



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

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January 30, 2009

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

FROM: Wendy L. Watanabe
Auditor-Controller

Wendy L. Watanabe
FOR

SUBJECT: **AUDIT OF THE LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2008**

Attached is the audit report of the financial statements for the Los Angeles County Flood Control District (District) for the year ended June 30, 2008. The audit was conducted by Moss, Levy & Hartzheim, Certified Public Accountants (Moss), under the Auditor-Controller's master agreement for audit services.

Moss issued an unqualified opinion on the District's financial statements, indicating that the statements are presented fairly, in conformity with accounting principles generally accepted in the United States of America and State regulations governing special districts. Moss identified no material weaknesses involving the District's internal controls over financial reporting requirements.

If you have any questions please call me, or your staff may call Jim Schneiderman at (213) 253-0101.

WLW:MMO:JLS

Attachments

c: William T Fujioka, Chief Executive Officer
Gail Farber, Director, Department of Public Works
Public Information Office
Audit Committee

Los Angeles County Flood Control District

(A COMPONENT UNIT OF THE COUNTY OF LOS ANGELES, CALIFORNIA)



**Comprehensive Annual
Financial Report
Fiscal Year Ended June 30, 2008
Acting Director Dean D. Efstathiou**



LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2008

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LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2008

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Introductory Section



GAIL FARBER, Director

COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

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IN REPLY PLEASE

REFER TO FILE: **FI-4**

December 29, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

We are pleased to submit the Comprehensive Annual Financial Report of the Los Angeles County Flood Control District (District) for the year ended June 30, 2008. The District is a blended component unit of the County of Los Angeles. The report contains financial statements that have been prepared in accordance with generally accepted accounting principles prescribed for governmental entities and provides a comprehensive overview of the District's financial operations and financial position. The accuracy, completeness, and fairness of the presentation of all information in this report are the responsibility of the District.

The Independent Auditor's Report is located at the front of the Financial Section of this report. Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT AND ITS SERVICES

The District was established in 1915 under the Los Angeles County Flood Control Act. The District boundaries encompass approximately 2,752 square miles. The District's mission is to construct, operate, and maintain a system of flood control and water conservation facilities that provide flood protection, increase local water supply, and meet Federal water quality standards. The District's powers are exercised through your Board acting as the District's governing body.

The District currently operates and maintains 14 major flood control dams and reservoirs, 520 miles of open channels, 79,957 catch basins, 2,919 miles of underground storm drain conduits, 62 pump plants, 155 sediment entrapment basins, 234 crib dams, 27 sediment placement sites, 27 spreading grounds, 24 low flow diversion structures, and 3 seawater intrusion barriers. The District's major programs are categorized as Flood Control, Water Conservation, and Urban Runoff and Stormwater Quality. These programs are described as follows:

- **Flood Control** - This program includes planning, operation and maintenance, emergency storm response, storm rehabilitation, debris control, floodplain management, public service, and construction of storm protection facilities such as dams, channels, debris basins, storm drains, pumps, low-flow diversions, seawater intrusion barriers, and spreading grounds.
- **Water Conservation** - This program includes the conservation of storm flows, recycled water, and imported water by allowing the water to soak into groundwater basins for future use; seawater intrusion barrier projects that are designed to prevent saltwater from contaminating underground freshwater supplies; dam safety and debris removal projects that rehabilitate dams to withstand a maximum seismic event or probable maximum flood; reservoir clearance of accumulated debris to increase their flood control and water conservation storage capacities; and capture and treatment of urban runoff through multibenefit projects.

Over two-thirds of the County of Los Angeles's demand for water is met by sources located outside the County, thus maintaining an adequate water supply is consistently a concern. The Water Conservation Program is therefore critical in meeting the demand for water and involves modernizing, automating, and improving District water conservation facilities. Facilities capture and retain stormwater runoff and recycled water that would otherwise flow to the ocean. These facilities are designed, maintained, and operated to allow recycled water, stormwater, as well as imported water, to percolate through the basin material to infiltrate and recharge the groundwater aquifers.

- **Urban Runoff and Stormwater Quality** - This program includes the responsibility of Principal Permittee under the Los Angeles County Municipal Storm Sewer System National Pollution Discharge Elimination System (NPDES) Permit. Responsibilities include monitoring the flood control system for water quality, participating in the development of new stormwater and urban runoff water quality regulations to ensure they are technically and economically feasible, and operating an illicit connection and discharge program to reduce the amount of nonpoint source pollution entering the flood control system.

ECONOMIC OVERVIEW

The expected population growth in the County will place greater demands on the already limited water supplies. To help address this demand, the District will look toward expanding its water conservation program and identifying more opportunities for stormwater capture, treatment, and recharge.

The District's revenue stream is primarily supported by benefit assessment and property taxes. Due to the slump in the housing industry, this revenue stream is expected to be lower than in previous years. Other challenges to the District include increasing costs to operate, maintain, and replace its aging infrastructure.

The District is currently seeking grant opportunities to offset increasing costs as well as partnerships and collaborative efforts with agencies and organizations to leverage resources. On November 7, 2006, voters approved California State Propositions 1E and 84, which provide for the State to sell bonds to finance projects relating to enhancing flood protection and improving urban runoff and stormwater quality. The District anticipates that both of these measures will provide considerable funding, however, the full amount cannot be determined until the legislative process is completed and funding guidelines are established.

MAJOR INITIATIVES

FUNDING

In May 2008, the Board of Supervisors approved a contract for a consultant to determine the feasibility of the District imposing a fee on its rate payers (approximately 2.1 million parcels). The fee would allow the District to provide regional runoff pollution treatment services. If feasible and the District's rate payers approve the fee, revenue collected is proposed to provide regional treatment facilities throughout the boundaries of the District. This would help the cities and the unincorporated County meet their responsibilities under the Federal Clean Water Act and the State's Porter Cologne Water Act.

FLOOD CONTROL

Dam Rehabilitation Program - The District has undertaken a program to rehabilitate dams that had been put under operational restrictions related to seismic stability by the State Department of Water Resources. This program also includes modifying dam spillways. Since the 1994 Northridge Earthquake, the District has spent approximately \$142 million in construction costs for the Dam Rehabilitation Program. Currently, the seismic rehabilitation and spillway modifications for the Big Tujunga Dam are under construction and are scheduled for completion in October 2010. Anticipated future construction projects for other dams include the Big Dalton Debris Dam, Eaton Dam, Morris Dam, Santa Anita Dam, Santa Anita Debris Dam, and Sawpit Debris Dam.

Integrated Regional Water Management Plans (IRWMP) - This program was initiated by the State Department of Water Resources to encourage water resource agencies such as Flood Control Districts, Water Purveyors, and Water Wholesalers to plan based on hydrologic regions; address water resource management issues in an integrated fashion; and develop projects that address flood protection, water supply, water quality, and environmental benefits. The State is providing incentives for this program by providing funding for projects developed under adopted IRWMPs. Local IRWMP efforts involve hundreds of water agencies, cities, and nongovernmental agencies. The District has taken an active role in the IRWMP's within the District boundaries.

Cooperative Projects with the Army Corps of Engineers - The District is currently involved in eight project studies being sponsored and conducted by the Army Corps of Engineers. Project objectives include flood protection, water conservation, and stream restoration. The projects are spread throughout the District and are listed below:

- Arroyo Seco Watershed Feasibility Study
- Tujunga Wash Restoration 1135 Study Project
- Phase II Los Angeles County Drainage Area Stormwater Management Plan
- Sun Valley Watershed Feasibility Study
- Hansen, Whittier Narrows, Santa Fe Dams Water Conservation Study
- Coyote Creek Feasibility Study
- Santa Clara River Feasibility Study
- Ballona Creek Ecosystem Restoration Study

Federal Emergency Management Agency (FEMA) – National Levee Certification Program Compliance - The District has initiated a program to certify 105 miles of the District-owned levees in compliance with the FEMA National Levee Certification Program. The objective is to ensure that all flood control levees are evaluated and certified as providing 100-year flood protection and meeting national current design and construction standards. The certification process is expected to conclude by October 2009.

Watershed Management Plans - This program includes watershed-based, stakeholder-driven studies conducted to determine the feasibility of multipurpose projects that combine flood protection, water conservation, water quality, and community enhancements such as active and passive recreational facilities. These plans represent hundreds of enhancement projects that encourage partnerships with the District. Funding for benefits that go beyond the District's purview are provided through multiple partners such as State conservancies and local, State, and Federal agencies.

Reservoir Sediment Removal - The District's 14 major dams and reservoirs are the backbone of the County's flood control and water conservation network. The reservoirs also serve the function of debris control due to their location in the San Gabriel Mountains, which are considered among the most erosive in the world. As a result, sediment from the tributary watersheds washes into the reservoirs on an ongoing basis. This accumulation of debris reduces the flood peak attenuation, water conservation, and debris control capacity of the facilities. Major forest fires intensify the potential for sediment and debris inflow. The 2008 Marek and Sayre Fires burned a portion of Pacoima Reservoir's watershed and have resulted in the need to accelerate the cleaning out of the facility in Fiscal Years 2008-09 and 2009-10. Also, although the watershed is not currently burned, sediment removal from Santa Anita Reservoir is needed to meet the State's dam safety standards and the sediment removal project is anticipated to occur in Fiscal Years 2008 through 2011. Since the watersheds of the District's 14 major dams and reservoirs will continue to deliver sediment to the facilities, the District will need to perform sediment removal and disposal projects from all of them on an ongoing basis.

WATER CONSERVATION

Additional Spreading Grounds Capacity - The District owns and operates 26 groundwater recharge facilities. These facilities allow for stormwater runoff, imported water, and recycled water to be percolated back into the aquifers. The District is looking to improve the storage and operational capacity of several spreading grounds and also acquire additional land for new spreading grounds. For the latter, the District is

currently in the process of evaluating water conservation potential at various locations and collaborating with cities and water agencies to cost share capital improvements.

Seawater Intrusion Barriers - This program consists of three separate projects designed to prevent saltwater from contaminating underground freshwater supplies. The District has constructed over 290 recharge wells to inject freshwater into underground aquifers to form a wall of freshwater under enough pressure to keep out the seawater. The District also utilizes over 750 observation wells to monitor the purity of the groundwater in the coastal areas. The District recently increased the number of injection wells at one of the barriers in response to identified deficiencies along the barrier.

WATER QUALITY

System-Wide Water Quality Monitoring - This program includes the development of a District-wide monitoring system that will quantify pollutant loads to the flood control system and develop the most cost-effective pollutant reduction measures using state-of-the-art scientific tools and expertise.

INTERNAL AND BUDGETARY CONTROLS

The District has a system of internal accounting controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use and to provide reliable records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting controls should not outweigh related benefits and that the evaluation of costs and benefits requires estimates and judgments by management. All internal accounting control evaluations occur within the above framework. We believe that the District's system of internal accounting controls adequately safeguards assets and also provides reasonable assurance of the proper recording of financial transactions.

In accordance with the provisions of Section 29000-29144 of the Government Code, commonly known as the County Budget Act, the District budgets are adopted on or before August 30 of each fiscal year. Budgets are adopted for the District's General Fund and Debt Service Fund. Expenditures are controlled at the object level for all budget units within the District, except for capital asset expenditures, which are controlled at the sub-object level.

Encumbrance accounting is utilized to ensure effective budgetary control and accountability. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as reservations of fund balance for subsequent year expenditures.

Your Board approves all transfers of appropriations between budget units and transfers exceeding \$250,000 within budget units. Your Board must also approve necessary supplemental appropriations normally financed by unanticipated revenues earned during the year.

In addition to these procedural controls, the District is subject to periodic internal control and operational and management audits performed by the County Auditor-Controller to help ensure that prescribed procedures are followed and that operations are conducted in an efficient manner. In addition, the Auditor-Controller operates a fraud hotline that provides employees and citizens with a way to anonymously report perceived fraudulent activities by employees, vendors, contractors, and inspectors. Allegations reported over the hotline are evaluated and investigated by the Auditor-Controller as appropriate.

OTHER INFORMATION

INDEPENDENT AUDIT

The Continuing Disclosure Agreement dated January 1, 2003, by and between the Los Angeles County Flood Control District and The Bank of New York Trust Company, N. A., as Trustee, requires an annual audit of the basic financial statements of the District. Moss, Levy & Hartzheim, LLP, has audited the District's basic financial statements for the fiscal year ended June 30, 2008. The auditor's report on the basic financial statements is included in the Financial Section of this report.

AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the first year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are again submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

This report could not have been prepared without the cooperative efforts of the staff of Public Works' Financial Management Branch; various Public Works' line divisions including the Watershed Management, Water Resources, and Flood Maintenance Divisions; and the Auditor-Controller. The District would also like to thank our independent auditors, Moss, Levy & Hartzheim, LLP, for their professional assistance.

Respectfully submitted,



GAIL FARBER
Director of Public Works

WT:rm

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Enc.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles County
Flood Control District
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Oliver S. Cox

President

Jeffrey R. Emswiler

Executive Director

**COUNTY OF LOS ANGELES
BOARD OF SUPERVISORS
(for Period Ending June 30, 2008)**

Yvonne B. Burke, Chair
Second District

Gloria Molina
First District

Don Knabe
Fourth District

Zev Yaroslavsky
Third District

Michael D. Antonovich
Fifth District

Sachi A. Hamai
Executive Officer
Board of Supervisors

CONTRIBUTING COUNTY OFFICIALS

Dean D. Efstathiou
Acting Director of Public Works

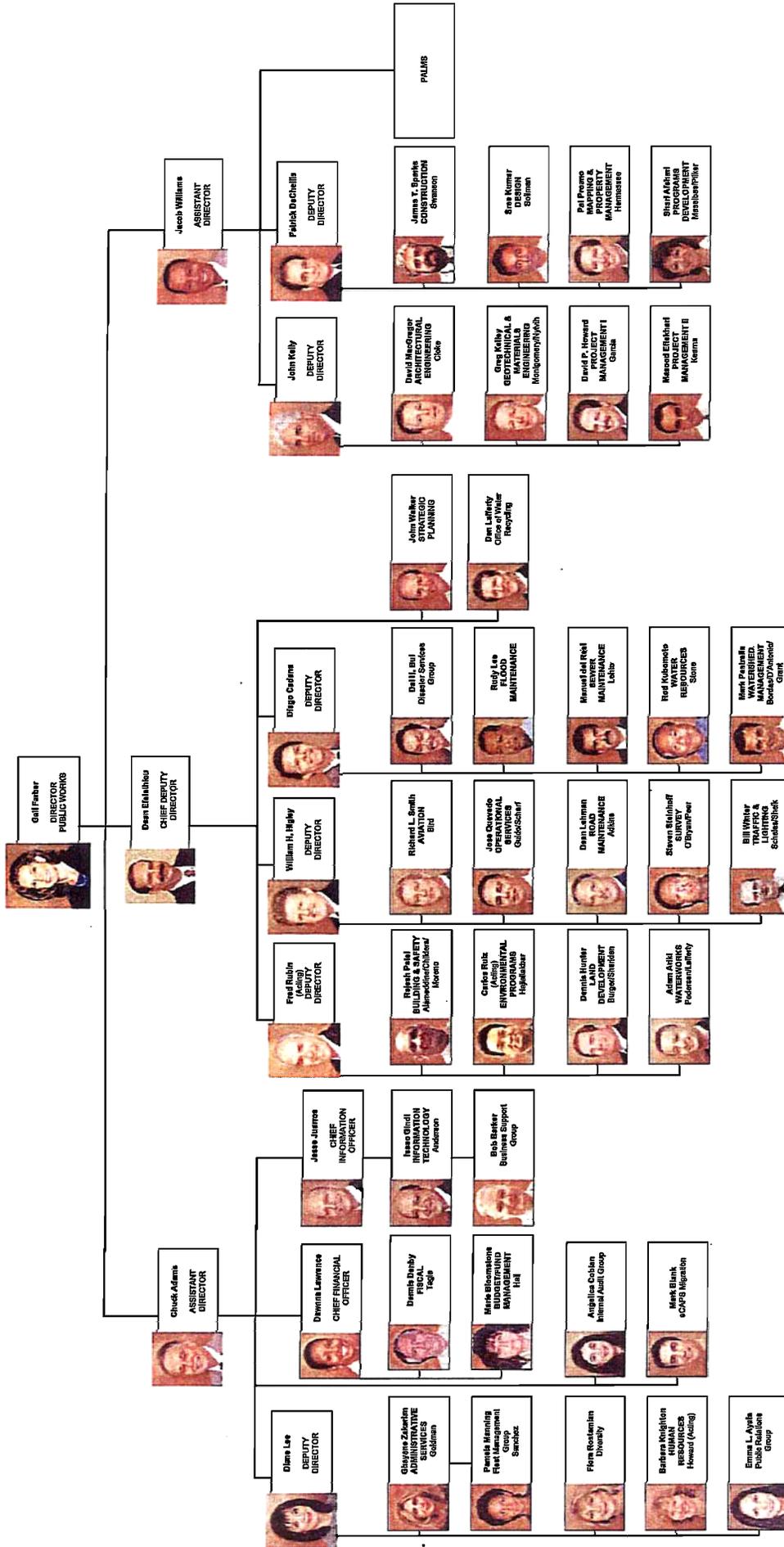
William T Fujioka
Chief Executive Officer

Wendy L. Watanabe
Auditor-Controller

Mark J. Saladino
Treasurer and Tax Collector

Raymond G. Fortner, Jr.
County Counsel

COUNTY OF LOS ANGELES DEPARTMENT OF PUBLIC WORKS Organizational Chart as of December 1, 2008



Financial Section



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Los Angeles County Flood Control District (District), as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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* as issued by the Controller 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Los Angeles County Flood Control District as of June 30, 2008, and the respective changes in financial position thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 of the notes to basic financial statements effective July 1, 2007, the District adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and GASB Statement No. 50, *Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27*.

The accompanying Required Supplementary Information, such as the Management's Discussion and Analysis, budgetary comparison schedule for the General Fund, and the notes to the Required Supplementary Information are not required parts of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

In accordance with the *Government Auditing Standards*, we have also issued a report dated December 23, 2008, on our consideration of the Los Angeles County Flood Control District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Los Angeles County Flood Control District's basic financial statements. The Introductory Section, budgetary comparison schedules for the Debt Service Funds, Schedule of Changes in Assets and Liabilities – Fiduciary Funds, and the Statistical Section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules for the Debt Service Funds and Schedule of Changes in Assets and Liabilities – Fiduciary Funds have been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information included in the Introductory Section and the Statistical Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion thereon.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, CA
December 23, 2008

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Los Angeles County Flood Control District (District) financial performance provides a narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with information contained in the letter of transmittal and accompanying basic financial statements, notes, and supplementary information.

The District is a component of a larger governmental unit, the County of Los Angeles (County). We also encourage readers to use the Comprehensive Annual Financial Report of the County of Los Angeles to provide perspective on the government-wide and fund based statements and on how the District is a component of those statements.

FINANCIAL HIGHLIGHTS

At the end of the current year, the net assets (total assets less total liabilities) of the District were \$5.722 billion.

During the year, the District's net assets increased by \$35 million. The increase was a result of the District's governmental activities. The District has no business-type activities to report.

At the end of the current year, the District's General Fund reported a total fund balance of \$158 million. The amount of unreserved and designated fund balance was \$13 million.

The District's capital assets balance net of accumulated depreciation, \$5.652 billion at year-end, increased by \$5 million during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District'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.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference representing net assets. Over time, increases or decreases in the District's net assets may serve as an indicator of whether its financial health is improving or deteriorating.

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

The government-wide financial statements of the District report on one category, governmental activities, as the District has no business-type activities or discretely presented component units for which the District is financially accountable.

Governmental Activities - All of the District's basic services are included here. Property taxes and benefit assessments finance almost all of the District's flood control activities.

FUND FINANCIAL STATEMENTS

The fund financial statements are designed to provide more detailed information about the District's significant funds. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. The District has two kinds of funds:

Governmental Funds – All of the District's basic services are included in the governmental funds that focus on how resources flow in and out and show the balances remaining at year-end that are available for spending. The governmental funds statements provide a detailed short-term view that helps readers determine whether there are more or fewer financial resources that can be spent in the near future on the District's activities. Because this information does not encompass the additional long-term focus of the government-wide statements, we show the relationship between governmental activities and governmental funds using the reconciliations on pages 21 and 24 and the notes to the basic financial statements.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Fiduciary Funds – These funds are used to report assets held in an agency capacity for others and cannot be used to support the District's activities. The District's 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. The notes can be found beginning on page 26 of this report.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the District's budget and actual revenues and expenditures on a budgetary basis. The RSI can be found on pages 42 through 44 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A comparative analysis of government-wide data is available and presented under the reporting model required by Governmental Accounting Standards Board (GASB) Statement No. 34. The District does not have business-type activities to report.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$5.722 billion at the close of the most recent fiscal year (see Table 1).

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Table 1

**Summary of Net Assets
As of June 30, 2008 and 2007
(in thousands)**

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 193,914	\$ 168,280
Capital assets	<u>5,651,796</u>	<u>5,629,339</u>
Total assets	<u>\$5,845,710</u>	<u>\$5,797,619</u>
Current and other liabilities	\$ 21,904	\$ 12,807
Long-term liabilities	<u>102,210</u>	<u>115,995</u>
Total liabilities	<u>124,114</u>	<u>128,802</u>
Net assets:		
Invested in capital assets, net of related debt	5,552,586	5,515,779
Restricted net assets	503	2,176
Unrestricted net assets	<u>168,507</u>	<u>150,862</u>
Total net assets	<u>5,721,596</u>	<u>5,668,817</u>
Total liabilities and net assets	<u>\$5,845,710</u>	<u>\$5,797,619</u>

As indicated above, the District's total net assets consist of the following three components:

Capital Assets, Net of Related Debt

The District's capital assets, net of related debt, are \$5.553 billion. This represents its investment in capital assets (e.g., land and easements, buildings and improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. At June 30, 2008, the District reported bonds payable of \$99 million that were related to capital assets. 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. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

As discussed in Note 2 to the basic financial statements, the District restated the beginning net asset balances to reflect \$17 million in additional land and easement and infrastructure assets acquired prior to July 1, 2007, that were not included in the previous year's report. Details of the adjustment are indicated in Note 5 to the basic financial statements.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Restricted Net Assets

The District's restricted net assets at year-end were under \$1 million. The asset restrictions are imposed by bond covenants for construction, debt service, and reserve purposes.

Unrestricted Net Assets

The District's unrestricted net assets, \$169 million, may be used to meet the District's ongoing financial requirements.

Governmental Activities

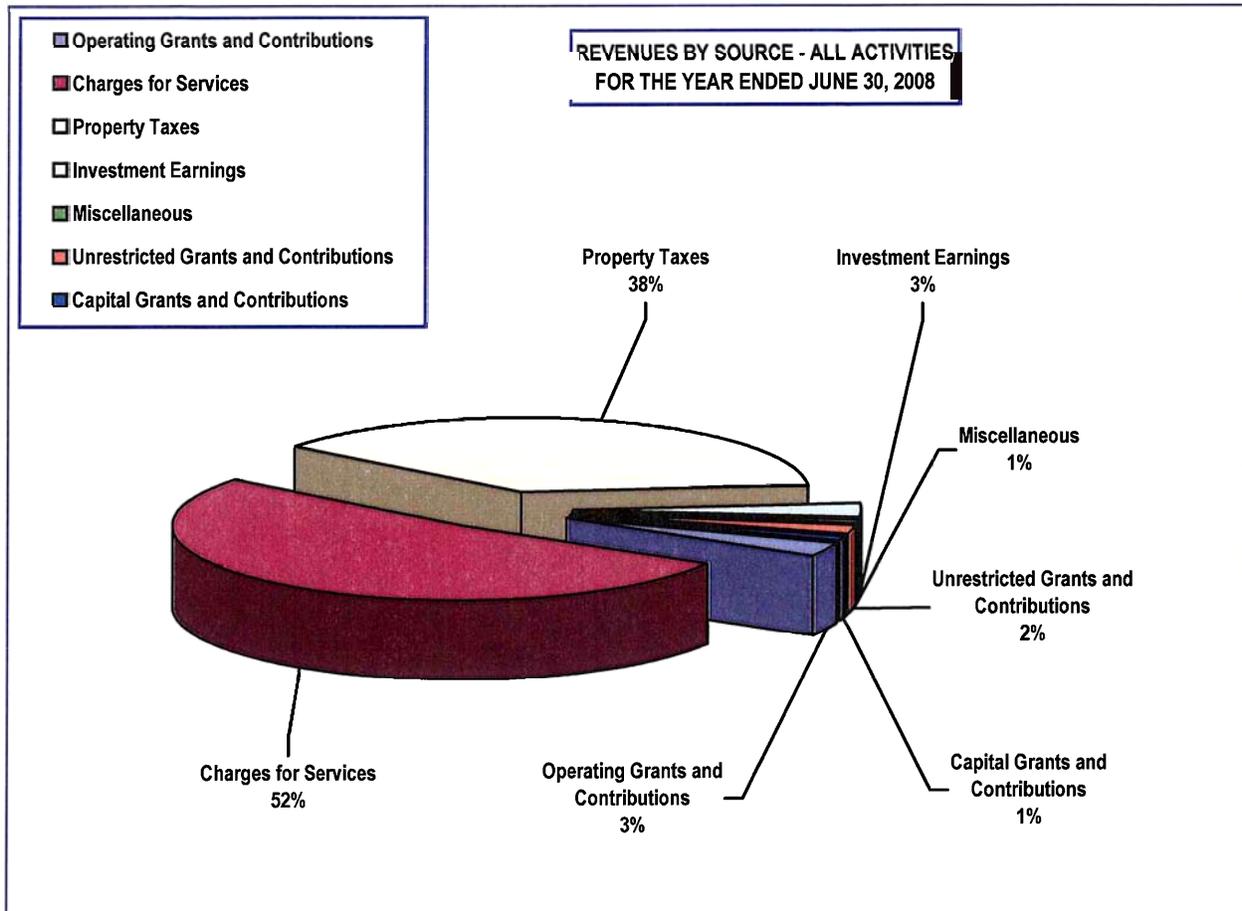
Table 2 indicates the changes in net assets for the governmental activities.

Table 2

**Summary of Changes in Net Assets
For the Years Ended June 30, 2008 and 2007
(in thousands)**

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues:		
Charges for services	\$ 129,778	\$ 121,819
Operating grants and contributions	8,630	12,085
Capital grants and contributions	1,797	1,785
General revenues:		
Property taxes	95,272	88,858
Unrestricted grants and contributions	5,589	5,653
Investment earnings	6,699	6,613
Miscellaneous	1,332	158
Total revenues	249,097	236,971
Expenses:		
Public protection	208,861	180,993
Interest on long-term debt	4,933	5,554
Total expenses	213,794	186,547
Changes in net assets	35,303	50,424
Net assets – beginning, as restated (Note 2)	5,686,293	5,618,393
Net assets – ending	<u>\$5,721,596</u>	<u>\$5,668,817</u>

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**



The District's changes in net assets decreased by \$15 million over the prior year. Following are the major factors that contributed to the net asset changes:

- Revenues from governmental activities increased by \$12 million (5%) over the prior year. The most significant changes in revenue were in the following areas:
 - Charges for services were \$8 million (7%) higher than the previous year due to: (1) \$3 million reimbursement from the City of Los Angeles Department of Water and Power for its share of the costs of the Big Tujunga Dam Seismic Rehabilitation and Spillway Modification Project, (2) \$3 million reimbursement from the County of Los Angeles Chief Executive Office for the costs of the Urban Stormwater Runoff Improvement Program, (3) \$1 million reimbursements from the Cities of Pico Rivera and Bell for their share of the costs of the Paseo del Rio at Rio Hondo Coastal Basin Spreading Grounds and the Los Angeles River Riverfront Projects, and (4) \$1 million increase in revenues from: leases; licenses, permits, and franchises; and fines, forfeitures, and penalties.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

- Operating grants and contributions were \$3 million (29%) lower than the previous year due to less reimbursements from the Federal Emergency Management Agency (FEMA) and the Office of Emergency Services (OES) for various January and February 2005 Winter Storm projects.
- Property taxes were \$6 million (7%) higher than the previous year. The additional growth in property taxes was attributable to the early lien date (January 1, 2006), which preceded the start of the fiscal year by six months. This gap, combined with the stabilizing effect of Proposition 13, enabled the District to experience growth in this area.
- Miscellaneous revenues were \$1 million (742%) higher than the previous year due primarily to an increase in the sale of electricity from the San Gabriel Hydroelectric Plant to Southern California Edison Company and the gain from the sale of capital assets.
- Governmental activity expenses were \$27 million (15%) higher than the previous year due primarily to increases in public protection spending. The total increase in public protection spending was partially offset by a slight decrease in interest on long-term debt on scheduled debt service payments.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Types of governmental funds reported by the District include the General, Debt Service, and Capital Projects Funds. The focus of the District'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 District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined fund balance of \$159 million, an increase of \$13 million in comparison with the prior year. The current year-end fund balance consists of \$125 million in reserves to indicate the extent that the funds have been committed or are otherwise unavailable for spending and \$13 million in designations that have been set aside for specific infrastructure improvements. The remaining \$21 million is unreserved and undesignated and is available for flood control purposes.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Revenues from the District's governmental funds, primarily the General Fund, were \$246 million, an increase of \$10 million (4%) from the previous year. The benefit assessment revenue of \$109 million, included as charges for services, was the major source of revenue for the governmental funds. The other significant source of revenue for the governmental funds was property taxes, which were \$93 million. Property taxes increased \$4 million (4%) from the previous year. Together, these two revenue sources account for 82% of total revenues for all the governmental funds. Expenditures for the governmental funds totaled \$233 million, a decrease of \$8 million (3%) from the previous year. In the current year, revenues for governmental activities exceeded expenditures by \$13 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary Summary – Revenues/Financing Sources

Table 3 is a summary of current year budgetary changes and actual results for the District's General Fund revenues and other financing sources (in thousands).

Table 3

<u>Category</u>	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance - Positive (Negative)
Taxes	\$ 1,326	\$ 94,451	\$ 94,451	\$ -
Intergovernmental revenues	3,041	13,515	14,229	714
Charges for services		113,449	119,275	5,826
All other revenues	387	18,182	17,233	(949)
Other sources and transfers		921	1,111	190
Changes in reserves/designations	(1,130)	11,500	21,226	9,726
Total	\$ 3,624	\$252,018	\$267,525	\$15,507

Changes from Amounts Originally Budgeted

During the year, the net change in budgeted tax, intergovernmental and all other revenues, and in reserves and designations is \$4 million. The net change resulted from the following areas:

- The budgeted tax revenues were increased by \$1 million. The District's policy is to increase the budget for certain tax revenues that exceed the amounts originally budgeted. The revised budget action occurs at the end of the fiscal year and is designed to demonstrate compliance with legal provisions related to the appropriation of revenues from taxes.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

- The budgeted intergovernmental revenues were increased by \$3 million due to reimbursement from the City of Los Angeles Department of Water and Power for its share of the costs of the Big Tujunga Dam Seismic Rehabilitation and Spillway Modification Project.
- The changes in reserves and designations were negative \$1 million. This resulted from: (1) a \$12 million release of the Sun Valley Watershed Management and Replenishment Project designation to finance the land purchase for the Sun Valley Watershed-Strathern Wetland Park Capital Project and (2) a \$13 million supplement to the Big Tujunga Dam Seismic Rehabilitation and Spillway Modification Project designation and to the LACDA designation.

Actual Revenues/Financing Sources Compared With Final Budget Amounts

Actual revenues and other financing sources recognized by the District's General Fund were \$16 million (6%) more than budgeted. The variance mainly resulted from the following:

- Increase in: (1) Hazard Mitigation Grant Program reimbursement from FEMA for the Big Tujunga Dam Seismic Rehabilitation and Spillway Modification Project and (2) reimbursement from the State of California Department of Transportation (Caltrans) for the Alameda Street from 91 Freeway to Del Amo Boulevard Port Access Demonstration Project.
- Increase in reimbursement of: (1) \$3 million from the City of Los Angeles Department of Water and Power for its share of the costs of the Big Tujunga Dam Seismic Rehabilitation and Spillway Modification Project, (2) \$1 million from the City of Pico Rivera for its share of the costs of the Paseo del Rio at Rio Hondo Coastal Basin Spreading Grounds and Paseo del Rio at San Gabriel Coastal Basin Spreading Grounds Projects, and (3) \$3 million reimbursement from the County of Los Angeles Chief Executive Office for the Urban Stormwater Runoff Improvement Plan Program. The total \$7 million increase in reimbursement was partially offset by a \$1 million decrease in revenues from planning and engineering services.
- Decrease in: (1) rental payments for the Public Works headquarters building from the County to the District, (2) sale of electricity from the San Gabriel Hydroelectric Plant to Southern California Edison Company, and (3) sale of land. The total decrease is partially offset by an increase in investment earnings as the yield on investments was higher than anticipated.
- Changes in reserves totaling \$10 million were decreased as a result of the cancellation of existing contracts and purchase orders resulting in additional unreserved funds.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Budgetary Summary - Expenditures/Other Financing Uses

Table 4 is a summary of current year budgetary changes and actual results for the District's General Fund expenditures and contingencies (in thousands).

Table 4

<u>Category</u>	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance - Positive (Negative)
Public Protection	\$4,350	\$269,049	\$252,425	\$16,624
Contingencies	(726)	(726)		(726)
Total	\$3,624	\$268,323	\$252,425	\$15,898

Changes from Amounts Originally Budgeted

During the year, the net change in the District's General Fund budgeted public protection and contingencies is \$4 million. The net change resulted from the following areas:

- Budgeted public protection expenditures were increased by \$4 million. The increase is primarily due to a \$12 million supplement to the Big Tujunga Dam Seismic Rehabilitation and Spillway Modification Project designation, a \$1 million supplement to the LACDA designation, a \$3 million additional requirement for the Big Tujunga Dam Seismic Rehabilitation and Spillway Modification Project, and a \$2 million funding requirement for the Eaton Yard Improvements Capital Project. The overall increase of \$18 million is partially offset by a \$12 million release of the Sun Valley Watershed Management and Replenishment Project designation to finance the land purchase for the Sun Valley Watershed-Strathern Wetland Park Capital Project and \$2 million of cancelled commitments to finance the Eaton Yard Improvements Capital Project.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amounts

Actual expenditures and other financing uses of the District's General Fund were \$16 million lower than budgeted. The variance primarily resulted from low bids and changes in the District's project schedule that occur as a result of various circumstances that delay the award of a project for construction. Project delays are anticipated and an inventory of projects is kept to replace projects that remain in the planning stage or are delayed. The majority of the variance in public protection resulted from the low bids for the Hansen Spreading Grounds Improvements, San Dimas Reservoir Sediment Removal, and Live Oak Reservoir Post Fire Sediment Removal projects as well as from the delay of the District headquarters refurbishment and Eaton Yard Improvement projects.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had \$5.65 billion (net of depreciation) invested in capital assets including land and easements, buildings and improvements, infrastructure, and equipment (see Table 5). In the current year, the District restated beginning net asset balances to reflect \$17 million of additional land and easement and infrastructure assets acquired prior to July 1, 2007, that were not included in the previous year's report. As indicated in Note 5 to the basic financial statements (page 36), the adjustment added \$17 million of such assets to the District's basic financial statements as of the beginning of the current year.

The District's capital assets (net of depreciation) for the current fiscal year increased \$5 million (0.1%) from the prior fiscal year (as restated):

Table 5

Changes in Capital Assets, Net of Depreciation (in thousands)

	Current Year	Prior Year, as restated	Increase (Decrease)
Land and easements	\$3,498,609	\$3,497,939	\$ 670
Buildings and improvements (B&I)	40,173	41,315	(1,142)
Infrastructure	1,973,695	2,008,301	(34,606)
Equipment	265	224	41
Construction-in-progress - B&I	31,054	28,168	2,886
Construction-in-progress - infrastructure	108,000	70,868	37,132
Total	\$5,651,796	\$5,646,815	\$ 4,981

Current year infrastructure costs were capitalized for projects that remained in progress at the end of the year. The value of construction-in-progress at June 30, 2008, was \$108 million and the value will remain classified within the Construction-in-Progress category until the projects are completed.

Of the \$41 million in infrastructure asset additions, \$31 million were projects completed this year under the Construction-in-Progress category. These projects are listed on the following pages (asset addition values are shown before depreciation is deducted).

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**



Seawater Barriers

Barrier Improvements

- Alamitos Barrier Project & Dominguez Gap Barrier Project Replacement (\$1,493,000)
- Barrier Water Supply Facilities Improvements (\$1,136,000)

Catch Basin Improvements

- Hollyhills Drains Unit 8B Connection (\$239,000)
- Various Catch Basin Improvement projects (\$111,000)



Sawpit Wash Invert Repair

Channel Improvements

- Sawpit Wash Invert Repair (\$716,000)
- Rio Hondo Coastal Basin Spreading Grounds, Storm Drain Repair (\$376,000)
- Channel Access Road Repairs (\$264,000)

Dam Improvements

- Puddingstone Dam Modification, Phase 1 Back-Up Gate (\$1,445,000)
- Cogswell Dam – Lower Hoist Head Tower Replacement (\$228,000)



Channel Access Repairs

Debris Basin Improvements

- La Tuna Debris Basin (\$1,134,000)
- Channel Access Road Repairs (\$298,000)

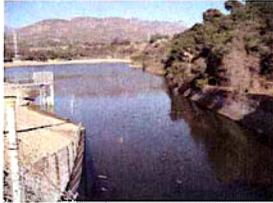
Pumping Plant Improvements



La Tuna Debris Basin

- Dominguez Gap Spreading Grounds Engine Replacement & Pump Station (\$2,524,000)
- Project No. 86, Boone Avenue-Olive Avenue Drain Pump Station (\$997,000)
- Avalon Pump Station Engine Replacement and Pump Station Upgrade (\$908,000)

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**



**San Dimas Spreading Grounds
Restoration**



Debris Basin

Spreading Grounds Improvements

- San Dimas Spreading Grounds Restoration and Puddingstone Diversion (\$2,173,000)
- Rio Hondo Coastal Basin Spreading Grounds, Storm Drain Repair (\$465,000)
- Channel Access Road Repairs (\$203,000)

Storm Drain Improvements

- Bull Creek Underground Storm Drain Box Retrofit (\$2,001,000)
- Project No. 286, Low Flow Diversion at 28th Street (\$1,697,000)
- Project No. 5243, Low Flow Diversion at Washington Boulevard (\$1,697,000)
- Miscellaneous Transfer Drain 622, Line 22, Marie Canyon Water Quality Improvement (\$1,392,000)
- San Martinez – Chiquito Canyon Storm Drain Extension (\$1,138,000)
- Parker Mesa Drain - Low Flow Diversion (\$1,057,000)
- Various storm drain improvement projects (\$7,741,000)

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Debt Administration

At June 30, 2008, the District had \$102 million in long-term debt. The District's long-term debt consisted of \$99 million in revenue bonds and \$3 million in other liabilities. The District has no general obligation bonds outstanding at June 30, 2008, as these bonds fully matured in November 2007. The District's long-term debt decreased by approximately \$14 million (12%) in the current year as a result of scheduled debt service payments. Specific disclosures related to long-term obligations appear in Note 6.

The following table indicates the changes in the District's long-term debt during the year:

Table 6
Changes in Long-Term Debt (in thousands)

	Current Year	Prior Year	(Increase) Decrease
General Obligation Bonds	\$ -	\$ 370	\$ 370
Capital Construction and Refunding Bonds	81,035	94,280	13,245
Revenue Bonds	18,175	18,910	735
Other Liabilities	3,000	2,435	(565)
Total	\$102,210	\$115,995	\$13,785

Bond Ratings

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

	<u>Moody's</u>	<u>Standard and Poor's</u>	<u>Fitch</u>
General Obligation Bonds	Aa1	AA	AA
Revenue Bonds	Aa1	AA-	AA

Economic Conditions and Outlook

The Board of Supervisors adopted the District's 2008-09 Budget on June 17, 2008. The Budget was adopted based on the estimated fund balance that would be available at the end of 2007-08. The Board updated the Budget on October 7, 2008, to reflect the final 2007-08 fund balances and other pertinent financial information. For the District's General Fund, the 2008-09 Budget as updated in October 2008 utilized \$31 million of available fund balance, which exceeded the previously estimated fund balance of \$8 million. The additional fund balance of \$23 million was appropriated or designated for flood control infrastructure improvement needs.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

The economic outlook for the District reflects the rest of the nation's as it faces the challenges of a recession. The decline in new home building and resale housing market and the increase in costs to operate, maintain, and replace the District's aging infrastructure continue to pose major risks to the District. The weakening in the housing market presents a great risk to the benefit assessment and property tax revenues as they are the primary sources of local funding for the District. Since revenues are not keeping pace with the increased costs, the District is currently seeking grant opportunities to offset increasing costs and also partnerships and collaborative efforts with agencies and organizations to leverage resources to help meet demands.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the District's Financial Management Branch at the Department of Public Works, 900 South Fremont Avenue, 7th Floor, Alhambra, California 91803-1331.

Basic Financial Statements

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008 (in thousands)**

	GOVERNMENTAL ACTIVITIES
ASSETS	
Pooled cash and investments (Notes 1 and 4)	\$ 159,770
Advances to the County of Los Angeles	6,213
Other investments (Notes 1 and 4)	353
Taxes receivable	20,459
Interest receivable	735
Other receivables	6,384
Capital assets: (Notes 1 and 5)	
Land and easements and construction-in-progress \$	3,637,663
Other capital assets, net of depreciation	2,014,133
Total capital assets	5,651,796
TOTAL ASSETS	5,845,710
LIABILITIES	
Accounts payable	14,123
Other payables	70
Accrued interest payable	1,525
Unearned revenue	6,186
Noncurrent liabilities: (Notes 6 and 8)	
Due within one year	17,505
Due in more than one year	84,705
TOTAL LIABILITIES	124,114
NET ASSETS	
Invested in capital assets, net of related debt	5,552,586
Restricted for:	
Capital projects	452
Debt service	51
Unrestricted	168,507
TOTAL NET ASSETS	\$ 5,721,596

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

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008 (in thousands)**

		Program Revenue			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
Governmental activities:					
Public protection	\$ 208,861	\$ 129,778	\$ 8,630	\$ 1,797	\$ (68,656)
Interest on long-term debt	4,933				(4,933)
Total	\$ 213,794	\$ 129,778	\$ 8,630	\$ 1,797	(73,589)
General revenues:					
Property taxes					95,272
Grants and contributions not restricted to special programs					5,589
Investment earnings					6,699
Miscellaneous					1,332
Total general revenues					108,892
Change in net assets					35,303
Net assets - July 1, 2007				5,668,817	
Prior Period Adjustment (Note 2)				17,476	
Net assets - July 1, 2007, as restated (Note 2)					5,686,293
Net assets - June 30, 2008					\$ 5,721,596

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

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008 (in thousands)**

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Pooled cash and investments (Notes 1 and 4)	\$ 159,671	\$ -	\$ 99	\$ 159,770
Advances to the County of Los Angeles	6,213			6,213
Other investments (Notes 1 and 4)			353	353
Taxes receivable	11,329	603		11,932
Interest receivable	735			735
Assessments receivable	8,527			8,527
Other receivables	6,384			6,384
TOTAL ASSETS	\$ 192,859	\$ 603	\$ 452	\$ 193,914
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 14,123	\$ -	\$ -	\$ 14,123
Other payable		70		70
Unearned revenue	20,439	482		20,921
TOTAL LIABILITIES	34,562	552	-	35,114
FUND BALANCES:				
Reserved for:				
Encumbrances	112,849			112,849
Special purposes	12,011			12,011
Debt service		51		51
Unreserved:				
Designated for flood control projects	13,314			13,314
Undesignated	20,123		452	20,575
TOTAL FUND BALANCES	158,297	51	452	158,800
TOTAL LIABILITIES AND FUND BALANCES	\$ 192,859	\$ 603	\$ 452	\$ 193,914

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

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008 (in thousands)**

Fund balance of total governmental funds (page 20) \$ 158,800

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets in governmental activities are not current financial resources and therefore are not reported in governmental funds:

Land and easements	\$ 3,498,609	
Construction-in-progress	139,054	
Buildings and improvements - net	40,173	
Equipment - net	265	
Infrastructure - net	1,973,695	5,651,796

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

Unearned revenue		14,735
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Accrued interest payable is not recognized in governmental funds		(1,525)
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The following long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:

Bonds and notes payable	(99,210)	
Litigation/self insurance	(3,000)	(102,210)

Net assets of governmental activities (page 18)		\$ 5,721,596
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The notes to the basic financial statements are an integral part of this statement.

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008 (in thousands)**

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	\$ 93,152	\$ 5	\$ -	\$ 93,157
Licenses and permits	741			741
Fines, forfeitures, and penalties	1,429	11		1,440
Interest	6,610	33	57	6,700
Rents and royalties	7,797			7,797
Intergovernmental revenues:				
Federal	6,086			6,086
State	3,397			3,397
Other	4,747			4,747
Charges for services	118,798			118,798
Miscellaneous	1,253		1,785	3,038
TOTAL REVENUES	244,010	49	1,842	245,901
EXPENDITURES:				
Current public protection:				
Services and supplies	188,994			188,994
Debt service:				
Principal		14,350		14,350
Interest		5,112		5,112
Capital outlay	21,493		2,886	24,379
TOTAL EXPENDITURES	210,487	19,462	2,886	232,835
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	33,523	(19,413)	(1,044)	13,066

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

Continued...

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - Continued
FOR THE YEAR ENDED JUNE 30, 2008 (in thousands)**

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	\$ 175	\$ -	\$ -	\$ 175
Transfers in	244	19,064	19	19,327
Transfers out	(19,025)	(263)	(39)	(19,327)
OTHER FINANCING SOURCES (USES)	(18,606)	18,801	(20)	175
NET CHANGE IN FUND BALANCES	14,917	(612)	(1,064)	13,241
FUND BALANCES - BEGINNING	143,380	663	1,516	145,559
FUND BALANCES - ENDING	\$ 158,297	\$ 51	\$ 452	\$ 158,800

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

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
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, 2008 (in thousands)**

Net change in fund balances - total governmental funds (page 23) \$ 13,241

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

Governmental funds report capital outlays 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	\$ 82,004	
Less - current year depreciation expense	(76,927)	5,077

In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources, thus, the change in net assets differs from the change in fund balance	(96)
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Revenue timing differences result in more revenue in Government-wide Statements	3,117
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Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets	14,350
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Accrued interest for bonds payable; this is the net change in accrued interest for the current period	179
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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 litigation/self insurance	(565)
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Change in net assets of governmental activities (page 19)	\$ 35,303
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The notes to the basic financial statements are an integral part of this statement.

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008 (in thousands)**

	<u>AGENCY FUNDS</u>
ASSETS	
Pooled cash and investments (Notes 1 and 4)	<u>\$ 3,244</u>
TOTAL ASSETS	<u><u>\$ 3,244</u></u>
LIABILITIES	
Deposits payable	<u>\$ 3,244</u>
TOTAL LIABILITIES	<u><u>\$ 3,244</u></u>

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

Notes to the Basic Financial Statements

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Los Angeles County Flood Control District (District) is empowered to carry out the objectives of the Los Angeles County Flood Control Act. Its objectives are to provide for the control and conservation of flood, storm, and other wastewater as well as to protect from damage the harbors, waterways, public highways, and property within the District from such flood or stormwaters. District powers are exercised through the County of Los Angeles Board of Supervisors (Board), which acts as the District's governing body. The duties of the Board include approving the District's budget, determining the District's tax rates, approving contracts, and determining whether to issue bonds authorized by the voters of the District.

Reporting Entity

District management has determined that the Public Works Financing Authority (PWFA) should be included in the basic financial statements of the District as a blended component unit. The PWFA is dependent upon the District for funding. The PWFA is a public agency organized pursuant to a Joint Exercise of Powers Agreement between the District and the County dated May 18, 1993. The PWFA is empowered to finance District capital assets through the issuance of bonds.

Blended component units are entities that, because of the closeness of the relationship with the primary government, should be blended in the basic financial statements as though they are part of the primary government. The District does not have any component units that should be discretely presented. Additional financial information for the PWFA may be obtained from the Department of Public Works at 900 South Fremont Avenue, Alhambra, California 91803.

The District is included as a blended component unit in the County financial reporting entity and is included in the County's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008. The financial resources and operations of the District are accounted for in the fund types discussed below.

Basis of Accounting and Measurement Focus

The basic financial statements of the District are composed of the following:

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

Financial reporting incorporates all GASB pronouncements.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements

Government-wide financial statements display information about the District as a whole. The Statement of Net Assets and Statement of Activities display information about the District except for fiduciary activities.

Basis of Accounting

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the basic financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Proceeds of long-term debt are recorded as a liability rather than as another financial source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as an expenditure.

Net assets are classified into the following three categories: (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted. Net assets are reported as restricted when their use has been constrained by externally imposed conditions. Such conditions include limitations imposed by creditors (such as through debt covenants), grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2008, there were no restricted assets impacted by enabling legislation.

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

Fund Financial Statements

The accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are presented after the government-wide financial statements. These statements display information about major funds individually and in the aggregate for governmental funds.

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for governmental and fiduciary fund categories are presented.

The District reports on the following major governmental funds:

- General Fund

The General Fund is available for any authorized purpose and is used to account for all financial resources except those required to be accounted for in another fund.

- Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

- Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of flood control structures financed by long-term debt.

The District also reports on the following funds:

- Fiduciary Funds (Agency Funds)

The Agency Funds are used to account for assets held by the District in an agency capacity pending transfer or distribution to individuals, private organizations, other governmental entities, or other funds. Such funds have no equity accounts since all assets primarily made up of deposits that are due to individuals or entities at some future time.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting

In the fund financial statements, governmental funds are presented using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance operations during the year. Secured and unsecured property taxes and benefit assessments estimated to be collectable in future years are recorded as receivables and deferred revenue. The accrual of property tax revenues is generally limited to the extent that collection occurs within 60 days after the balance sheet date.

Interest income and charges for current services are accrued when earned and determined available. Changes in the fair value of investments are recognized as revenues at the end of each year. Federal and State grants are recorded as revenue when determined to be available, entitlement occurs, and related eligible expenditures are incurred. Revenues that are not accrued include licenses, permits, and miscellaneous revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except for interest on long-term debt, which is recognized when payment is due.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Noncurrent portions of long-term receivables due from governmental funds are reported on the District's balance sheet and are offset by deferred revenue. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

As a result of its spending measurement focus, expenditure recognition for governmental fund types excludes transactions involving noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State's Government Code and Revenue and Taxation Code. Property is assessed at full cash or market value (with some exceptions). Pursuant to such legislation, the Board levies a property tax to support general operations of the various jurisdictions (ad valorem tax). This tax is limited to one percent (1%) of full cash value of property and collections are distributed in accordance with statutory formulae. The District receives an apportionment from the property tax levy which is a major source of District revenue.

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 is delinquent with penalties after December 10; the second is due February 1 and is delinquent with penalties after April 10. Secured property taxes that are delinquent and unpaid as of June 30 are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid. If the delinquent taxes are not paid at the end of five (5) years, the property may be sold at public auction. The proceeds are used to pay the delinquent amounts due and any excess is remitted, if claimed, to the taxpayer.

Unsecured personal property taxes are not a lien against real property. These taxes are due on January 1 and become delinquent, if unpaid, on August 31. Unsecured property tax receivables are reduced by an amount estimated to be uncollectible, which is based on a five-year historical average collection percentage.

Benefit Assessments

The District, as authorized by the State's Government Code, levies an assessment on each parcel of real property within the District, except on property owned by Federal, State, or local government agencies. The assessment, as approved by the Board, is levied in proportion to benefits received and determined on the basis of the proportionate stormwater runoff from each parcel. The purpose of benefit assessments is to cover the cost of providing flood control services within the District not offset by other available revenues.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the accompanying financial statements reflect the fair value of investments. Changes in fair value that occur during a fiscal year are recognized as investment income reported for the fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

All cash and investment balances of the District are pooled and invested by the County Treasurer and are subject to withdrawal from the pool upon demand. Each fund's share in the pool is displayed in the accompanying financial statements as pooled cash and investments. Investment income earned by the pooled investments is allocated to various funds based on the fund's average cash and investment balance as provided by Government Code Section 53647.

The fair value of pooled investments is determined annually and based on current market prices. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawals rather than market value.

Other Investments

"Other Investments" represents investment and interest earnings related to the debt issuance currently held in trust by the Bank of New York Trust Company, N. A.

Capital Assets

Capital assets, which include land and easements, buildings and improvements, equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital outlays are recorded as expenditures of the General and Capital Projects Funds and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met.

The County's policy is to record infrastructure costs as services and supplies expenditures in the General Fund and capitalize as assets in the government-wide financial statements to the extent the District's capitalization threshold is met.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

The District's capitalization thresholds are \$5,000 for equipment, \$100,000 for buildings and improvements, and \$100,000 for infrastructure assets. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements that significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, 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 5.

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
Infrastructure	15 to 100 years

2. ACCOUNTING CHANGES AND RESTATEMENT OF FUND BALANCES/NET ASSETS

Governmental Accounting Standards Board Statement No. 45

The GASB has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits." GASB 45 establishes financial reporting standards designed to measure, recognize, and display other post-employment benefit (OPEB) costs. The District along with the County implemented GASB 45 for the year ended June 30, 2008; however, it did not have an impact on the District's financial statements since the District has no employee-related liabilities as stated in Note 3. GASB 45 did have a material effect on the County's financial statements. Please refer to the County of Los Angeles Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008, for more information.

Governmental Accounting Standards Board Statement No. 48

GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues," provides guidance on accounting and financial reporting for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. GASB Statement No. 48 did not have an impact on the District's financial statements for the year ended June 30, 2008.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
 JUNE 30, 2008

2. ACCOUNTING CHANGES AND RESTATEMENT OF FUND BALANCES/NET ASSETS-Continued

Governmental Accounting Standards Board Statement No. 49

The GASB has issued Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." GASB 49 provides guidance on accounting and financial reporting for pollution (including contamination) remediation obligations such as site assessments and cleanups. The District intends to implement GASB 49 in Fiscal Year 2008-09.

Governmental Accounting Standards Board Statement No. 50

The GASB has issued Statement 50, "Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27." GASB 50 amends Statement Nos. 25 and 27 to more closely align the financial reporting requirements for pensions with those for OPEB. GASB Statement No. 50 did not have an impact on the District's financial statements.

Restatement of Fund Balance/Net Assets

During the year, the District restated beginning balances to reflect the recording of the additional land and easements and infrastructure assets acquired prior to July 1, 2007, that were not reported in the previous year's financial statements. The effects of the changes are as follows (in thousands):

	<u>Net Assets July 1, 2007, As Previously Reported</u>	<u>Effect of Land and Easements and Infrastructure Assets</u>	<u>Net Assets July 1, 2007, As Restated</u>
Government-wide			
Governmental activities	\$5,668,817	\$17,476	\$5,686,293

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2008

3. TRANSACTIONS WITH THE COUNTY

Pursuant to an agreement between the District and the County, the County is responsible for providing all necessary employees to the District for purposes of performing District functions. Costs related to these employees are billed to the District based on actual time spent providing services to the District. Supply and equipment costs are also billed based on actual usage by the District. Accordingly, the District has no supplies inventory or employee-related liabilities (e.g., pension, compensated absences, and workers' compensation). For the year ended June 30, 2008, the County's billings to the District's General Fund approximated \$104,895,000. Costs associated with shared equipment funded through the Department of Public Works Internal Service Fund are recorded in the District's financial statements as expense under "Public Protection." For the year ended June 30, 2008, this expense from the District's General Fund was \$23,000.

The District has numerous transactions with the other funds of the County in order to finance operations, provide services, purchase assets, and apportion property taxes. To the extent that certain transactions between the District and these funds have not been paid or received as of June 30, 2008, the net balances of interfund amounts receivable or payable have been converted to cash for financial statement presentation.

On April 16, 1990, the District entered into a cost-sharing agreement with the County relative to the Public Works headquarters building. The agreement provides for the County to make rental payments to the District in exchange for its occupancy of the headquarters. Furthermore, the County agreed to pay for its proportionate share of the headquarters operating costs. For the year ended June 30, 2008, County rental payments to the District totaled \$5,175,000.

The District issued certificates of participation in 1987 to acquire the headquarters building. These certificates were defeased and replaced with refunding bonds in August 1993. The 1993 refunding bonds were refunded in January 2003 (see Note 6). The District's management has no intention of selling the headquarters. However, in the event the headquarters were to be sold, the proceeds of the sale in excess of any outstanding indebtedness would be shared by the District and the County in proportion to each entity's share of the headquarters' cost.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2008

4. CASH AND INVESTMENTS

Pooled Cash and Investments

As provided for by the Government Code, certain cash balances of the District are pooled and invested by the County Treasurer and are subject to withdrawal from the pool upon demand. As of June 30, 2008, the District's share of the total pooled cash and investments included in the Statement of Net Assets and Balance Sheet under "pooled cash and investments" was \$159,770,000, which represents approximately 0.80% of the total pool. The "pooled cash and investments" reported on the Statement of Fiduciary Net Assets was \$3,244,000.

Interest earned on pooled investments is deposited monthly based upon the average daily deposit balance during the allocation period. Investment gains and losses are proportionately shared by the entities participating in the pool as an increase or reduction in interest earnings. The net unrealized loss on the District's proportionate share of investments held in the Treasurer's Pool was \$161,000 as of June 30, 2008. Statutes authorize the pool to invest in obligations of the United States Treasury, federal agencies, municipalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, negotiable certificates of deposit, floating rate notes, repurchase agreements, and reverse repurchase agreements.

Investments are managed by the County Treasurer, who provides status reports on a monthly basis to the Board. In addition, the County Treasury Oversight Committee reviews and monitors the County's investment policy. The Committee membership includes the Treasurer and Tax Collector, Auditor-Controller, Superintendent of Schools, Chief Administrative Officer, and a non-County representative.

GASB Statement No. 3 exempts participating entities from classifying their pool investments in categories of credit risk; however, GASB Statement No. 40 requires disclosures of common deposit and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk. Information on common deposit and investment risks for the entire County Treasurer Pool is presented in Note 5 to the County of Los Angeles Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008.

Other Investments

Short-term investments of Milestone Treasury are managed by the Bank of New York Trust company, N. A.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2008

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, is as follows (in thousands):

	<u>Balance July 1, 2007, as previously reported</u>	<u>Adjustments</u>	<u>Balance July 1, 2007, as restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
<u>Governmental Activities</u>						
Capital assets, not depreciated:						
Land and easements	\$3,497,294	\$ 645	\$3,497,939	\$ 694	\$ (24)	\$3,498,609
Construction-in-progress - buildings and improvements	28,168		28,168	2,886		31,054
Construction-in-progress – infrastructure	<u>54,037</u>	<u>16,831</u>	<u>70,868</u>	<u>55,719</u>	<u>(18,587)</u>	<u>108,000</u>
Subtotal	<u>3,579,499</u>	<u>17,476</u>	<u>3,596,975</u>	<u>59,299</u>	<u>(18,611)</u>	<u>3,637,663</u>
Capital assets, being depreciated:						
Buildings and improvements	64,834		64,834			64,834
Equipment	1,572		1,572	87	(15)	1,644
Infrastructure	<u>3,357,223</u>	<u> </u>	<u>3,357,223</u>	<u>41,133</u>	<u> </u>	<u>3,398,356</u>
Subtotal	<u>3,423,629</u>	<u> </u>	<u>3,423,629</u>	<u>41,220</u>	<u>(15)</u>	<u>3,464,834</u>
Less accumulated depreciation:						
Buildings and improvements	23,519		23,519	1,142		24,661
Equipment	1,348		1,348	46	(15)	1,379
Infrastructure	<u>1,348,922</u>	<u> </u>	<u>1,348,922</u>	<u>75,739</u>	<u> </u>	<u>1,424,661</u>
Subtotal	<u>1,373,789</u>	<u> </u>	<u>1,373,789</u>	<u>76,927</u>	<u>(15)</u>	<u>1,450,701</u>
Total capital assets, being depreciated, net	<u>2,049,840</u>	<u> </u>	<u>2,049,840</u>	<u>(35,707)</u>	<u> </u>	<u>2,014,133</u>
Total capital assets, net	<u>\$5,629,339</u>	<u>\$17,476</u>	<u>\$5,646,815</u>	<u>\$23,592</u>	<u>\$(18,611)</u>	<u>\$5,651,796</u>
<u>Depreciation Expense</u>						
Governmental activities:						
Public protection						<u>\$ 76,927</u>
Total depreciation expense, governmental activities						<u>\$ 76,927</u>

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
 JUNE 30, 2008

5. CAPITAL ASSETS-Continued

The capital asset adjustment of \$82,004,000 shown in the 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, 2008 (page 24), is detailed as follows (in thousands):

Capital Assets Adjustment:

Addition of Capital Assets, not depreciated	\$59,299
Deletion of Capital Assets, not depreciated	(18,611)
Addition of Capital Assets, being depreciated	41,220
Deletion of Capital Assets, being depreciated	(15)
Deletion of Accumulated Depreciation	15
Net Book Value of Capital Assets Sold	<u>96</u>
Total Capital Assets Adjustment	<u>\$82,004</u>

6. LONG-TERM OBLIGATIONS

Long-term obligations of the District consist of general obligation bonds, capital construction and refunding bonds, and other liabilities (Note 8).

General Obligation Bonds

Pursuant to the Los Angeles County Flood Control Act and subject to voter approval, the District is authorized to issue bonds. The proceeds from the sale of bonds were used for the construction of storm drain systems. Revenue for retirement of such bonds is provided from ad valorem taxes on property within the District. In 1970 the District issued \$252,000,000 in bonds, maturing in 2008, with interest rates from 4.0% to 8.2%. These bonds fully matured in November 2007; therefore, the District has no general obligation bonds outstanding at June 30, 2008.

Capital Construction and Refunding Bonds

On January 30, 2003, the Los Angeles County Public Works Financing Authority issued \$143,195,000 in refunding revenue bonds, maturing on various dates between 2004 and 2017, with an average interest rate of 3.34%. These bonds were issued to refund the outstanding principal amount of \$147,565,000 of capital construction and refunding bonds issued in 1993 at an interest rate of 5%.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2008

6. LONG-TERM OBLIGATIONS-Continued

The District's capital construction and refunding bonds outstanding at June 30, 2008, are summarized as follows (in thousands):

\$143,195 issued in 2003; due in
annual installments through 2017;
average interest at 3.34% \$81,035

Aggregate maturity of capital construction and refunding bonds as of June 30, 2008, are as follows (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 13,740	\$ 3,845
2010	14,300	3,283
2011	14,985	2,598
2012	15,735	1,848
2013	16,530	1,062
2014-2017	<u>5,745</u>	<u>606</u>
Total	<u>\$ 81,035</u>	<u>\$13,242</u>

Revenue Bonds Series 2005A

On July 13, 2005, the Los Angeles County Public Works Financing Authority issued \$20,540,000 in revenue bonds, maturing on various dates between 2006 and 2025, with interest rates ranging from 4% to 4.125%. Bond proceeds were used to finance the design, renovation, improvement, and seismic retrofitting of the District's headquarters building and to pay certain costs of issuance incurred in connection with the Series 2005A Bonds. The District's revenue bonds outstanding at June 30, 2008, are summarized as follows (in thousands):

\$20,540 issued in 2005; due in
annual installments through 2025;
interest at 4.0% to 4.125% \$18,175

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2008

6. LONG-TERM OBLIGATIONS-Continued

Aggregate maturity of revenue bonds as of June 30, 2008, are as follows (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 765	\$ 732
2010	795	701
2011	830	669
2012	865	636
2013	895	601
2014-2018	5,055	2,439
2019-2023	6,150	1,344
2024-2025	<u>2,820</u>	<u>175</u>
Total	<u>\$ 18,175</u>	<u>\$ 7,297</u>

Changes in Long-Term Obligations

The following is a summary of long-term obligations for the fiscal year ended June 30, 2008 (in thousands):

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions/</u> <u>Maturities</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due Within</u> <u>One Year</u>
Bonds Payable	\$113,560	\$ -	\$(14,350)	\$ 99,210	\$14,505
Other Liabilities (Note 8)	<u>2,435</u>	<u>841</u>	<u>(276)</u>	<u>3,000</u>	<u>3,000</u>
Total	<u>\$115,995</u>	<u>\$ 841</u>	<u>\$(14,626)</u>	<u>\$102,210</u>	<u>\$17,505</u>

7. INTERFUND TRANSACTIONS

Interfund transfers made during the year between the General, Debt Service, and Capital Projects Funds were in accordance with long-term debt covenants. Interfund transfers to/from other funds for the year ended June 30, 2008, are as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$19,025
Debt Service Fund	General Fund	244
Debt Service Fund	Capital Projects Fund	19
Capital Projects Fund	Debt Service Fund	<u>39</u>
Total		<u>\$19,327</u>

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
 JUNE 30, 2008

8. RISK MANAGEMENT

The District is self-insured and has programs to address general liability. The District's properties are insured under the County's Consolidated Property Insurance Program, which has coverage up to \$800 million for all risk including earthquakes, \$300 million for flood damages, and \$1 million for pollution cleanup. There were no settlements related to these programs that exceeded insurance coverage in the last three years. The District bears the risk for all loss exposure in excess of insurance coverage. 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 District utilizes actuarial studies, historical data, and individual claim reviews to estimate these liabilities.

As of June 30, 2008, the District's best estimate of these probable judgment liabilities is \$3,000,000. Changes in the reported liability since July 1, 2005, resulted from the following (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimate	Claim Payments	Balance at Fiscal Year-End
2005-06	\$5,392	(\$3,063)	(\$228)	\$2,101
2006-07	\$2,101	\$629	(\$295)	\$2,435
2007-08	\$2,435	\$841	(\$276)	\$3,000

9. PROPOSITION 218

In November 1996, voters approved the "Right to Vote on Taxes Act" (Proposition 218), which limits the District's ability to levy additional property-related benefit assessments without owner approval. In September 1998, the Board approved ordinance amendments to bring the County's general purpose taxes into conformance with Proposition 218. The District's existing benefit assessments are exempt under Proposition 218. However, any future increases to property-related benefit assessments may be subject to property owner approval.

10. FEDERAL CLEAN WATER ACT

The Federal Clean Water Act (CWA) continues to have a significant impact on the District, although other funding sources, primarily the County of Los Angeles General Fund, have eased some of the impact. As a Principal Permittee under the

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2008

10. FEDERAL CLEAN WATER ACT-Continued

Los Angeles Municipal Stormwater NPDES Permit (Permit), which is mandated by the CWA, the District continues to:

- Implement programs to minimize urban and stormwater runoff pollution.
- Conduct water quality monitoring.
- Conduct scientific studies to better understand pollutant sources and the effectiveness of management practices.
- Coordinate the reporting of copermittees' program implementation.
- Coordinate activities of copermittees and act as a liaison between copermittees and the Los Angeles Regional Water Quality Control Board.

The District continues to work with stakeholders to find successful and cost-effective solutions to comply with Total Maximum Daily Load (TMDL) regulations. In accordance with the CWA, the United States Environmental Protection Agency promulgates TMDLs to restore and protect the health of the nation's surface water bodies when existing pollution control programs do not attain water quality standards. A TMDL is simply defined as the amount of a pollutant that a water body can receive while meeting water quality standards and an allocation to various sources. Nearly 20 TMDLs have been adopted in Los Angeles County since 2000. Although not responsible for TMDL compliance, the District continues to collaborate with its municipal partners to keep pollutants out of the flood control system. At the direction of the County's Board of Supervisors, the District is exploring a countywide Water Quality Funding Initiative that if approved by voters, would implement a property-based storm drainage fee for clean water that can be leveraged to obtain Federal and State funding.

11. SUBSEQUENT EVENTS

Propositions 1E - The Disaster Preparedness and Flood Prevention Bond Act of 2006 and 84 – The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006

On November 7, 2006, the voter approval of infrastructure ballot measures for California State Propositions 1E and 84 provides for the State to sell bonds to finance projects relating to enhancing flood protection and improving stormwater runoff quality. Both of these measures may potentially provide considerable funding to the District; however, the full funding impact to the District cannot be determined until the legislative process is complete and funding guidelines are established.

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY	VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
			BASIS	
REVENUES:				
Taxes	\$ 93,125	\$ 94,451	\$ 94,451	\$ -
Licenses and permits	1,176	1,176	741	(435)
Fines, forfeitures, and penalties	1,200	1,200	1,429	229
Revenue from use of money and property:				
Investment income	5,421	5,808	6,538	730
Rents and concessions	8,633	8,633	7,428	(1,205)
Royalties	200	200	369	169
Intergovernmental revenues:				
Federal	5,119	5,119	6,086	967
State	3,055	3,096	3,396	300
Other	2,300	5,300	4,747	(553)
Charges for services	113,449	113,449	119,275	5,826
Miscellaneous	1,165	1,165	728	(437)
TOTAL REVENUES	234,843	239,597	245,188	5,591
EXPENDITURES:				
Current - Public protection:				
Services and supplies	239,013	219,860	210,961	8,899
Other charges	19,871	20,121	19,613	508
Capital assets	160	160	116	44
Capital outlay	4,325	27,118	21,712	5,406
TOTAL EXPENDITURES	263,369	267,259	252,402	14,857
REVENUES OVER/(UNDER) EXPENDITURES	(28,526)	(27,662)	(7,214)	20,448
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	921	921	175	(746)
Transfers in			936	936
Transfers out	(1,330)	(1,790)	(23)	1,767
Appropriation for contingencies		726		(726)
Changes in reserves and designations	12,630	11,500	21,226	9,726
OTHER FINANCING SOURCES (USES)-NET	12,221	11,357	22,314	10,957
NET CHANGE IN FUND BALANCE	(16,305)	(16,305)	15,100	31,405
FUND BALANCE, JULY 1, 2007	16,305	16,305	16,305	
FUND BALANCE, JUNE 30, 2008	\$ -	\$ -	\$ 31,405	\$ 31,405

See accompanying notes to required supplementary information.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETARY DATA

In accordance with the provisions of Section 29000-29144 of the State's Government Code, commonly known as the County Budget Act, a District budget must be adopted on or before August 30 for each fiscal year. Budgets are adopted for the General Fund and the Debt Service Fund on a basis of accounting which is different from generally accepted accounting principles (GAAP). Note 2 indicates specific differences between the two bases of accounting as of June 30, 2008. The major areas of difference are as follows:

- Under the budgetary basis, designations are recorded as other financing uses at the time they are established. Although designations are not legal commitments, the District recognizes them as uses of budgetary fund balance. Designations that are subsequently cancelled or otherwise made available for appropriation are recorded as other financing sources.
- Under the budgetary basis, encumbrances and other reserves are also recorded as other financing uses at the time they are established. For encumbrances, this occurs at the time contracts or purchase agreements are entered into. Under the GAAP basis, these obligations are only recognized when goods are received or services are rendered. Other reserves are also recognized as other financing uses to indicate that certain assets are not available for appropriation. Cancellations of encumbrances and other fund balance reserves are recorded as other financing sources for budgetary purposes.
- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after year-end. Under the GAAP basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.
- Under the GAAP basis, investment income includes the effect of changes in the fair value of investment. Under the budgetary basis, investment income is recognized prior to the effect of such fair value changes.

Expenditures are controlled at the object level for all District budgets, except for capital asset expenditures, which are controlled at the subobject level. Expenditures did not exceed the related appropriations within any fund at June 30, 2008.

Encumbrances are set aside appropriations related to purchase orders or contracts for goods or services and are recorded to assure budgetary control and accountability in the General Fund and Capital Projects Fund. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately expected to result if the unperformed purchase orders or contracts in process at year-end are completed. Encumbrances outstanding at year-end do not

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-Continued

1. BUDGETARY DATA-Continued

constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as reservations of fund balances for subsequent year expenditures (see Note 2).

Any excess of budgeted expenditures and other financing uses over revenue and other financing sources is financed by beginning available fund balance as provided for in the County Budget Act.

2. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP

The District's Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on Budgetary Basis for the General Fund has been prepared on the budgetary basis of accounting which is different from GAAP.

The amounts presented for the governmental fund statements are based on the modified accrual basis (GAAP) of accounting and differ from the amounts presented on the budgetary basis of accounting. The following schedule is a reconciliation of the budgetary and GAAP basis fund balances as of June 30, 2008 (in thousands):

	General Fund
Fund Balance – Budgetary Basis (page 42)	\$ 31,405
Reserves and Designations	<u>138,174</u>
Subtotal	169,579
Adjustments:	
Change in Accounts Payable Accruals	(4,126)
Change in Revenue Accruals	<u>(7,156)</u>
Fund Balance – GAAP Basis (page 23)	<u>\$158,297</u>

Other Supplementary Information

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON BUDGETARY BASIS
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2008 (in thousands)

	DEBT SERVICE FUND			VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	
REVENUES:				
Taxes	\$ 5	\$ 5	\$ -	\$ (5)
Fines, forfeitures, and penalties		3	11	8
Revenue from use of money and property - Investment income		15	8	(7)
TOTAL REVENUES	5	23	19	(4)
EXPENDITURES:				
Debt Service:				
Principal	370	370	370	
Interest	12	12	9	3
TOTAL EXPENDITURES	382	382	379	3
REVENUES OVER/(UNDER) EXPENDITURES	(377)	(359)	(360)	(1)
OTHER FINANCING SOURCES (USES):				
Transfers out		(244)	(243)	1
Appropriation for contingencies	(57)			
Changes in reserves and designations	255	424	424	
OTHER FINANCING SOURCES (USES)-NET	198	180	181	1
NET CHANGE IN FUND BALANCE	(179)	(179)	(179)	
FUND BALANCE, JULY 1, 2007	179	179	179	
FUND BALANCE, JUNE 30, 2008 - Budgetary Basis	\$ -	\$ -	\$ -	\$ -
ADJUSTMENTS:				
To adjust for changes in Revenue Accruals			51	51
TOTAL ADJUSTMENTS			51	51
FUND BALANCE, JUNE 30, 2008 - GAAP Basis (page 23)	\$ -	\$ -	\$ 51	\$ 51

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008 (in thousands)**

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Pooled cash and investments	\$ 3,239	\$ 2,143	\$ (2,138)	\$ 3,244
TOTAL ASSETS	<u>\$ 3,239</u>	<u>\$ 2,143</u>	<u>\$ (2,138)</u>	<u>\$ 3,244</u>
LIABILITIES				
Deposits payable	\$ (3,239)	\$ (2,143)	\$ 2,138	\$ (3,244)
TOTAL LIABILITIES	<u>\$ (3,239)</u>	<u>\$ (2,143)</u>	<u>\$ 2,138</u>	<u>\$ (3,244)</u>

Statistical Section

STATISTICAL SECTION

The information in this section is not covered by the Independent Auditors' Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to better understand and assess the District's overall financial health.

CONTENTS	<u>PAGE</u>
FINANCIAL TRENDS	47
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
REVENUE CAPACITY	53
These schedules contain trend information to help the reader assess the District's most significant local revenue source, property taxes.	
DEBT CAPACITY	57
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
DEMOGRAPHIC AND ECONOMIC INFORMATION	63
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
OPERATING INFORMATION	65
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the applicable year.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NET ASSETS BY CATEGORY (UNAUDITED)
LAST SEVEN FISCAL YEARS (in thousands)
(accrual basis of accounting)

	(1)	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Governmental activities (2)								
Invested in capital assets, net of related debt (deficit)	\$	(85,127)	\$ (33,487)	\$ 16,000	\$ 67,884	\$ 5,461,839	\$ 5,515,779	\$ 5,552,586
Restricted (3)		2,430	4,769	3,313	1,700	17,759	2,176	503
Unrestricted		126,159	121,973	122,965	122,695	138,795	150,862	168,507
Total government net assets		43,462	93,255	142,278	192,279	5,618,393	5,668,817	5,721,596
Primary government								
Invested in capital assets, net of related debt (deficit)		(85,127)	(33,487)	16,000	67,884	5,461,839	5,515,779	5,552,586
Restricted (3)		2,430	4,769	3,313	1,700	17,759	2,176	503
Unrestricted		126,159	121,973	122,965	122,695	138,795	150,862	168,507
Total primary government net assets	\$	43,462	\$ 93,255	\$ 142,278	\$ 192,279	\$ 5,618,393	\$ 5,668,817	\$ 5,721,596

Notes:

- (1) Trend data is available for only the prior six fiscal years since the implementation of GASB 34 in 2001-02. Fiscal year 2005-06 and subsequent years reflect retroactive reporting of capital assets in accordance with GASB 34.
- (2) This schedule reports on one category, governmental activities, as the District has no business-type activities to be reported.
- (3) Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 CHANGES IN NET ASSETS (UNAUDITED)
 LAST SEVEN FISCAL YEARS (in thousands)
(accrual basis of accounting)

	(1)	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Expenses								
Governmental activities (2)								
General government								
Public protection		\$ 150,222	\$ 149,353	\$ 150,623	\$ 147,942	\$ 163,535	\$ 180,993	\$ 208,861
Interest on long-term debt		8,979	9,293	6,199	5,534	5,788	5,554	4,933
Total governmental activities expenses		159,201	158,646	156,822	153,476	169,323	186,547	213,794
Total primary government expenses		159,201	158,646	156,822	153,476	169,323	186,547	213,794
Program Revenues								
Governmental activities								
Charges for services								
Benefit Assessments		107,556	108,685	109,028	109,544	109,390	109,136	108,688
Other charges for services		8,592	14,368	11,538	9,164	12,104	12,683	21,090
Subtotal governmental activities charges for services		116,148	123,053	120,566	118,708	121,494	121,819	129,778
Operating grants and contributions		1,817	1,194	5,600	4,931	7,125	12,085	8,630
Capital grants and contributions		204	1,448	533	926	4,172	1,785	1,797
Total governmental activities program revenue		118,169	125,695	126,699	124,565	132,791	135,689	140,205
Total primary government revenues		118,169	125,695	126,699	124,565	132,791	135,689	140,205
Net (expense)/revenue:								
Government activities		(41,032)	(32,951)	(30,123)	(28,911)	(36,532)	(50,858)	(73,589)
Total primary government net expenses		\$ (41,032)	\$ (32,951)	\$ (30,123)	\$ (28,911)	\$ (36,532)	\$ (50,858)	\$ (73,589)

Continued...

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 CHANGES IN NET ASSETS (UNAUDITED) - Continued
 LAST SEVEN FISCAL YEARS (in thousands)
 (accrual basis of accounting)

(1)	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
General Revenues and Other Changes in Net Assets							
Governmental activities (2)							
Property taxes	\$ 65,575	\$ 69,518	\$ 72,723	\$ 70,937	\$ 76,423	\$ 88,858	\$ 95,272
Unrestricted grants and contributions	2,795	3,042	3,197	2,984	3,443	5,653	5,589
Investment earnings	4,574	2,183	957	2,582	4,961	6,613	6,699
Miscellaneous	1,063	8,001	2,269	2,409	1,429	158	1,332
Subtotal governmental activities	74,007	82,744	79,146	78,912	86,256	101,282	108,892
Total primary government	74,007	82,744	79,146	78,912	86,256	101,282	108,892
Changes in Net Assets							
Government activities	32,975	49,793	49,023	50,001	49,724	50,424	35,303
Total primary government	\$ 32,975	\$ 49,793	\$ 49,023	\$ 50,001	\$ 49,724	\$ 50,424	\$ 35,303

Notes:

- (1) Trend data is available for only the prior six fiscal years since the implementation of GASB 34.
- (2) This schedule reports on one category, governmental activities, as the District has no business-type activities to be reported.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
 LAST SEVEN FISCAL YEARS (in thousands)
 (modified accrual basis of accounting)

	(1)	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
General Fund								
Reserved for:								
Encumbrances	\$	88,300	\$ 85,409	\$ 87,511	\$ 91,506	\$ 104,637	\$ 100,464	\$ 112,849
Special purposes		3,011	3,008	3,008	3,008	3,011	3,011	12,011
Unreserved, designated for:								
Flood control projects		20,307	19,478	19,478	18,099	26,049	33,814	13,314
Unreserved, undesignated, reported in:								
General Fund		5,769	7,153	7,748	6,834	(260)	6,091	20,123
Subtotal General Fund		<u>117,387</u>	<u>115,048</u>	<u>117,745</u>	<u>119,447</u>	<u>133,437</u>	<u>143,380</u>	<u>158,297</u>
All Other governmental Funds (2)								
Reserved for:								
Debt service		4,934	4,654	3,270	1,603	836	663	51
Unreserved, undesignated, reported in:								
Capital projects funds		117	220	101	116	15,147	1,516	452
Subtotal all other government funds		<u>5,051</u>	<u>4,874</u>	<u>3,371</u>	<u>1,719</u>	<u>15,983</u>	<u>2,179</u>	<u>503</u>
Total governmental fund balance	\$	<u>122,438</u>	<u>\$ 119,922</u>	<u>\$ 121,116</u>	<u>\$ 121,166</u>	<u>\$ 149,420</u>	<u>\$ 145,559</u>	<u>\$ 158,800</u>

Notes:

(1) Trend data is available for only the prior six fiscal years since the implementation of GASB 34.

(2) "All Other Governmental Funds" consist of the Debt Service and Capital Projects Funds.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
 LAST SEVEN FISCAL YEARS (in thousands)
 (modified accrual basis of accounting)

(1)	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenues (by source)							
Taxes	\$ 66,315	\$ 69,505	\$ 72,689	\$ 70,994	\$ 75,397	\$ 88,605	\$ 93,157
Licenses, permits, and franchises	731	535	231	308	394	514	741
Fines, forfeitures, and penalties	1,518	1,681	2,802	1,226	1,196	1,060	1,440
Revenues from use of money and property							
Interest	4,574	2,183	957	2,582	4,961	6,613	6,700
Rents and royalties	6,248	6,133	6,802	5,191	7,028	7,301	7,797
Intergovernmental revenues:							
Federal	3,313	2,347	5,240	4,065	4,095	5,375	6,086
State	1,502	1,106	1,695	2,633	8,036	9,324	3,397
Other	1	2,232	2,396	2,142	2,609	4,824	4,747
Charges for services	107,552	115,003	111,697	112,653	113,296	112,524	118,798
Miscellaneous	1,061	855	1,554	1,128	869	187	3,038
Total Revenues	192,815	201,580	206,063	202,922	217,881	236,327	245,901
Expenditures (by function)							
Current:							
Public protection	185,722	176,503	179,170	179,364	179,100	205,119	188,994
Debt Services							
Principal	16,775	24,026	16,205	16,065	14,580	14,280	14,350
Interest	9,366	9,585	6,667	5,676	5,796	5,560	5,112
Capital leases							
Capital outlay	950	3,535	2,228	2,439	10,422	15,828	24,379
Total Expenditures	212,813	213,649	204,270	203,544	209,898	240,787	232,835
Excess of Revenues over (under) Expenditures	(19,998)	(12,069)	1,793	(622)	7,983	(4,460)	13,066
Other Financing Sources (Uses)							
Sales of capital assets	206	243	708	1,281	757	599	175
Transfers in	18,429	18,482	17,587	17,582	39,517	19,050	19,327
Transfers out	(18,429)	(18,482)	(17,587)	(17,582)	(39,517)	(19,050)	(19,327)
Proceeds of long-term debt							
Contribution to Los Angeles County	(1,551)	(903)	(1,306)	(609)	(1,026)		
Proceeds of refunding bonds		143,195					
Payment to refunded bonds escrow agent		(143,195)					
Bond premium proceeds		8,513			20,540		
Miscellaneous		1,700					
Total other financing sources (uses)	(1,345)	9,553	(598)	672	20,271	599	175
Net Change in fund balance	\$ (21,343)	\$ (2,516)	\$ 1,195	\$ 50	\$ 28,254	\$ (3,861)	\$ 13,241
Debt service as a percentage of noncapital expenditures(2):	15.08%	18.76%	13.55%	13.15%	11.59%	10.74%	9.57%

Note:

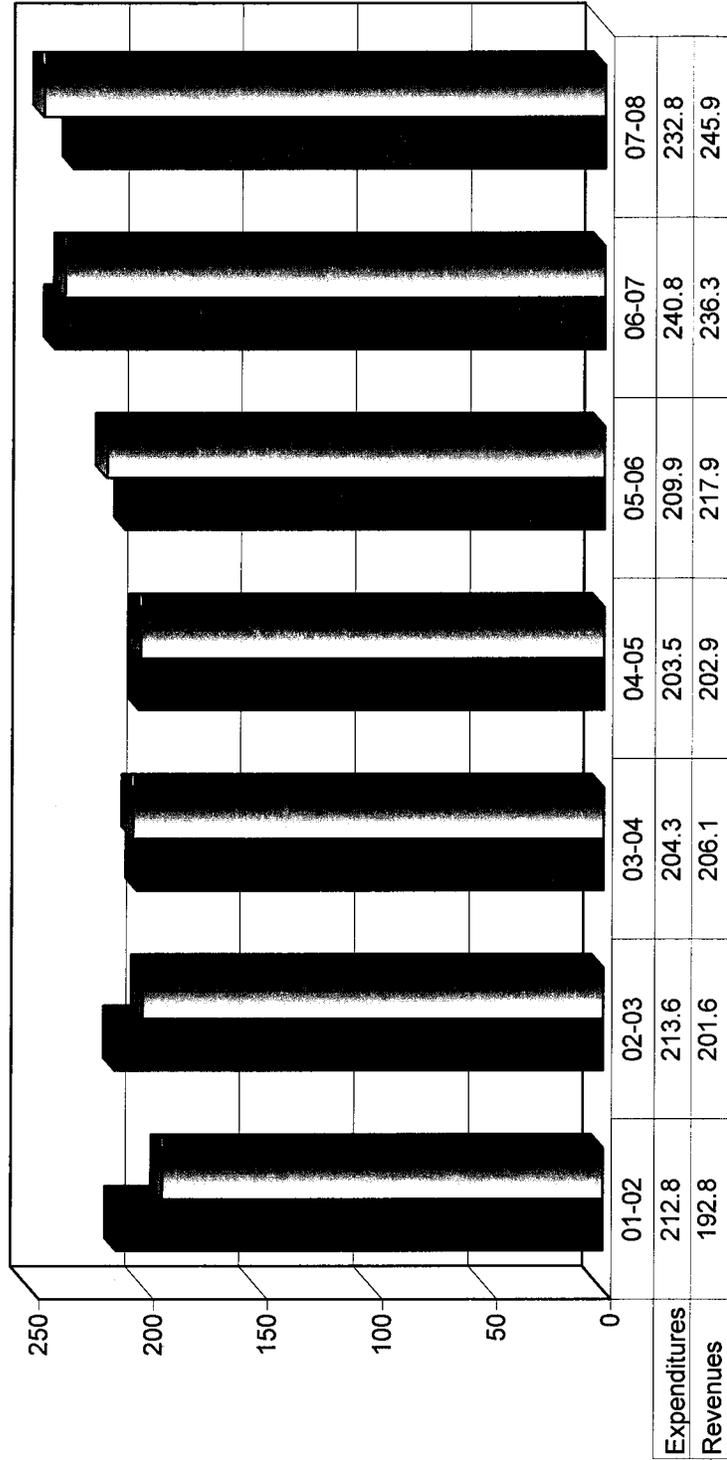
(1) Trend data is available for only the prior six fiscal years since the implementation of GASB 34.

(2) Debt service as a percentage of noncapital expenditures has been restated to reflect the calculation using the capital asset additions.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

Governmental Funds Expenditures and Revenues

Last 7 Fiscal Years



In Millions of Dollars



LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED) (1) & (2)
 LAST TEN FISCAL YEARS (in thousands)

Fiscal Year	(3) Secured	(4) Unsecured	(5) Unitary	(6) Exempt	Total Taxable Assessed Value	Total Direct Tax Rate
1998 - 1999	\$ 492,920,009	\$ 36,808,117	\$ 12,681,433	\$ (25,847,883)	\$ 516,561,676	1.000000%
1999 - 2000	521,494,390	37,826,556	12,505,963	(25,495,993)	546,330,916	1.000000%
2000 - 2001	556,120,737	40,449,723	12,348,515	(26,472,182)	582,446,793	1.000000%
2001 - 2002	592,345,254	44,394,254	12,425,635	(26,803,046)	622,362,097	1.000000%
2002 - 2003	632,815,105	43,785,523	12,357,025	(28,702,612)	660,255,041	1.000000%
2003 - 2004	683,216,372	44,745,197	11,587,736	(29,937,047)	709,612,258	1.000000%
2004 - 2005	738,658,957	43,898,983	10,648,846	(31,851,689)	761,355,097	1.000000%
2005 - 2006	813,276,803	43,964,997	10,718,105	(32,058,237)	835,901,668	1.000000%
2006 - 2007	905,276,182	45,783,429	10,638,106	(36,182,793)	925,514,924	1.000000%
2007 - 2008	990,301,135	48,543,926	11,158,201	(40,091,971)	1,009,911,291	1.000000%

Notes:

- (1) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) Due to the 1978 passage of the property tax initiative Proposition 13 (Prop. 13), the County does not track the estimated actual value of all County properties. Under Prop. 13 property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the CPI on property not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value of a parcel. As a result, similar properties can have substantially different assessed values based on the date of purchase. Additionally, Prop. 13 limits the property tax rate to 1% of assessed value plus the rate necessary to fund local voter-approved bonds and special assessments.
- (3) Secured property is generally real property and is defined as land, mines, minerals, timber, and improvements such as buildings, structures, crops, trees, and vines.
- (4) Unsecured property is generally personal property including machinery, equipment, office tools, and supplies.
- (5) Unitary properties are railroads and utilities crossing the County and are assessed by the State Board of Equalization.
- (6) Exempt properties include numerous full and partial exclusions/exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.

Source:
 Auditor-Controller, County of Los Angeles Taxpayers' Guide.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 DIRECT AND OVERLAPPING PROPERTY TAX RATES FOR TAX RATE AREA #4 (UNAUDITED)
 LAST TEN FISCAL YEARS

Fiscal Year	<u>County Direct Rates</u>		<u>Overlapping Rates</u>				<u>Total Rates</u>
	Los Angeles General	Los Angeles County Detention Facilities (1)	Flood Control Districts (1)	Los Angeles City Tax District No. 1	School Districts	Metropolitan Water District	
1998 - 1999	1.00000	0.001451	0.001953	0.030161	0.024749	0.008900	1.067214
1999 - 2000	1.00000	0.001422	0.001765	0.031113	0.031528	0.008900	1.074728
2000 - 2001	1.00000	0.001314	0.001552	0.026391	0.040765	0.008800	1.078822
2001 - 2002	1.00000	0.001128	0.001073	0.040051	0.064125	0.007700	1.114077
2002 - 2003	1.00000	0.001033	0.000881	0.042312	0.051571	0.006700	1.102497
2003 - 2004	1.00000	0.000992	0.000462	0.050574	0.097002	0.006100	1.155130
2004 - 2005	1.00000	0.000923	0.000245	0.055733	0.106937	0.005800	1.169638
2005 - 2006	1.00000	0.000795	0.000049	0.051289	0.098634	0.005200	1.155967
2006 - 2007	1.00000	0.000663	0.000052	0.045354	0.128276	0.004700	1.179045
2007 - 2008	1.00000	0.000000	0.000000	0.038051	0.132136	0.004500	1.174687

Notes:

- (1) The Secured Tax Rate and Ratios Report no longer includes the Detention Facilities and Flood Control Districts rates as these bonds have matured.
- (A) The tax rate for Tax Rate Area #4, which applies to most property within the City of Los Angeles, is used to illustrate the breakdown of a tax rate within the County.
- (B) Article XIII(A) (Proposition 13) limits the maximum ad valorem tax rate to 1% of "full cash value" except for indebtedness approved by the voters prior to July 1, 1978. All other rates are calculated per \$100 of assessed value.
- (C) An exception to the 1% limit was provided by Proposition 46 that was approved in June 1986 reestablishing authority of local governments to issue general obligation bonds for certain purposes.
- (D) The County is divided into 11,242 tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area.

Source:

Secured Tax Rate and Ratios Report from Auditor-Controller Tax Division.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED) (1)
 CURRENT YEAR AND NINE YEARS AGO
 JUNE 30, 2008, AND JUNE 30, 1999 (in thousands)

Taxpayer	2008			1999		
	Net Assessed Secured Property Value	Rank	Percentage of Total Net Assessed Value	Net Assessed Secured Property Value	Rank	Percentage of Total Net Assessed Value
Southern California Edison Co.	\$ 3,895,446	1	0.41%	\$ 3,779,522	1	0.79%
Maguire Thomas Partners	2,595,736	2	0.27%			
Douglas Emmett Realty Fund	2,513,636	3	0.26%			
Chevron USA Inc.	2,119,252	4	0.22%	1,356,705	7	0.28%
BP West Coast Products	2,046,167	5	0.21%			
Trizec LLC	1,775,789	6	0.18%			
AT&T California	1,748,797	7	0.18%			
Exxon Mobil Corporation	1,504,167	8	0.16%	1,282,721	8	0.27%
Southern California Gas Company	1,369,116	9	0.14%	1,557,978	5	0.32%
Verizon California Inc.	1,337,346	10	0.14%			
Pacific Bell						
GTE California, Inc.				3,343,236	2	0.70%
Atlantic Richfield Co.				1,824,360	3	0.38%
Shuwa Investments Corporation				1,641,038	4	0.34%
MCA, Inc				1,267,752	9	0.26%
Tosco Corporation				1,397,794	6	0.29%
				840,231	10	0.18%
Total	\$ 20,905,452		2.17%	\$ 18,291,337		3.81%

Note:

- (1) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) See schedule "Assessed Value & Actual Value of Taxable Property." Total assessed value, \$961,367,365 as of June 30, 2008 is based on Secured \$990,301,135 plus Unitary \$11,158,201 less exemptions of \$40,091,971. Total assessed value, \$479,753,559 as of June 30, 1999 is based on Secured \$492,920,009 plus Unitary \$12,681,433 less exemptions of \$25,847,883 (in thousands).

Source:

Los Angeles County Treasurer and Tax Collector.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Collections Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
	<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
1998 - 1999	\$ 56,376,281	96.4%	\$ 1,908,182	\$ 56,247,920	99.8%
1999 - 2000	59,202,683	96.4%	1,732,580	58,786,916	99.3%
2000 - 2001	62,268,376	96.7%	1,632,853	61,826,851	99.3%
2001 - 2002	64,247,912	96.8%	1,899,677	64,089,481	99.8%
2002 - 2003	67,717,809	96.8%	1,624,946	67,180,256	99.2%
2003 - 2004	69,320,656	97.4%	1,881,330	69,370,167	100.0%
2004 - 2005	72,588,020	97.2%	1,692,673	72,216,848	99.5%
2005 - 2006	76,988,018	97.1%	1,448,959	76,186,269	99.0%
2006 - 2007	84,892,868	95.9%	1,510,369	82,941,155	97.7%
2007 - 2008	92,174,252	94.8%	2,177,697	89,517,366	97.1%

Source:

Tax ledgers for the Flood Control District provided by the Auditor-Controller Accounting Division, Property Tax Section.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 RATIO OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
 LAST TEN FISCAL YEARS (in thousands, except per capita)

<u>Governmental Activities</u>										
<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Certificates of Participation</u>	<u>Accrued Interest</u>	<u>Unamortized Bond Premiums</u>	<u>Unamortized Loss on Advance Debt Refund</u>	<u>Pension Bonds Payable</u>	<u>Capital Leases</u>	<u>Total Primary Government (1)</u>	<u>Percentage of Assessed Value (2)</u>	<u>Per Capita (3)</u>
1998 - 1999	\$ 38,735	\$ 187,185	-	-	-	-	-	\$ 225,920	0.044%	23.15
1999 - 2000	31,162	177,910	-	-	-	-	-	209,072	0.038%	21.15
2000 - 2001	23,640	168,247	-	-	-	-	-	191,887	0.033%	19.57
2001 - 2002	16,975	158,135	-	-	-	-	-	175,110	0.028%	17.82
2002 - 2003	10,955	143,195	-	-	-	-	-	154,150	0.023%	15.45
2003 - 2004	6,155	131,790	-	-	-	-	-	137,945	0.019%	13.65
2004 - 2005	2,265	119,615	-	-	-	-	-	121,880	0.016%	11.92
2005 - 2006	1,080	126,760	-	-	-	-	-	127,840	0.015%	12.48
2006 - 2007	370	113,190	-	-	-	-	-	113,560	0.012%	10.99
2007 - 2008	0	99,210	-	-	-	-	-	99,210	0.010%	9.57

Notes:

- (1) Details regarding the Flood Control District's outstanding debt can be found in the Basic Notes to the Financial Statements.
- (2) See the "Demographic and Economic Statistics" schedule for population figures.
- (3) This schedule reports on one category, governmental activities, as the District has no business-type activities to be reported.

Source:

Los Angeles County Flood Control District Financial Statements from Fiscal Year 1998-99 to Fiscal Year 2007-08.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 RATIO OF NET GENERAL BONDED DEBT (UNAUDITED)
 LAST TEN FISCAL YEARS (in thousands except ratio and per capita)

Fiscal Year	Population (1) & (2)	Assessed Value (2)	General Bonded Debt (3)	Ratio of General Bonded Debt to Assessed Value	General Bonded Debt per Capita
1998-99	9,758	\$ 516,561,676	\$ 38,735	0.000075	3.9696
1999-00	9,884	546,330,916	31,162	0.000057	3.1528
2000-01	9,803	582,446,793	23,640	0.000041	2.4115
2001-02	9,825	622,362,097	16,975	0.000027	1.7277
2002-03	9,979	660,255,041	10,955	0.000017	1.0978
2003-04	10,103	709,612,258	6,155	0.000009	0.6092
2004-05	10,227	761,355,097	2,265	0.000003	0.2215
2005-06	10,246	835,901,668	1,080	0.000001	0.1054
2006-07	10,332	925,514,924	370	0.000000	0.0358
2007-08	10,364	1,009,911,291	0	0.000000	0.0000

Notes:

- (1) See "Demographic and Economic Statistics" schedule for population figures and "Assessed Value and Actual Value of Taxable Property" schedule for assessed value.
- (2) This information represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (3) Long-term general bonded debt outstanding includes Storm Drain General Obligation Bonds only.

The bonds matured on November 1, 2007.

Source:

Los Angeles Almanac website address: www.laalmanac.com/population.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED)

JUNE 30, 2008

Full Cash Value (2007-08)

Population - (2008)

\$ 882,846,160,584 (1)
10,363,850 (2)

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:

Los Angeles County Flood Control District

	Percent Applicable	Debt May 1, 2008
Metropolitan Water District	100	\$ 99,210,000
Los Angeles Community College District	45.777	149,789,211
Other Community College Districts	100	1,370,820,000
Arcadia Unified School District	Various (3)	1,365,605,067
Beverly Hills Unified School District	100	175,457,102
Glendale Unified School District	100	133,822,535
Inglewood Unified School District	100	142,870,000
Long Beach Unified School District	100	121,095,000
Los Angeles Unified School District	100	241,765,000
Pasadena Unified School District	100	7,325,045,000
Pomona Unified School District	100	198,570,000
Other Unified School Districts	100	148,324,159
High School and School Districts	Various (3)	2,315,359,786
City of Los Angeles	Various (3)	1,048,294,308
City of Los Angeles Special Tax Lease Revenue Bonds	100	1,303,035,000
City of Industry	100	80,260,000
Other Cities	100	189,330,000
Special Districts	100	87,025,000
Community Facilities Districts	100	9,245,000
Los Angeles County Regional Park & Open Space	100	886,939,334
Assessment District	100	269,995,000 (4)
1915 Act and Benefit Assessment Bonds - Estimate	100	201,975,320
Los Angeles County Metropolitan Transportation Authority	100	43,535,000
Benefit Assessment District Bonds	100	\$ 17,907,366,822

TOTAL DIRECT AND OVERLAPPING TAX & ASSESSMENT DEBT

Los Angeles County General Fund Obligations \$ 1,022,777,788 (5)

Los Angeles County Pension Obligations 546,849,147

Los Angeles County Office of Education Certificates of Participation 17,861,064

Community College District Certificates of Participation 100,837,457

Azusa Unified School District Certificates of Participation 67,680,000

Los Angeles Unified School District Certificates of Participation 491,691,710

Norwalk-La Mirada Unified School District Certificates of Participation 67,978,721

Pomona Unified School District Certificates of Participation 64,615,000

Other Unified School District Certificates of Participation 325,686,176

High School and School District General Fund Obligations 171,820,407

City of Beverly Hills General Fund Obligations 209,280,000

(Continued)

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED) - Continued
 JUNE 30, 2008

<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT - Cont.:</u>		
100	City of Los Angeles General Fund & Judgment Obligations	1,723,945,000
100	City of Long Beach General Fund Obligations	290,290,000
100	City of Long Beach Pension Obligations	83,540,000
100	City of Pasadena General Fund Obligations	394,789,972
100	City of Pasadena Pension Obligations	128,045,000
100	Other Cities' General Fund Obligations	1,255,327,237
100	Los Angeles County Sanitation Districts General Fund Obligations	375,594,995
100	Wainut Valley Water District General Fund Obligations	13,055,000
	TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT	\$ 7,351,664,674
	Less: School District self-supporting bonds	(66,641,149)
	Cities' self-supporting bonds	(181,517,368)
	Wainut Valley Water District General Fund Obligations	(13,055,000)
	TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT	\$ 7,090,451,157
	GROSS COMBINED TOTAL DEBT	25,259,031,496 (6)
	NET COMBINED TOTAL DEBT	\$ 24,997,817,979
	RATIOS TO 2006-07 ASSESSED VALUATION	1.76%
	Total Direct and Overlapping Tax and Assessment Debt	0.18%
	RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)	0.18%
	Combined Gross Direct Debt (\$1,569,626,935)	2.84%
	Net Combined Direct Debt (\$1,569,626,935)	2.81%
	Gross Combined Total Debt	
	Net Combined Total Debt	\$ 593,390
	STATE SCHOOL BUILDING AID REPAYABLE AS OF 06/30/07:	

Notes:

- (1) This balance is reduced by homeowners exemptions of \$8,086,228,451 and excludes redevelopment incremental valuation of \$127,390,886,790.
- (2) Yearly estimates from the California State Demographic Research Unit, California Department of Finance, and the U.S. Census Bureau as of January 1 of each year.
- (3) All 100%, or almost 100%, except for Antelope Valley Joint UHSD and Community College District, Fullerton Union High School District, Las Virgenes Joint Union School District, North Orange County Joint Community College District, and the schools and special districts included in them.
- (4) Excludes refunding issue to be sold.
- (5) Excludes tax and revenue anticipation notes to be sold.
- (6) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, and tax allocation bonds and non-bonded capital lease obligations.

Source:

California Municipal Statistics - for general information purposes only.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)
 LAST TEN FISCAL YEARS (in thousands)

Fiscal Year	Assessed		Legal		Total Net Applicable Debt		Legal Debt Margin/Debt Limit (3)		COMPUTATION OF LEGAL DEBT MARGIN June 30, 2008	
	Value (1)	Debt Limit (2)	Value (1)	Debt Limit (2)	Debt	Debt	Debt Margin (3)	Debt Limit	Assessed valuation (net taxable)	Applicable percentage in computing capacity
1998 - 1999	\$ 516,561,676	\$ 6,457,021	\$ 6,457,021	\$ 6,457,021	\$ 38,735	\$ 6,418,286	99.40%		\$ 1,009,911,291	1.25%
1999 - 2000	546,330,916	6,829,136	6,829,136	6,829,136	31,162	6,797,974	99.54%			
2000 - 2001	582,446,793	7,280,585	7,280,585	7,280,585	23,640	7,256,945	99.68%			
2001 - 2002	622,362,097	7,779,526	7,779,526	7,779,526	16,975	7,762,551	99.78%		\$ 12,623,891	
2002 - 2003	660,255,041	8,253,188	8,253,188	8,253,188	10,955	8,242,233	99.87%			
2003 - 2004	709,612,258	8,870,153	8,870,153	8,870,153	6,155	8,863,998	99.93%			0
2004 - 2005	761,355,097	9,516,939	9,516,939	9,516,939	2,265	9,514,674	99.98%			
2005 - 2006	835,901,668	10,448,771	10,448,771	10,448,771	1,080	10,447,691	99.99%			
2006 - 2007	925,514,924	11,568,937	11,568,937	11,568,937	370	11,568,567	100.00%			
2007 - 2008	1,009,911,291	12,623,891	12,623,891	12,623,891	0	12,623,891	100.00%			

Notes:

- (1) Assessed Value does not include tax exempt property. Property value data can be found in the "Assessed Value and Actual Value of Taxable Property" schedule. This information above represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) The Legal Debt Limit is 1.25% of assessed value.
- (3) The Legal Debt Margin is the Flood Control District's available borrowing authority under state finance statutes and is calculated by subtracting the debt applicable from the Legal Debt Limit.

Source:

Auditor-Controller, County of Los Angeles.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 PLEDGED-REVENUE COVERAGE (UNAUDITED) (1)
 LAST SEVEN FISCAL YEARS (in thousands)

<u>Fiscal Year</u>	<u>Revenue Collected</u>	<u>Debt Service</u>		<u>Interest</u>	<u>Total</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>		<u>Debt Service</u>	<u>Coverage</u>	
2001 - 2002	\$ 107,552	\$ 158,135	\$ 54,267	\$ 212,402	0.51		
2002 - 2003	115,003	143,195	39,003	182,198	0.63		
2003 - 2004	111,697	131,790	32,821	164,611	0.68		
2004 - 2005	112,653	119,615	27,414	147,029	0.77		
2005 - 2006	113,296	126,760	31,159	157,919	0.72		
2006 - 2007	112,524	113,190	25,642	138,832	0.81		
2007 - 2008	118,798	99,210	20,539	119,749	0.99		

Note:

(1) Trend data is available for only the prior six fiscal years since the implementation of GASB 34.

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED) (1)
LAST TEN FISCAL YEARS (in thousands)**

Year	Population County of Los Angeles *	Personal		School Enrollment (3) ***	Unemployment Rate
		Income **	Income (2)		
1999	9,758	\$ 263,987,000	\$ 27,053	1,618	5.9%
2000	9,884	279,050,000	28,232	1,651	5.3%
2001	9,803	294,508,000	30,043	1,682	5.7%
2002	9,825	301,003,000	30,636	1,711	6.8%
2003	9,979	310,044,000	31,070	1,736	7.0%
2004	10,103	329,048,000	32,569	1,742	6.5%
2005	10,226	349,868,000	34,214	1,734	5.3%
2006	10,246	370,860,000	36,196	1,708	4.5%
2007	10,332	379,824,000	36,762	1,673	4.4%
2008	10,364	411,000,000	39,657	1,648	6.2% (4) ****

Note:

- (1) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) Amounts shown are in actual dollars (not thousands).
- (3) Public school enrollment.
- (4) Year 2008 is an estimate as of July 2008.

Sources:

- * Los Angeles Almanac website address: www.laalmanac.com/population.
- ** Bureau of Economic Analysis website address: www.bea.gov. Year 2008 is an estimate from Los Angeles County Economic Development Corporation.
- *** California Department of Education website address: www.cde.ca.gov.
- **** Los Angeles County Economic Development Corporation-Economic Forecast: website address: www.laedc.com.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 PRINCIPAL EMPLOYERS (UNAUDITED) (1)
 CURRENT YEAR AND FOUR YEARS AGO (7)

Company or Organization	2006			2002 (2)		
	Number of Employees *	Rank	Percentage of Total County Employment	Number of Employees *	Rank	Percentage of Total County Employment
County of Los Angeles	93,200 (3)	1	1.92%	93,354	1	1.95%
Los Angeles Unified School District	74,632	2	1.54%	80,802	2	1.69%
City of Los Angeles	53,471	3	1.10%	51,150	4	1.07%
Federal Government (4)	53,200	4	1.10%	56,100	3	1.17%
University of California, Los Angeles	35,543	5	0.73%	36,354	5	0.76%
Kaiser Permanente	32,180	6	0.66%	27,635	7	0.58%
State of California (non-education)	30,200	7	0.62%	32,300	6	0.68%
Northrop Grumman Corp.	21,000	8	0.43%	10,000	10	0.21%
Boeing Co.	15,825	9	0.33%	23,468	8	0.49%
Kroger Co. (formerly Ralph's Grocery Co.)	14,000	10	0.29%	17,211	9	0.36%
Ten largest companies or organizations	423,251		8.71%	428,374		8.95%
All other companies or organizations	4,434,149		91.29%	4,356,426		91.05%
Total companies or organizations	4,857,400 (5) **		100.00%	4,784,800 (6) **		100.00%

Notes:

- (1) This schedule is based on the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) Information from nine years ago was not available. As such, we used 2002 information that was the earliest available.
- (3) May not include part-time or temporary employees or student workers.
- (4) Includes U.S. Postal Service.
- (5) As of October 2006.
- (6) As of December 2002.
- (7) Information for 2007 & 2003 and 2008 & 2004 are not available.

Sources:

- * Los Angeles Almanac website address: www.laalmanac.com/employment
- ** State of California Employment Department website address: www.labormarketinfo.edd.ca.gov.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 FULL-TIME EQUIVALENT COUNTY EMPLOYEES BY FUNCTION/PROGRAM (UNAUDITED)
 LAST TEN FISCAL YEARS (in thousands)

Function/Program	(1) and (2)	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
General Government		10,143	10,469	10,447	10,808	11,063	11,201	10,915	11,018	11,185	11,692
Public Protection	(3)	34,836	36,170	37,198	38,428	38,175	37,688	37,065	38,049	39,528	41,560
Health and Sanitation		25,327	26,311	27,107	27,737	27,056	26,079	26,322	26,717	27,072	27,395
Public Assistance		16,287	17,653	18,600	19,536	19,310	19,048	19,132	19,540	20,329	20,867
Education		1,559	1,600	1,628	1,666	1,706	1,722	1,722	1,828	1,871	1,878
Recreation and Cultural Services		2,186	2,317	2,282	2,352	2,406	2,388	2,324	2,393	2,649	2,977
Total		90,338	94,520	97,262	100,527	99,716	98,126	97,480	99,545	102,634	106,369

Notes:

- (1) Full-time equivalent count is calculated by dividing the total number of man-months paid by 12. Full-time equivalent employees include all employees on the County's payroll system. This accounts for the difference between the total number of County employees on this schedule and the number of County employees per the "Principal Employers" schedule.
- (2) Specific data for Public Ways and Facilities is not available.
- (3) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area. Full-time equivalent County employees in the Flood Control District are reflected under the Public Protection Function/Program.

Source:

Employee Count study performed by the Auditor-Controller-Accounting Division.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 OPERATING INDICATORS BY FUNCTION/PROGRAM (UNAUDITED)
 LAST SEVEN FISCAL YEARS

Function/Program	(1)	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 (Estimated)
Public Protection								
Flood Control								
Operation and maintenance costs per mile of storm drain maintained	\$	1,891	1,088	1,309	1,602	2,423	2,204	2,126
Operation and maintenance costs per mile of channel maintained		52,690	45,459	51,864	46,046	54,977	44,731	46,529
Operation and maintenance costs (not including sediment removal) per thousand cubic yards of debris basin capacity		672	1,664	915	1,741	1,137	795	957
Operation and maintenance costs (not including sediment removal) per acre-foot of dam capacity		125	148	197	211	135	106	117
Total	\$	55,378	48,359	54,285	49,600	58,672	47,836	49,729

Note:

- (1) Trend data is available for only the prior six fiscal years since the implementation of GASB 34.
- (2) Actual figures differ slightly from those in the Los Angeles County Flood Control District's Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2007 due to the availability of more accurate data.
- (3) Figures reported in previous years have been revised to exclude the cost of sediment removal.

Sources:

2004-05, 2005-06, 2006-07, 2007-08 and 2008-09 Proposed County Budgets, Volume One.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST FIVE FISCAL YEARS

<u>Function/Program</u>	(1)	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Public Protection						
Linear Feet of Channel		2,924,837	2,924,837	2,926,093	2,929,431	2,929,431
Linear Feet of Storm Drain		15,077,213	15,087,435	15,150,380	15,154,556	15,166,238
CDS Unit		17	17	17	17	17
Debris Basin		129	129	129	129	129
Debris Retaining Inlet		260	260	260	260	260
Detention Retention B		21	21	21	21	21
Crib Dam		234	234	234	234	234
Barrier		3	3	3	3	6
Pump Plant		52	52	52	53	53
Spreading Ground		26	26	26	26	26
Dam		15	15	15	15	15
Stream Gauging Station		60	60	60	60	60
Catch Basin		77,827	77,827	77,827	77,827	77,847

Notes:

(1) Trend data is available for only the prior four years since the implementation of GASB 34.

Sources:

"Flood Network" for FY 2003-04, FY 2004-05, FY 2005-06, FY 2006-07 and FY 2007-08 provided by County of Los Angeles Department of Public Works, Fiscal Division, Expenditure Management Section, Property Unit.

Other Compliance Report



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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

Honorable Board of Supervisors
County of Los Angeles, California

We have audited the financial statements of the governmental activities and each major fund of the Los Angeles County Flood Control District (District), as of and for the fiscal year ended June 30, 2008 which collectively comprise the Los Angeles County Flood Control District's basic financial statements, and have issued our report thereon dated December 23, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Los Angeles County Flood Control District are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

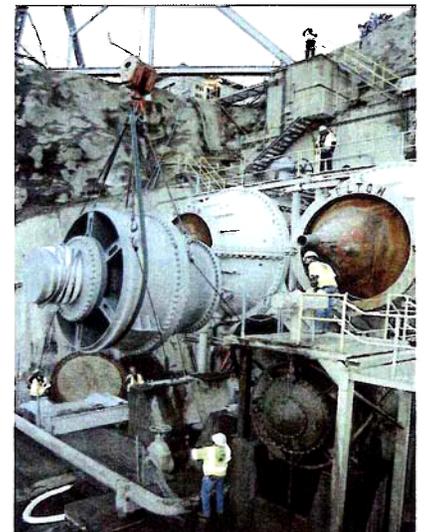
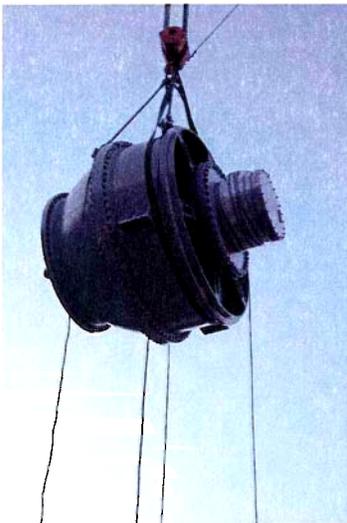
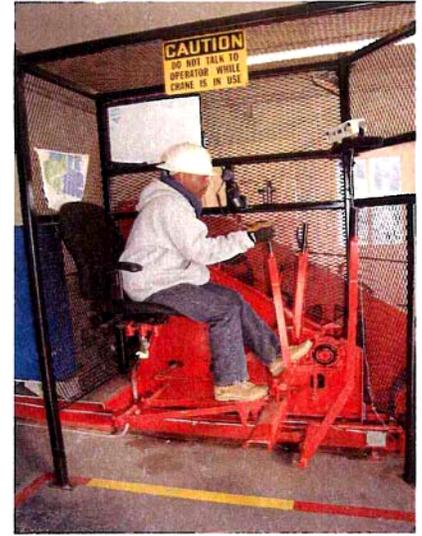
This report is intended solely for the information and use of the County of Los Angeles Board of Supervisors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, CA
December 23, 2008

Photo Gallery

San Gabriel Dam Valve Repair

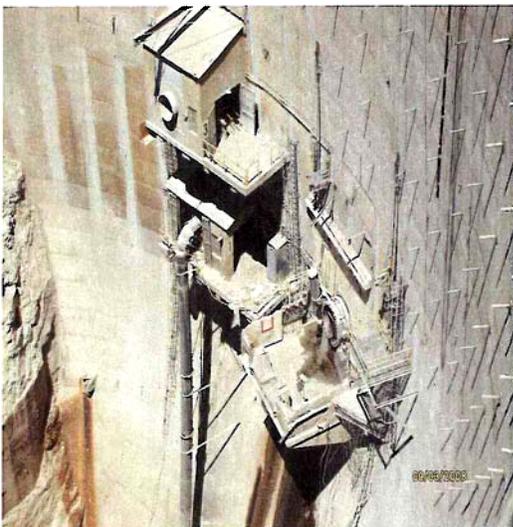


Installation of a repaired 84-inch diameter water release valve at one of the District's major dams. The valve weighs 32 tons and required the concerted efforts of staff from the Administrative Services (Fleet Management Group Transportation Unit), Flood Maintenance, and Water Resources Divisions.

Big Tujunga Dam Retrofit



Structural modifications are made to meet current seismic and spillway capacity requirements as well as to increase water conservation and habitat enhancement opportunities.



***Los Angeles County Flood Control District
Photo Gallery***

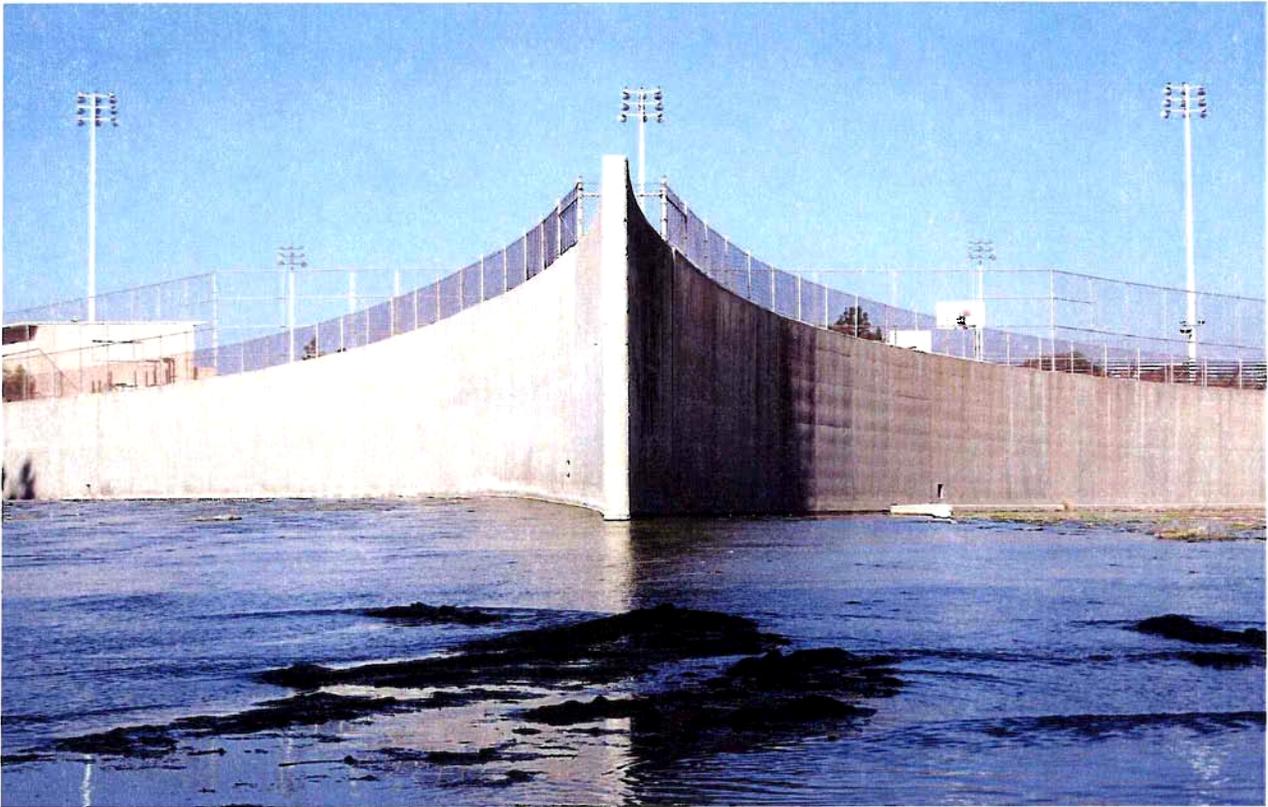
Dominguez Gap Wetlands



The Dominguez Gap Wetlands is a constructed wetlands facility designed to address the region's competing demands for increased recreational opportunities, green space, and wildlife habitat.

***Los Angeles County Flood Control District
Photo Gallery***

L. A. River Headwaters



This project will add native landscaping, pedestrian paths, decorative fencing, pedestrian bridges, rain gardens, and educational signage along approximately one and a quarter miles of both sides of the Los Angeles River in the Canoga Park area of the City of Los Angeles.



Flood Control Projects, Et. Al.



Tujunga Wash Greenway and River Restoration

A joint project between the Flood Control District and Santa Monica Mountains Conservancy brought plant and animal habitat, water quality enhancement, groundwater replenishment, and passive recreation to a one mile reach of the Tujunga Wash.



Sun Valley Park

This project provides flood protection for the park and its 34-acre community, as well as water conservation and improvements in water quality, recreation, and aesthetics. Runoff recovered and filtered by the system is delivered to one of two underground infiltration galleries.



**LOS ANGELES COUNTY FLOOD
CONTROL DISTRICT**

**MANAGEMENT REPORT
AND
AUDITOR'S COMMUNICATION LETTER**

June 30, 2008



MOSS, LEVY & HARTZHEIM LLP

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December 23, 2008

The Honorable Board of Supervisors of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

RE: Recommendations and suggestions resulting from the annual audit
of the Los Angeles County Flood Control District for the fiscal year ended June 30, 2008

To the Honorable Board of Supervisors:

Having completed the annual audit of the District's records for the fiscal year ended June 30, 2008, we would like to take this opportunity to inform the District that there were no observations, recommendations, or suggestions that we feel are appropriate at this time, nor are there any findings that we feel are necessary to report.

Very truly yours,

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Beverly Hills, CA



MOSS, LEVY & HARTZHEIM LLP

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December 23, 2008

The Honorable Board of Supervisors of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

We have audited the financial statements of the Los Angeles County Flood Control District (District) for the fiscal year ended June 30, 2008, and have issued our report thereon dated December 23, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in Work Order #7-48B, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Los Angeles County Flood Control District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Los Angeles County Flood Control District are described in Note 1 to the financial statements. There were no significant new accounting policies adopted during the fiscal year. We noted no transactions entered into by the Los Angeles County Flood Control District during the fiscal year that were both significant and unusual, and of which, under professional standards we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the claims liability, the estimated historical cost of certain capital assets, and the estimated useful life of certain capital assets.

Management's estimate of the claims liability is based on estimates from the District's legal department, while the estimated historical cost and the estimated useful life of certain capital assets are based on historical data and industry guidelines. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Los Angeles County Flood Control District's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the District, indicates matters that could have a significant effect on the District's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountants to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Los Angeles County Flood Control District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This report is intended solely for the information and use of the County of Los Angeles Board of Supervisors and management of the Los Angeles County Flood Control District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Beverly Hills, CA
December 23, 2008



COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

GAIL FARBER, Director

900 SOUTH FREMONT AVENUE
ALHAMBRA, CALIFORNIA 91803-1331
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<http://dpw.lacounty.gov>

ADDRESS ALL CORRESPONDENCE TO:
P.O. BOX 1460
ALHAMBRA, CALIFORNIA 91802-1460

December 23, 2008

IN REPLY PLEASE

REFER TO FILE: **FI-2**

Mr. Craig A. Hartzheim, CPA
Moss, Levy & Hartzheim, LLP
9107 Wilshire Boulevard, Suite 400
Beverly Hills, CA 90210

Dear Mr. Hartzheim:

FLOOD CONTROL DISTRICT MANAGEMENT REPRESENTATION LETTER – FISCAL YEAR 2007-08

We are providing this letter in connection with your audit of the financial statements of the Los Angeles County Flood Control District as of June 30, 2008, and for the fiscal year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Los Angeles County Flood Control District and the respective changes in financial position in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of December 23, 2008, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all:
 - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.

- b. Minutes of the meetings of the District's Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
5. We believe the effects of any uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
11. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

12. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
13. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the District is contingently liable.
 - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
14. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
15. There are no:
 - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies.

- c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
 - d. Reservations or designations of fund equity that were not properly authorized and approved.
16. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
 17. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
 18. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
 19. The financial statements properly classify all funds and activities.
 20. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
 21. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
 22. Provisions for uncollectible receivables have been properly identified and recorded.
 23. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
 24. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
 25. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

Mr. Craig A. Hartzheim
December 23, 2008
Page 5

26. Deposits and investment securities are properly classified as to risk, and investments are properly valued.
27. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
28. Required supplementary information (RSI) is measured and presented within prescribed guidelines.

No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements [or in the schedule of findings and questioned costs].

If you have any questions, please contact Ms. Angelica Cobian of our Internal Audit Group at (626) 458-6551.

Very truly yours,

GAIL FARBER
Director of Public Works



DAWNNA B. LAWRENCE
Chief Financial Officer

AC:dbm

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Enc.