,649</u>
<b><u>Program Costs</u></b>			
Salaries and Wages	98,083	98,083	691,522
Fringe Benefits	58,330	58,330	373,422
Operating Expenses	-	-	-
Out-of-State Travel	-	-	-
Other Costs			
Indirect Costs/Other Costs	<u>31,069</u>	<u>31,069</u>	<u>202,339</u>
Subcontractor Services	<u>638,393</u>	<u>638,393</u>	<u>4,076,146</u>
Total Program Costs	<u>825,875</u>	<u>825,875</u>	<u>5,343,429</u>
<b>Total Expenditures</b>	<u>1,046,823</u>	<u>1,046,823</u>	<u>1,046,823</u>
<b>Revenue over Expenditures:</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,025,255<sup>(3)</sup></u>

(1) 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, 2020 through December 31, 2020.

(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, 2020 through June 30, 2020.

(3) This amount represents the grant balance of Contract 20F-3021 that will be expended during FY 2020-21.

**COUNTY OF LOS ANGELES  
WORKFORCE DEVELOPMENT, AGING AND COMMUNITY SERVICES  
SUPPLEMENTARY SCHEDULE OF REVENUE AND EXPENDITURES  
CSBG CONTRACT NO. 19F-4105  
FOR THE YEAR ENDED JUNE 30, 2020**

CFDA #93.569

	January 1, 2019 through June 30, 2019	July 1, 2019 through May 31, 2020	Total Costs	Total Budget <sup>(1)</sup>
<b>REVENUE</b>				
Grant Revenue	\$ 122,779	\$ 159,833	\$ 282,612	\$ 284,472
Interest Income	-	500	500	-
<b>Total Revenue</b>	<b>122,779</b>	<b>160,333</b>	<b>283,112</b>	<b>284,472</b>
<b>EXPENDITURES<sup>(2)</sup></b>				
<b><u>Administrative Costs</u></b>				
Salaries and Wages	-	-	-	-
Fringe Benefits	-	-	-	-
Operating Expenses	-	-	-	-
Equipment	-	-	-	-
Out-of-State Travel	-	-	-	-
Subcontractor Services	-	-	-	-
Other Costs	-	-	-	-
<b>Total Administrative Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Program Costs</u></b>				
Salaries and Wages	5,408	11,967	17,375	17,375
Fringe Benefits	2,906	6,191	9,097	9,097
Operating Expenses	-	140	140	2,000
Equipment	-	-	-	-
Out-of-State Travel	-	-	-	-
Subcontractor Services	114,465	141,535	256,000	256,000
Other Costs	-	-	-	-
<b>Total Program Costs</b>	<b>122,779</b>	<b>159,833</b>	<b>282,612</b>	<b>284,472</b>
<b>Total Expenditures</b>	<b>122,779</b>	<b>159,833</b>	<b>282,612</b>	<b>284,472</b>
<b>Revenue over Expenditures</b>	<b>\$ -</b>	<b>\$ 500</b>	<b>\$ 500<sup>(3)</sup></b>	<b>\$ -</b>

(1) Total Budget amounts are based on the CSBG Contract Budget Summary contained in the contract (as an Attachment to the Grant Agreement) with year-end budget shifts. The interest earned on the Advance in excess of \$500 was remitted to the U.S. Department of Health and Human Services.

(2) The Expenditure amounts are based on the monthly California Department of Community Services and Development Expenditure Claim Reports filed with the California Department of Community Services and Development.

(3) An administrative claim for \$500 to utilize the interest earned on the Advance was filed separately as a close-out claim.

**COUNTY OF LOS ANGELES  
WORKFORCE DEVELOPMENT, AGING AND COMMUNITY SERVICES  
SUPPLEMENTARY SCHEDULE OF REVENUE AND EXPENDITURES  
CSBG CONTRACT NO. 19F-4458 DISCRETIONARY  
FOR THE YEAR ENDED JUNE 30, 2020**

CFDA #93.569

	July 1, 2019 through May 31, 2020	Total Costs	Total Budget <sup>(1)</sup>
<b>REVENUE</b>			
Grant Revenue	\$ 29,161	\$ 29,161	\$ 30,000
Interest Income	-	-	-
Total Revenue	29,161	29,161	30,000
<b>EXPENDITURES<sup>(2)</sup></b>			
<b><u>Administrative Costs</u></b>			
Salaries and Wages	-	-	-
Fringe Benefits	-	-	-
Operating Expenses	-	-	-
Out-of-State Travel	-	-	-
Other Costs	-	-	-
Indirect Cost/Other Costs	-	-	-
Total Administrative Costs	-	-	-
<b><u>Program Costs</u></b>			
Salaries and Wages	-	-	-
Fringe Benefits	-	-	-
Operating Expenses	14,000	14,000	14,000
Out-of-State Travel	-	-	-
Other Costs	-	-	-
Indirect Costs/Other Costs	-	-	-
Subcontractor Services	15,161	15,161	16,000
Total Program Costs	29,161	29,161	30,000
<b>Total Expenditures</b>	<b>29,161</b>	<b>29,161</b>	<b>30,000</b>
<b>Revenue over Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

(1) Total Budget amounts are based on the CSBG Contract Budget Summary contained in the contract (as an Attachment to the Grant Agreement) with year-end budget shifts.

(2) The Expenditure amounts are based on the monthly California Department of Community Services and Development Expenditure Claim Reports filed with the California Department of Community Services and Development.

**COUNTY OF LOS ANGELES  
WORKFORCE DEVELOPMENT, AGING AND COMMUNITY SERVICES  
SUPPLEMENTARY SCHEDULE OF REVENUE AND EXPENDITURES  
CSBG CONTRACT NO. 20F-3105  
FOR THE YEAR ENDED JUNE 30, 2020**

CFDA #93.569

	January 1, 2020 through June 30, 2020	Total Costs	Total Budget <sup>(1)</sup>
<b>REVENUE</b>			
Grant Revenue	\$ 135,453	\$ 135,453	\$ 291,043
Interest Income	-	-	-
Total Revenue	<u>135,453</u>	<u>135,453</u>	<u>291,043</u>
<b>EXPENDITURES<sup>(2)</sup></b>			
<b><u>Administrative Costs</u></b>			
Salaries and Wages	-	-	-
Fringe Benefits	-	-	-
Operating Expenses	-	-	-
Out-of-State Travel	-	-	-
Other Costs			
Indirect Cost/Other Costs	-	-	-
Total Administrative Costs	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Program Costs</u></b>			
Salaries and Wages	7,018	7,018	17,596
Fringe Benefits	3,750	3,750	8,876
Operating Expenses	452	452	8,571
Out-of-State Travel	-	-	-
Other Costs			
Indirect Costs/Other Costs	-	-	-
Subcontractor Services	<u>124,233</u>	<u>124,233</u>	<u>256,000</u>
Total Program Costs	<u>135,453</u>	<u>135,453</u>	<u>291,043</u>
<b>Total Expenditures</b>	<u>135,453</u>	<u>135,453</u>	<u>291,043</u>
<b>Revenue over Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Total Budget amounts are based on the CSBG Contract Budget Summary contained in the contract (as an Attachment to the Grant Agreement) with year-end budget shifts.

(2) The Expenditure amounts are based on the monthly California Department of Community Services and Development Expenditure Claim Reports filed with the California Department of Community Services and Development.

**COUNTY OF LOS ANGELES**  
**WORKFORCE DEVELOPMENT, AGING AND COMMUNITY SERVICES**  
**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**GRANTED BY CALIFORNIA DEPARTMENT OF AGING**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Grant Name	CFDA #	Single Audit		
		Federal	State	Total
		Expenditures	Expenditures	Expenditures
Older American Title V Project	17.235	\$ 1,609,022	\$ -	\$ 1,609,022
Area Agency on Aging HICAP (H9 Fed)	93.324	178,904	-	178,904
Area Agency on Aging HICAP (H3 Fed and H12 State)	93.324	50,876	578,688	629,564
Financial Alignment (FA 1718-19)	93.626	39,692	-	39,692
Medicare Improvements for Patients and Providers Act (MI1819-19)	93.071	94,354	-	94,354
CalFresh Expansion (CF-1920-19)	10.561	195,339	-	195,339
Supplemental Nutrition Assistance Program - Education (SNAP-ED) - (SP1819-19)	10.561	74,653	-	74,653
Supplemental Nutrition Assistance Program - Education (SNAP-ED) - (SP1920-19)	10.561	167,129	-	167,129
<b>TOTAL OTHERS</b>		<b>2,409,969</b>	<b>578,688</b>	<b>2,988,657</b>
Ombudsman SNF	*	-	243,708	243,708
Ombudsman Initiative	*	-	422,411	422,411
Ombudsman PH L&C	*	-	51,307	51,307
Area Agency on Aging Title III E	93.052	2,479,219	-	2,479,219
Area Agency on Aging III B	93.044	5,918,394	720,381	6,638,775
Title VII - Ombudsman	93.042	123,674	-	123,674
Area Agency on Aging III C-I	93.045	6,346,998	1,395,185	7,742,183
Area Agency on Aging III C-II	93.045	6,212,675	1,955,864	8,168,539
Title VII - Elder Abuse Prevention	93.041	83,643	-	83,643
Area Agency on Aging III D	93.043	462,735	-	462,735
Area Agency on Aging III USDA C-I	93.053	967,572	-	967,572
Area Agency on Aging III USDA C-II	93.053	738,461	-	738,461
<b>TOTAL TITLE III AND VII</b>		<b>23,333,371</b>	<b>4,788,856</b>	<b>28,122,227</b>
COVID-19 - Families First Coronavirus Response Act - OAA Congregate Nutrition: Federal Title III C1	93.053	1,229,130	-	1,229,130
COVID-19 - Families First Coronavirus Response Act - OAA Home-Delivered Meals: Federal Title III C2	93.053	1,357,359	-	1,357,359
<b>TOTAL FFCRA</b>		<b>2,586,489</b>	<b>-</b>	<b>2,586,489</b>
<b>TOTAL</b>		<b>\$ 28,329,829</b>	<b>\$ 5,367,544</b>	<b>\$ 33,697,373</b>

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