COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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February 23, 2011

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

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **GANN LETTER**

Per Article XIIIB of the State Constitution, the annual calculation of the appropriations (spending) limits under this Article is to be reviewed as part of the annual financial audit. The County's Appropriations Limits review was performed by our external auditors, Macias Gini & O'Connell LLP. Attached is a copy of their report, commonly referred to as the "GANN Letter," for the year ended June 30, 2010. No exceptions were noted.

If you have any questions, please contact me, or your staff may contact Sandy Yoshima at (213) 974-8326.

WLW:MMO:JN:CY:sy
Administration\Correspondence\GANN Transmittal FY 2010

Attachment

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

COUNTY OF LOS ANGELES

Independent Accountant's Report on Applying
Agreed-Upon Procedures for
Appropriations Limit Calculation

For the year ended June 30, 2010

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

The Honorable Board of Supervisors of the
County of Los Angeles, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Worksheet of the County of Los Angeles, California, (County) for the year ended June 30, 2010. These procedures, which were agreed to by the County and the County Accounting Standards and Procedures Committee (as presented in the publication entitled *Article XIII-B California Constitution Appropriation Limit Procedures Guidelines for California Counties),* were performed solely to assist the County in meeting the requirements of Section 1.5 of the Article XIII-B of the California Constitution. The County's management is responsible for the accompanying Appropriations Limit Worksheet. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1) We obtained the completed worksheets setting forth the calculations necessary to establish the County's appropriations limit and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the County Board of Supervisors. We also compared the population and inflation factors included in the aforementioned worksheets to those that were selected by a recorded vote of the County Board of Supervisors.

   Finding: No exceptions were noted as a result of our procedures.

2) For the accompanying Appropriations Limit Worksheet, we added last year's limit to the annual adjustment, and agreed resulting amount to this year's limit.

   Finding: No exceptions were noted as a result of our procedures.

3) We compared the current year information presented in the accompanying Appropriations Limit Worksheet to the worksheets described in Number 1 above.

   Finding: No exceptions were noted as a result of our procedures.

4) We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Worksheet to the prior year appropriations limit adopted by the County Board of Supervisors.

   Finding: No exceptions were noted as a result of our procedures.

5) We compared the amount for the City of Lomita reorganization adjustment to the resolution approved by the Board of Supervisors.

   Finding: No exceptions were noted a result of our procedures.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Worksheet. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

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

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
January 21, 2011

COUNTY OF LOS ANGELES
Appropriations Limit Worksheet
For the Year Ended June 30, 2010

Countywide

Appropriations limit, fiscal year 2008/09		$13,646,207,787
Net annexation adjustments		286
Subtotal		13,646,208,073
Adjustment factors:		
Nonresidential AV%	1.0926	
Population factor	x 1.0039	
Total adjustment factor	1.09686114	
Annual adjustment in dollars		1,321,787,271
Appropriations limit, fiscal year 2009/10		$14,967,995,344

Special Districts

Appropriations limit, fiscal year 2008/09		$1,421,503,522
Adjustment factors:		
Nonresidential AV%	1.0926	
Population factor	x 1.0028	
Total adjustment factor	1.09565928	
Annual adjustment in dollars		135,980,003
Appropriations limit, fiscal year 2009/10		$1,557,483,525

Calabasas and Malibu Lighting Districts and Malibu Garbage Disposal Districts

Appropriations limit, fiscal year 2008/09		$1,802,068
Adjustment factors:		
Nonresidential AV%	1.0926	
Population factor	x 1.0039	
Total adjustment factor	1.09686114	
Annual adjustment in dollars		174,550
Appropriations limit, fiscal year 2009/10		$1,976,618

See Accompanying Notes to Appropriations Limit Worksheet

COUNTY OF LOS ANGELES
Notes to Appropriations Limit Worksheet
For the Year Ended June 30, 2010

(1) 2008-09 Appropriations Limit Adjustments

The net Countywide adjustment of $286 was made to the previously reported 2008-09 Appropriations Limit. This property tax revenue transfer to the County of Los Angeles (County) associated with the City of Lomita reorganization represents the valuation of certain parcels within the proposed annexation area that are not subject to tax-exempt status under the Revenue and Taxation Code.

(2) Adjustment Factors

The County, as allowed by law, has chosen to use various population factors to compute its adjustment factors for the year ended June 30, 2010. The Countywide population factor uses the change in population within its jurisdiction, combined with the change in population within all counties having borders that are contiguous to the County. The population factor for each of the special districts is based solely on the change in population within the County. The County and each special district governed by the County Board of Supervisors chooses to use the percentage change in the assessed value of nonresidential new construction, provided by the Office of Assessor. Such factors are as follows:

Countywide:		
Nonresidential AV%		1.0926
Population Factor	x	1.0039
Adjustment Factor		**1.09686114**

Special Districts:		
Nonresidential AV%		1.0926
Population Factor	x	1.0028
Adjustment Factor		**1.09565928**

Calabasas and Malibu Lighting Districts and Malibu Garbage Disposal Districts:		
Nonresidential AV%		1.0926
Population Factor	x	1.0039
Adjustment Factor		**1.09686114**

(3) Calabasas and Malibu Lighting Districts and Malibu Garbage Disposal Districts

Calabasas and Malibu Lighting Districts and Malibu Garbage Disposal Districts are County subunits, not independent legal entities. Although their revenue is separately tracked, Malibu and Calabasas would only exceed their Appropriation Limit if the County exceeded its Appropriation Limit.