COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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March 31, 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: **2009-2010 COUNTY'S SINGLE AUDIT REPORT**

Attached is the County's Single Audit Report (Report) for Fiscal Year 2009-10. The audit was performed by the independent accounting firm Macias Gini & O'Connell LLP. Federal law requires the County to have an annual audit of all expenditures that were funded by federal assistance received by the County. This year, the audit covered expenditures of approximately $2.9 billion.

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

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

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

WLW:MMO:JN:CY:RA
H:\Financial Reporting\GRANTS\2009-2010\Correspondence\Transmittal to Brd 09-10.doc

Attachment

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

COUNTY OF LOS ANGELES

INDEPENDENT AUDITOR'S REPORT,
MANAGEMENT'S DISCUSSION AND ANALYSIS,
BASIC FINANCIAL STATEMENTS, REQUIRED
SUPPLEMENTARY INFORMATION, SCHEDULE
OF EXPENDITURES OF FEDERAL
AWARDS AND SINGLE AUDIT REPORTS

FOR THE YEAR ENDED JUNE 30, 2010

COUNTY OF LOS ANGELES
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2010

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Supervisors
County of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County), as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Community Development Commission (CDC), Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA), and the Los Angeles County Employees Retirement Association (LACERA), which represent the following percentages of the assets, net assets/ fund balances, and revenues/additions of the following opinion units:

Opinion Unit	Assets	Net Assets/ Fund Balances	Revenues/ Additions
Governmental Activities	2%	2%	1%
Business-type Activities	3%	8%	11%
Discretely Presented Component Unit	100%	100%	100%
Aggregate Remaining Fund Information	62%	62%	10%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for CDC, First 5 LA and LACERA, are based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Fire Protection District, the Flood Control District, the Public Library, and the Regional Park and Open Space District, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2, 5 and 6 to the basic financial statements, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* effective July 1, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 21 and the schedules of funding progress on pages 111 and 112 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
December 13, 2010

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of financial activities for the fiscal year ended June 30, 2010. We recommend that this information be used in conjunction with additional information contained in the letter of transmittal.

Financial Highlights

At the end of the current year, the net assets (total assets less total liabilities) of the County were positive $15.083 billion. However, net assets are classified into three categories and the unrestricted component is negative $3.507 billion. See further discussion on page 7.

During the current year, the County's net assets decreased by a total of $1.349 billion. Net assets related to governmental activities decreased by $1.005 billion, while net assets related to business-type activities decreased by $344 million. Costs associated with postemployment health insurance benefits continued to have a very significant effect on the County's financial condition and accounted for $1.333 billion of the County's overall decrease in net assets during the current year. See further discussion on page 7.

At the end of the current year, the County's General Fund reported a total fund balance of $2.996 billion. The amount of unreserved fund balance was $2.211 billion. Of the unreserved total, $619 million was designated.

The County's capital asset balances were $18.027 billion at year-end and decreased by $11 million during the year. During the current year, the County implemented retroactive reporting of intangible assets and established software as a new capital asset category. Software assets, net of amortization, were recorded as an adjustment of $303 million to the beginning balances for the current year.

During the current year, the County's total long-term debt decreased by $331 million. Bond maturities of $525 million exceeded the $194 million of newly issued and accreted long-term debt.

Overview of the Basic Financial Statements

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The Statement of Activities presents information that indicates how the County's net 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 these statements for some items that affect cash flows in future periods. For example, property tax revenues have been recorded that have been earned but not yet collected and workers' compensation expenses have been accrued but not yet paid.

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

- Governmental Activities - The majority of County services are reported under this category. Taxes and intergovernmental revenues are the major revenue sources that fund these activities which include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, recreation, and cultural services.

- Business-type Activities - County services that are intended to recover costs through user charges and fees are reported under this category. The County Hospitals, the Waterworks Districts, the Aviation Fund, and housing programs operated by the Community Development Commission, a blended component unit, are regarded as business-type activities.

- Discretely Presented Component Unit - Component units are separate entities for which the County is financially accountable. First 5 LA is the only component unit that is discretely presented.

FUND FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS-Continued

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

- Governmental Funds - These funds are used to account for essentially the same services that were previously described as governmental activities above. However, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Governmental funds include the General Fund, as well as Special Revenue Funds, Debt Service Funds, Capital Project Funds, and Permanent Funds.

- Proprietary Funds - These funds are used to account for functions that were classified as "business-type activities" in the government-wide financial statements. The County's Internal Service Funds are also reported within the proprietary fund section. The County's five Hospital Funds and Waterworks Funds are all considered major funds for presentation purposes. The remaining proprietary funds are combined in a single column, with individual fund details presented elsewhere in this report.

- Fiduciary Funds - These funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support the County's programs. The Pension Trust Fund, the Investment Trust Funds, and Agency Funds are reported in this fund category, using the accrual basis of accounting.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $15.083 billion at the close of the most recent fiscal year.

Summary of Net Assets
As of June 30, 2010 and 2009 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 8,075,688	$ 7,981,471	$ 461,077	$ 730,736	$ 8,536,765	$ 8,712,207
Capital assets	15,452,736	15,252,601	2,574,305	2,482,382	18,027,041	17,734,983
Total assets	23,528,424	23,234,072	3,035,382	3,213,118	26,563,806	26,447,190
Current and other liabilities	1,592,918	1,472,639	152,393	203,922	1,745,311	1,676,561
Long-term liabilities	7,935,891	7,009,138	1,799,682	1,631,997	9,735,573	8,641,135
Total liabilities	9,528,809	8,481,777	1,952,075	1,835,919	11,480,884	10,317,696
Net assets:						
Invested in capital assets, net of related debt	14,271,861	14,081,048	2,293,147	2,217,449	16,565,008	16,298,497
Restricted net assets	1,861,498	1,644,109	163,820	192,427	2,025,318	1,836,536
Unrestricted net assets (deficit)	(2,133,744)	(972,862)	(1,373,660)	(1,032,677)	(3,507,404)	(2,005,539)
Total net assets	13,999,615	14,752,295	1,083,307	1,377,199	15,082,922	16,129,494
Total liabilities and net assets	$ 23,528,424	$ 23,234,072	$ 3,035,382	$ 3,213,118	$ 26,563,806	$ 26,447,190

Significant changes in assets and liabilities included the following:

Current and Other Assets

Current and other assets increased overall by $94 million for governmental activities while business-type activities reported decreases of $270 million. Internal balances were a major factor for both variances as amounts owed by business-type activities to governmental activities rose by $189 million. The continuing economic downturn had a negative impact on overall cash flows. The internal balances predominately reflect cash advances from the General Fund (a governmental activity) to hospital business-type activities, which required significantly higher cash flows for working capital and therefore reduced current and other assets for business-type activities.

Long-Term Liabilities

Long-term liabilities increased by $927 million for governmental activities and by $168 million for business-type activities. This is the third year for which the County has reported its other postemployment benefits (OPEB) in accordance with Governmental Accounting Standards Board Statement No. 45. OPEB continued to be funded on a pay-as-you-go basis in the current year and OPEB-related liabilities increased for both governmental and business-type activities by $1.114 billion and $219 million, respectively. Specific disclosures related to OPEB and other changes in long-term liabilities are discussed and referenced in Notes 8 and 10 to the basic financial statements.

The County's total net assets consist of the following three components:

Capital Assets, Net of Related Debt

The largest portion of the County's net assets ($16.565 billion) represents its investment in capital assets (i.e., land, structures and improvements, infrastructure, software and equipment, net of related depreciation), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Assets

The County's restricted net assets at year-end were $2.025 billion. Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. Net assets that pertain to the various separate legal entities included in the basic financial statements are also generally restricted because their funding sources require that funds be used for specific purposes.

Unrestricted Net Assets (Deficit)

The County's total unrestricted net assets are negative $3.507 billion. Both governmental and business-type activities reported deficits in this category of $2.134 billion and $1.373 billion, respectively. The deficits are primarily due to unfunded liabilities related to OPEB, workers' compensation, accrued vacation and sick leave, and litigation and self-insurance claims. For the business-type activities, medical malpractice liabilities and third party payor liabilities are additional factors. The ongoing economic downturn and overall difficult budgetary environment has impaired the County's ability to implement a funding plan for OPEB liabilities. For the business-type activities, financial losses incurred by the County's healthcare business activities have limited the opportunities to accumulate reserves or incremental funding to address long-term accounting liabilities.

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

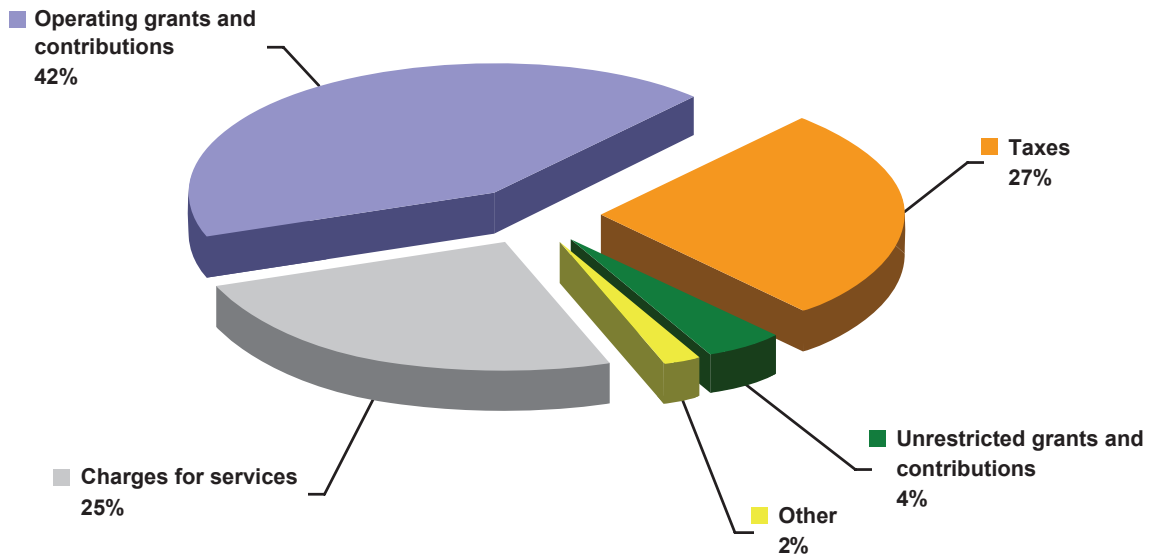
The following table indicates the changes in net assets for governmental and business-type activities:

Summary of Changes in Net Assets
For the Years Ended June 30, 2010 and 2009
(in thousands)

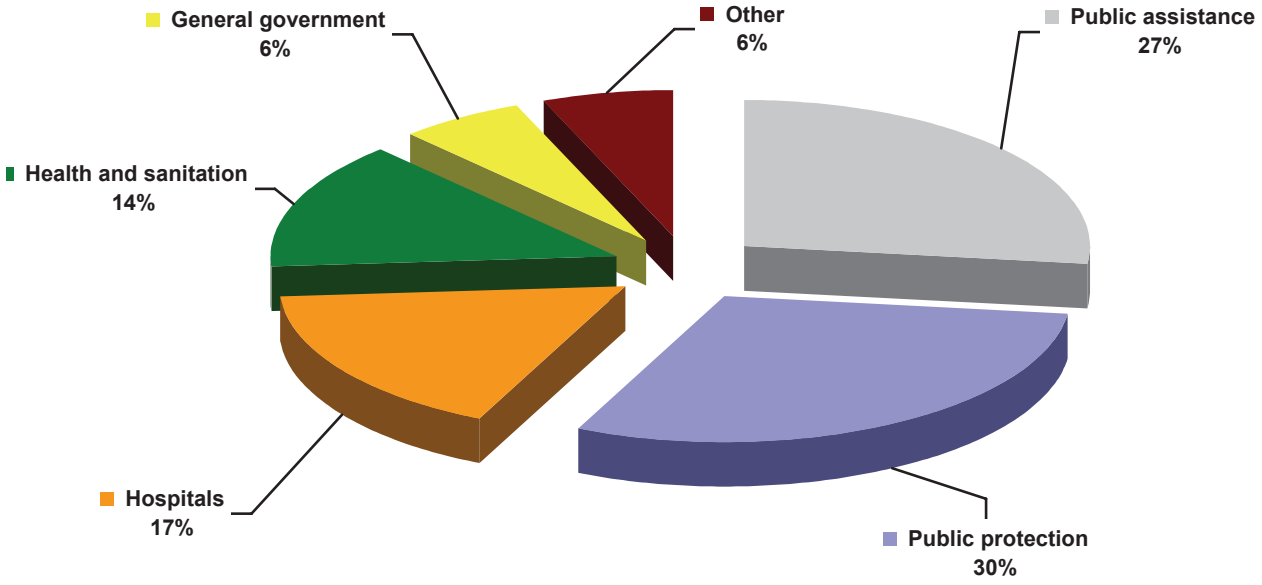
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	$ 2,685,817	$ 2,694,729	$ 2,169,862	$ 2,095,944	$ 4,855,679	$ 4,790,673
Operating grants and contributions	7,636,509	7,215,270	317,163	279,195	7,953,672	7,494,465
Capital grants and contributions	115,640	206,137	2,018	837	117,658	206,974
General revenues:						
Taxes	5,061,595	5,192,566	4,415	4,453	5,066,010	5,197,019
Unrestricted grants and contributions	701,521	756,417	143	37	701,664	756,454
Investment earnings	105,878	197,705	2,693	9,844	108,571	207,549
Miscellaneous	132,856	142,075	35,463	25,758	168,319	167,833
Total revenues	16,439,816	16,404,899	2,531,757	2,416,068	18,971,573	18,820,967
Expenses:						
General government	1,236,226	1,103,361			1,236,226	1,103,361
Public protection	6,163,910	6,125,158			6,163,910	6,125,158
Public ways and facilities	352,549	327,403			352,549	327,403
Health and sanitation	2,718,876	2,783,150			2,718,876	2,783,150
Public assistance	5,518,036	5,233,389			5,518,036	5,233,389
Education	101,397	109,910			101,397	109,910
Recreation and cultural services	319,000	331,726			319,000	331,726
Interest on long-term debt	139,824	165,782			139,824	165,782
Hospitals			3,394,724	3,443,266	3,394,724	3,443,266
Aviation			4,742	5,073	4,742	5,073
Waterworks			76,818	76,904	76,818	76,904
Community Development Commission			294,785	268,201	294,785	268,201
Total expenses	16,549,818	16,179,879	3,771,069	3,793,444	20,320,887	19,973,323
Excess (deficiency) before transfers	(110,002)	225,020	(1,239,312)	(1,377,376)	(1,349,314)	(1,152,356)
Transfers	(895,250)	(1,011,862)	895,250	1,011,862		
Changes in net assets	(1,005,252)	(786,842)	(344,062)	(365,514)	(1,349,314)	(1,152,356)
Net assets – beginning, as restated	15,004,867	15,539,137	1,427,369	1,742,713	16,432,236	17,281,850
Net assets – ending	$ 13,999,615	$ 14,752,295	$ 1,083,307	$ 1,377,199	$ 15,082,922	$ 16,129,494

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

REVENUES BY SOURCE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010



EXPENSES BY TYPE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010



As discussed in Note 2 to the basic financial statements, the County restated beginning net asset balances in conjunction with implementing Governmental Accounting Standards Board Statement No. 51, "Accounting and Reporting for Intangible Assets." The beginning net assets were increased from the amounts previously reported for governmental and business-type activities by $253 million and $50 million, respectively. Prior year amounts were not restated as information was not available. During the current year, net assets decreased for both governmental activities ($1.005 billion) and business-type activities ($344 million). Following are specific major factors that resulted in the net asset changes.

Governmental Activities

Total current year revenues ($16.440 billion) from governmental activities were slightly higher compared to the prior year total ($16.405 billion). The most significant changes in specific revenue sources were experienced in the following areas:

- Program revenues recognized from operating grants and contributions increased by $421 million. The largest program contributing to this increase was in the area of health and sanitation, where program revenues grew by $194 million. For health and sanitation programs, State mental health revenues derived from the Mental Health Services Act (Proposition 63) were $282 million higher than the previous year. In the current year, Proposition 63 program revenues were bolstered by the County's submission of qualifying program plans which were approved by the State, enabling the County to qualify for, and receive these revenues. This increase was offset by an $88 million reduction in federal and State reimbursement grants, which were impacted by budget curtailments during the current year. Public assistance program revenues were also higher by $183 million, largely due to federal stimulus funding that was targeted in this area. The major funding initiative in this area was the Transitional Subsidized Employment (TSE) program, which represented $82 million of additional revenues. TSE was designed to provide jobs for social service clients by providing employers with an 80% subsidy of wages. The program generated over 10,000 jobs for adults and nearly 10,000 summer youth jobs.

- Taxes, the County's largest general revenue source, were $131 million lower than the previous year. There was a decrease in property tax revenues of $141 million, which was consistent with the decline in assessed property values. Property tax revenues were also negatively impacted due to changes in property ownership during the year at amounts below previously assessed values. Voter approved taxes increased by $10 million during the current year. Such taxes are not affected by changes in assessed values and are levied on a per parcel basis.

- Current year investment earnings decreased by $92 million, or 46%. The yield from the County's treasury pool declined from 2.57% in the prior year to 1.45% in the current year.

Governmental Activities-Continued

Expenses related to governmental activities increased by $370 million during the current year. The largest portion of the net increase was attributable to the public assistance category, which grew by $285 million. Costs associated with program administration and direct services to clients grew by $124 million. As previously mentioned, the County implemented a subsidized employment program which was funded by federal stimulus revenues and the incremental program costs in the current year were $82 million. In addition, the County's General Relief (GR) program provides financial assistance to indigent persons who are not eligible for federal or State assistance programs, and to provide emergency assistance to individuals and families in temporary need. The GR program is especially sensitive to overall economic conditions and unemployment and spending increased by $43 million. General government costs were higher by $133 million, largely due to the recognition of a $117 million loss on the disposal of 16 courthouse facilities. State legislation required that the County transfer ownership of the courthouses to the State. Court administrative functions were transferred to the State in 1998 and the transfer of facilities is a continuation of this process.

Business-type Activities

Revenues from business-type activities increased in comparison to the prior year by $116 million (4.8%). The most significant change was in the area of charges for services, which increased by $74 million. Hospital revenues were augmented by federal economic stimulus funding which provided $77 million of current year revenues to the business-type healthcare activities.

Expenses related to business-type activities were slightly lower in the current year, declining by $22 million, or less than 1%. Expenses related to the Hospitals decreased by $49 million, as cost containment and efficiency efforts were successful in reducing operating costs by $81 million, which were partially offset by higher nonoperating expenses associated with intergovernmental transfers. For all facilities, the average patient census during the current year was very similar to the prior year, at approximately 1,300 patients per day. The LAC+USC Medical Center completed its first full fiscal year of operations at its newly built 600-bed facility and experienced an average daily census of 582 patients.

Financial Analysis of the County's Funds

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

Governmental Funds

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

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

Governmental Funds-Continued

As of the end of the current fiscal year, the County's governmental funds reported combined total fund balances of $5.914 billion, an increase of $22 million in comparison with the prior year. Of the total fund balances, $1.681 billion is reserved to indicate the extent that funds have been committed or are otherwise unavailable for spending. An additional $1.351 billion has been designated and set aside for intended spending purposes as indicated in the financial statements. The remaining $2.882 billion of the balances are unreserved and undesignated.

Revenues from all governmental funds for the current year were $16.326 billion, an increase of $86 million (0.5%) from the previous year. Expenditures for all governmental funds in the current year were $15.457 billion, an increase of $112 million (0.7%) from the previous year. In addition, other financing uses exceeded other financing sources by $848 million as compared to $1.006 billion in the prior year.

The General Fund is the County's principal operating fund. During the current year, the fund balance in the General Fund decreased by $171 million (5.4%). At the end of the current fiscal year, the General Fund's total fund balance was $2.996 billion. Of this amount, $785 million was reserved and therefore unavailable for spending. Of the unreserved total of $2.211 billion, $619 million has been designated (earmarked) and the remaining $1.592 billion is considered both unreserved and undesignated.

General Fund revenues during the current year were $13.485 billion, a decrease of $52 million (0.4%) from the previous year. General Fund expenditures during the current year were $13.240 billion, an increase of $105 million (0.8%) from the previous year. Other financing sources/uses-net was negative $417 million in the current year as compared to negative $611 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Intergovernmental revenues increased overall by $127 million. Within this category, federal revenues increased by $317 million, State revenues declined by $178 million and revenues from other governmental agencies were $12 million lower. Federal revenues grew by $205 million in the areas of social service, children and family programs. This growth was largely due to one-time federal economic stimulus funding targeted in these areas. The decrease in State revenues primarily impacted mental health programs, where this revenue category was lower by $103 million. There were State budget reductions which targeted mental health programs and there were also reduced costs eligible for State funding.

- Revenues from taxes decreased by $106 million. Property taxes comprise over 95% of the General Fund's tax revenues and accounted for $103 million of the decrease. Assessed property values experienced a year-to-year decline for the first time since 1996 and were lower by 0.51% in the current year.

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

Governmental Funds-Continued

- Investment income decreased by $62 million, as current year revenues were $63 million in comparison with the prior year amount of $125 million. As previously mentioned, the yield on investments during the current year was considerably lower than the prior year's yield.

- Current expenditures increased by $80 million (0.6%), which was essentially due to the public assistance area, where expenditures grew by $229 million. Expenditures were lower in all other functional areas with the exception of recreation and cultural services, which rose by $4 million. As previously mentioned, the public assistance area experienced cost increases associated with administration, direct client services, the Transitional Subsidized Employment program, and the General Relief (indigent assistance) program. Expenditures for children and family services also increased as service demands were higher and new positions and funding were allocated to fund comprehensive reforms to coordinate the delivery of mental health services to children under the County's supervision.

The Fire Protection District reported a year-end fund balance of $209 million, which represented an increase of $4 million from the previous year. Revenues decreased by $29 million, as revenues from taxes and charges for services each declined by $13 million. The remaining decrease was associated with a variety of other revenues. Expenditures grew minimally in comparison to the prior year, rising by $6 million, which was less than 1%.

The Flood Control District reported a year-end fund balance of $161 million, which was $31 million lower than the previous year. Revenues were lower or similar to the prior year in all categories except for federal revenues, which grew by $9 million. Expenditures increased by $48 million, or 23%, as one-time expenditures of $14 million were incurred to acquire land and pay for other costs associated with the Sun Valley Watershed project. Additional one-time expenditures of approximately $9 million were used to mitigate damage caused by heavy winter rainstorms which were preceded by wildfires.

The Public Library Fund reported a year-end fund balance of $33 million, which was $6 million higher than the previous year. Revenues were nearly unchanged from the previous year while expenditures decreased by $7 million, as 51 positions were reduced and spending was curtailed for supplies and contracted services.

The Regional Park and Open Space District reported a year-end fund balance of $295 million, which was $8 million higher than the previous year. Current year revenues of $85 million were similar to the previous year ($87 million) while expenditures declined by $9 million.

Proprietary Funds

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

Proprietary Funds-Continued

The County's principal proprietary funds consist of four hospital enterprise funds and an additional fund (Martin L. King Jr. Ambulatory Care Center) which was converted from a full-service hospital in 2007-2008 to a multi-service ambulatory care center. Each of these funds incurred a net loss prior to contributions and transfers.

The County is legally required to provide local matching funds to the health care system in order to remain eligible for federal and State assistance. Such funds were provided to the hospitals as operating subsidies from the County General Fund during the year. The amount of subsidy, per facility, ranged from $20 million for Rancho Los Amigos National Rehabilitation Center to $266 million for the LAC+USC Medical Center. The total subsidy amount was $687 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Assets as "transfers in." By comparison, the total General Fund subsidy in the prior year was $803 million.

An additional source of local funding for the Hospitals is the Health Services Measure B Special Revenue Fund ("Measure B Fund"). The Measure B Fund receives voter approved property taxes for trauma and emergency services. In the current year, the Measure B Fund provided transfers to the LAC+USC Medical Center ($107 million), Harbor UCLA Medical Center ($51 million), and Olive View UCLA Medical Center ($35 million). The total amount of current year Measure B transfers ($193 million) were lower than the prior year amount of $211 million.

Waterworks Funds reported year-end net assets of $871 million, a $13 million reduction from the previous year. Current year operating revenues ($56 million) were slightly lower than the previous year amount of $58 million. Current year operating expenses of $77 million remained unchanged in comparison to the previous year.

General Fund Budgetary Highlights

The accompanying basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Budgetary Basis for the County's General Fund. The County's budgetary basis of accounting is discussed in Notes 1 and 15 to the basic financial statements. There are approximately 100 separate budget units within the General Fund, excluding capital improvement projects, which are individually budgeted. The data presented below represents the net budgetary changes for the General Fund in a highly summarized format. Accordingly, in certain instances, budgets have been increased for programs within a category even though actual amounts have not been realized for the category in its entirety. Under the budgetary basis, there was a net decrease of $85 million in the General Fund's available (unreserved and undesignated) fund balance from the previous year.

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

Budgetary Summary - Revenues/Financing Sources

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

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive (Negative)
Taxes	$ (3,640)	$ 3,952,438	$ 3,851,687	$ (100,751)
Intergovernmental revenues	85,115	8,098,966	7,368,381	(730,585)
Charges for services	(6,970)	1,723,186	1,659,224	(63,962)
All other revenues	28,047	593,207	634,381	41,174
Other sources and transfers in	(10,475)	459,384	331,397	(127,987)
Total	$ 92,077	$ 14,827,181	$ 13,845,070	$ (982,111)

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources approximated $92 million. The most significant changes occurred in the following areas:

- Estimated intergovernmental revenues increased by $85 million. The additional revenues were primarily associated with new federal grants in the areas of health and public health services ($58 million), law enforcement ($11 million) and energy programs ($10 million). The remaining $6 million consisted of new federal and State grants for a variety of programs.

- There was a net increase of $28 million related to "all other revenues." The County's policy is to budget tobacco settlement revenues after they have been received and there were corresponding additions of $96 million to the original budget. This amount was offset by decreases of $68 million, most of which were reduced estimated revenues associated with capital improvements which were originally budgeted in the General Fund and subsequently transferred to Capital Projects Funds.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $982 million, or 6.6%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues, "other sources and transfers in," and taxes.

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

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

- Actual intergovernmental revenues were $731 million lower than the amount budgeted. Social service programs, including children and family services, accounted for approximately $210 million of this variance, which was mostly attributable to cost containment efforts that led to reduced reimbursable social service related expenditures. Approximately $156 million was associated with mental health services, which experienced lower than anticipated reimbursable costs (particularly for contracted services) and correspondingly lower than expected revenues. An additional $151 million pertained to anticipated reimbursement of capital improvement, disaster recovery and homeland security projects and programs that were not completed prior to year-end. There was $86 million of unrealized State assistance for Sheriff and Probation programs, of which the largest single source was $34 million of lower than anticipated State public safety augmentation funding. Public health related programs experienced shortfalls of $78 million, most of which was associated with federal grants. The remaining variance of $50 million was related to a variety of other programs.

- The actual amount of "other sources and transfers in" was $128 million lower than the amount budgeted. Of this amount, mental health programs funded by the Mental Health Services Act Fund (Proposition 63) did not fully materialize at the budgeted level and "transfers in" were $58 million lower than budgeted. In addition, "transfers in" totaling $56 million were assumed in the budget for capital improvements and extraordinary building maintenance projects which did not incur expected costs. There were various other sources and transfers that comprised the remaining variance of $14 million.

- The amount of actual revenues from taxes was $101 million lower than the amount budgeted and was entirely associated with property taxes. Properties which were transferred at lower assessed values during the year were a major factor in the variance from the budgeted amount.

Budgetary Summary - Expenditures/Other Financing Uses

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

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive
General government	$ (73,709)	$ 1,620,042	$ 839,536	$ 780,506
Public protection	94,502	4,728,944	4,580,393	148,551
Health and sanitation	11,915	2,853,339	2,560,464	292,875
Public assistance	10,623	5,468,511	5,118,381	350,130
All other expenditures	(83,344)	1,376,525	349,933	1,026,592
Transfers out	7,995	696,065	676,131	19,934
Reserves/designations-net	124,095	(202,817)	(194,984)	(7,833)
Total	$ 92,077	$ 16,540,609	$ 13,929,854	$2,610,755

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

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations, reserves and designations were approximately $92 million. As discussed below, the most significant increases and reductions occurred in the following areas:

- Provisions for net reserves and designations were increased during the year by $124 million. At the end of the fiscal year, the designation for health services, which is predominately funded by tobacco settlement revenues, was increased by $119 million. This amount was comprised of tobacco settlement revenues recognized in the current year ($96 million) plus prior year funds that were appropriated, but unexpended ($23 million). Miscellaneous increases of $5 million were made to reserves and other designations.

- Appropriations were increased for the public protection category by $95 million. Of this amount, $53 million was allocated to the Sheriff's Department, $14 million was added to fund legally mandated indigent defense costs, $10 million was added to the District Attorney, $7 million to the Probation Department, and the remaining $11 million was spread among a variety of programs. Of the $53 million allocated to the Sheriff's Department, $41 million was provided by discretionary County funds to provide for increased health insurance costs and the merger of the Office of Public Safety. The remaining $12 million was funded by new grant revenues which were awarded after the original budget was adopted.

- Appropriations for "all other expenditures" were reduced by $83 million. There were $87 million of net reductions to "capital outlay" appropriations, offset by miscellaneous increases of $4 million. During the fiscal year, the Board reduced $131 million of General Fund "capital outlay" appropriations and re-appropriated the projects in the Capital Projects Funds, where they will be financed from commercial paper and other long-term financing. Capital improvement projects of approximately $44 million were added to the original budget during the fiscal year.

- General government appropriations were reduced by $74 million and this amount consisted primarily of provisional appropriations which were transferred to fund critical needs in the areas of health, public protection and "capital outlay."

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were $2.611 billion lower (approximately 15.8%) than the final total budget of $16.541 billion. There were budgetary savings in all functional expenditure categories. Due to ongoing economic uncertainties, the County remained fiscally prudent in managing appropriations throughout the fiscal year. Savings were achieved through a variety of measures including departmental hiring freezes, reduction in purchases of services and supplies and capital assets, and development of efficiency initiatives. Following are the functional areas that recognized the largest variations from the final budget:

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

- The category referred to as "all other expenditures" reflected actual spending of $1.027 billion less than the budgeted amount. Nearly all ($1.014 billion) of this variance was related to the capital outlay category. There were many capital improvements anticipated in the budget that remained in the planning stages and did not incur expenditures during the year. Most of the unused balance has been reestablished in the following year's budget to ensure the continuity of the projects, many of which are multi-year in nature.

- The general government function reported actual expenditures that were $781 million less than the amount budgeted. Of this amount, $579 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations, central non-departmental appropriations, and extraordinary maintenance and repairs. The remaining $202 million was spread across virtually every department comprising general government and was mostly related to savings in the areas of salaries and services and supplies.

- Actual public assistance expenditures were $350 million lower than the final budget. Of this amount, $308 million was concentrated in social service, children, and family programs. Administrative costs were lower than anticipated due to overall cost containment efforts, vacant positions, and delays in hiring. There were $37 million of savings related to homeless and housing programs due to delays in carrying out multi-year projects. The remaining variance amount of $5 million was related to other public assistance programs.

- Overall expenditures for the health and sanitation category were $293 million less than the budgeted amount. Appropriations related to mental health services exceeded actual expenditures by $158 million, primarily due to less than anticipated costs for contracted services and to a lesser extent, salary savings. The remaining variance was associated with a variety of health care programs administered by the Departments of Public Health Services ($95 million) and Health Services ($40 million).

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2010 were $18.027 billion (net of depreciation). Capital assets include land, easements, buildings and improvements, equipment, software, and infrastructure. The major infrastructure network elements are roads, sewers, water, flood control, and aviation. The capital assets classified as software were newly added in conjunction with implementing GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." Specific disclosures related to capital assets, the restatement of beginning capital asset balances to reflect software assets, and changes during the current year are discussed and referenced in Note 6 (Capital Assets) to the basic financial statements.

The total decrease in the County's capital assets (net of depreciation) for the current fiscal year was $11 million, as shown in the following table.

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

	Current Year	Prior Year as Restated	Increase (Decrease)
Land and easements	$ 7,477,362	$ 7,394,023	$ 83,339
Buildings and improvements	3,945,086	4,065,790	(120,704)
Infrastructure	5,059,561	5,159,541	(99,980)
Equipment	440,147	481,895	(41,748)
Software	309,671	302,742	6,929
Construction-in-progress	795,214	633,734	161,480
Total	$ 18,027,041	$ 18,037,725	$ (10,684)

The County's major capital asset initiatives during the current year were focused on hospital construction-in-progress at Harbor/UCLA Medical Center ($39 million) and Olive View/UCLA Medical Center ($30 million). As previously mentioned, the County transferred ownership of 16 courthouse facilities to the State in accordance with State legislation. The value ($117 million) of the transferred facilities, net of accumulated depreciation, was removed from land, buildings and improvements during the current year.

Debt Administration

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

Changes in Long-Term Debt
Primary Government - All activities
(in thousands)

	Current Year	Prior Year	Decrease
Bonds and Notes Payable	$ 1,832,774	$ 1,856,042	$ 23,268
Pension Bonds Payable	345,913	653,634	307,721
Total	$ 2,178,687	$ 2,509,676	$ 330,989

During the current year, the County's liabilities for long-term debt decreased by $331 million, or 13.2%. Specific changes related to governmental and business-type activities are presented in Note 10 (Long-Term Obligations) to the basic financial statements. During the current year, significant long-term debt transactions were as follows:

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

- New debt of $39 million was issued to finance the acquisition of equipment. Equipment debt totaling $55 million was redeemed during the year in accordance with maturity schedules.

- New debt of $116 million was issued to finance $93 million of Hospital facility improvements and expansion and $23 million for general facility improvements.

- Pension bonds totaling $308 million were redeemed during the year.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling $1.3 billion in tax and revenue anticipation notes which reached maturity on June 30, 2010, and by periodic borrowing from available trust funds.

Bond Ratings

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

	Moody's	Standard and Poor's	Fitch
General Obligation Bonds	Aa2	AA-	
Pension Bonds	Aa3	A+	
Facilities	A2	A+	A
Equipment/Non-Essential Leases	A1	A+	A+
Short-Term	MIG1	SP-1+	F1+
Commercial Paper	P-1	A-1+	
Flood Control District General Obligation Bonds	Aa1	AA	AA+
Flood Control District Revenue Bonds	Aa1	AA	AA+
Regional Park and Open Space District Bonds	Aa2	AA	AAA

During the current year, the County's bond ratings remained the same except for the following upgrades:

- Moody's upgraded General Obligation Bonds from Aa3 to Aa2, Pension Bonds from A1 to Aa3, and Equipment/Non-Essential Leases from A2 to A1;

- Standard and Poor's upgraded Flood Control District Revenue Bonds from AA- to AA; and

- Fitch upgraded Equipment/Non-Essential Leases from A to A+, Flood Control District General Obligation Bonds from AA to AA+, Flood Control District Revenue Bonds from AA to AA+, and Regional Park and Open Space District Bonds from AA+ to AAA.

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2010-2011 Budget on June 7, 2010. The Budget was adopted based on estimated fund balances that would be available at the end of 2009-2010. The Board updated the Budget on September 28, 2010 to reflect final 2009-2010 fund balances and other pertinent financial information. For the County's General Fund, the 2010-2011 Budget, as updated in September 2010, utilized $1.629 billion of available fund balance, which exceeded the previously estimated fund balance of $1.493 billion. Of the additional fund balance of $136 million, $75 million was used to carryover lapsed appropriations and the remaining $61 million was used to offset $115 million of workforce cost savings which were pending discussion between County management and labor unions.

The County's 2010-2011 Budget is shaped largely by the effects of a severe and prolonged economic downturn, which continues to have a significant impact on the County. For the second year in a row, the County's assessed property values are experiencing a decline. The County Assessor has released the Net Local Property Tax Roll for 2010-11 and it is 1.87% lower than the previous year. The resulting decrease to County General Fund property tax revenues is estimated at $70 million. Property tax revenues are the County's single most important source of funding and are vital to programs which rely on discretionary funding sources. County management is closely monitoring changes in assessed property values and adjusting revenue estimates as new information becomes available.

The County's financial outlook continues to be affected by ongoing and severe budget problems at the State level. The State Legislative Analyst's Office (LAO) has estimated that the State's budget deficit will be approximately $25 billion by the time the State Legislature enacts a 2011-2012 State budget plan. The budget problem consists of a $6 billion projected deficit for 2010-2011 and a $19 billion gap between projected revenues and spending in 2011-2012. Many County programs receive substantial State funding and the County is likely to be confronted with program curtailments and increased local funding requirements. The State also continues to experience a serious cash flow crisis. The County is highly dependent upon cash receipts from the State and is closely monitoring the State's liquidity and ability to make timely cash remittances to the County.

Obtaining Additional Information

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

COUNTY OF LOS ANGELES
STATEMENT OF NET ASSETS
JUNE 30, 2010 (in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 LA
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	$ 3,327,413	$ 78,423	$ 3,405,836	$ 847,967
Other (Note 1)	1,067,264	31,188	1,098,452	
Total pooled cash and investments	4,394,677	109,611	4,504,288	847,967
Other investments (Note 5)	237,017	23,364	260,381	
Taxes receivable	353,267	950	354,217	
Accounts receivable - net		899,580	899,580	
Interest receivable	13,404	341	13,745	1,531
Other receivables	2,009,417	248,630	2,258,047	31,802
Internal balances (Note 14)	922,920	(922,920)		
Inventories	98,404	16,056	114,460	
Restricted assets (Note 5)	8,174	72,122	80,296	
Net pension obligation (Note 7)	38,408	13,343	51,751	
Capital assets: (Notes 6 and 9)				
Capital assets, not being depreciated	7,831,632	445,580	8,277,212	2,039
Capital assets, net of accumulated depreciation	7,621,104	2,128,725	9,749,829	11,367
Total capital assets	15,452,736	2,574,305	18,027,041	13,406
TOTAL ASSETS	23,528,424	3,035,382	26,563,806	894,706
LIABILITIES				
Accounts payable	344,509	68,263	412,772	21,673
Accrued payroll	334,134	69,079	403,213	
Other payables	471,435	12,838	484,273	
Accrued interest payable	14,146	540	14,686	
Unearned revenue	36,740	1,232	37,972	72
Advances payable	391,954	441	392,395	
Noncurrent liabilities: (Note 10)				
Due within one year	915,879	440,995	1,356,874	27
Due in more than one year	7,020,012	1,358,687	8,378,699	293
TOTAL LIABILITIES	9,528,809	1,952,075	11,480,884	22,065
NET ASSETS				
Invested in capital assets, net of related debt (Notes 6 and 10)	14,271,861	2,293,147	16,565,008	13,406
Restricted for:				
Capital projects	115,029		115,029	
Debt service	8,441	152,238	160,679	
Permanent trust	2,826		2,826	
Public protection	303,985		303,985	
Public ways and facilities	408,855		408,855	
Health and sanitation	400,643		400,643	
Recreation	313,884		313,884	
Community development	250,423	11,582	262,005	
Other	57,412		57,412	859,235
Unrestricted (deficit)	(2,133,744)	(1,373,660)	(3,507,404)	
TOTAL NET ASSETS	$ 13,999,615	$ 1,083,307	$ 15,082,922	$ 872,641

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

COUNTY OF LOS ANGELES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

		PROGRAM REVENUE		
FUNCTIONS PRIMARY GOVERNMENT:	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	$ 1,236,226	$ 432,084	$ 56,793	$ 20,329
Public protection	6,163,910	1,342,970	1,050,987	63,564
Public ways and facilities	352,549	29,328	220,811	30,968
Health and sanitation	2,718,876	639,602	1,808,314	779
Public assistance	5,518,036	58,436	4,496,400	
Education	101,397	4,462	1,983	
Recreation and cultural services	319,000	178,935	1,221	
Interest on long-term debt	139,824			
Total governmental activities	16,549,818	2,685,817	7,636,509	115,640
Business-type activities:				
Hospitals	3,394,724	2,099,010	42,092	
Aviation	4,742	3,509	8,108	1,710
Waterworks	76,818	56,082	500	308
Community Development Commission	294,785	11,261	266,463	
Total business-type activities	3,771,069	2,169,862	317,163	2,018
Total primary government	$ 20,320,887	$ 4,855,679	$ 7,953,672	$ 117,658
COMPONENT UNIT -				
First 5 LA	$ 168,232	$	$ 129,420	$

GENERAL REVENUES:
- Taxes:
  - Property taxes
  - Utility users taxes
  - Voter approved taxes
  - Documentary transfer taxes
  - Other taxes
- Sales and use taxes, levied by the State
- Grants and contributions not restricted to special programs
- Investment earnings
- Miscellaneous

TRANSFERS - NET
Total general revenues and transfers
CHANGE IN NET ASSETS
NET ASSETS, JULY 1, 2009, as restated (Note 2)
NET ASSETS, JUNE 30, 2010

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
PRIMARY GOVERNMENT			COMPONENT UNIT	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 LA	FUNCTIONS
				PRIMARY GOVERNMENT:
				Governmental activities:
$ (727,020)	$	$ (727,020)		General government
(3,706,389)		(3,706,389)		Public protection
(71,442)		(71,442)		Public ways and facilities
(270,181)		(270,181)		Health and sanitation
(963,200)		(963,200)		Public assistance
(94,952)		(94,952)		Education
(138,844)		(138,844)		Recreation and cultural services
(139,824)		(139,824)		Interest on long-term debt
(6,111,852)		(6,111,852)		Total governmental activities
				Business-type activities:
	(1,253,622)	(1,253,622)		Hospitals
	8,585	8,585		Aviation
	(19,928)	(19,928)		Waterworks
	(17,061)	(17,061)		Community Development Commission
	(1,282,026)	(1,282,026)		Total business-type activities
(6,111,852)	(1,282,026)	(7,393,878)		Total primary government
				COMPONENT UNIT -
			$ (38,812)	Total - First 5 LA
				GENERAL REVENUES:
				Taxes:
4,515,067	4,415	4,519,482		Property taxes
61,635		61,635		Utility users taxes
313,668		313,668		Voter approved taxes
44,517		44,517		Documentary transfer taxes
56,151		56,151		Other taxes
70,557		70,557		Sales and use taxes, levied by the State
701,521	143	701,664		Grants and contributions not restricted to special programs
105,878	2,693	108,571	16,095	Investment earnings
132,856	35,463	168,319	465	Miscellaneous
(895,250)	895,250			TRANSFERS - NET
5,106,600	937,964	6,044,564	16,560	Total general revenues and transfers
(1,005,252)	(344,062)	(1,349,314)	(22,252)	CHANGE IN NET ASSETS
15,004,867	1,427,369	16,432,236	894,893	NET ASSETS, JULY 1, 2009, as restated (Note 2)
$ 13,999,615	$ 1,083,307	$ 15,082,922	$ 872,641	NET ASSETS, JUNE 30, 2010

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
ASSETS:				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	$ 732,170	159,446	153,650	29,692
Other (Note 1)	957,320	28,654	10,585	2,542
Total pooled cash and investments	1,689,490	188,100	164,235	32,234
Other investments (Notes 4 and 5)	5,839			120
Taxes receivable	246,288	58,756	17,034	7,892
Interest receivable	5,546	543	490	101
Other receivables	1,802,932	32,500	6,700	1,650
Due from other funds (Note 14)	436,441	7,580	11,274	5,250
Advances to other funds (Note 14)	1,018,161		6,601	
Inventories	44,279	10,584		977
TOTAL ASSETS	$ 5,248,976	298,063	206,334	48,224
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 266,916	7,012	9,764	2,470
Accrued payroll	286,407	30,591		3,123
Other payables	454,244	2,194		407
Due to other funds (Note 14)	501,705	7,738	17,811	3,480
Deferred revenue	346,829	41,726	17,284	5,609
Advances payable	382,476			
Third party payor liability (Notes 10 and 13)	14,588			
TOTAL LIABILITIES	2,253,165	89,261	44,859	15,089
FUND BALANCES:				
Reserved for:				
Encumbrances	373,511	17,972	98,980	10,138
Inventories	44,279	10,584		977
Housing programs				
Debt service				
Endowments and annuities				
Assets unavailable for appropriation	366,638	25	3,010	15
Unreserved, designated for:				
Budget uncertainties		18,979		
Program expansion	305,831	19,223		8,264
Health services	168,702			
Capital projects	144,366	60,246	49,789	
Special revenue funds - program expansion				
Unreserved, undesignated, reported in:				
General fund	1,592,484			
Special revenue funds		81,773	9,696	13,741
Capital projects funds				
TOTAL FUND BALANCES	2,995,811	208,802	161,475	33,135
TOTAL LIABILITIES AND FUND BALANCES	$ 5,248,976	298,063	206,334	48,224

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

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				ASSETS:
				Pooled cash and investments: (Notes 1 and 5)
$ 292,474	1,924,544		$ 3,291,976	Operating (Note 1)
3,349	60,209		1,062,659	Other (Note 1)
295,823	1,984,753		4,354,635	Total pooled cash and investments
	449,527	(222,660)	232,826	Other investments (Notes 4 and 5)
3,437	19,860		353,267	Taxes receivable
931	5,666		13,277	Interest receivable
4,629	103,623		1,952,034	Other receivables
1	303,478		764,024	Due from other funds (Note 14)
	11,556		1,036,318	Advances to other funds (Note 14)
	32,478		88,318	Inventories
$ 304,821	2,910,941	(222,660)	$ 8,794,699	TOTAL ASSETS
				LIABILITIES AND FUND BALANCES
				LIABILITIES:
$ 1,151	51,260		$ 338,573	Accounts payable
	108		320,229	Accrued payroll
29	12,632		469,506	Other payables
2,667	359,129		892,530	Due to other funds (Note 14)
5,700	35,996		453,144	Deferred revenue
	9,054		391,530	Advances payable
	855		15,443	Third party payor liability (Notes 10 and 13)
9,547	469,034		2,880,955	TOTAL LIABILITIES
				FUND BALANCES:
				Reserved for:
63,101	193,492		757,194	Encumbrances
	32,478		88,318	Inventories
	2,026		2,026	Housing programs
	671,051	(222,660)	448,391	Debt service
	2,826		2,826	Endowments and annuities
	12,434		382,122	Assets unavailable for appropriation
				Unreserved, designated for:
	85,989		104,968	Budget uncertainties
66,407			399,725	Program expansion
			168,702	Health services
	32,897		287,298	Capital projects
	390,202		390,202	Special revenue funds - program expansion
				Unreserved, undesignated, reported in:
			1,592,484	General fund
165,766	825,102		1,096,078	Special revenue funds
	193,410		193,410	Capital projects funds
295,274	2,441,907	(222,660)	5,913,744	TOTAL FUND BALANCES
$ 304,821	2,910,941	(222,660)	$ 8,794,699	TOTAL LIABILITIES AND FUND BALANCES

COUNTY OF LOS ANGELES
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010 (in thousands)

Fund balances - total governmental funds (page 27)		$ 5,913,744
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported in governmental funds:		
Land and easements	$ 7,234,970	
Construction-in-progress	596,662	
Buildings and improvements - net	2,679,820	
Equipment - net	245,004	
Intangible software - net	258,354	
Infrastructure - net	4,347,406	15,362,216
Other long-term assets are not available to pay for current-period expenditures and are unearned, or not recognized, in governmental funds:		
Deferred revenue - taxes	$ 252,619	
Long-term receivables	213,924	466,543
The net pension obligation (an asset) pertaining to governmental fund types is not recorded in governmental fund statements.		35,832
Accrued interest payable is not recognized in governmental funds.		(14,060)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and notes payable (including accreted interest)	$ (1,446,922)	
Pension bonds payable	(239,507)	
Capital lease obligations	(148,030)	
Accrued vacation/sick leave	(787,759)	
Workers' compensation	(1,820,426)	
Litigation/self-insurance	(155,160)	
Pollution remediation obligations	(24,755)	
OPEB obligation	(3,026,636)	(7,649,195)
Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net assets.		(115,465)
Net assets of governmental activities (page 23)		$ 13,999,615

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
REVENUES:				
Taxes	$ 3,864,654	622,840	97,684	72,034
Licenses, permits and franchises	49,079	9,874	594	
Fines, forfeitures and penalties	258,842	6,821	2,215	877
Revenue from use of money and property:				
Investment income (Note 5)	63,026	1,710	2,430	365
Rents and concessions (Note 9)	60,655	168	7,791	13
Royalties	368		633	
Intergovernmental revenues:				
Federal	3,379,495	14,764	11,108	353
State	3,851,884	13,189	960	2,162
Other	106,337	32,937	6,540	1,331
Charges for services	1,659,224	174,860	116,615	4,082
Miscellaneous	191,878	347	1,131	1,114
TOTAL REVENUES	13,485,442	877,510	247,701	82,331
EXPENDITURES:				
Current:				
General government	859,319			
Public protection	4,412,935	849,551	259,660	
Public ways and facilities				
Health and sanitation	2,421,615			
Public assistance	5,025,312			
Education				107,474
Recreation and cultural services	247,094			
Debt service:				
Principal	76,539	3,774		839
Interest and other charges	186,729	8,103		1,766
Capital leases	8,110	3,753		234
Capital outlay	2,115			218
TOTAL EXPENDITURES	13,239,768	865,181	259,660	110,531
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	245,674	12,329	(11,959)	(28,200)
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 14)	360,412	2,700	328	36,525
Transfers out (Note 14)	(780,168)	(11,433)	(19,288)	(2,345)
Issuance of debt (Note 10)				
Capital leases (Note 9)	2,115			218
Sales of capital assets	960	269	368	12
TOTAL OTHER FINANCING SOURCES (USES)	(416,681)	(8,464)	(18,592)	34,410
NET CHANGE IN FUND BALANCES	(171,007)	3,865	(30,551)	6,210
FUND BALANCES, JULY 1, 2009	3,166,818	204,937	192,026	26,925
FUND BALANCES, JUNE 30, 2010	$ 2,995,811	208,802	161,475	33,135

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

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				REVENUES:
$	303,502		$ 4,960,714	Taxes
	9,893		69,440	Licenses, permits and franchises
1,039	83,638		353,432	Fines, forfeitures and penalties
				Revenue from use of money and property:
3,934	45,845	(11,692)	105,618	Investment income (Note 5)
	25,474		94,101	Rents and concessions (Note 9)
	5		1,006	Royalties
				Intergovernmental revenues:
	176,676		3,582,396	Federal
	675,879		4,544,074	State
	22,123		169,268	Other
80,130	138,063		2,172,974	Charges for services
	78,839		273,309	Miscellaneous
85,103	1,559,937	(11,692)	16,326,332	TOTAL REVENUES
				EXPENDITURES:
				Current:
	17,779		877,098	General government
	78,533		5,600,679	Public protection
	332,036		332,036	Public ways and facilities
	146,100		2,567,715	Health and sanitation
	169,440		5,194,752	Public assistance
	489		107,963	Education
42,780	10,325		300,199	Recreation and cultural services
				Debt service:
	127,907	(24,215)	184,844	Principal
	61,555	(11,692)	246,461	Interest and other charges
			12,097	Capital leases
	30,466		32,799	Capital outlay
42,780	974,630	(35,907)	15,456,643	TOTAL EXPENDITURES
42,323	585,307	24,215	869,689	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES):
	165,173		565,138	Transfers in (Note 14)
(34,754)	(606,271)		(1,454,259)	Transfers out (Note 14)
	36,977		36,977	Issuance of debt (Note 10)
			2,333	Capital leases (Note 9)
44	582		2,235	Sales of capital assets
(34,710)	(403,539)		(847,576)	TOTAL OTHER FINANCING SOURCES (USES)
7,613	181,768	24,215	22,113	NET CHANGE IN FUND BALANCES
287,661	2,260,139	(246,875)	5,891,631	FUND BALANCES, JULY 1, 2009
$ 295,274	2,441,907	(222,660)	$ 5,913,744	FUND BALANCES, JUNE 30, 2010

COUNTY OF LOS ANGELES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

Net change in fund balances - total governmental funds (page 31)		$ 22,113
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Expenditures for general capital assets, infrastructure and other related capital asset adjustments	$ 234,040	
Less - current year depreciation expense	(346,065)	(112,025)
In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported as an increase in financial resources. Thus, the change in net assets differs from the change in fund balance.		(1,092)
Contribution of capital assets is not recognized in the governmental funds.		67,109
Revenue timing differences result in more revenue in government-wide statements.		(4,658)
Issuance of long-term debt provides revenue in the governmental funds, but increases long-term liabilities in the statement of net assets.		(36,977)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Pension bonds	$ 81,152	
Certificates of participation	76,717	
Assessment bonds	24,215	
Other long-term notes, loans and capital leases	15,175	197,259
Some expenses reported in the accompanying statement of activities do not require (or provide) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in workers' compensation	$ (45,966)	
Change in litigation/self-insurance	(43,843)	
Change in pollution remediation obligations	5,310	
Change in accrued vacation/sick leave	(19,572)	
Change in OPEB liability	(1,067,276)	
Change in accrued interest payable	465	
Change in accretion of tobacco settlement bonds	(21,844)	
Change in accretion of pension bonds	131,913	
Transfer of capital assets from governmental fund to enterprise fund	(7,192)	(1,068,005)
The change in the net pension obligation (an asset) is not recognized in governmental funds.		(35,831)
The portion of internal service funds that is reported with governmental activities.		(33,145)
Change in net assets of governmental activities (page 25)		$ (1,005,252)

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 3,956,078	3,952,438	3,851,687	(100,751)
Licenses, permits and franchises	50,402	50,803	49,079	(1,724)
Fines, forfeitures and penalties	217,611	224,207	258,842	34,635
Revenue from use of money and property:				
Investment income	53,028	54,268	62,677	8,409
Rents and concessions	58,468	58,618	60,655	2,037
Royalties	156	156	368	212
Intergovernmental revenues:				
Federal	3,781,130	3,868,671	3,379,055	(489,616)
State	4,095,508	4,090,192	3,882,952	(207,240)
Other	137,213	140,103	106,374	(33,729)
Charges for services	1,730,156	1,723,186	1,659,224	(63,962)
Miscellaneous	185,495	205,155	202,760	(2,395)
TOTAL REVENUES	14,265,245	14,367,797	13,513,673	(854,124)
EXPENDITURES:				
Current:				
General government	1,693,751	1,620,042	839,536	(780,506)
Public protection	4,634,442	4,728,944	4,580,393	(148,551)
Health and sanitation	2,841,424	2,853,339	2,560,464	(292,875)
Public assistance	5,457,888	5,468,511	5,118,381	(350,130)
Recreation and cultural services	260,020	263,921	250,922	(12,999)
Debt Service-				
Interest	12,189	12,189	12,189	
Capital Outlay	1,187,660	1,100,415	86,822	(1,013,593)
TOTAL EXPENDITURES	16,087,374	16,047,361	13,448,707	(2,598,654)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,822,129)	(1,679,564)	64,966	1,744,530
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	716	716	960	244
Transfers in	469,143	458,668	330,437	(128,231)
Transfers out	(688,070)	(696,065)	(676,131)	19,934
Changes in reserves and designations	326,912	202,817	194,984	(7,833)
OTHER FINANCING SOURCES (USES) - NET	108,701	(33,864)	(149,750)	(115,886)
NET CHANGE IN FUND BALANCE	(1,713,428)	(1,713,428)	(84,784)	1,628,644
FUND BALANCE, JULY 1, 2009 (Note 15)	1,713,428	1,713,428	1,713,428	
FUND BALANCE, JUNE 30, 2010 (Note 15)	$		1,628,644	1,628,644

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FIRE PROTECTION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 586,114	619,966	620,747	781
Licenses, permits and franchises	11,698	11,698	9,874	(1,824)
Fines, forfeitures and penalties	5,384	5,384	6,821	1,437
Revenue from use of money and property:				
Investment income	957	957	1,449	492
Rents and concessions	81	81	168	87
Intergovernmental revenues:				
Federal	12,770	14,331	14,764	433
State	15,756	15,756	14,004	(1,752)
Other	32,716	32,716	32,937	221
Charges for services	170,062	170,062	174,860	4,798
Miscellaneous	413	436	347	(89)
TOTAL REVENUES	835,951	871,387	875,971	4,584
EXPENDITURES:				
Current-Public protection:				
Salaries and employee benefits	757,592	756,566	741,213	(15,353)
Services and supplies	131,948	136,281	106,259	(30,022)
Other charges	2,404	3,504	1,619	(1,885)
Capital assets	19,532	25,609	18,259	(7,350)
TOTAL EXPENDITURES	911,476	921,960	867,350	(54,610)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(75,525)	(50,573)	8,621	59,194
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	158	158	269	111
Transfers in		2,700	2,700	
Transfers out	(11,402)	(11,402)	(11,402)	
Appropriation for contingencies		(33,852)		33,852
Changes in reserves and designations	28,521	34,721	35,383	662
OTHER FINANCING SOURCES (USES) - NET	17,277	(7,675)	26,950	34,625
NET CHANGE IN FUND BALANCE	(58,248)	(58,248)	35,571	93,819
FUND BALANCE, JULY 1, 2009 (Note 15)	58,248	58,248	58,248	
FUND BALANCE, JUNE 30, 2010 (Note 15)	$		93,819	93,819

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FLOOD CONTROL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 98,200	98,200	97,308	(892)
Licenses, permits and franchises	2,026	2,026	594	(1,432)
Fines, forfeitures and penalties	1,500	1,500	2,215	715
Revenue from use of money and property:				
Investment income	7,001	7,001	2,346	(4,655)
Rents and concessions	7,416	7,416	7,791	375
Royalties	370	370	633	263
Intergovernmental revenues:				
Federal	1,835	11,408	11,108	(300)
State	4,239	4,239	960	(3,279)
Other	7,054	7,054	6,540	(514)
Charges for services	129,607	120,897	116,717	(4,180)
Miscellaneous	2,068	2,068	1,131	(937)
TOTAL REVENUES	261,316	262,179	247,343	(14,836)
EXPENDITURES:				
Current-Public protection:				
Services and supplies	245,925	234,976	233,793	(1,183)
Other charges	21,473	26,236	25,168	(1,068)
Capital assets	835	985	287	(698)
Capital Outlay	773	8,000	7,995	(5)
TOTAL EXPENDITURES	269,006	270,197	267,243	(2,954)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(7,690)	(8,018)	(19,900)	(11,882)
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	600	600	368	(232)
Transfers in		328	328	
Transfers out	(1,683)	(1,683)	(210)	1,473
Appropriation for contingencies	(19,613)	(19,613)		19,613
Changes in reserves and designations			5,651	5,651
OTHER FINANCING SOURCES (USES) - NET	(20,696)	(20,368)	6,137	26,505
NET CHANGE IN FUND BALANCE	(28,386)	(28,386)	(13,763)	14,623
FUND BALANCE, JULY 1, 2009 (Note 15)	28,386	28,386	28,386	
FUND BALANCE, JUNE 30, 2010 (Note 15)	$		14,623	14,623

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
PUBLIC LIBRARY
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 73,541	73,541	71,871	(1,670)
Fines, forfeitures and penalties			877	877
Revenue from use of money and property:				
Investment income	700	700	322	(378)
Rents and concessions	16	16	13	(3)
Intergovernmental revenues:				
Federal	437	437	353	(84)
State	1,874	1,874	2,162	288
Other	1,569	1,569	1,331	(238)
Charges for services	2,563	2,563	4,082	1,519
Miscellaneous	1,032	1,032	1,114	82
TOTAL REVENUES	81,732	81,732	82,125	393
EXPENDITURES:				
Current-Education:				
Salaries and employee benefits	79,750	79,788	73,526	(6,262)
Services and supplies	59,585	59,555	39,525	(20,030)
Other charges	458	458	348	(110)
Capital assets	779	779	386	(393)
TOTAL EXPENDITURES	140,572	140,580	113,785	(26,795)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(58,840)	(58,848)	(31,660)	27,188
OTHER FINANCING SOURCES (USES):				
Sales of capital assets			12	12
Transfers in	49,197	49,205	36,525	(12,680)
Transfers out	(2,197)	(2,197)	(2,197)	
Changes in reserves and designations	(1,467)	(1,467)	(1,063)	404
OTHER FINANCING SOURCES (USES) - NET	45,533	45,541	33,277	(12,264)
NET CHANGE IN FUND BALANCE	(13,307)	(13,307)	1,617	14,924
FUND BALANCE, JULY 1, 2009 (Note 15)	13,307	13,307	13,307	
FUND BALANCE, JUNE 30, 2010 (Note 15)	$		14,924	14,924

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
REGIONAL PARK AND OPEN SPACE DISTRICT
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Fines, forfeitures and penalties	$ 913	913	1,039	126
Revenue from use of money and property-				
Investment income	5,608	5,608	2,984	(2,624)
Charges for services	79,123	79,123	79,926	803
TOTAL REVENUES	85,644	85,644	83,949	(1,695)
EXPENDITURES:				
Current-Recreation and cultural services:				
Services and supplies	4,950	4,950	4,740	(210)
Other charges	173,373	174,072	27,837	(146,235)
TOTAL EXPENDITURES	178,323	179,022	32,577	(146,445)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(92,679)	(93,378)	51,372	144,750
OTHER FINANCING SOURCES (USES):				
Sales of capital assets			44	44
Transfers in	62,441	62,441	57,318	(5,123)
Transfers out	(97,691)	(97,692)	(92,072)	5,620
Appropriation for contingencies	(13,700)	(13,696)		13,696
Changes in reserves and designations	(23,645)	(22,949)	(18,113)	4,836
OTHER FINANCING SOURCES (USES) - NET	(72,595)	(71,896)	(52,823)	19,073
NET CHANGE IN FUND BALANCE	(165,274)	(165,274)	(1,451)	163,823
FUND BALANCE, JULY 1, 2009 (Note 15)	166,640	166,640	166,640	
FUND BALANCE, JUNE 30, 2010 (Note 15)	$ 1,366	1,366	165,189	163,823

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

COUNTY OF LOS ANGELES
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
ASSETS					
Current assets:					
Pooled cash and investments: (Notes 1 and 5)					
Operating (Note 1)	$ 673	550	7,822	254	242
Other (Note 1)	7,500	7,549	11,487	2,048	1,820
Total pooled cash and investments	8,173	8,099	19,309	2,302	2,062
Other investments (Note 5)					
Taxes receivable					
Accounts receivable - net (Note 13)	195,208	132,598	370,343	88,075	91,351
Interest receivable	7	11	99	9	3
Other receivables	11,761	11,982	23,532	2,560	3,920
Due from other funds (Note 14)	61,822	70,437	160,462	46,741	28,282
Advances to other funds (Note 14)					
Inventories	2,221	3,822	7,023	1,791	1,199
Total current assets	279,192	226,949	580,768	141,478	126,817
Noncurrent assets:					
Restricted assets (Note 5)	32,752	13,367	10,807	8,522	3,802
Net pension obligation (Note 7)	2,109	1,829	5,537	2,350	1,518
Other receivables (Note 13 and 14)	15,622	58,616	60,680	36,122	23,487
Capital assets: (Notes 6 and 9)					
Land and easements	1,001	15,171	18,183	2,275	217
Buildings and improvements	77,699	152,939	1,078,393	194,833	187,179
Equipment	41,471	39,466	150,477	54,814	14,648
Intangible - software	6,966	13,878	18,158	8,386	5,085
Infrastructure					
Construction in progress	88,134	43,929		2,177	7,281
Less accumulated depreciation	(76,344)	(112,811)	(248,240)	(150,584)	(105,357)
Total capital assets - net	138,927	152,572	1,016,971	111,901	109,053
Total noncurrent assets	189,410	226,384	1,093,995	158,895	137,860
TOTAL ASSETS	468,602	453,333	1,674,763	300,373	264,677
LIABILITIES					
Current liabilities:					
Accounts payable	14,534	9,407	23,226	8,037	3,685
Accrued payroll	17,098	12,428	29,872	3,982	5,699
Other payables	2,417	1,901	3,440	1,899	1,092
Accrued interest payable	76		72	176	186
Due to other funds (Note 14)	43,353	47,814	144,567	16,392	22,147
Advances from other funds (Note 14)	212,742	193,230	393,702	105,213	110,739
Advances payable			441		
Unearned revenue			192		
Current portion of long-term liabilities (Note 10)	174,073	66,550	126,318	45,061	24,349
Total current liabilities	464,293	331,330	721,830	180,760	167,897
Noncurrent liabilities:					
Accrued vacation and sick leave (Note 10)	34,048	22,788	54,230	9,034	10,455
Bonds and notes payable (Note 10)	5,728		10,478	29,674	25,982
Capital lease obligations (Notes 9 and 10)					
Workers' compensation (Notes 10 and 17)	25,776	24,189	123,107	54,944	21,918
Litigation and self-insurance (Notes 10 and 17)	13,276	1,475	51,199	13,497	91
OPEB obligation (Notes 8 and 10)	138,747	120,068	280,710	39,238	55,807
Third party payor liability (Notes 10 and 13)	26,994	28,894	75,850	35,855	14,086
Total noncurrent liabilities	244,569	197,414	595,574	182,242	128,339
TOTAL LIABILITIES	708,862	528,744	1,317,404	363,002	296,236
NET ASSETS					
Invested in capital assets, net of related debt (Notes 6 and 10)	25,575	119,769	959,005	74,244	82,097
Restricted:					
Debt service	32,676	13,367	10,735	8,346	3,616
Special purpose					
Unrestricted (deficit)	(298,511)	(208,547)	(612,381)	(145,219)	(117,272)
TOTAL NET ASSETS (DEFICIT) (Note 3)	$ (240,260)	(75,411)	357,359	(62,629)	(31,559)

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				ASSETS
				Current assets:
				Pooled cash and investments: (Notes 1 and 5)
$ 63,242	4,979	$ 77,762	$ 32,428	Operating (Note 1)
778	3	31,185	4,228	Other (Note 1)
64,020	4,982	108,947	36,656	Total pooled cash and investments
	23,364	23,364	8,241	Other investments (Note 5)
950		950		Taxes receivable
		877,575		Accounts receivable - net (Note 13)
197	12	338	130	Interest receivable
9,280	13,073	76,108	7,290	Other receivables
2,823	5	370,572	64,889	Due from other funds (Note 14)
1,308		1,308		Advances to other funds (Note 14)
		16,056	10,086	Inventories
78,578	41,436	1,475,218	127,292	Total current assets
				Noncurrent assets:
		69,250	11,046	Restricted assets (Note 5)
		13,343	2,576	Net pension obligation (Note 7)
		194,527		Other receivables (Note 13 and 14)
				Capital assets: (Notes 6 and 9)
11,273	194,272	242,392		Land and easements
119,091	166,204	1,976,338	1,734	Buildings and improvements
562	3,289	304,727	221,007	Equipment
		52,473		Intangible - software
1,120,375	41,781	1,162,156		Infrastructure
52,588	9,079	203,188		Construction in progress
(502,146)	(180,691)	(1,376,173)	(123,017)	Less accumulated depreciation
801,743	233,934	2,565,101	99,724	Total capital assets - net
801,743	233,934	2,842,221	113,346	Total noncurrent assets
880,321	275,370	4,317,439	240,638	TOTAL ASSETS
				LIABILITIES
				Current liabilities:
3,758	5,612	68,259	5,940	Accounts payable
		69,079	13,905	Accrued payroll
	2,089	12,838	1,929	Other payables
		510	116	Accrued interest payable
4,612	297	279,182	27,773	Due to other funds (Note 14)
		1,015,626	22,000	Advances from other funds (Note 14)
		441		Advances payable
505	536	1,233	469	Unearned revenue
21	806	437,178	41,468	Current portion of long-term liabilities (Note 10)
8,896	9,340	1,884,346	113,600	Total current liabilities
				Noncurrent liabilities:
	152	130,707	38,568	Accrued vacation and sick leave (Note 10)
46	2,980	74,888	25,405	Bonds and notes payable (Note 10)
			32	Capital lease obligations (Notes 9 and 10)
		249,934	37,721	Workers' compensation (Notes 10 and 17)
	766	80,304	1,686	Litigation and self-insurance (Notes 10 and 17)
		634,570	136,795	OPEB obligation (Notes 8 and 10)
		181,679		Third party payor liability (Notes 10 and 13)
46	3,898	1,352,082	240,207	Total noncurrent liabilities
8,942	13,238	3,236,428	353,807	TOTAL LIABILITIES
				NET ASSETS
801,676	230,604	2,292,970	64,963	Invested in capital assets, net of related debt (Notes 6 and 10)
				Restricted:
69,703	10,953	149,396	10,930	Debt service
	11,582	11,582	2,739	Special purpose
	8,993	(1,372,937)	(191,801)	Unrestricted (deficit)
$ 871,379	262,132	1,081,011	$ (113,169)	TOTAL NET ASSETS (DEFICIT) (Note 3)
		2,296		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ 1,083,307		NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE 23)

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
OPERATING REVENUES:					
Net patient service revenues (Note 13)	$ 496,323	357,237	1,003,244	106,529	135,144
Rentals					
Charges for services					
Other	13,423	7,908	49,127	1,794	5,670
TOTAL OPERATING REVENUES	509,746	365,145	1,052,371	108,323	140,814
OPERATING EXPENSES:					
Salaries and employee benefits	445,899	336,164	807,950	113,380	153,223
Services and supplies	109,830	79,479	214,783	48,874	35,960
Other professional services	125,191	117,427	310,506	66,071	34,145
Depreciation and amortization (Note 6)	3,192	4,326	30,541	4,038	3,135
Medical malpractice	8,007	365			903
Rent	4,036	2,883	8,251	1,311	2,002
TOTAL OPERATING EXPENSES	696,155	540,644	1,372,031	233,674	229,368
OPERATING LOSS	(186,409)	(175,499)	(319,660)	(125,351)	(88,554)
NONOPERATING REVENUES (EXPENSES):					
Taxes					
Interest income	280	3	764	83	55
Interest expense	(4,645)	(3,728)	(9,481)	(5,208)	(4,070)
Intergovernmental transfers expense (Note 13)	(75,521)	(56,521)	(152,551)		(11,568)
Intergovernmental revenues:					
State					
Federal					
Other					
TOTAL NONOPERATING REVENUES (EXPENSES)	(79,886)	(60,246)	(161,268)	(5,125)	(15,583)
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(266,295)	(235,745)	(480,928)	(130,476)	(104,137)
Capital contributions	1,397	2,447	861	1,339	1,148
Transfers in (Note 14)	181,226	190,525	372,864	126,944	49,215
Transfers out (Note 14)		(144)	(35,109)		
CHANGE IN NET ASSETS	(83,672)	(42,917)	(142,312)	(2,193)	(53,774)
TOTAL NET ASSETS (DEFICIT), JULY 1, 2009, as restated (Note 2)	(156,588)	(32,494)	499,671	(60,436)	22,215
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2010	$ (240,260)	(75,411)	357,359	(62,629)	(31,559)

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				OPERATING REVENUES:
$		$ 2,098,477	$	Net patient service revenues (Note 13)
	14,347	14,347	23,615	Rentals
56,082	423	56,505	442,520	Charges for services
85	771	78,778		Other
56,167	15,541	2,248,107	466,135	TOTAL OPERATING REVENUES
				OPERATING EXPENSES:
		1,856,616	381,652	Salaries and employee benefits
52,277	296,788	837,991	58,022	Services and supplies
2,415	361	656,116	29,483	Other professional services
22,119	2,255	69,606	29,210	Depreciation and amortization (Note 6)
		9,275		Medical malpractice
		18,483		Rent
76,811	299,404	3,448,087	498,367	TOTAL OPERATING EXPENSES
(20,644)	(283,863)	(1,199,980)	(32,232)	OPERATING LOSS
				NONOPERATING REVENUES (EXPENSES):
4,415		4,415		Taxes
1,039	469	2,693	302	Interest income
(7)	(123)	(27,262)	(2,774)	Interest expense
		(296,161)		Intergovernmental transfers expense (Note 13)
				Intergovernmental revenues:
536	40	576		State
	273,760	273,760	1,019	Federal
106		106		Other
6,089	274,146	(41,873)	(1,453)	TOTAL NONOPERATING REVENUES (EXPENSES)
(14,555)	(9,717)	(1,241,853)	(33,685)	LOSS BEFORE CONTRIBUTIONS AND TRANSFER
308	1,710	9,210		Capital contributions
1,500	1,083	923,357	1,359	Transfers in (Note 14)
(112)	(135)	(35,500)	(95)	Transfers out (Note 14)
(12,859)	(7,059)	(344,786)	(32,421)	CHANGE IN NET ASSETS
884,238	269,191		(80,748)	TOTAL NET ASSETS (DEFICIT), JULY 1, 2009, as restated (Note 2)
$ 871,379	262,132		$ (113,169)	TOTAL NET ASSETS (DEFICIT), JUNE 30, 2010
		724		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ (344,062)		CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE 25)

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from patient services	$ 435,332	401,650	949,970	172,814	159,851
Rentals received					
Cash received from charges for services					
Other operating revenues	13,432	7,910	49,128	1,794	5,671
Cash received for services provided to other funds	11,543	12,812	21,672	7,428	678
Cash paid for salaries and employee benefits	(426,562)	(316,653)	(773,764)	(121,806)	(147,955)
Cash paid for services and supplies	(54,289)	(27,947)	(160,885)	(41,887)	(38,627)
Other operating expenses	(131,139)	(128,097)	(325,201)	(67,910)	(34,820)
Cash paid for services from other funds	(49,005)	(37,757)	(99,730)	(26,505)	(18,293)
Net cash provided by (required for) operating activities	(200,688)	(88,082)	(338,810)	(76,072)	(73,495)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash advances received from other funds	338,625	241,402	673,017	123,336	120,107
Cash advances paid/returned to other funds	(254,095)	(243,664)	(542,916)	(171,602)	(63,721)
Interest paid on pension bonds	(2,057)	(1,782)	(5,400)	(2,291)	(1,480)
Interest paid on advances	(1,333)	(1,621)	(2,401)	(1,021)	(552)
Intergovernmental transfers	(75,521)	(56,521)	(152,551)		(11,568)
Intergovernmental receipts					
Transfers in	196,998	147,652	383,925	86,990	39,045
Transfers out		(144)			
Net cash provided by (required for) noncapital financing activities	202,617	85,322	353,674	35,412	81,831
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from taxes					
Capital contributions					
Proceeds from bonds and notes	66,882	13,165		13,151	
Interest paid on capital borrowing	(1,390)	(325)	(1,808)	(2,206)	(2,369)
Principal payments on bonds and notes	(1,790)		(38,782)	(4,135)	(8,980)
Principal payments on capital leases					(143)
Acquisition and construction of capital assets	(50,600)	(30,241)	(5,697)	(10,449)	(2,629)
Net cash provided by (required for) capital and related financing activities	13,102	(17,401)	(46,287)	(3,639)	(14,121)
CASH FLOWS FROM INVESTING ACTIVITIES -					
Interest income received	209	(9)	564	3	4
Net increase (decrease) in cash and cash equivalents	15,240	(20,170)	(30,859)	(44,296)	(5,781)
Cash and cash equivalents, July 1, 2009	25,685	41,636	60,975	55,120	11,645
Cash and cash equivalents, June 30, 2010	$ 40,925	21,466	30,116	10,824	5,864

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				CASH FLOWS FROM OPERATING ACTIVITIES:
$		$ 2,119,617	$	Cash received from patient services
	15,006	15,006	23,624	Rentals received
54,314	470	54,784	50,372	Cash received from charges for services
85	771	78,791		Other operating revenues
		54,133	392,916	Cash received for services provided to other funds
	(17,949)	(1,804,689)	(362,914)	Cash paid for salaries and employee benefits
(53,419)	(275,868)	(652,922)	(58,529)	Cash paid for services and supplies
(2,415)	(361)	(689,943)	(29,483)	Other operating expenses
		(231,290)		Cash paid for services from other funds
(1,435)	(277,931)	(1,056,513)	15,986	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:
		1,496,487		Cash advances received from other funds
(144)		(1,276,142)		Cash advances paid/returned to other funds
		(13,010)	(2,509)	Interest paid on pension bonds
		(6,928)		Interest paid on advances
		(296,161)		Intergovernmental transfers
642	268,531	269,173	1,019	Intergovernmental receipts
1,500	1,083	857,193	1,359	Transfers in
(112)	(135)	(391)	(95)	Transfers out
1,886	269,479	1,030,221	(226)	Net cash provided by (required for) noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:
4,415		4,415		Proceeds from taxes
	1,710	1,710		Capital contributions
	6	93,204	39,025	Proceeds from bonds and notes
(7)	(123)	(8,228)	(358)	Interest paid on capital borrowing
(19)	(355)	(54,061)	(54,505)	Principal payments on bonds and notes
		(143)		Principal payments on capital leases
(29,285)	(159)	(129,060)	(24,383)	Acquisition and construction of capital assets
(24,896)	1,079	(92,163)	(40,221)	Net cash provided by (required for) capital and related financing activities
1,191	470	2,432	292	CASH FLOWS FROM INVESTING ACTIVITIES - Interest income received
(23,254)	(6,903)	(116,023)	(24,169)	Net increase (decrease) in cash and cash equivalents
87,274	35,249	317,584	80,112	Cash and cash equivalents, July 1, 2009
$ 64,020	28,346	$ 201,561	$ 55,943	Cash and cash equivalents, June 30, 2010

Continued…

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:					
Operating loss	$ (186,409)	(175,499)	(319,660)	(125,351)	(88,554)
Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:					
Depreciation and amortization	3,192	4,326	30,541	4,038	3,135
Other revenues (expenses) - net	9,083	49	(1,085)	7,903	6,469
(Increase) decrease in:					
Accounts receivable - net	(16,172)	67,018	(20,239)	93,062	23,610
Other receivables	(15,772)	(58,418)	(60,768)	(35,167)	(23,610)
Due from other funds	(21,384)	38,046	77,579	(2,073)	25,555
Inventories	541	(240)	834	140	212
Net pension obligation	2,109	1,830	5,538	2,350	1,518
Increase (decrease) in:					
Accounts payable	1,818	2,761	(5,921)	335	156
Accrued payroll	(12,465)	(8,835)	(22,594)	(3,072)	(4,030)
Other payables	161	(127)	261	(1,243)	87
Accrued vacation and sick leave	1,305	313	875	(584)	62
Due to other funds	(11,282)	6,571	(51,083)	(29,413)	(29,912)
Unearned revenue			(634)		
Pension bonds payable	(12,541)	(10,879)	(32,926)	(13,974)	(9,026)
Workers' compensation liability	(1,768)	(967)	1,166	(2,856)	(743)
Litigation and self-insurance liability	6,095	(7,423)	(6,444)	(528)	2,230
OPEB obligation	49,514	43,362	94,050	12,253	19,742
Third party payor liability	3,287	10,030	(28,300)	18,108	(396)
TOTAL ADJUSTMENTS	(14,279)	87,417	(19,150)	49,279	15,059
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ (200,688)	(88,082)	(338,810)	(76,072)	(73,495)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Assets acquired from capital leases	$				
Capital contributions	1,397	2,447	861	1,339	1,148
TOTAL	$ 1,397	2,447	861	1,339	1,148
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:					
Pooled cash and investments	$ 8,173	8,099	19,309	2,302	2,062
Other investments					
Restricted assets	32,752	13,367	10,807	8,522	3,802
TOTAL	$ 40,925	21,466	30,116	10,824	5,864

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
$ (20,644)	(283,863)	$ (1,199,980)	$ (32,232)	Operating loss
				Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:
22,119	2,255	69,606	29,210	Depreciation and amortization
1	761	23,181	371	Other revenues (expenses) - net
				(Increase) decrease in:
		147,279		Accounts receivable - net
(796)	652	(193,879)	(501)	Other receivables
(1,002)	48	116,769	1,021	Due from other funds
	11	1,498	(317)	Inventories
		13,345	2,574	Net pension obligation
				Increase (decrease) in:
527	2,538	2,214	572	Accounts payable
		(50,996)	(10,497)	Accrued payroll
(19)	(918)	(1,798)	118	Other payables
	(235)	1,736	874	Accrued vacation and sick leave
(1,651)	48	(116,722)	(9,144)	Due to other funds
30	6	(598)	(155)	Unearned revenue
		(79,346)	(15,310)	Pension bonds payable
		(5,168)	2,636	Workers' compensation liability
	766	(5,304)	345	Litigation and self-insurance liability
		218,921	46,421	OPEB obligation
		2,729		Third party payor liability
19,209	5,932	143,467	48,218	TOTAL ADJUSTMENTS
$ (1,435)	(277,931)	$ (1,056,513)	$ 15,986	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:
$		$	$ 43	Assets acquired from capital leases
308		7,500		Capital contributions
$ 308		$ 7,500	$ 43	TOTAL
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:
$ 64,020	4,982	$ 108,947	$ 36,656	Pooled cash and investments
	23,364	23,364	8,241	Other investments
		69,250	11,046	Restricted assets
$ 64,020	28,346	$ 201,561	$ 55,943	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 5)	$ 51,691	$ 16,859,418	$ 1,261,934
Other investments: (Note 5)		95,447	302
Stocks	16,808,669		
Bonds	8,858,103		
Short-term investments	1,070,770		
Commodities	664,464		
Real estate	2,843,804		
Mortgages	213,260		
Alternative assets	3,417,212		
Cash collateral on loaned securities	1,158,925		
Taxes receivable			567,779
Interest receivable	97,083	49,004	5,988
Other receivables	867,358		
TOTAL ASSETS	36,051,339	17,003,869	$ 1,836,003
LIABILITIES			
Accounts payable	1,403,918		
Other payables (Note 5)	1,213,533	776,749	
Due to other governments			1,836,003
TOTAL LIABILITIES	2,617,451	776,749	$ 1,836,003
NET ASSETS			
Held in trust for pension benefits and investment trust participants	$ 33,433,888	$ 16,227,120	

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

COUNTY OF LOS ANGELES
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS
ADDITIONS:		
Contributions:		
Pension trust contributions:		
Employer	$ 843,704	$
Member	429,612	
Contributions to investment trust funds		47,599,344
Total contributions	1,273,316	47,599,344
Investment earnings:		
Investment income	1,848,215	218,622
Net increase in the fair value of investments	2,102,581	
Securities lending income (Note 5)	5,867	
Total investment earnings	3,956,663	218,622
Less - Investment expenses:		
Expense from investing activities	113,885	
Expense from securities lending activities (Note 5)	2,377	
Total net investment expense	116,262	
Net investment earnings	3,840,401	218,622
Miscellaneous	868	
TOTAL ADDITIONS	5,114,585	47,817,966
DEDUCTIONS:		
Salaries and employee benefits	37,035	
Services and supplies	11,857	
Benefit payments	2,111,834	
Distribution from investment trust funds		45,284,583
Miscellaneous	18,952	
TOTAL DEDUCTIONS	2,179,678	45,284,583
CHANGE IN NET ASSETS	2,934,907	2,533,383
NET ASSETS HELD IN TRUST, JULY 1, 2009	30,498,981	13,693,737
NET ASSETS HELD IN TRUST, JUNE 30, 2010	$ 33,433,888	$ 16,227,120

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Los Angeles (County) is a legal subdivision of the State of California (State) charged with general governmental powers. The County's powers are exercised through an elected Board of Supervisors (Board) which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by the Governmental Accounting Standards Board (GASB), these basic financial statements include both those of the County and its component units. The component units discussed below are included primarily because the Board is financially accountable for them.

Blended Component Units

County management has determined that the following related entities should be included in the basic financial statements as blended component units:

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

Although they are separate legal entities, the various districts and the CDC are included primarily because the Board is also their governing board. As such, the Board establishes policy, appoints management and exercises budgetary control. The NPC and JPAs have been included because their sole purpose is to finance and construct County capital assets and because they are dependent upon the County for funding. Blended component units are those 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. LACERA is reported in the Pension Trust Fund of the basic financial statements and has been included because its operations are dependent upon County funding and because its operations, almost exclusively, benefit the County.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Unit

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

First 5 services are focused on the development and well-being of all children, from the prenatal stage until age five. First 5 is a component unit of the County because the County's Board appoints the voting Commissioners and the County has the ability to impose its will by removing those Commissioners at will. It is discretely presented because its governing body is not substantially the same as the County's governing body and it does not provide services entirely or exclusively to the County.

Component Unit Financial Statements

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

Government-wide Financial Statements

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements-Continued

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 they have external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2010, the restricted net assets balances were $1.86 billion and $163.8 million for governmental activities and business-type activities, respectively. For governmental activities, $79.4 million was restricted 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 fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

General Fund

The General Fund is available for any authorized purpose and is used to account for all resources except for those accounted for in other funds.

Fire Protection District Fund

The Fire Protection District Fund was established to provide for fire prevention and suppression, rescue service, management of hazardous materials incidents, ocean lifeguard services, and acquisition and maintenance of district property and equipment. Revenues are derived principally from the Countywide tax levy, voter-approved taxes and charges for services.

Flood Control District Fund

The Flood Control District Fund was established to provide for the control and conservation of flood, storm and other waste waters, to conserve such waters for beneficial and useful purposes, and to protect the harbors, waterways, public highways and property located within the District from damage from such flood and storm waters. Revenues are derived primarily from the Countywide tax levy and benefit assessments (charges for services).

Public Library Fund

The Public Library Fund was established to provide free library services to the unincorporated areas of the County and to cities that contract for these services. Revenues are derived principally from the Countywide tax levy and voter-approved taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Regional Park and Open Space District Fund

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

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

Harbor-UCLA Medical Center

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

Olive View-UCLA Medical Center

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

LAC+USC Medical Center

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

Martin Luther King, Jr. Ambulatory Care Center

The Martin Luther King, Jr. Multi-Service Ambulatory Care Center (MLK-MACC) was formerly known as Martin Luther King, Jr.-Harbor Hospital, until its loss of the hospital's licensing/accreditation on August 25, 2007. At that time, inpatient and emergency services were closed and the facility was re-organized as MLK-MACC. The MLK-MACC provides urgent care services, comprehensive outpatient services, including, primary, specialty and subspecialty services in surgery, medicine, pediatrics, obstetrics, HIV/AIDS, and dental services.

Rancho Los Amigos National Rehabilitation Center

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Waterworks Funds

The Waterworks Enterprise funds provide for the administration, maintenance, operation and improvement of district water systems.

The following fund types have also been reported:

Internal Service Funds

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

Fiduciary Fund Types

Pension Trust Fund

The Pension Trust Fund is used to account for financial activities of LACERA.

Investment Trust Funds

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

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

Agency Funds

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

Basis of Accounting

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers revenues to be available if collectible within one year after year-end, except for property taxes, which are considered available to the extent that they are collectible within 60 days after year-end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims (including workers' compensation) and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's five Hospital Enterprise Funds (Hospitals) are from patient services. The principal operating revenues for the Waterworks Enterprise Funds are from charges for services. The principal operating revenues for the County's Nonmajor Enterprise Funds and Internal Service Funds are charges for services and rental revenues. Operating expenses for all Enterprise Funds and the Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Medical malpractice expenses, which are self-insured, are classified as operating expenses of the Hospitals. All other revenues and expenses not meeting this definition are reported as nonoperating items. As discussed in Note 13, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

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

The County applies all applicable Financial Accounting Standards Board (FASB) statements and pronouncements of all predecessor entities issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in accounting and reporting for government-wide and proprietary fund financial statements. FASB statements issued after November 30, 1989, have not been applied unless specifically adopted in a GASB statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data

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

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled on the object level for all budget units within the County, except for capital asset expenditures, which are controlled on the sub-object level. The total budget exceeds $25 billion and is currently controlled through the use of approximately 400 separate budget units. There were no excesses of expenditures over the related appropriations within any fund for the year ended June 30, 2010. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control.

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

Note 15 describes the differences between the budgetary basis of accounting and GAAP. A reconciling schedule is also presented for the major governmental funds.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed at 100% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization. The total 2009-2010 assessed valuation of the County of Los Angeles approximated $1.075 trillion.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

The County is divided into 11,544 tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved taxes or indebtedness.

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

Proposition 1A Borrowing by the State of California

On July 28, 2009, the California legislature and the Governor passed the State budget which included the suspension of the property tax protection provisions of Proposition 1A (2004) for fiscal year 2009-10 and required cities, counties and special districts to loan to the State 8% of the amount of property tax revenues apportioned to them in fiscal year 2008-09. This loan is known as the AB X4 15 Mandatory Loan (Loan).

The provision also created an option, known as the Proposition 1A Securitization, for California public agencies to sell their Loan to the California Statewide Communities Development Authority. While the loan to the State was mandatory for all agencies, the participation in the securitization program was voluntary. All securitization costs and obligations were borne entirely by the State.

The law required the Loan from agencies to the State to be transferred in two equal installments on January 15, 2010 and May 3, 2010. Those agencies participating in the Proposition 1A Securitization program received proceeds from the securitization for the same amounts. The County chose to participate in the Proposition 1A Securitization for the County's General Fund for $305 million, Fire Protection District for $45 million, Flood Control District for $8 million, and the Public Library for $5 million. The Loan had no impact on each of the fund's current year cash flow or financial statements. The impact on property tax revenues for all other funds that did not participate in the Proposition 1A Securitization was immaterial.

Deposits and Investments

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Deposits and investments are reflected in the following asset accounts:

Pooled Cash and Investments

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

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

Operating Pooled Cash and Investments

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

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2010 that were owed to or were more appropriately classified in County operating funds. Accordingly, certain cash balances have been reclassified from the agency funds as required by GASB Statement No. 34.

Other Investments

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

Restricted Assets

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Inventories

Inventories, which consist of materials and supplies held for consumption, are valued at cost using the average cost basis. The inventory costs of the governmental funds are accounted for as expenditures when the inventory items are consumed. Reported inventories are offset with a corresponding reservation of fund balance because these amounts are not available for appropriation and expenditure.

Of the amounts reported as inventories in the governmental activities, $32,478,000 represents land held for resale by the CDC. The CDC records land held for resale at the lower of cost or estimated net realizable value.

Capital Assets

Capital assets, which include land and easements, buildings and improvements, equipment, intangible and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets are divided into the five following networks: road; water; sewer; flood control and aviation. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation. Certain buildings and equipment are being leased under capital leases as defined in FASB Statement No. 13. The present value of the minimum lease obligation has been capitalized in the statement of net assets and is also reflected as a liability in that statement. For the year ended June 30, 2010, the County implemented GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets.”

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

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

Advances Payable

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

Vacation and Sick Leave Benefits

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

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

Long-term Debt

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

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

Cash Flows

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Use of Estimates

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

2. ACCOUNTING CHANGES AND RESTATEMENT OF NET ASSETS

As discussed below, the County implemented the following GASB Statements in the 2009-2010 fiscal year:

Governmental Accounting Standards Board Statement No. 51

For the year ended June 30, 2010, the County implemented Government Accounting Standards Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets, and that existing guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. Implementation of GASB Statement No. 51 primarily impacted the County's government-wide and proprietary funds financial statements, and the Capital Assets note disclosure (see Note 6) for the year ended June 30, 2010.

Restatement of Net Assets

In order to meet the guidelines in GASB Statement No. 51, the County restated its beginning balances to reflect the inclusion of its intangible software assets. The effects of the changes are as follows (in thousands):

	Net Assets/ (Deficit) July 1, 2009 as previously reported	Effect of Including Intangible Software Assets	Net Assets/ (Deficit) July 1, 2009 as restated
Government-wide:			
Governmental activities	$ 14,752,295	252,572	$ 15,004,867
Business-type activities	1,377,199	50,170	1,427,369
Proprietary funds:			
Major Enterprise Funds:			
Harbor-UCLA Medical Center	(163,541)	6,953	(156,588)
Olive View-UCLA Medical Center	(46,209)	13,715	(32,494)
LAC+USC Medical Center	482,820	16,851	499,671
M. L. King, Jr. Ambulatory Care Center	(68,170)	7,734	(60,436)
Rancho Los Amigos Nat'l Rehab Center	17,298	4,917	22,215

2. ACCOUNTING CHANGES AND RESTATEMENT OF NET ASSETS-Continued

Governmental Accounting Standards Board Statement No. 53

GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," was implemented by the County for the fiscal year ended June 30, 2010. The statement establishes accounting and financial reporting requirements for derivative instruments, requiring derivative investments to be measured at fair value and reported within the Statement of Net Assets. For the fiscal year ended June 30, 2010, while the County did not hold any derivative instruments in either County pooled or other investments, the County will apply the Statement as appropriate in the future.

The Pension Trust Fund did hold derivative instruments at June 30, 2010 and LACERA implemented the provisions and disclosure requirements of GASB Statement No. 53. As the LACERA had already presented derivative investments at fair value, the Statement of Net Assets was not affected by GASB Statement No. 53.

3. NET ASSET DEFICITS

The following funds had net asset deficits at June 30, 2010 (in thousands):

	Accumulated Deficit
Enterprise Funds:	
Harbor-UCLA Medical Center	$ 240,260
Olive View-UCLA Medical Center	75,411
M. L. King, Jr. Ambulatory Care Center	62,629
Rancho Los Amigos National Rehab Center	31,559
Internal Service Fund-	
Public Works	125,920

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

4. ELIMINATIONS

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

4. ELIMINATIONS-Continued

Fund Financial Statements

At June 30, 2010, the governmental fund financial statements reflect an investment asset (referred to as "Other Investments") held by the JPAs of $222,660,000 that has been recorded in the Nonmajor Governmental Funds. The governmental fund financial statements do not reflect a liability for the related bonds payable ($222,660,000), as this obligation is not currently due. Accordingly, the value of the asset represents additional fund balance in the Nonmajor Governmental Funds.

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

Government-wide Financial Statements

The government-wide financial statements are designed to minimize the duplicative effects of transactions between funds. Accordingly, the effects of the transaction described above have been eliminated from the amounts presented within governmental activities (as appropriate under the accrual basis of accounting). The specific items eliminated were other investments and bonds payable ($222,660,000) and investment earnings and interest expense ($11,692,000 for each). Accordingly, there are no reconciling differences between the two sets of financial statements (after the effects of eliminations) for this matter.

The bonds payable of $222,660,000, that were publicly issued, are included among the liabilities presented in the Government-wide Financial Statements. Disclosures related to those outstanding bonds appear in Note 10 and are captioned "Assessment Bonds."

5. CASH AND INVESTMENTS

Investments in the County's cash and investment pool, other cash and investments, and Pension Trust Fund investments, are stated at fair value. Aggregate pooled cash and investments and other cash and investments are as follows at June 30, 2010 (in thousands):

			Restricted Assets		
	Pooled Cash and Investments	Other Investments	Pooled Cash and Investments	Other Investments	Total
Governmental Funds	$ 4,354,635	$ 232,826	$	$	$ 4,587,461
Proprietary Funds	145,603	31,605	62,832	17,464	257,504
Fiduciary Funds (excluding Pension Trust Fund)	18,121,352	95,749			18,217,101
Pension Trust Fund	51,691	35,035,207			35,086,898
Component Unit	847,967				847,967
Total	$ 23,521,248	$35,395,387	$ 62,832	$ 17,464	$ 58,996,931

Deposits-Custodial Credit Risk

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

5. CASH AND INVESTMENTS-Continued

Deposits-Custodial Credit Risk-Continued

At June 30, 2010, the carrying amount of the County's deposits was $218,106,000 and the balance per various financial institutions was $217,704,000. The County's deposits are not exposed to custodial credit risk since all of its deposits are either covered by federal depository insurance or collateralized with securities held by the County or its agent in the County's name, in accordance with California Government Code Section 53652.

At June 30, 2010, the carrying amount of Pension Trust Fund deposits was $115,587,000. Pension Trust Fund deposits are held in the Fund's custodial bank and, therefore, are not exposed to custodial credit risk since its deposits are eligible for and covered by "pass through insurance" in accordance with applicable law and FDIC rules and regulations.

Investments

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Notes, Bills and Bonds	None	None	None
U.S. Agency Securities	None	None	None
Local Agency Obligations	5 years	10%*	10%*
Bankers' Acceptances	180 days	40%	$500 million*
Commercial Paper	270 days	40%	$750 million*
Certificates of Deposit	3 years*	30%	$500 million*
Corporate Medium-Term Notes	3 years*	30%	$500 million*
Repurchase Agreements	30 days*	$1 billion*	$500 million*
Reverse Repurchase Agreements	92 days	$500 million*	$250 million*
Securities Lending Agreements	92 days	20%*	None
Money Market Mutual Funds	NA	15%*	10%
State of California's Local Agency Fund (LAIF)	N/A	$50 million	None
Asset-Backed Securities	5 years	20%	$500 million*

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

5. CASH AND INVESTMENTS-Continued

Investments-Continued

Investments held by the County Treasurer are stated at fair value, except for certain non-negotiable securities that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates. The fair value of pooled investments is determined monthly and is provided by the custodian bank. The method used to determine the value of participants' equity withdrawn is based on the book value, which is amortized cost, of the participants' percentage participation at the date of such withdrawals.

At June 30, 2010, the County had open trade commitments with various brokers to purchase investments totaling $1,101,722,000 with settlement dates subsequent to year-end. These investments have been included in Pooled Cash and Investments-Other and corresponding liabilities have been recorded as Other Payables.

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

The interest rate risk, foreign currency risk, credit risk, concentration of credit risk, and custodial credit risk related to Pension Trust Fund investments are different than the corresponding risk on investments held by the County Treasurer. Detailed deposit and investment risk disclosures are included in Note G and Note I of LACERA’s Report on Audited Financial Statements for the year ended June 30, 2010.

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-four percent (84%) of the Treasurer's external investment pool consists of these involuntary participants. Voluntary participants in the County's external investment pool include the Sanitation Districts, Metropolitan Transportation Authority, the South Coast Air Quality Management District and other special districts with independent governing boards. The deposits held for both involuntary and voluntary entities are included in the External Pooled Investment Trust Fund. Certain Specific Purpose Investments (SPI) have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's investment pool and is reported in the Specific Investment Trust Fund. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer must follow.

5. CASH AND INVESTMENTS-Continued

Investments-Continued

County pooled and other investments (excluding Pension Trust Fund other investments) at June 30, 2010 (in thousands) are as follows:

	Fair Value
U.S. Agency securities	$ 10,661,654
U.S. Treasury securities	727,560
Negotiable certificates of deposit	3,163,666
Commercial paper	8,141,422
Corporate and deposit notes	784,198
Bankers' acceptances	48,720
Municipal bonds	5,250
Los Angeles County securities	15,000
Money market mutual funds	106,541
Local Agency Investment Fund	63,413
Mortgage trust deeds	589
Other	25,605
Total	$ 23,743,618

Pension Trust Fund investments are reported in the basic financial statements at fair value at June 30, 2010 (in thousands) and are as follows:

	Fair Value
Domestic and international equity	$ 17,852,007
Fixed income	10,142,133
Real estate	2,843,804
Private equity	3,417,212
Commodities	664,464
Total	$ 34,919,620

The Pension Trust Fund also had deposits with the Los Angeles County Treasury Pool at June 30, 2010 totaling $51,691,000. The Pension Trust Fund portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of total investments.

The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2010 to support the value of shares in the Treasurer's investment pool.

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

5. CASH AND INVESTMENTS-Continued

Investments-Continued

A summary of deposits and investments held by the Treasurer's Pool is as follows (in thousands):

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
U. S. Agency securities	$ 10,512,894	$10,394,594	0.15%-7.33%	07/12/10-07/21/15	3.31
U.S. Treasury securities	727,036	726,604	0.23%-2.38%	10/21/10-08/31/14	0.81
Negotiable certificates of deposit	3,163,666	3,164,126	0.22%-0.53%	07/01/10-10/28/10	0.14
Commercial paper	8,141,422	8,141,693	0.25%-0.55%	07/01/10-09/27/10	0.07
Corporate and deposit notes	781,876	771,004	0.25%-6.88%	07/14/10-09/12/12	0.57
Los Angeles County securities	15,000	15,000	0.61%-0.73%	06/30/12	2.00
Bankers' acceptances	48,720	48,721	0.40%-0.50%	08/30/10-09/21/10	0.19
Deposits	197,516	197,516			
	$ 23,588,130	$23,459,258			

A summary of other (non-pooled) deposits and investments, excluding the Pension Trust Fund, is as follows (in thousands):

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
Local Agency Investment Fund	$ 63,413	$ 63,310		N/A	0.56
Corporate and deposit notes	2,322	2,314	0.794%	02/01/11	0.59
Mortgage trust deeds	589	589	4.5%-5.5%	08/01/12-04/01/17	4.36
Municipal bonds	5,250	5,250	5.0%	09/02/21	11.04
U.S. Agency securities	148,760	148,549	1.5%-4.9%	05/19/11-06/30/15	5.73
U.S. Treasury bonds	109	86	7.25%	05/15/16	5.81
U.S. Treasury notes	113	112	4.24%-4.88%	10/15/10-07/31/11	0.30
U.S. Treasury bills	302	302	0.18%	12/09/10	0.44
Money market mutual funds	106,541	106,542	0.01%-0.20%	N/A	N/A
Other	25,605	25,605	4.7%	08/15/12-10/01/14	2.90
Deposits	20,590	20,590			
	$ 373,594	$ 373,249			

5. CASH AND INVESTMENTS-Continued

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The government code limits most investment maturities to five years, with the exception of commercial paper and bankers' acceptances which are limited to 270 days and 180 days, respectively. The County Treasurer manages equity and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding all investments to maturity. The County's investment guidelines limit the weighted average maturity of its portfolios to a target of less than 1.5 years. Of the Pooled Cash and Investments and Other Investments at June 30, 2010, 56.50% have a maturity of six months or less, 2.92% have a maturity of between six and twelve months, and 40.58% have a maturity of more than one year.

As of June 30, 2010, variable-rate notes comprised 1.07 % of the Treasury Pool and Other Investment portfolios. The notes are tied to one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable-rate coupon resets back to the market rate on a periodic basis. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset.

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank, except for Bond Anticipation Notes, certain long-term debt proceeds issued by Los Angeles County entities, investment in the State's Local Agency Investment Fund, and mortgage trust deeds which are held in the County Treasurer's vault. Securities are not held in broker accounts. At June 30, 2010, the County's external investment pools and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

Credit Risk and Concentration of Credit Risk

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

The County's investment policy establishes minimum acceptable credit ratings for investments from any two Nationally Recognized Statistical Rating Organizations (NRSROs). For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's) while an issuer of long-term debt shall be rated no less than an "A." All investments purchased in the fiscal year met the credit rating criteria in the Investment Policy, at the issuer level. While the NRSROs rated the issuer of the investments purchased, it did not in all instances rate the investment itself (e.g. commercial paper, corporate and deposit notes, and negotiable certificates of deposit). For purposes of reporting credit quality distribution of investments in the following table, some investments are reported as not rated. At June 30, 2010, a portion of the County's other investments was invested in the State of California's Local Agency Investment Fund which is unrated as to credit quality.

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The County's Investment Policy, approved annually by the Board of Supervisors, limits the maximum total par value for each permissible security type (e.g., commercial paper and certificates of deposit) to a certain percentage of the investment pool. Exceptions to this are obligations of the United States government and United States government agencies or government-sponsored enterprises, which do not have limits. Further, the County restricts investments in any one issuer based on the issuer's Nationally Recognized Statistical Rating Organization (NRSRO) ratings. For bankers' acceptances, certificates of deposit, corporate notes and floating rate notes, the highest issuer limit was $500 million, approximately 2.24% of the investment pool's daily investment balance. For commercial paper, the highest issuer limit was $750 million, or 3.36% of the investment pool's daily investment balance.

The Pool and SPI had the following U.S. Agency securities in a single issuer that represent 5 percent or more of total investments at June 30, 2010 (in thousands):

Issuer	Pool	SPI
Federal Farm Credit Bank	$ 2,063,792	
Federal Home Loan Bank	2,870,703	
Federal Home Loan Mortgage Corp	3,709,189	$ 27,500
Federal National Mortgage Association	1,868,433	

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each portfolio's fair value at June 30, 2010:

	S & P	Moody's	% of Portfolio
Pooled Cash and Investments:			
Commercial paper	Not Rated	Not Rated	34.81%
Corporate and deposit notes	A	A2	0.11%
	A	A3	0.13%
	A+	Aa2	0.04%
	AA-	Aa3	0.05%
	AA-	Aa1	0.22%
	AA+	Aa2	0.88%
	Not Rated	Not Rated	1.92%
Bankers' Acceptances	Not Rated	Not Rated	0.21%
Los Angeles County securities	AA-	A1	0.06%
Negotiable certificates of deposit	Not Rated	Not Rated	13.31%
	Not Rated	P1	0.21%
U.S. Agency securities	AAA	Aaa	43.32%
	Not Rated	Not Rated	1.62%
U.S. Treasury securities	AAA	Aaa	0.33%
	Not Rated	Not Rated	2.78%
			100.00%

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

Other Investments:			
Local Agency Investment Fund	Not Rated	Not Rated	17.96%
Corporate and deposit notes	AA+	Aa2	0.66%
Mortgage trust deeds	AA-	Aa2	0.17%
Municipal bonds	AA-	Aa2	1.49%
U.S. Agency securities	AAA	Aaa	8.42%
	Not Rated	Not Rated	33.72%
U.S. Treasury securities	AAA	Aaa	0.15%
Money market mutual funds	Not Rated	Not Rated	30.18%
Other	Not Rated	Not Rated	7.25%
			100.00%

The earned yield, which includes net gains on investments sold, on all investments held by the Treasurer's Pool for the fiscal year ended June 30, 2010 was 1.45%.

A separate financial report is issued for the Treasurer's Pool. The most current report, as of June 30, 2009, is available on the Treasurer's website, and the report as of June 30, 2010, is in progress. The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2010 (in thousands):

Statement of Net Assets	
Net assets held in trust for all pool participants	$ 23,588,130
Equity of internal pool participants	$ 7,456,732
Equity of external pool participants	16,131,398
Total equity	$ 23,588,130
Statement of Changes in Net Assets	
Net assets at July 1, 2009	$ 19,962,729
Net change in investments by pool participants	3,625,401
Net assets at June 30, 2010	$ 23,588,130

The unrealized gain on investments held in the Treasurer's Pool was $128,872,000 as of June 30, 2010. This amount takes into account all changes in fair value (including purchases, sales and redemptions) that occurred during the year.

Reverse Repurchase Agreements

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

5. CASH AND INVESTMENTS-Continued

Reverse Repurchase Agreements-Continued

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

Floating Rate Notes

The California Government Code permits the County Treasurer to purchase floating rate notes, that is, any instruments that have a coupon interest rate that is adjusted periodically due to changes in a base or benchmark rate. The County's investment guidelines limit the amount of floating rate notes to 10% of the Los Angeles County Treasury Pool portfolio and prohibit the purchase of inverse floating rate notes and hybrid or complex structured investments. As of June 30, 2010, there were approximately $264,500,000 in floating rate notes.

Derivatives

LACERA utilizes forward currency contracts to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. At June 30, 2010, forward currency contracts receivable and payable totaled $99,474,000 and $99,645,000, respectively.

LACERA's Investment Policy Statement and Investment Manager Guidelines allow the limited use of other investment derivatives by certain investment managers. Detailed derivative disclosures are included in Note I of LACERA's Report on Audited Financial Statements for the year ended June 30, 2010.

Securities Lending Transactions

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

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

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

5. CASH AND INVESTMENTS-Continued

Securities Lending Transactions-Continued

At year-end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2010, there were no violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the year ended June 30, 2010.

As of June 30, 2010, the fair value of securities on loan was $1.13 billion. The value of the cash collateral received for those securities was $1.16 billion and the non-cash collateral was $194,000. Securities lending assets (Other Investments) and liabilities (Other Payables) of $1.1 billion are recorded in the Pension Trust Fund. Pension Trust Fund income, net of expenses, from securities lending was $3.5 million for the year ended June 30, 2010.

For the year ended June 30, 2010, the Los Angeles County Treasury Pool did not enter into any securities lending transactions.

Summary of Deposits and Investments

Following is a summary of the carrying amount of deposits and investments at June 30, 2010 (in thousands):

	County	Pension Trust Fund	Total
Deposits	$ 218,106	$ 115,587	$ 333,693
Investments	23,743,618	34,919,620	58,663,238
	$ 23,961,724	$ 35,035,207	$ 58,996,931

6. CAPITAL ASSETS

Pursuant to GASB Statement No. 51, the government-wide and proprietary financial statements include retrospective reporting of software intangible assets that were completed prior to July 1, 2009. To recognize the eligible costs of software with the associated amortization, the beginning balances as of July 1, 2009 were restated for software, as discussed in Note 2. In addition, the accompanying government-wide and proprietary fund financial statements include software assets with a capitalization threshold of $1 million or more for systems that were either implemented during the fiscal year or that were considered to be “software in progress” at year-end. All capitalized software is subject to amortization, which is combined with depreciation expense and accumulated depreciation in the financial statements. The County did not have any non-software intangible assets that were over the County’s threshold of $100,000, except easements, which have been included in the financial statements since fiscal year 2005-2006.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

6. CAPITAL ASSETS-Continued

Capital assets activity for the year ended June 30, 2010 is as follows (in thousands):

	Balance July 1, 2009 as previously reported	Adjustments Note 2	Balance July 1, 2009 as restated
Governmental Activities			
Capital assets, not being depreciated:			
Land	$ 2,367,757	$	$ 2,367,757
Easements	4,779,292		4,779,292
Software in progress		34,601	34,601
Construction in progress-buildings and improvements	161,345		161,345
Construction in progress-infrastructure	360,711		360,711
Subtotal	7,669,105	34,601	7,703,706
Capital assets, being depreciated:			
Buildings and improvements	4,232,115		4,232,115
Equipment	1,175,543		1,175,543
Software		314,361	314,361
Infrastructure	7,172,368		7,172,368
Subtotal	12,580,026	314,361	12,894,387
Less accumulated depreciation for:			
Buildings and improvements	(1,458,161)		(1,458,161)
Equipment	(804,663)		(804,663)
Software		(96,390)	(96,390)
Infrastructure	(2,733,706)		(2,733,706)
Subtotal	(4,996,530)	(96,390)	(5,092,920)
Total capital assets, being depreciated, net	7,583,496	217,971	7,801,467
Governmental activities capital assets, net	$ 15,252,601	$ 252,572	$ 15,505,173
Business-type Activities			
Capital assets, not being depreciated:			
Land	$ 216,273	$	$ 216,273
Easements	30,701		30,701
Software in progress			
Construction in progress-buildings and improvements	75,544		75,544
Construction in progress-infrastructure	36,134		36,134
Subtotal	358,652		358,652
Capital assets, being depreciated:			
Buildings and improvements	1,987,112		1,987,112
Equipment	310,705		310,705
Software		52,473	52,473
Infrastructure	1,149,854		1,149,854
Subtotal	3,447,671	52,473	3,500,144
Less accumulated depreciation for:			
Buildings and improvements	(695,276)		(695,276)
Equipment	(199,690)		(199,690)
Software		(2,303)	(2,303)
Infrastructure	(428,975)		(428,975)
Subtotal	(1,323,941)	(2,303)	(1,326,244)
Total capital assets, being depreciated, net	2,123,730	50,170	2,173,900
Business-type activities capital assets, net	$ 2,482,382	$ 50,170	$ 2,532,552
Total Capital Assets, Net	$17,734,983	$ 302,742	$ 18,037,725

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

6. CAPITAL ASSETS-Continued

Additions	Deletions	Balance June 30, 2010	
			Governmental Activities
			Capital assets, not being depreciated:
$ 42,215	$ (7,585)	$ 2,402,387	Land
53,976	(685)	4,832,583	Easements
3,913	(34,601)	3,913	Software in progress
69,625	(90,841)	140,129	Construction in progress-buildings and improvements
154,025	(62,116)	452,620	Construction in progress-infrastructure
323,754	(195,828)	7,831,632	Subtotal
			Capital assets, being depreciated:
102,401	(271,052)	4,063,464	Buildings and improvements
78,853	(51,258)	1,203,138	Equipment
67,037		381,398	Software
64,976	(2,906)	7,234,438	Infrastructure
313,267	(325,216)	12,882,438	Subtotal
			Less accumulated depreciation for:
(83,824)	159,345	(1,382,640)	Buildings and improvements
(107,061)	43,106	(868,618)	Equipment
(26,654)		(123,044)	Software
(153,723)	397	(2,887,032)	Infrastructure
(371,262)	202,848	(5,261,334)	Subtotal
(57,995)	(122,368)	7,621,104	Total capital assets, being depreciated, net
$ 265,759	$ (318,196)	$ 15,452,736	Governmental activities capital assets, net
			Business-type Activities
			Capital assets, not being depreciated:
$	$ (4,890)	$ 211,383	Land
308		31,009	Easements
723		723	Software in progress
76,681	(7,049)	145,176	Construction in progress-buildings and improvements
34,234	(13,079)	57,289	Construction in progress-infrastructure
111,946	(25,018)	445,580	Subtotal
			Capital assets, being depreciated:
5,008	(15,782)	1,976,338	Buildings and improvements
10,951	6,510	328,166	Equipment
		52,473	Software
12,306	(4)	1,162,156	Infrastructure
28,265	(9,276)	3,519,133	Subtotal
			Less accumulated depreciation for:
(26,869)	10,069	(712,076)	Buildings and improvements
(23,771)	922	(222,539)	Equipment
(3,489)		(5,792)	Software
(21,026)		(450,001)	Infrastructure
(75,155)	10,991	(1,390,408)	Subtotal
(46,890)	1,715	2,128,725	Total capital assets, being depreciated, net
65,056	(23,303)	2,574,305	Business-type activities capital assets, net
$ 330,815	$ (341,499)	$ 18,027,041	Total Capital Assets, net

6. CAPITAL ASSETS-Continued

Depreciation Expense

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

Governmental activities:	
General government	$ 20,017
Public protection	171,421
Public ways and facilities	86,916
Health and sanitation	17,934
Public assistance	29,208
Education	2,288
Recreation and cultural services	19,817
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	23,661
Total depreciation expense, governmental activities	$ 371,262
Business-type activities:	
Hospitals	$ 45,232
Aviation	1,628
Waterworks	22,119
Community Development Commission	627
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	5,549
Total depreciation expense, business-type activities	$ 75,155

The business-type activities included equipment transfers from the County's General Fund to each Hospital Fund. The amount of the transfers exceeded the amount of deletions by $6.5 million. Capital contributions totaling $7.2 million are shown in the statement of revenues, expenses and changes in fund net assets for each of the Hospital Funds.

The State Trial Court Facilities Act (SB 1732, Chapter 1082 of 2002), as amended by later statutes, authorized the County to enter into agreements with the State of California for the transfer of responsibility for and title to court facilities, as well as for the joint occupancy of those court facilities. Administrative oversight of court operations was transferred from the County to the State in 1998, pursuant to State legislative action at that time. The Trial Court Facilities Act is a continuation of this process. Although the County is required to make ongoing "maintenance of effort" payments to the State for the transferred facilities, the amount is fixed and the County will no longer be responsible for costs which exceed the fixed amount due to inflation and other factors.

In fiscal year 2009-10, the County recorded 16 courthouse transfers of land, buildings, and improvements, which resulted in a loss on the sale of capital assets used in governmental activities. The loss of $117.0 million is reported as a general government expense in the government-wide statement of activities.

6. CAPITAL ASSETS-Continued

Discretely Presented Component Unit

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2010 was as follows (in thousands):

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	$ 2,039	$	$	$ 2,039
Capital assets, being depreciated:				
Buildings and improvements	11,922			11,922
Equipment	2,127	130	(6)	2,251
Subtotal	14,049	130	(6)	14,173
Less accumulated depreciation for:				
Buildings and improvements	(987)	(239)		(1,226)
Equipment	(1,228)	(358)	6	(1,580)
Subtotal	(2,215)	(597)	6	(2,806)
Total capital assets being depreciated, net	11,834	(467)		11,367
Component unit capital assets, net	$ 13,873	$ (467)	$	$ 13,406

7. PENSION PLAN

Plan Description

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

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

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

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

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

7. PENSION PLAN-Continued

Funding Policy

LACERA has seven benefit tiers known as A, B, C, D and E, and Safety A and B. All tiers except E are employee contributory. Tier E is employee non-contributory. New general employees are eligible for tiers D or E at their discretion. New safety members are eligible for only Safety B. Rates for the tiers are established in accordance with State law by LACERA's Boards of Retirement and Investments and the County Board of Supervisors.

The following employer rates were in effect for 2009-2010:

	A	B	C	D	E
General Members	17.28%	10.62%	9.88%	10.48%	10.45%
Safety Members	27.83%	20.35%			

The rates were determined by the actuarial valuation performed as of June 30, 2008 and are the same as those used to calculate the annual required contribution (ARC).

Employee rates vary by the option and employee entry age from 5% to 15% of their annual covered salary.

During 2009-2010, the County contributed the full amount of the ARC.

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation for 2009-2010, computed in accordance with GASB 27, were as follows (in thousands):

Annual required contribution (ARC):	
County	$ 843,592
Non-County entities	111
Total ARC	843,703
Interest on net pension obligation (asset)	(8,021)
Adjustment to ARC	59,771
Annual pension cost	895,453
Contributions made:	
County	843,592
Non-County entities	111
Total contributions	843,703
Cost in excess of contributions	51,750
Net pension obligation (asset), July 1, 2009	(103,501)
Net pension obligation (asset), June 30, 2010	$ (51,751)

Trend Information (in thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2008	$ 858,347	96.5%	$ (146,723)
June 30, 2009	890,393	95.1%	(103,501)
June 30, 2010	895,453	94.2%	(51,751)

7. PENSION PLAN-Continued

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the funded ratio was determined to be 88.9%. The actuarial value of assets was $39.5 billion, and the actuarial accrued liability (AAL) was $44.4 billion, resulting in an unfunded AAL of $4.9 billion. The covered payroll was $6.5 billion and the ratio of the unfunded AAL to the covered payroll was 75.2%.

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

Actuarial Methods and Assumptions

The annual required contribution was calculated using the entry age normal method. The most recent actuarial valuation also assumed an annual investment rate of return of 7.75%, and projected salary increases ranging from 4.26% to 10.24%, with both assumptions including a 3.5% inflation factor. Additionally, the valuation assumed post-retirement benefit increases of between 2% and 3%, in accordance with the provisions of the specific benefit options. The actuarial value of assets was determined utilizing a three-year smoothed method based on the difference between the expected market value and the actual market value of assets as of the valuation date.

The County contribution rate to finance the unfunded AAL (effective for the 2009-2010 fiscal year, as determined by the June 30, 2008, actuarial valuation) was equal to 1.99% of payroll (using the level percentage of payroll amortization method, over a 30-year open period) plus the normal cost rate of 10.09%, for a total rate of 12.08% of payroll.

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

Because it is negative, the net pension obligation represents an asset. Accordingly, a pension asset, "Net Pension Obligation," has been recognized in the government-wide financial statements and in the proprietary funds financial statements.

Pension Obligation Bonds

During 1994-95 the County sold approximately $1,965,230,000 in par value pension bonds and utilized the proceeds to fund LACERA. A portion of the bonds ($1,365,230,000) were fixed rate. The remaining $600,000,000 were variable rate bonds, which were restructured into fixed rate bonds during 1995-96.

For the year ended June 30, 2010, the combined principal and interest payments for the bonds were $358,165,000. For governmental activities, the total debt service was $265,809,000. For business-type activities, the total debt service was $92,356,000. At June 30, 2010, the total outstanding principal on bonds was $345,913,000, including accretions of $227,427,000 on deep discount bonds. The bonds have interest rates varying from 7.40% to 7.44%.

7. PENSION PLAN-Continued

Pension Obligation Bonds-Continued

The following is a summary of future funding requirements for all outstanding pension bonds (in thousands):

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2011	$ 87,934	$ 187,956	$ 30,552	$ 65,688
Accretions	168,783		58,644	
Total Pension Bonds Payable	$ 256,717		$ 89,196	

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

LACERA administers a cost-sharing, multi-employer defined benefit Other Postemployment Benefit (OPEB) plan on behalf of the County. As indicated in Note 7-Pension Plan, because the non-County entities are immaterial to its operations, the disclosures herein are made as if LACERA was a single employer defined benefit plan.

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

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

Funding Policy

In 1996-1997, the County entered into an agreement with LACERA to establish an Internal Revenue Code Section 401(h) Account to use in connection with the County's payment of retiree health care costs. Section 401(h) permits the establishment of a separate account (a "401(h) Account") to fund retiree healthcare benefits, and limits contributions to the 401(h) Account to 25% of aggregate contributions to LACERA. This agreement also permits the use of LACERA excess earnings reserves to reduce the County's funding requirements for these benefits.

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

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Funding Policy-Continued

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

A trust fund has not been established for the retiree health benefits or the long-term disability benefits. The County's contribution is on a pay-as-you-go basis. During the 2009-2010 fiscal year, the County made payments to LACERA totaling $384.0 million for retiree health care benefits. Included in this amount was, $33.2 million for Medicare Part B reimbursements and $6.0 million in death benefits. Additionally, $36.3 million was paid by member participants. The County also made payments of $33.0 million for long-term disability benefits.

Annual OPEB Cost and Net OPEB Obligation (including Long-Term Disability)

The County's Annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The OPEB cost and OPEB obligation were determined by the OPEB health care actuarial valuation as of July 1, 2008, and the OPEB long-term disability actuarial valuation as of July 1, 2009. The following table shows the ARC, the amount actually contributed and the net OPEB obligation (in thousands):

Annual OPEB required contribution (ARC)	$ 1,720,660
Interest on Net OPEB obligation	123,269
Adjustment to ARC	(93,793)
Annual OPEB cost (expense)	1,750,136
Less: Contributions made (pay-as-you-go)	417,518
Increase in Net OPEB obligation	1,332,618
Net OPEB obligation, July 1, 2009	2,465,383
Net OPEB obligation, June 30, 2010	$ 3,798,001

Trend Information (in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	$ 1,615,272	23.6%	$ 1,234,148
June 30, 2009	1,628,494	24.4%	2,465,383
June 30, 2010	1,750,136	23.9%	3,798,001

Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date for OPEB health care benefits, the funded ratio was 0%. The actuarial value of assets was zero. The actuarial accrued liability (AAL) was $20.9 billion, resulting in an unfunded AAL of $20.9 billion. The covered payroll was $6.1 billion and the ratio of the unfunded AAL to the covered payroll was 341.31%.

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Funded Status and Funding Progress-Continued

As of July 1, 2009, the most recent actuarial valuation date for OPEB long-term disability benefits, the funded ratio was 0%. The actuarial value of assets was zero. The actuarial accrued liability (AAL) was $951.8 million, resulting in an unfunded AAL of $951.8 million. The covered payroll was $6.1 billion and the ratio of the unfunded AAL to the covered payroll was 15.54%.

The schedules of funding progress are presented as RSI following the notes to the financial statements. These RSI schedules present multi-year trend information. However, there is no data available prior to the years presented.

Actuarial Methods and Assumptions

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

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

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

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

While the actuarial valuations for OPEB health care and OPEB long-term disability benefits were prepared by two different firms, they both used the same methods and assumptions, with one exception noted below. The projected unit credit cost method was used. Both valuations assumed an annual investment rate of return of 5%, an inflation rate of 3.5% per annum and projected general wage increase~~s~~ of 4%. The increases in salary due to promotions and longevity do not affect the amount of the OPEB program benefits. An actuarial asset valuation was not performed. Finally, the OPEB valuation report used the level percentage of projected payroll over a rolling (open) 30-year amortization period. The OPEB Long-Term Disability valuation report used the level dollar of projected payroll over a rolling (open) 30-year amortization period. The most recent actuarial valuations for OPEB health care benefits (July 1, 2008) and OPEB long-term disability benefits (July 1, 2009) were each adjusted to reflect projected salary increases of 4%, from the former actuarial assumption of 3.75%.

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Actuarial Methods and Assumptions-Continued

The healthcare cost trend initial and ultimate rates, based on the July 1, 2008 actuarial valuation, are as follows:

	Initial Year	Ultimate
LACERA Medical Under 65	6.92%	5.00%
LACERA Medical Over 65	3.93%	5.00%
Firefighters Local 1014 (all)	4.83%	5.00%
Part B Premiums	3.50%	5.00%
Dental (all)	1.66%	4.50%

9. LEASES

Operating Leases

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2010 (in thousands):

Year Ending June 30	Governmental Activities
2011	$ 80,646
2012	67,690
2013	56,150
2014	40,846
2015	32,341
2016-2020	52,618
2021-2025	18,940
2026-2030	17,868
2031-2035	1,489
Total	$ 368,588

Rent expenditures related to operating leases were $94,669,000 for the year ended June 30, 2010.

Capital Leases

The following is a schedule of future minimum lease payments under capital leases together with the present value of future minimum lease payments as of June 30, 2010 (in thousands):

Year Ending June 30	Governmental Activities
2011	$ 24,096
2012	20,705
2013	20,345
2014	19,119
2015	15,849
2016-2020	70,578
2021-2025	71,708
2026-2030	71,958
2031-2035	51,397
2036-2040	17,892
Total	383,647
Less: Amount representing interest	235,574
Present value of future minimum lease payments	$ 148,073

9. LEASES-Continued

Capital Leases-Continued

The following is a schedule of property under capital leases by major classes at June 30, 2010 (in thousands):

	Governmental Activities
Land	$ 17,279
Buildings and improvements	155,013
Equipment	47,641
Accumulated depreciation	(61,975)
Total	$ 157,958

Future rent revenues to be received from noncancelable subleases are $1,252,000 as of June 30, 2010.

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, various County golf courses and regional parks, and Asset Development Projects. Substantially all of the Marina's land and harbor facilities are leased to others under agreements classified as operating leases. Certain golf courses and regional parks are leased under agreements which provide for activities such as golf course management and clubhouse operations, food and beverage concessions, and recreational vehicle camping. The Asset Development Projects are ground leases and development agreements entered into by the County for private sector development of commercial, industrial, residential, and cultural uses on vacant or underutilized County owned property. The Asset Development leases cover remaining periods ranging generally from 1 to 87 years and are accounted for in the General Fund. The lease terms for the golf courses and regional parks cover remaining periods ranging from 1 to 25 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 57 years and are accounted for in the General Fund.

The land carrying value of the Asset Development Project ground leases and the Marina del Rey Project area leases is $420,399,000. The carrying value of the capital assets associated with the golf course and regional park operating leases is not determinable.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2010 (in thousands):

Year Ending June 30	Governmental Activities
2011	$ 43,187
2012	42,444
2013	39,705
2014	37,851
2015	37,057
Thereafter	1,325,831
Total	$ 1,526,075

9. LEASES-Continued

Leases of County-Owned Property-Continued

The following is a schedule of rental income for these operating leases for the year ended June 30, 2010 (in thousands):

	Governmental Activities
Minimum rentals	$ 42,236
Contingent rentals	18,478
Total	$ 60,714

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

10. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans payable, pension bonds payable (see Note 7), OPEB (see Note 8), capital lease obligations (see Note 9) and other liabilities which are payable from the General, Special Revenue, Debt Service, Enterprise and Internal Service Funds.

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

	Original Par Amount of Debt	Balance June 30, 2010
Los Angeles County Flood Control District Refunding Bonds 2.5% to 5.0%	$ 143,195	$ 52,995
Los Angeles County Flood Control District Revenue Bonds 4.0% to 4.12%	20,540	16,615
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3.0% to 5.25%	275,535	238,471
Community Development Commission (CDC) Notes Payable, 2.31% to 7.91%	69,295	41,295
NPC Bond Anticipation Notes, 0.610% to 0.733%	11,100	11,100
NPC Bonds 2.0% to 5.0%	36,545	18,563
Marina del Rey Loans Payable, 4.5% to 4.7%	23,500	19,452
Public Buildings Certificates of Participation, 2.8% to 7.75%	958,106	649,131
Commercial paper, 0.28% to 0.35%	22,977	22,977
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds, 5.25% to 6.65%	319,827	405,986
Total	$ 1,880,620	$ 1,476,585

10. LONG-TERM OBLIGATIONS-Continued

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

	Original Par Amount of Debt	Balance June 30, 2010
NPC Bond Anticipation Notes, 0.610% to 0.733%	$ 3,900	$ 3,900
NPC Bonds, 2.0% to 5.0%	12,840	6,522
Public Buildings Certificates of Participation, 2.8% to 7.0%	140,064	85,347
Commercial Paper, 0.28% to 0.35%	257,023	257,023
Waterworks District Bonds, 3.3% to 8.0%	280	67
Community Development Commission Mortgage Notes, 0.00% to 7.3%	11,406	3,330
Total	$ 425,513	$ 356,189

General Obligation Bonds

Waterworks Districts issued general obligation bonds to finance water system projects. Revenue for retirement of such bonds is provided from ad valorem taxes on property within the jurisdiction of the governmental unit issuing the bonds. Principal and interest requirements on general obligation long-term debt for Waterworks District bonds are as follows (in thousands):

Year Ending June 30	Business-type Activities Principal	Interest
2011	$ 21	$ 6
2012	22	3
2013	24	1
Total	$ 67	$ 10

Assessment Bonds

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

10. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds-Continued

The bonds mature in fiscal year 2019-2020. Annual principal and interest payments of the bonds are expected to require less than 50% of annual assessment revenues. Total principal and interest remaining on the bonds is $270,683,000, not including unamortized bond premiums. Principal and interest for the current year and assessment revenues were $35,907,000 and $80,130,000, respectively.

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

Year Ending	Governmental Activities	
June 30	Principal	Interest
2011	$ 25,375	$ 10,515
2012	26,560	9,270
2013	27,855	7,925
2014	29,255	6,497
2015	30,735	4,998
2016-2020	82,880	8,818
Subtotal	222,660	$ 48,023
Add: Unamortized Bond Premiums	15,811	
Total Assessment Bonds	$ 238,471	

Certificates of Participation

The County has issued certificates of participation (COPs) through various financing entities that have been established by, and are component units of, the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed. During fiscal year 2009-10, the County issued $14,000,000 in COPs to finance cultural improvements and $24,025,000 in COPs to finance equipment purchases.

The County has pledged net revenues from the Calabasas Landfill for the payment of the Calabasas Landfill Project Revenue bonds, included here in the Public Buildings COPS, issued in 2005 and maturing in 2022. To the extent that the net revenues are insufficient to cover the debt payments in any fiscal year, the County has pledged to make the debt payments from any source of legally available funds. Net landfill revenues covered all of the current fiscal year debt payment of $3,095,000. Total principal and interest remaining on the bonds is $42,338,000.

10. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation-Continued

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

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2011	$ 79,661	$ 34,973	$ 16,401	$ 6,069
2012	75,588	32,072	14,767	5,348
2013	81,578	29,602	13,712	4,527
2014	51,489	26,680	13,201	3,898
2015	50,129	24,967	12,584	3,535
2016-2020	109,538	127,395	15,513	4,643
2021-2025	123,849	45,876		
2026-2030	68,515	16,039		
2031-2035	29,895	2,806		
Subtotal	670,242	$ 340,410	86,178	$ 28,020
Accretions	74,483			
Unamortized Bond Premiums	24,384		5,691	
Unamortized Loss	(31,805)			
Total Certificates of Participation	$ 737,304		$ 91,869	

Tobacco Settlement Asset-Backed Bonds

In 2006, the County entered into a Sale Agreement with the Los Angeles County Securitization Corporation (LACSC) under which the County relinquishes to the LACSC a portion of its future tobacco settlement revenues (TSRs) for the next 40 years. The County received from the sold TSRs a lump sum payment of $319,827,000 and a residual certificate in exchange for the rights to receive and retain 25.9% of the County's TSRs through 2046. The residual certificate represented the County's ownership interest in excess TSRs to be received by the LACSC during the term of the Sale Agreement. Residuals through 2011 were expected to be approximately $140,632,000. The total TSRs sold, based on the projected payment schedule in the Master Settlement Agreement and adjusted for historical trends, was estimated to be $1,438,000,000. The estimated present value of the TSRs sold, net of the expected residuals and assuming a 5.7% interest rate at the time of the sale, was $309,230,000. In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Bonds, neither the California County Tobacco Securitization Agency, the County, nor the LACSC has any liability to make up any such shortfall.

10. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds-Continued

Principal and interest requirements (in thousands) for the Tobacco Settlement Asset-Backed bonds, which do not begin until 2011, are as follows:

Year Ending June 30	Governmental Activities Principal	Interest
2011	$	$ 21,198
2012		21,197
2013		21,197
2014		21,197
2015		21,197
2016-2020		105,987
2021-2025	60,280	89,742
2026-2030	46,370	79,133
2031-2035		69,311
2036-2040	62,196	51,136
2041-2045	53,157	30,883
2046-2050	97,824	5,391
Subtotal	319,827	$ 537,569
Accretions	86,159	
Total Tobacco Settlement Asset-Backed Bonds	$ 405,986	

Notes, Loans, and Commercial Paper

Bond Anticipation Notes (BANS) are issued by the Los Angeles County Capital Assets Leasing Corporation (LACCAL Equipment Acquisition Internal Service Fund) to provide interim financing for equipment purchases. BANS are purchased by the County Treasury Pool and are payable within five years. In addition, the BANS are issued with a formal agreement that, in the event they are not liquidated within the five-year period, they convert to capital leases with a three-year term secured by County real property. During the 2009-2010 fiscal year, LACCAL issued additional BANS in the amount of $15,000,000.

CDC notes are secured by annual contributions from the United States Department of Housing and Urban Development (HUD) and housing units constructed with the note proceeds. Commission mortgage notes are secured by revenues from the operation of housing projects and from housing assistance payments from HUD. During the 2009-2010 fiscal year, CDC issued additional notes payable in the amount of $5,783 as reflected in Business-type Activities.

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

10. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Commercial Paper-Continued

Tax-exempt commercial paper notes (TECP) are issued by the County to pay for the construction costs of various County construction projects. Repayment of the TECP is secured by letters of credit and a sublease of twenty-four County-owned properties. The letters of credit have a termination date of April 26, 2013. Pursuant to the underlying lease, the County is able to amortize the remaining TECP over the useful life of the underlying assets. The term of individual commercial paper notes may not exceed 270 days. During fiscal year 2009-10, the County issued additional TECP in the amount of $93,198,000 for Business-type Activities and $22,977,000 for Governmental Activities.

Principal and interest requirements on CDC Notes payable, NPC BANS, Commercial Paper and Marina del Rey Loans payable for Governmental Activities and NPC BANS, Commercial Paper, and CDC Mortgage notes for Business-type Activities are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2011	$ 26,209	3,144	$ 257,374	13
2012	14,996	2,965	3,900	
2013	4,009	2,759		
2014	3,691	2,556		
2015	3,880	2,356		
2016-2020	19,890	8,525	980	
2021-2025	16,140	3,478		
2026-2030	6,009	649		
Indeterminate maturity			1,999	
Total	$ 94,824	$ 26,432	$ 264,253	$ 13

Summary-All Future Principal, Interest and Accretions

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

	Governmental Activities		Business-type Activities	
Debt Type	Principal	Interest	Principal	Interest
General Obligation Bonds	$	$	$ 67	$ 10
Assessment Bonds	222,660	48,023		
Certificates of Participation	670,242	340,410	86,178	28,020
Tobacco Settlement Asset-Backed Bonds	319,827	537,569		
Notes, Loans, and Commercial Paper	94,824	26,432	264,253	13
Subtotal	1,307,553	$ 952,434	350,498	$ 28,043
Add: Accretions	160,642			
Unamortized Bond Premiums	40,195		5,691	
Less: Unamortized Loss on Advance Refunding of Debt	(31,805)			
Total Bonds and Notes Payable	$1,476,585		$ 356,189	

10. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions-Continued

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

Bonds Defeased in Prior Years

In prior years, various debt obligations, consisting of bonds and certificates of participation, were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related liabilities for the defeased bonds are not reflected in the County's financial position. At June 30, 2010, the amount of outstanding bonds and certificates of participation considered defeased was $138,640,000. All of this amount was related to governmental activities.

Changes in Long-term Liabilities

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2010 (in thousands):

	Balance July 1, 2009	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2010	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 1,534,112	$ 91,065	$ 148,592	$ 1,476,585	$ 139,978
Pension bonds payable (Note 7)	485,092		228,375	256,717	256,717
Capital lease obligations (Note 9)	157,794	2,376	12,097	148,073	8,262
Accrued vacation and sick leave	808,652	69,045	48,598	829,099	49,929
Workers' compensation liability (Note 17)	1,816,262	333,216	284,614	1,864,864	308,950
Litigation and self-insurance liability (Note 17)	112,736	94,889	50,701	156,924	133,854
Pollution remediation obligation (Note 18)	30,065		5,310	24,755	2,746
OPEB obligation (Note 8)	2,049,734	1,113,697		3,163,431	
Third party payor liability	14,691	4,738	3,986	15,443	15,443
Total governmental activities	$ 7,009,138	$1,709,026	$ 782,273	$ 7,935,891	$ 915,879
Business-type activities:					
Bonds and notes payable	$ 321,930	$ 103,349	$ 69,090	$ 356,189	$ 274,696
Pension bonds payable (Note 7)	168,542		79,346	89,196	89,196
Capital lease obligations (Note 9)	143		143		
Accrued vacation and sick leave	137,652	10,729	8,992	139,389	8,682
Workers' compensation liability (Note 17)	299,719	34,146	39,314	294,551	44,617
Litigation and self-insurance liability (Note 17)	106,088	11,117	16,421	100,784	20,480
OPEB obligation (Note 8)	415,649	218,921		634,570	
Third party payor liability (Note 13)	182,274	36,519	33,790	185,003	3,324
Total business-type activities	$ 1,631,997	$ 414,781	$ 247,096,	$ 1,799,682	$ 440,995

10. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities-Continued

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

Bond interest accretions for deep discount bonds have been included in the amounts reported for Bonds and Notes Payable and Pension Bonds Payable. For Bonds and Notes Payable, accretions increased during 2009-2010, thereby increasing liabilities for Bonds and Notes Payable by $22,166,000 for governmental activities. Amounts accreted for Pension Bonds in previous years were paid during 2009-2010 thereby decreasing liabilities for Pension Bonds Payable for governmental and business-type activities by $141,392,000 and $49,124,000, respectively, for interest accretions. Note 17 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance liabilities.

11. SHORT-TERM DEBT

On July 1, 2009, the County issued $1,300,000,000 of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 0.8%. The proceeds of the notes were used to assist with County General Fund cash flow needs prior to the first major apportionment of property taxes, which occurred in December 2009. The notes matured and were redeemed on June 30, 2010.

12. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2010, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $73,245,000 and limited obligation improvement bonds totaling $9,996,000. The bonds were issued to finance the cost of various construction activities and infrastructure improvements which have a regional or direct benefit to the related property owners.

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

The County functions as an agent for the districts and bondholders. Debt service transactions related to the various bond issues are reported in the agency funds. Construction activities are reported in the Improvement Districts' Capital Projects Fund. Revenues have been recorded (proceeds from property owners) to reflect the bond proceeds issued for capital improvements.

12. CONDUIT DEBT OBLIGATIONS-Continued

Residential Mortgage Revenue Bonds

Residential Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single family residences in the County. The purpose of this program is to provide low interest rate home mortgage loans to persons who are unable to qualify for conventional mortgages at market rates. Multi-Family Mortgage Revenue Bonds have been issued to provide permanent financing for apartment projects located in the County to be partially occupied by persons of low or moderate income. The amount of Mortgage Revenue Bonds outstanding as of June 30, 2010, was $549,112,000.

The bonds do not constitute an indebtedness of the County. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans and certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County, and neither the full faith and credit nor the taxing authority of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

Industrial Development and Other Conduit Bonds

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

As of June 30, 2010, the amount of industrial development and other conduit bonds outstanding was $1,540,000.

13. HOSPITAL AND OTHER PROGRAM REVENUES

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

Medi-Cal Hospital / Uninsured Care Demonstration Project

The five-year Medi-Cal Hospital/Uninsured Care Demonstration Project (Demonstration Project) applies to payments Statewide (which currently includes 21 public hospitals, including all University of California owned hospitals, identified as Designated Public Hospitals, and private and non-designated public safety net hospitals that serve large numbers of Medi-Cal patients).

The Demonstration Project restructures inpatient hospital fee-for-service (FFS) payments and Disproportionate Share Hospital (DSH) payments, as well as the financing method by which the State draws down federal matching funds.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Hospital / Uninsured Care Demonstration Project-Continued

Under the Demonstration Project, payments for the public hospitals are comprised of: 1) FFS cost-based reimbursement for inpatient hospital services; 2) DSH payments and 3) distribution from a newly created pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP), which was capped Statewide at $586 million for FY 2009-10. The non-federal share of these three types of payments is provided by the public hospitals rather than the State, primarily through certified public expenditures (CPE), whereby the hospital would expend its local funding for services to draw down the federal financial participation (FFP). The federal medical assistance percentage (FMAP) which establishes the matching amount, for the FFS cost-based reimbursement is provided at 61.59% for July 1, 2009 through June 30, 2010. The FMAP for DSH remains at 50%. For the inpatient hospital cost-based reimbursement, each hospital provides its own CPE and receives all of the resulting federal match. For the DSH and SNCP distributions, the CPEs of all the public hospitals are used in the aggregate to draw down the federal match. It is therefore possible for one hospital to receive the federal match that results from another hospital's CPE. In this situation, the first hospital is referred to as a "recipient" hospital, while the second is referred to as a "donor" hospital. A recipient hospital is required to "retain" the FFP amounts resulting from donated CPEs.

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

The Demonstration Project restricts the amount of IGTs that may be used for DSH payments. A hospital's IGT may be used to draw federal DSH funding, but only with respect to DSH payments made to that hospital, and the gross amount of such IGT funded payments (non-federal plus federal match) may not exceed 75% of the hospital's uncompensated care costs to ensure compliance with the OBRA 1993 hospital-specific DSH limit. The gross IGT funded DSH payment must be "retained" by the recipient hospital fund.

The County recognizes the supplemental funding received for each hospital as net patient services revenue as reflected in the Statement of Revenues, Expenses, and Changes in Net Assets. The IGTs are reflected as non operating expenses by each Hospital in the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

The IGTs paid during FY 2009-10 include payments for FYs 2008-09 and 2009-10. The estimated Medicaid Demonstration Project net revenues include amounts collected and accrued for FY 2009-10 and over/under-realization of revenues for FY 2005-06 through FY 2008-09. The amounts below are in thousands:

	Program			Intergovernmental
	Medi-Cal FFS	DSH	SNCP	Transfers Expense
Harbor-UCLA	$ 75,953	$ 98,354	$ 40,989	$ 55,551
Olive View-UCLA	31,627	53,408	38,911	42,508
LAC+USC	158,244	199,213	120,916	134,922
M. L. King	3,104	620	(1,842)	0
Rancho	27,584	46,028	10,011	11,230
Total	$ 296,512	$ 397,623	$ 208,985	$ 244,211

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Baseline Funding

The Demonstration Project prioritizes payments so that, to the extent possible, total payments to hospitals are at a minimum "baseline" level. For public hospitals, the baseline level is determined and satisfied on a hospital-specific basis. The baseline for the 2009-10 program year is established by comparing each hospital's Medi-Cal inpatient costs, uninsured inpatient costs, and uninsured outpatient costs from FY 2004-05 to those from FY 2008-09, and applying the resulting growth as an adjustment to the FY 2004-05 baseline. The State estimates the aggregate baseline funding for the Statewide designated public hospitals to be $2.459 billion.

The estimated FY 2009-10 baseline for the County hospitals is as follows (in thousands):

	Baseline Amount
Harbor-UCLA Medical Center	$192,256
Olive View-UCLA Medical Center	110,000
LAC+USC Medical Center	414,976
Rancho Los Amigos National Rehabilitation Center	91,445
Total	$808,677

The three funding components utilized to meet each hospital's baseline level are as follows:

1) Medi-Cal inpatient FFS cost-based reimbursement: The FFP which is paid to the hospital represents 61.59% of the facility-specific costs or CPE. The hospital's amounts will fluctuate based on the number of facility-specific Medi-Cal patients served and the facility-specific cost computations that are adjusted on an interim and final basis.

2) DSH funds: These payments are made to hospitals to take into account the uncompensated costs of care delivered to the uninsured, undocumented immigrants and shortfalls between Medi-Cal psychiatric and Medi-Cal managed care payments. The non-federal share of these funds will be a combination of CPEs for these services and IGTs that are subject to interim and final cost settlement. There is an annual fixed allotment of federal DSH funds. The waiver allocates almost all of these funds to public hospitals. (The State estimates the aggregate value of federal DSH funds for the Statewide designated public hospitals to be $1.119 billion as of June 30, 2010, which includes a 2.5% DSH allotment increase that the State received as part of the American Recovery and Reinvestment Act of 2009.)

3) SNCP Distributions: These federal payments are made to public hospitals and clinics for uncompensated care delivered to uninsured patients and for certain designated non-hospital costs, such as drugs and supplies for the uninsured. The non-federal share of these funds is based on CPEs for these services.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Stabilization Funding

Payments to private and non-designated public DSH hospitals that exceed the aggregate baseline are considered stabilization funds and are included in the allocation among all waiver hospitals based on State law. Stabilization is distributed to the Designated Public Hospitals from the SNCP. The non-federal share of these funds is based on CPEs for related services.

Cal. Welfare & Institutions Code § 14166.20 requires the State to finalize the calculation of stabilization funding for each hospital and pay that amount by April 1 following the project year. This determination is based on cost estimates and specified adjustments. Under State law, the stabilization payments determined through this process shall not be modified for any reason other than mathematical errors or mathematical omissions on the part of the State.

Reported CPEs Subject to Audit

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

Medi-Cal Physician State Plan Amendment (Physician SPA)

Prior to July 1, 2005, Medi-Cal inpatient physician professional services (including non-physician practitioners) were reimbursed as part of an all-inclusive fixed contract rate per-diem. Effective July 1, 2005, public hospitals were no longer paid a fixed rate but were reimbursed under the Demonstration Project. The Demonstration Project is under State Plan Amendment 05-21, and excluded professional services. However, in December 2007, the Centers for Medicare & Medicaid Services (CMS) approved California State Plan Amendment 05-23 which allowed professional services to be paid similarly to the inpatient hospital services under the Demonstration Project. Hospitals were allowed to claim unreimbursed Medi-Cal professional services (Hospital Inpatient, Emergency Room, and Psychiatric services) and which is currently being matched at a rate of 61.59%.

Physician payments of $19.8 million were received for FY 2005-06, in FY 2009-10, based on filed cost report information.

State Senate Bill 474 (SB 474)

South Los Angeles Medical Services Preservation Fund

On October 12, 2007, SB 474 established an annual fund to stabilize health services for low-income, underserved populations of South Los Angeles. The "South Los Angeles Medical Services Preservation Fund" is intended to address the regional impact of the closure of the MLK-Harbor Hospital (currently MLK-MACC) and will help defray the County's costs for treating uninsured patients in the South Los Angeles area. For the year ended June 30, 2010, the County's hospitals recognized revenues of $70.3 million from this program.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

State Senate Bill 474 (SB 474)-Continued

Intergovernmental Transfers for Private Hospital Supplemental Fund

SB 474 also requires the County to make IGTs to the State to fund the non-federal share of increased Medi-Cal payments to those private hospitals that serve the South Los Angeles population formerly served by MLK-Harbor Hospital. An IGT expense of $5.0 million was recorded as health care expenditures in the County's General Fund for the year ended June 30, 2010.

Other Medi-Cal Programs

Cost-Based Reimbursement Clinics (CBRC)

CBRC reimburses at 100 percent of allowable costs for Medi-Cal outpatient services provided to Medi-Cal beneficiaries at the County's hospital-based clinics, Multi-Service Ambulatory Care Centers (MACC) and health centers (excluding clinics that provide predominately public health services). The Department-wide CBRC revenues in FY 2009-10 were $188.7 million. The County determined that approximately $194.5 million of CBRC would not be collectable within 12 months and has classified it as a non-current asset on the Proprietary Fund statements for each Hospital.

Medi-Cal Cost Report Settlements

All of the FY 2005-06 CBRC audit reports were issued. Total audit settlements of $69.7 million were paid to the County.

The State Office of Administrative Hearings and Appeals issued a Report of Findings regarding the FY 2004-05 informal level appeal hearing held during June 2009. Based upon the report, $2.7 million revised settlement monies are due to County which are being processed and paid.

FY 2005-06 informal level appeal hearings were held during February 2010 and June 2010. The resolution of the CBRC appeal issues have resulted an addition of $1.4 million due to County. In regards to the resolution of various cost issues, the result is an additional $9.1 million of allowable Medi-Cal inpatient costs which will be reimbursed in the Medi-Cal Redesign Paragraph 14 (P14) Workbooks.

State auditors are completing their FY 2006-07 Medi-Cal field audits review. Currently, audit exit conferences are being held at the hospital sites. We anticipate the issuance of the finalized audit reports beginning December 2010.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Rate Supplement

The State received permission from CMS to continue the Medi-Cal Managed Care rate supplements paid to L.A. Care and implement as similar arrangement with Health Net for the period October 1, 2008 through September 30, 2009. The supplement is funded by an IGT made by the County, and CMS understood that the supplemental payments were to be passed through to DHS. The County does not receive managed care payments directly from the State; rather, the State contracts with L.A. Care and Health Net, which then subcontract for services with various provider networks, including DHS' Community Health Plan and providers. We expect the State to make another proposal, to CMS, to extend this program for the period October 1, 2009 through September 30, 2010.

For L.A. Care, DHS recorded current year gross payments in FY 2009-10 of $79.4 million and under-realized prior year revenues of $6.5 million. For Health Net, DHS recorded current year gross payments of $38.2 million and over-realized prior year revenues of $26.6 million. In addition, IGT payables of $27.3 million for L.A. Care and $24.6 million for Health Net were recorded to fund the supplemental payments.

The total estimated revenues and related estimated IGTs recorded in FY 2009-10, less prior year accruals, are as follows (in thousands):

	Program Revenues	Intergovernmental Transfer Expenses
L.A. Care		
Current Year	$ 79,378	$ 30,558
Prior Year over/(under)	(6,453)	(3,257)
Total L.A. Care	72,925	27,301
Health Net		
Current Year	38,180	14,788
Prior Year over/(under)	26,640	9,861
Total Health Net	64,820	24,649
Totals	$ 137,745	$ 51,950

Coverage Initiative

On April 10, 2007, the State awarded the County an allocation of federal funding to implement its Healthy Way LA Program under the Health Care Coverage Initiative (CI). In addition to patient care services, the County is to claim administrative and case management costs associated with the CI program. In FY 2009-10, an estimated $144.4 million (of which $134.4 was received by June 30, 2010) of CI revenues and $12.1 million of CI administrative costs were recognized.

Revenues from the various Medi-Cal programs (i.e., FFS, DSH, SNCP, CBRC, AB 915, SB 1732, etc.) represent approximately 79% of the hospitals' patient care revenue for the year ended June 30, 2010.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

American Recovery and Reinvestment Act of 2009

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (ARRA), a major economic stimulus and fiscal relief package. The ARRA's biggest financial impact to the County comes from the temporary increase in the FMAP, which results in additional federal revenue provided for non-administrative Medicaid costs. California's FMAP was increased from 50% to 61.59% effective from October 1, 2008 through December 31, 2010. The ARRA also increased the State's DSH allotment by 2.5% for federal fiscal years 2009 and 2010. For fiscal year ended June 30, 2010, the County recognized $76.5 million from the FMAP ARRA increase.

Medicare Program

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

Medicare audits have been completed at all hospitals and notices of program reimbursement have been received for all hospitals through FY 2001-02. For FY 2002-03, Medicare audits have been completed for all hospitals; however, the notice of program reimbursement has not been issued for LAC+USC Medical Center (LAC+USC). For FY 2003-04, the audits for Martin Luther King Jr./Drew Medical Center (MLK), Harbor-UCLA Medical Center (H-UCLA), Rancho Los Amigos National Rehabilitation (RLA), and Olive View-UCLA Medical Center (OV-UCLA) have been completed. The audit for LAC+USC MC has been scheduled for FY 2003-04.

For FYs 2004-05 through 2005-06, the audits for MLK and OV-UCLA have been completed, and RLA audits are in progress. The audits for LAC+USC and H-UCLA have not been scheduled.

For FY 2006-07, the audits for MLK, RLA, and OV-UCLA have been completed and the notice of program reimbursement has been issued. The audits for LAC+USC and H-UCLA have not been scheduled.

For FYs 2007-08 and 2008-09, the Medicare audits for LAC+USC, H-UCLA, RLA, and OV-UCLA have not been scheduled. Effective August 16, 2007, MLK ceased to be certified as a participant in the Medicare program and will not undergo a hospital Medicare audit for FY 2007-08 due to low Medicare utilization.

Revenues from the Medicare program represent approximately 8% of patient care revenue for the year ended June 30, 2010.

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

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Accounts Receivable-net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts as of June 30, 2010 (in thousands):

	H-UCLA	OV-UCLA	LAC+USC	MLK-MACC	Rancho	Total
Accounts receivable	$ 1,070,957	$ 590,774	$ 1,627,038	$ 140,894	$ 364,190	$ 3,793,853
Less: Allowance for uncollectible amounts	875,749	458,176	1,256,695	52,819	272,839	2,916,278
Accounts Receivable - net	$ 195,208	$ 132,598	$ 370,343	$ 88,075	$ 91,351	$ 877,575

Charity Care

Charity care includes those uncollectible amounts, for which the patient is unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigence standard has been established and under which the patient qualifies. Inability to pay may be determined through one of the Department's Reduced Cost Health Care plans, through other collection efforts by the Department, by the Treasurer-Tax Collector, or by an outside collection agency. Determinations of charity care may be made prior to, at the time of service, or any time thereafter.

The total amount of such charity care provided by the hospitals for the fiscal year ended June 30, 2010, based on established rates, is as follows (in thousands):

Charges forgone	$1,713,949
Less: Federal and State subventions	0
Net charges forgone	$1,713,949

Litigation Regarding Reduction in Health Services

In March 2003, two lawsuits were filed in Federal District Court against the County challenging health care reductions approved by the Board. The lawsuits challenged the closure of Rancho Los Amigos National Rehabilitation Center as well as the reduction of the 100 beds at LAC+USC Medical Center.

Negotiated settlements in both cases were approved by the Board of Supervisors in August 2005 and became final in December 2005 and March 2006, respectively. Pursuant to the settlement agreements, the County agreed to keep Rancho open through March 9, 2009 at a specified level of service. The settlement agreement expired on March 10, 2009, but the County has continued its efforts to identify and negotiate with an organization to assume the future operation of Rancho as was originally required by the settlement agreement. In the meantime, the facility is open and operating. With respect to LAC+USC, the settlement allows for the graduated reduction of beds contingent upon the County providing additional outpatient care on the facility's campus and the facility reaching certain targets showing the efficiency of, and decreased demand on, the hospital. The new LAC+USC Medical Center open its doors in November 2008 and its operating at near-capacity. The settlement agreement expired shortly thereafter.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Martin Luther King

Since the closure of MLK-H hospital, the County has been working on options to provide hospital services at the MLK site. The County and the University of California ("UC"), with the State, have approved a plan to create a wholly independent, non-profit 501(c)(3) entity to operate a new hospital at the MLK-H site. The new hospital would: i) serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients, ii) be integrated with the County's existing network of specialty and primary care ambulatory clinics, and iii) optimize public and private resources to fund services. The seven-member MLK Hospital Board of Directors was appointed by the County and UC effective on August 10, 2010 and is proceeding with efforts to open the new MLK Hospital. Construction of the new hospital facility at the MLK-H site is expected to be completed by early 2013.

14. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables have been eliminated in the government-wide financial statements, except for “internal balances” that are reflected between the governmental and business-type activities. Interfund receivables and payables have been recorded in the fund financial statements. Such amounts arise due to the exchange of goods or services (or subsidy transfers) between funds that were pending the transfer of cash as of June 30, 2010.

Cash transfers related to interfund receivables/payables are generally made within 30 days after year-end. Amounts due to/from other funds at June 30, 2010 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 7,437
	Flood Control District	5,540
	Public Library	1,981
	Regional Park and Open Space District	2,667
	Internal Service Funds	6,120
	Waterworks Enterprise Funds	759
	Harbor-UCLA Medical Center	29,760
	Olive View-UCLA Medical Center	26,845
	LAC+USC Medical Center	107,100
	M.L. King Ambulatory Care Center	10,420
	Rancho Los Amigos Nat’l Rehab Center	21,102
	Nonmajor Enterprise Funds	12
	Nonmajor Governmental Funds	216,698
		436,441
Fire Protection District	General Fund	7,127
	Internal Service Funds	1
	Harbor–UCLA Medical Center	1
	Nonmajor Governmental Funds	451
		7,580

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

14. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Flood Control District	General Fund	$ 42
	Internal Service Funds	10,536
	Waterworks Enterprise Funds	3
	Nonmajor Governmental Funds	693
		11,274
Public Library	General Fund	4,785
	Nonmajor Governmental Funds	465
		5,250
Regional Park and Open Space District	General Fund	1
Internal Service Funds	General Fund	20,499
	Fire Protection District	80
	Flood Control District	11,583
Internal Service Funds	Public Library	7
	Waterworks Enterprise Funds	3,848
	Harbor-UCLA Medical Center	2,605
	Olive View-UCLA Medical Center	709
	LAC+USC Medical Center	86
	M.L. King Ambulatory Care Center	1,285
	Rancho Los Amigos Nat'l Rehab Center	159
	Nonmajor Enterprise Funds	281
	Nonmajor Governmental Funds	23,747
		64,889
Waterworks Enterprise Funds	General Fund	71
	Flood Control District	32
	Internal Service Funds	1,150
	Nonmajor Enterprise Funds	4
	Nonmajor Governmental Funds	1,566
		2,823
Harbor-UCLA Medical Center	General Fund	24,219
	Fire Protection District	20
	Olive View-UCLA Medical Center	7,759
	LAC+USC Medical Center	120
	M.L. King Ambulatory Care Center	2,734
	Rancho Los Amigos Nat'l Rehab Center	28
	Nonmajor Governmental Funds	26,942
		61,822
Olive View-UCLA Medical Center	General Fund	45,666
	Fire Protection District	149

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

14. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
	Harbor-UCLA Medical Center	$ 24
	LAC+USC Medical Center	8,944
	Nonmajor Governmental Funds	15,654
		70,437
LAC+USC Medical Center	General Fund	76,899
	Fire Protection District	16
	Harbor-UCLA Medical Center	10,963
	Olive View-UCLA Medical Center	11,432
	M.L. King Ambulatory Care Center	1,953
	Rancho Los Amigos Nat'l Rehab Center	858
	Nonmajor Governmental Funds	58,341
		160,462
M.L. King Ambulatory Care Center	General Fund	44,324
	Olive View-UCLA Medical Center	482
	LAC+USC Medical Center	1,927
	Nonmajor Governmental Funds	8
		46,741
Rancho Los Amigos Nat'l Rehab Center	General Fund	1,257
	Fire Protection District	36
	Internal Service Funds	12
	Olive View-UCLA Medical Center	587
	LAC+USC Medical Center	26,390
		28,282
Nonmajor Enterprise Funds	Internal Service Funds	5
Nonmajor Governmental Funds	General Fund	276,815
	Flood Control District	656
	Public Library	1,492
	Internal Service Funds	9,949
	Waterworks Enterprise Funds	2
	Nonmajor Governmental Funds	14,564
		303,478
Total Interfund Receivables/Payables		$ 1,199,485

14. INTERFUND TRANSACTIONS-Continued

Interfund Transfers

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

Interfund transfers to/from other funds for the year ended June 30, 2010 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Fire Protection District	$ 1,500
	Public Library	35,864
	Internal Service Funds	115
	Harbor-UCLA Medical Center	129,710
	Olive View-UCLA Medical Center	146,351
	LAC+USC Medical Center	266,011
	M.L. King Ambulatory Care Center	124,244
	Rancho Los Amigos Nat'l Rehab Center	20,487
	Nonmajor Governmental Funds	55,886
		780,168
Fire Protection District	Nonmajor Governmental Funds	11,433
Flood Control District	Internal Service Funds	210
	Nonmajor Governmental Funds	19,078
		19,288
Public Library	General Fund	705
	Nonmajor Governmental Funds	1,640
		2,345
Regional Park and Open Space District	Nonmajor Governmental Funds	34,754
Internal Service Funds	Nonmajor Governmental Funds	95
Waterworks Enterprise Funds	Internal Service Funds	112
Olive View-UCLA Medical Center	Nonmajor Governmental Funds	144
LAC+USC Medical Center	Olive View-UCLA Medical Center	8,917
	Rancho Los Amigos Nat'l Rehab Center	26,192
		35,109
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	135

14. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Nonmajor Governmental Funds	General Fund	$ 359,707
	Fire Protection District	1,200
	Flood Control District	328
	Public Library	661
	Internal Service Funds	922
	Waterworks Enterprise Funds	1,500
	Harbor-UCLA Medical Center	51,516
	Olive View-UCLA Medical Center	35,257
	LAC+USC Medical Center	106,853
	M.L. King Ambulatory Care Center	2,700
	Rancho Los Amigos Nat'l Rehab Center	2,536
	Nonmajor Enterprise Funds	1,083
	Nonmajor Governmental Funds	42,008
		606,271
Total Interfund Transfers		$1,489,854

Interfund Transactions

The General Fund, along with other funds that receive services from the Public Works Internal Service Fund, makes short-term advances to ensure sufficient cash is available to fund operations. In addition, the General Fund makes short-term and long-term advances to assist the Hospital Funds in meeting their cash flow requirements. During fiscal year 2009-10, the County determined that a portion of Hospital revenue was not collectible within one year and identified long-term receivables in each Hospital Enterprise Fund. To assist the Hospital Funds in meeting their cash flow requirements, the General Fund provided a $194.5 million long-term advance and established a corresponding fund balance reserve.

Advances from/to other funds at June 30, 2010 are as follows (in thousands):

Receivable Fund	Payable Fund	Short-Term	Long-Term	Total
General Fund	Internal Service Fund	$ 2,535	$	$ 2,535
	Harbor-UCLA Medical Center	197,120	15,622	212,742
	Olive View-UCLA Medical Center	134,614	58,616	193,230
	LAC+USC Medical Center	333,022	60,680	393,702
	M.L. King Ambulatory Care Center	69,091	36,122	105,213
	Rancho Los Amigos Nat'l Rehab Center	87,252	23,487	110,739
		823,634	194,527	1,018,161
Flood Control District	Internal Service Fund	6,601		6,601
Waterworks Enterprise Funds	Internal Service Funds	1,308		1,308
Nonmajor Governmental Funds	Internal Service Funds	11,556		11,556
Total Interfund Advances		$ 843,099	$ 194,527	$ 1,037,626

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

The County's Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual on Budgetary Basis for the major governmental funds has been prepared on the budgetary basis of accounting, which is different from GAAP.

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

- For budgetary purposes, reserves and designations are recorded as other financing uses at the time they are established. Although designations are not legal commitments, the County 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, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered, but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the modified accrual basis, revenues are not recognized until the qualifying expenditures are incurred.

- For the General Fund, obligations for accrued vacation and sick leave and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within one year after year-end. Under the modified accrual basis of accounting, such expenditures are not recognized until they become due and payable in accordance with GASB Interpretation No. 6.

- In conjunction with the sale of Tobacco Settlement Asset-Backed bonds in 2005-06, the County sold 25.9% of its future tobacco settlement revenues. Under the budgetary basis, the proceeds were recognized as revenues. Under the modified accrual basis, the proceeds were recorded as a sale of future revenues and were being recognized over the duration of the sale agreement, in accordance with GASB Statement No. 48. This matter is also discussed in Note 10, under the caption, "Tobacco Settlement Asset-Backed Bonds."

- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after year-end. Under the modified accrual basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.

- For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the modified accrual basis, the effects of such fair value changes have been recognized.

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

- In conjunction with implementing GASB 45, the County determined that certain assets were held by LACERA (the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis, the expenditures are adjusted to recognize the OPEB Agency assets at June 30, 2010.

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

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District
Fund balance - budgetary basis	$ 1,628,644	$ 93,819	$ 14,623	$ 14,924	$ 165,189
Reserves and designations	1,387,444	127,029	151,779	19,394	129,508
Subtotal	3,016,088	220,848	166,402	34,318	294,697
Adjustments:					
Accrual of estimated liability for litigation and self-insurance claims	169,007	(655)		23	
Accrual of vacation and sick leave benefits	40,290				
Deferral of sale of tobacco settlement revenue	(261,788)				
Change in revenue accruals	32,214	(11,391)	(4,927)	(1,206)	577
Subtotal	(20,277)	(12,046)	(4,927)	(1,183)	577
Fund balance - GAAP basis	$ 2,995,811	$ 208,802	$ 161,475	$ 33,135	$ 295,274

16. OTHER COMMITMENTS

Construction Commitments

At June 30, 2010, there were contractual commitments of approximately $16,601,000 for various general government construction projects and approximately $12,773,000 for various hospital construction projects that were financed by commercial paper.

LACERA Capital Commitments

At June 30, 2010, LACERA had outstanding capital commitments to various investment managers, approximating $2,430,000,000. Subsequent to June 30, 2010, LACERA funded $209,000,000 of these capital commitments.

17. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as aviation, employee fidelity, boiler and machinery in certain structures, art objects, catastrophic hospital general liability, volunteer, special events, public official bond, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been no settlements related to these programs that exceeded insurance coverage in the last three years. The County also has insurance on most major structures. Losses did not exceed coverage in 2007-2008, 2008-2009 or 2009-2010.

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

As indicated in the following table, the County's workers' compensation liabilities as of June 30, 2010 were approximately $2.159 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2009. Approximately $150,142,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2010 , the County's best estimate of these liabilities is $2.417 billion. Changes in the reported liability since July 1, 2008 resulted from the following (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claim Payments	Balance At Fiscal Year-End
2008-2009				
Workers' Compensation	$ 2,120,428	$ 313,090	$(317,537)	$ 2,115,981
Other	247,389	39,323	(67,888)	218,824
Total 2008-2009	$ 2,367,817	$ 352,413	$(385,425)	$ 2,334,805
2009-2010				
Workers' Compensation	$ 2,115,981	$ 367,362	$(323,928)	$ 2,159,415
Other	218,824	106,006	(67,122)	257,708
Total 2009-2010	$ 2,334,805	$ 473,368	$(391,050)	$ 2,417,123

17. RISK MANAGEMENT-Continued

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $118.3 million are reasonably possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

18. POLLUTION REMEDIATION

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

The County is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the County's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., Regional Water Quality Board, State Department of Toxic Control, California Coastal Commission) notified the County of the need for remedial action. In addition, the County conducts its own environmental monitoring and this activity identifies pollution sites and matters requiring further investigation and possible remediation. Once the County is aware of these conditions, it commences monitoring, assessment, testing and/or clean up activities, and recognizes pollution remediation obligations when estimates can reasonably be determined.

The types of pollution that have been identified include leaking underground storage tanks, water, groundwater and soil contamination, asbestos and lead paint contamination, methane gas detection and excessive levels of other contaminants. Remediation efforts include developing remediation and feasibility studies, source identification studies, site testing, sampling and analysis, ground water clean up, and removal of storage tanks, asbestos tiles and other hazardous materials.

As of June 30, 2010, the County's estimated pollution remediation obligations totaled $24.755 million. These obligations were all associated with the County's government-wide governmental activities. Obligations of enterprise and internal service funds were immaterial. The estimated liabilities were determined by project managers, based on historical cost information for projects of the same type, size and complexity and measured at their current value. In subsequent periods, the County will adjust estimated obligations when new information indicates that such changes are required. At this time, the County has determined there are no estimated recoveries reducing the obligations.

19. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 1, 2010, the County issued $1,500,000,000 in 2010-2011 TRANS which will mature on June 30, 2011. The TRANS are collateralized by taxes and other revenues attributable to the 2010 -2011 fiscal year and were issued in the form of Fixed Rate Notes at an effective interest rate of 0.85%.

19. SUBSEQUENT EVENTS-Continued

Capital Asset Leasing Corporation Lease Revenue Bond Anticipation Notes

On September 2, 2010 and again on October 27, 2010, the Corporation issued $10,000,000 Bond Anticipation Notes with an initial interest rate of 0.681% and 0.670%, respectively. The rates are adjustable on January 2 and July 1, of each year. The notes were purchased by the Los Angeles County Treasury Pool and are due on June 30, 2013. Proceeds of the notes are being used to purchase equipment. The notes are to be paid from the proceeds of lease revenue bonds.

California's Bridge to Healthcare Reform (Waiver)

On November 2, 2010, Centers for Medicare & Medicaid Services (CMS) approved for California a new Medicaid Demonstration Project, entitled California's Bridge to Healthcare Reform (Waiver 11-W-00193/9) under the authority of section 1115(a) of the Social Security Act for the period November 1, 2010 through October 31, 2015. The agreement "waives" certain Medicaid requirements in order to test new strategies and demonstration projects that can improve care and care delivery.

Public hospital systems will provide the financing through their counties and lead the implementation of expanding coverage to low income people and transforming care so that it is more coordinated, efficient and patient-centered. Support for public hospital systems from the waiver falls into the following areas:

Coverage Expansion
Under the Waiver, counties have the option to expand coverage by operating a Low Income Health Program. Under this plan the County may cover individuals up to 133% of the federal poverty level (FPL), known as the Medicaid Coverage Expansion (MCE) population. If counties meet certain federal requirements and have the resources available to do so, they can also cover individuals between 134% and 200% FPL, known as the Health Care Coverage Initiative (HCCI) population. The Low Income Health Program will run through the end of 2013, at which time coverage under federal health care reform will take effect.

Delivery System Reform Incentive Pool
The new Waiver establishes the Delivery System Reform Incentive Pool (DSRIP) which will tie federal funding to ambitious milestones in care delivery improvements. To obtain funding under the DSRIP, public hospital systems must submit a five-year plan showing how they will accomplish desired results, and will be required to achieve significant milestones that will be approved by the State and CMS.

Support Costs for Uncompensated Care
The Safety Net Care Pool will continue to provide partial reimbursement for the costs of care to the uninsured, helping public hospitals to continue to provide essential services to those in need.

19. SUBSEQUENT EVENTS-Continued

California's Bridge to Healthcare Reform (Waiver)-Continued

Managed Care for Seniors and Persons with Disabilities (SPDs)
Under the Waiver, the State of California will move Medi-Cal beneficiaries who are Seniors and Persons with Disabilities (SPDs) into mandatory managed care, in an effort to provide more coordinated care and contain costs. The public hospitals will partially finance managed care rates to health plans for care of SPDs by providing IGTs.

Hospital Fee Program (HFP)

The California Hospital Fee Program (AB 1383) and its amending legislation (AB 1653) were signed into law by the Governor of California and became effective on January 1, 2010 and September 8, 2010, respectively. HFP covers the period beginning April 1, 2009 and expires on December 31, 2010. The legislation contains two components:

- The Quality Assurance Fee Act governs the hospital fee paid by participating hospitals (public hospitals, certain small and rural hospitals, most specialty hospitals, and long term care hospitals are exempt), and
- The Medi-Cal Hospital Provider Stabilization Act governs the supplemental Medi-Cal payments to providers from the fund established to accumulate assessed hospital fees and matching federal funds. The legislation allows for fee-for-service and managed health care supplemental payments to private hospitals, designated public hospitals, and non-designated public hospitals. The designated public hospitals will also receive direct grants under the Program.

The legislation also allows the State to retain and use a portion of the direct grants allocated to the designated public hospitals with a provision that the State allocates an equal amount of federal funds available under the Medi-Cal Hospital/Uninsured Care Demonstration Project to the designated public hospitals. The designated public hospital must have incurred sufficient expenditures so that the full amount allocated can be received as federal matching funds.

The Program must be fully approved by CMS to be implemented. On October 7, 2010, CMS has approved the implementation of the Program with the exception of the managed health care supplemental payment plan. CMS' approval of the managed health care plan is expected in the near future.

If approved, the County projects to receive a total of $200 million from the Program; $29 million and $115 million of which relates to FY 2008-09 and 2009-10, respectively. Annual budgets are adopted for each hospital fund and $139.9 million of such revenues were recognized in 2009-2010 actual revenues for purposes of the County's budget.

19. SUBSEQUENT EVENTS-Continued

Public Works Financing Authority – Lease Revenue Bonds 2010 Series A and B

On November 9, 2010, the Authority issued $102,900,000 in lease revenue Series A bonds, maturing from 2014 to 2019, with yields ranging from 1.8% to 3.45%. Also on November 9, 2010, the Authority issued $688,005,000 in taxable lease revenue (Build America/Recovery Zone Economic Development) Series B bonds, maturing from 2020 to 2040, with yields ranging from 5.591% to 7.618%. Proceeds from the sale of the Series A and Series B bonds will be used to finance and/or refinance various capital improvements projects.

Tax-Exempt Commercial Paper

On August 18, 2010, the Los Angeles County Capital Asset Leasing Corporation issued an additional $50,000,000 in tax-exempt commercial paper. The proceeds are being used to fund capital requirements of various capital projects. The commercial paper, which was initially issued at an average rate of 0.31%, is secured by a long-term lease of County real estate and a letter of credit.

On December 1, 2010, the County redeemed $169,000,000 of the $330,000,000 tax-exempt commercial paper outstanding, utilizing a portion of the proceeds from the Public Works Financing Authority-Lease Revenue Bonds 2010 Series A and B.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/07	$ 37,041,832	$ 39,502,456	$ 2,460,624	93.8%	$ 5,615,736	43.8%
06/30/08	39,662,361	41,975,631	2,313,270	94.5%	6,123,888	37.8%
06/30/09	39,541,865	44,468,636	4,926,771	88.9%	6,547,616	75.2%

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)
Schedule of Funding Progress-Other Postemployment Benefits
(Dollar amounts in thousands)

Retiree Health Care(1)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2006	$ 0	$ 20,301,800	$ 20,301,800	0%	$ 5,205,804	389.98%
July 1, 2008	0	20,901,600	20,901,600	0%	6,123,888	341.31%

Long-Term Disability(1)

July 1, 2007	$ 0	$ 929,265	$ 929,265	0%	$ 5,615,736	16.55%
July 1, 2009	0	951,797	951,797	0%	6,547,616	14.54%

(1) There was no data available prior to the first valuation.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

COUNTY OF LOS ANGELES

CALIFORNIA

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note 1)	Federal Expenditures
U.S. Agency for International Development				
Direct Program				
International Search and Rescue Operations	98.001			$ 1,616,830
Total U.S. Agency for International Development				1,616,830
U.S. Department of Agriculture				
Direct Program				
Emergency Watershed Protection Program	10.923			715,812
Passed Through the Calif Department of Education				
Child Nutrition Program - School Breakfast	10.553	(2)	01519-SN-19-R	1,777,031
Child Nutrition Program - School Lunch	10.555	(2)	01519-SN-19-R	2,799,407
Summer Food Service Program for Children	10.559	(2)	CN090092	21,266
Summer Food Service Program for Children	10.559	(2)	19-8619OV	594,104
Subtotal Child Nutrition Cluster (10.553, 10.555, 10.559)				5,191,808
Passed Through the Calif Department of Food and Agriculture				
Senior Farmer's Market Program	10.576			118,400
Passed Through the Calif Department of Social Services				
Supplemental Nutrition Assistance Program (SNAP) - Administration (See Note 5)	10.561	(1)		157,887,875
Total U.S. Department of Agriculture				163,913,895
U.S. Department of Defense				
Direct Program				
Procurement Technical Assistance	12.002			215,624
Total U.S. Department of Defense				215,624
U.S. Department of Education				
Direct Program				
Supplemental Educational Opportunity Grants	84.007	(18)		18,318
Pell Grants	84.063	(18)		245,744
Passed Through the Los Angeles Unified School District				
Safe School-Healthy Students Grant	84.184		1000121	90,414
Passed Through the Calif Department of Alcohol and Drugs				
Drug Free Schools and Communities (DFSC) - Friday Night Live	84.186		50b-10	75,000
Drug Free Schools and Communities - Club Live	84.186		50c-10	75,000
Subtotal 84.186				150,000
Passed Through the Calif Department of Education				
Passed Through the Los Angeles County Office of Education				
Individuals With Disabilities Education Act (IDEA)	84.027	(9)		13,832,574
Total U.S. Department of Education				14,337,050
U.S. Department of Health and Human Services				
Direct Program				
Public Health Preparedness and Response for Bioterrorism	93.069			27,245,845
Public Health Emergency Response Phase III	93.069			16,270,674
Subtotal 93.069				43,516,519
Child Mental Health Initiative Grant	93.104			1,714,429
Tuberculosis/Centers for Disease Control Cooperative Agreement	93.116			4,743,374
Active Varicella Surveillance and Epidemic Studies	93.185			286,265

(Continued)

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note 1)	Federal Expenditures
Childhood Lead Poisoning Case Management	93.197			$ 639,229
State Epidemiology and Lab Surveillance Responses	93.283			748,903
Adult Viral Hepatitis Prevention Coordinator	93.283			116,992
Subtotal 93.283				865,895
Bioterrorism Hospital Preparedness Program	93.889			13,558,677
HIV Emergency Relief Project Grant	93.914	(22)		34,933,454
Minority Aids Initiative (MAI)	93.914	(22)		3,174,155
Subtotal 93.914				38,107,609
Scholarships for Disadvantaged Students	93.925			16,059
Special Projects of National Significance/MSM Youth	93.928			46,067
HIV Prevention Project	93.940	(29)		9,486,892
Expanded and Integrated HIV Testing for Populations	93.940	(29)		1,174,394
National HIV Behavioral Surveillance	93.940	(29)		364,901
Subtotal 93.940				11,026,187
Rapid Testing Algorithms	93.941			37,047
Enhanced HIV/AIDS Surveillance for Perinatal Prevention	93.941			92,671
Subtotal 93.941				129,718
HIV AIDS Surveillance and Seroprevalence	93.944			2,387,149
Morbidity and Risk Behavior Surveillance	93.944			492,665
Monitoring Atypical HIV Strains In Los Angeles County	93.944			12,722
Subtotal 93.944				2,892,536
Comprehensive STD Preventions Systems	93.977			4,052,909
STD Surveillance Network	93.977			56,692
Subtotal 93.977				4,109,601
Passed Through the Calif Family Health Council				
Family Planning	93.217			870,097
Passed Through the Calif Department of Aging				
Title VII - Elder Abuse Prevention	93.041		AP0910-19	90,037
Title VII - Ombudsman	93.042		AP0910-19	130,671
Area Agency on Aging III D	93.043		AP0910-19	372,290
Area Agency on Aging III B	93.044	(10)	AP0910-19	5,444,971
Area Agency on Aging III C-I	93.045	(10)	AP0910-19	5,377,212
Area Agency on Aging III C-II	93.045	(10)	AP0910-19	4,807,749
Subtotal 93.045				10,184,961
Area Agency on Aging III USDA CI	93.053	(10)	AP0910-19	926,855
Area Agency on Aging III USDA CII	93.053	(10)	AP0910-19	694,487
Subtotal 93.053				1,621,342
Area Agency on Aging Title III E	93.052		AP0910-19	2,304,632
Area Agency on Aging - Medicare Improvement Patient Provider Act (MIPPA)	93.071		MI0910-19	46,851
Area Agency on Aging Health Insurance Counseling and Advocacy Program (HICAP)	93.779		HI0910-19	294,928
Area Agency on Aging - Health Insurance Counseling Advocacy Program (HICAP) - Medicare Improvement Patient Provider Act (MIPPA)	93.779		MI0910-19	15,854
Subtotal 93.779				310,782

(Continued)

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note 1)	Federal Expenditures
Passed Through the Calif Department of Alcohol and Drugs				
Screening and Brief Intervention and Referral To Treatment (SBIRT)	93.243		T1015954	$ 637,185
Co-Occurring Disorders Court Program Enhancement	93.243			152,824
Subtotal 93.243				790,009
Federal Drug Medi-Cal (Prenatal and Drug) FMAP	93.778	(15)	40 & 40a	3,890,124
Alcohol Block Grant	93.959		50-10	38,975,194
Federal Female Offender	93.959		45-10	382,633
New Prenatal Set - Aside	93.959		52-10	3,704,225
Substance Abuse Block Grant New HIV Set - Aside	93.959		51-10	4,395,351
Substance Abuse Prevention and Treatment Block Grant Adolescent Treatment	93.959		50a-10	1,597,252
Substance Abuse Prevention and Treatment Set-Aside	93.959		50d-10	13,092,932
Subtotal 93.959				62,147,587
Passed Through the Calif Department of Child Support Services				
Child Support Enforcement Title IV D	93.563	(27)		98,489,712
Passed Through the Calif Department of Community Services and Development				
Community Services Block Grant	93.569	(13)	08F-4921	4,756,201
Community Services Block Grant	93.569	(13)	10F-4022	2,045,609
Community Services Block Grant - Volunteer Income Tax Assistance (VITA)	93.569	(13)	08F-4992	24,954
Community Services Block Grant American Indian	93.569	(13)	08F-4960	182,455
Community Services Block Grant American Indian	93.569	(13)	10F-4060	167,882
Subtotal 93.569				7,177,101
Passed Through the Calif Department of Education				
Child Day Care Program	93.596	(14)	CAPP9030	8,607,237
Passed Through the Calif Department of Health Services				
Health Care Program Children In Foster Care	93.658	(21)	75-1545-0-1-609	6,713,835
Medi-Cal Administrative Activities (MAA)	93.778	(15)	04-35096	12,818,910
Targeted Case Management (TCM) FMAP	93.778	(15)	19-0712	3,611,204
Medi-Cal Eligibility Determination	93.778	(15)		211,932,510
In Home Supportive Services - Personal Care Services Program Health Related	93.778	(15)		62,070,051
In Home Supportive Services - Personal Care Services Program Health Related	93.778	(15)	10DA0009	272,150
Child Health and Disability Program	93.778	(15)	75-0512-0-1-551	5,094,006
Subtotal 93.778				295,798,831
Passed Through the Calif Department of Mental Health				
McKinney Homeless Act Program	93.150			1,991,437
Mental Health Services: Block Grant	93.958			14,193,087
Passed Through the Calif Department of Public Health				
Immunization Calendar Year	93.268	(11)	08-85637	4,454,319
Immunization Supplemental Fund	93.268	(11)	09-11279	10,197
Subtotal 93.268				4,464,516
Health Facilities Inspection	93.777	(15)	08-85192	16,048,603
Minority Aids Initiative (MAI)	93.914	(22)	07-65058	95,750
HIV Care Program	93.917			10,277,759
HIV Prevention Program	93.940	(29)	07-65058	1,404,761
Refugee Preventive Health Services	93.978		09-70-90840-00	1,967,276
Maternal and Child Health	93.994		2009-19	1,999,336

(Continued)

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note 1)	Federal Expenditures
Passed Through the Calif Department of Social Services				
Promoting Safe and Stable Families Program (PSSF)	93.556		CFL 09/10-22	$ 9,957,136
Calworks - FG/U Assistance	93.558	(12)		476,295,637
Calworks Legal Immigrants (MC)	93.558	(12)		19,868,903
Calworks Diversion - Federal	93.558	(12)		4,675
Calworks Single	93.558	(12)		493,493,414
Calworks Single	93.558	(12)	10DA0008	6,125,108
Calworks Single	93.558	(12)	10CS0002	2,858,272
Temporary Assistance for Needy Families (TANF)	93.558	(12)	CFL 10/11-03	54,133,348
Subtotal 93.558				1,052,779,357
Refugee Resettlement	93.566			7,238,396
Refugee Employment Social Services	93.566			5,387,171
Subtotal 93.566				12,625,567
Refugee Targeted Assistance Program	93.584			804,980
Children's Welfare Services IV B (Direct Cost)	93.645		CFL 10/11-03	8,452,175
Aid To Families with Dependent Children - FC - Administration and Assistance	93.658	(21)	CFL 10/11-03	140,886,208
Foster Care Title IV-E	93.658	(21)	CFL 09/10-39	66,860,147
Foster Care Title IV-E	93.658	(21)	CFL 10/11-03	200,515,154
Foster Parent Training	93.658	(21)	CFL 10/11-03	49,423
Foster Family Licensing	93.658	(21)	CFL 09/10-51	279,919
Group Home Month Visits / CWD	93.658	(21)	CFL 10/11-03	1,460,905
Child Welfare Services Outcome Improvement Project (Cohort 1)	93.658	(21)	CFL 10/11-03	1,856,570
Subtotal 93.658				411,908,326
Adoptions - Administration and Assistance	93.659	(28)	CFL 09/10-06	126,737,114
Children's Welfare Services Title XX	93.667		CFL 10/11-03	35,992,000
Independent Living Skills - Children's Services	93.674		CFL 09/10-26	7,757,572
Adult Protective Services/County Services Block Grant	93.778	(15)		15,984,304
Children's Welfare Services XIX (Hlth Reel)	93.778	(15)	CFL 10/11-03	35,238,385
Subtotal 93.778				51,222,689
Passed Through the Calif Emergency Management Agency				
Children Exposed To Domestic Violence Specialized Response Program (CEDV)	93.643			40,906
Passed Through the Calif Secretary of State				
Help America Vote Act Section 261 Elections Assistance for Individuals With Disabilities	93.617			54,247
Total U.S. Department of Health and Human Services				2,397,417,829
U.S. Department of Homeland Security				
Direct Program				
Urban Search and Rescue	97.025			388,823
2008 Assistance To Firefighters Grant (AFG)	97.044			1,194,348
Port Security Grant Program	97.056			676,520
TSA National Explosives Detection Canine Team Program	97.072			380,913
Passed Through the United Way				
Emergency Food and Shelter National Board Program	97.024	(17)	LRO ID 069500-09	25,208
Passed Through the Calif Department of Boating and Waterways				
Boating and Waterways-Marina Del Rey	97.012		08-204-779	21,760
Boating and Waterways-Marina Del Rey	97.012		08-204-758	70,075
Boating and Waterways-Marina Del Rey	97.012		09-204-780	42,003

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COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note 1)	Federal Expenditures
Boating and Waterways-Marina Del Rey	97.012			$ 18,246
Subtotal 97.012				152,084
Passed Through the Calif Emergency Management Agency				
Earthquake (Northridge)	97.036		037-00000	1,221,863
2005 Winterstorms	97.036		037-00000	732,934
2005 Winterstorms #2	97.036		037-00000	1,529,321
2007 Wildfires (Santa Clarita Valley)	97.036		037-00000	279,236
2008 Wildfires	97.036		037-00000	1,207,559
2003 Wildfires	97.036		037-00000	3,798
Subtotal 97.036				4,974,711
Emergency Management Performance 08	97.042		037-00000	1,303,508
2009 Emergency Management Performance Grant	97.042		037-00000	337,018
Subtotal 97.042				1,640,526
Fire Management Assistance Grant- Marek Fire	97.046		037-00000	368,010
State Homeland Security Program 06	97.067	(16)	2006-0071	7,587,936
State Homeland Security Program 06	97.067	(16)	09-204-780	180,000
State Homeland Security Program 07	97.067	(16)	2007-0008	2,392,575
State Homeland Security Program 08	97.067	(16)	037-00000	1,067,979
Subtotal Homeland Security Cluster (97.067)				11,228,490
Transit Security Grant Program Supplemental	97.075			1,139,040
Chemical Buffer Zone Protection Program 06	97.078		037-00000	2,342,665
Passed Through the Calif Emergency Management Agency				
Passed Through the City of Los Angeles				
Urban Area Security Initiative 06	97.008			1,695,921
Urban Area Security Initiative 06	97.008		2005-0016	8,273,452
Urban Area Security Initiative 07	97.008		OES ID 037-95050	101,685
Urban Area Security Initiative 07	97.008		2007-0008	623,148
Urban Area Security Initiative 07	97.008			1,470,983
Urban Area Security Initiative 08	97.008		2008-0006	569,295
Subtotal 97.008				12,734,484
Total U.S. Department of Homeland Security				37,245,822
U.S. Department of Housing and Urban Development (HUD)				
Direct Program				
Homeless Foster Youth Program (HFYP)	14.235			2,283,773
Passed Through the Los Angeles County Community Development Commission				
Community Development Block Grant - Santa Clarita Service Center	14.218	(3)	F96517-10	10,000
Project Star (Studying, Tutoring, and Reading)	14.218	(3)		30,000
Project Star (La Puente/Graham Library)	14.218	(3)		70,879
Hacienda Heights Community Recreation Program	14.218	(3)	F96411-09	27,998
Burke's Club Drug Prevention and Gang Intervention	14.218	(3)	F96228-09	101,867
Adventure Park Recreation Program	14.218	(3)	F96410-09	69,000
Amigo Park Mobile Recreation Program	14.218	(3)	F96409-09	27,315
Pathfinder Senior Recreation Program	14.218	(3)	F98415-09	9,795
Loma Alta Park Recreation Program	14.218	(3)	600475-09	25,270
Pamela Park Recreation Program	14.218	(3)	600482-09	25,096
Pearblossom Park Recreation Program	14.218	(3)	600483-09	24,653
Community Development Block Grant	14.218	(3)		2,052,988
Community Code Enforcement East Los Angeles-1st District	14.218	(3)		481,388
Community Code Enforcement 4th District	14.218	(3)		34,178
Century Station Code Enforcement Project	14.218	(3)		194,583
Homeowners Fraud Prevention Program	14.218	(3)		45,589

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COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
Fraud Prevention for Senior and Families	14.218 (3)		$ 96,831
Rowland Heights Youth Athletic League Program-Carolyn Rosas Park	14.218 (3)		33,902
Subtotal 14.218			3,361,332
Total U.S. Department of Housing and Urban Development (HUD)			5,645,105
U.S. Department of Interior			
Direct Program			
Rural Fire Assistance Agreement	15.228		19,440
Total U.S. Department of Interior			19,440
U.S. Department of Justice			
Direct Program			
Asset Seizure and Forfeiture	16.000		6,761,488
Southwest Border Prosecution Initiative (SWBPI) - (See Note 7)	16.755		8,377,269
2009 Earmarks Programs	16.541		5,287
2004 Solving Cold Cases With DNA-384	16.560		421,497
DNA Forensic Casework Backlog Red Program	16.560		1,913,900
2009 Solving Cold Cases With DNA	16.560		78,193
Subtotal 16.560			2,413,590
Women's Re-Entry	16.585		130,992
Adult Drug Court Discretionary Grant	16.585		15,910
Subtotal 16.585			146,902
State Criminal Alien Assistance Program (SCAAP) - (See Note 4)	16.606		15,436,769
Bulletproof Vest Partnership Program	16.607		67,010
Cops 2002 Technology Program	16.710		715,234
RCPI Integrity/Public Trust Initiative	16.710		42,782
Cops 2005 Technology Program	16.710		4,702
Cops Secure Our Schools Program	16.710		22,506
Subtotal 16.710			785,224
Gang Resistance, Education and Training	16.737		93,485
Justice Assistance Grant (JAG) Toberman Neighborhood Center 06	16.738 (19)		78,874
Justice Assistance Grant (JAG) Toberman Neighborhood Center 07	16.738 (19)		3,498
Retail Skills Vocational Program (JAG) 06	16.738 (19)		10,359
Retail Skills Vocation Program (JAG) 07	16.738 (19)		5,828
We-Tip (JAG) 07	16.738 (19)		8,000
A Better Los Angeles (JAG) 07	16.738 (19)		35,072
A Better Los Angeles (JAG) 08	16.738 (19)		45,544
Drug Court (JAG) 07	16.738 (19)		324,000
Community Law Enforcement and Recovery (Clear) (JAG) Foothill	16.738 (19)		21,841
Community Law Enforcement and Recovery (CLEAR) (JAG)	16.738 (19)		81,000
At-Risk Youth (School Based Education Program) (JAG 2006)	16.738 (19)		339,394
At Risk Youth Countywide (JAG) 05	16.738 (19)		10,755
Community Law Enforcement and Recovery (CLEAR) (JAG)	16.738 (19)		61,000
Justice Assistance Grant (JAG) Off Highway Vehicle Enforcement 06	16.738 (19)		9,945
Justice Assistance Grant (JAG) Overtime and Supplies 06	16.738 (19)		43,956
Justice Assistance Grant (JAG) San Dimas 06	16.738 (19)		2,190
Justice Assistance Grant (JAG) Rosemont School 06	16.738 (19)		25,142
Subtotal 16.738			1,106,398
Counterfeit and Piracy Enforcement Team Program (CAPE)	16.751		111,574
2009 Congressionally Selected Awards Program - Gang Coplink Project	16.753		296,368

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COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note 1)	Federal Expenditures
Passed Through the City of Los Angeles				
City Clear (JAG) Foothill	16.738	(19)		$ 90,054
City Clear (JAG)	16.738	(19)		696,951
City Clear (JAG) Various Sites	16.738	(19)		1,010,628
Subtotal 16.738				1,797,633
Passed Through the Calif Department of Corrections and Rehabilitation				
Juvenile Accountability Block Grant - (See Note 8)	16.523			709,788
Disproportionate Minority Contact Techical Assistance Project	16.540		CSA 338-08	129,760
Disproportionate Minority Contact Support Project	16.540		CSA 338-09	20,130
Subtotal 16.540				149,890
Passed Through the Calif Emergency Management Agency				
Elder Abuse Advocacy and Outreach Program (EAAOP-VOC)	16.575			171,668
Special Emphasis Victim Assistance Program (SEVAP)	16.575			96,692
Victim Witness Assistance Program (VWAP)	16.575			2,570,452
Subtotal 16.575				2,838,812
Anti-Gang Community Based Data System	16.580			33,616
Stalking and Threat Assessment Team (STAT)	16.588	(23)		200,000
Lancaster Domestic Violence Program	16.588	(23)		97,244
Subtotal 16.588				297,244
Project Safe Neighborhoods	16.609			73,186
Clearinghouse Electronic Surveillance System	16.738	(19)		356,341
Anti-Drug Abuse (ADA) Enforcement Team Program	16.738	(19)		999,983
Subtotal 16.738				1,356,324
2008 Paul Coverdell Forensic	16.742			112,637
Anti Gang Initiative	16.744		UL07A10190	88,572
Total U.S. Department of Justice				43,059,066
U.S. Department of Labor				
Direct Program				
Workforce Investment Act Young Offender Re-Entry Planning Grant	17.261			110,512
Passed Through the Calif Department of Aging				
Older American Title V Project	17.235	(24)	TV0910-19	2,279,760
Passed Through the Calif Employment Development Department				
Workforce Investment Act Adult	17.258	(4)	K074145	5,900,486
Workforce Investment Act 15% Adult	17.258	(4)	R970541	150,000
Subtotal 17.258				6,050,486
Workforce Investment Act Youth	17.259	(4)	K074145	6,674,366
Workforce Investment Act 15% DW Augmentation	17.260	(4)	R865463	295,518
Workforce Investment Act 15% DW Augmentation	17.260	(4)	R970541	378,266
Workforce Investment Act 25% DW Augmentation	17.260	(4)	R970541	155,301
Workforce Investment Act Adult	17.260	(4)	R970541	3,087,622
Workforce Investment Act Youth	17.260	(4)	R970541	3,299,845
Workforce Investment Act Dislocated Worker	17.260	(4)	R970541	3,063,387
Workforce Investment Act (NEG) - Disaster	17.260	(4)	R970541	685,231
Workforce Investment Act (NEG) - So. California Wildfire 2008	17.260	(4)	R970541	309,703
Workforce Investment Act Dislocated Worker	17.260	(4)	K074145	4,968,461

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COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
Workforce Investment Act Rapid Response	17.260 (4)	K074145	$ 856,304
Subtotal 17.260			17,099,638
Total U.S. Department of Labor			32,214,762
U.S. Department of Transportation			
Direct Program			
Airport Improvement Program	20.106 (25)		1,388,632
Passed Through the Los Angeles Metropolitan Transportation Authority			
Job Access and Reverse Commute	20.516 (7)		152,518
New Freedom Program	20.521 (7)		65,985
Subtotal Transit Services Programs Cluster (20.516, 20.521)			218,503
Passed Through the Calif Department of Education			
Passed Through the University of California, Berkeley			
Sobriety Checkpoint Mini-Grant Program	20.600 (8)		91,553
Passed Through the Calif Department of Transportation			
Bridge Retrofit Program	20.205 (5)		14,894,208
Surface Transportation Program (STP)	20.205 (5)		3,925,617
Highway Bridge Rehabilitation	20.205 (5)		1,268,452
1998/1999 Demonstration	20.205 (5)		1,122,502
Transportation Enhancement Activities	20.205 (5)		968,205
Congestion Mitigation and Air Quality Program	20.205 (5)		28,353
Emergency Relief Program	20.205 (5)		650,799
Transportation, Community and System Preservation	20.205 (5)		78,100
Highway Safety Improvement Program (HSIP)	20.205 (5)		46,869
Safe Route To School (SR2SL)	20.205 (5)		24,976
Subtotal 20.205			23,008,081
Public Transportation for Non Urbanized Areas	20.509		455,517
Passed Through the Calif Emergency Management Agency			
2009 Hazardous Materials Emergency Preparedness Grant	20.703		23,776
Passed Through the Calif Office of Traffic Safety			
Office of Traffic and Safety Program Driving Under the Influence	20.600 (8)	AL0962	724,748
DUI Enforcement and Education for Contract Cities	20.600 (8)		1,311,905
Subtotal 20.600			2,036,653
Total U.S. Department of Transportation			27,222,715
U.S. Election Assistance Commission			
Passed Through the Calif Secretary of State			
Help America Vote Act Section 301 Voting Systems Program	90.401		1,147,603
Total U.S. Election Assistance Commission			1,147,603
U.S. Environmental Protection Agency			
Direct Program			
Fish Contamination Inspection, Outreach and Education (Toxics Epidemiology)	66.802		96,027
Fish Contamination Inspection, Outreach and Education (Environmental Health)	66.802		9,591
Subtotal 66.802			105,618
Total U.S. Environmental Protection Agency			105,618

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COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
U.S. Institute of Museum and Library Services			
Direct Program			
Lifelong Learning Center At Pico Rivera Library	45.312		$ 110,389
Community and Family Place -San Gabriel Library	45.312		113,767
Subtotal 45.312			224,156
Passed Through the California State Library			
Inspiring Healthy Brains, Healthy Minds for Older Adults	45.310		10,786
California State Library's Family Place Initiative	45.310		91,561
Helping Customers Help Themselves-Los Angeles Public Library	45.310		3,187
Creating A Self-Service Environment-San Dimas Library	45.310		4,191
Baby Boomer Volunteer Recruitment-West Covina Library	45.310		5,000
Subtotal 45.310			114,725
Total U.S. Institute of Museum and Library Services			338,881
U.S. National Endowment for the Arts			
Passed Through the Arts Midwest			
The Big Read Grant	45.024 (26)		18,470
Total U.S. National Endowment for the Arts			18,470
U.S. Executive Office of the President			
Direct Program			
High Intensity Drug Traffic (HIDTA)	99.027		111,426
Total U.S. Executive Office of the President			111,426
Subtotal Non American Recovery and Reinvestment Act (Non-ARRA) Schedule of Expenditures of Federal Awards			$ 2,724,630,136

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COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note 1)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)				
U.S. Department of Agriculture				
Passed Through the Calif Department of Social Services				
ARRA-Supplemental Nutrition Assistance Program (SNAP) - Administration (See Note 5)	10.561	(1)		$ 3,101,243
Total U.S. Department of Agriculture				3,101,243
U.S. Department of Education				
Passed Through the Calif Department of Education				
Passed Through the Los Angeles Unified School District				
ARRA-Steps to Excellence Project (STEP)	84.389	(6)		72,984
Total U.S. Department of Education				72,984
U.S. Department of Energy				
Direct Program				
ARRA-Energy Efficiency and Conservation Block Grant	81.128			2,521,357
Total U.S. Department of Energy				2,521,357
U.S. Department of Health and Human Services				
Direct Program				
ARRA-Scholarships for Disadvantaged Students	93.407			7,042
ARRA-Pneumococcal Conjugate Vaccine (PCV-13)	93.712	(11)		32,019
ARRA-Varicella Active Surveillance Project	93.712	(11)		48,062
Subtotal 93.712				80,081
ARRA-Category A: Communities Putting Prevention to Work	93.724			44,562
ARRA-Category B: Tobacco Prevention and Control	93.724			12,078
Subtotal 93.724				56,640
Passed Through the Calif Department of Aging				
ARRA-Area Agency on Aging Title III C-2	93.705	(10)	NS0809-19	554,131
ARRA-Area Agency on Aging Title III C-1	93.707	(10)	NS0809-19	1,125,577
Passed Through the Calif Department of Alcohol and Drugs				
ARRA-Federal Drug Medi-Cal (Prenatal and Drug) FMAP	93.778	(15)	40&40a	901,731
Passed Through the Calif Department of Child Support Services				
ARRA-Child Support Enforcement Title IV D	93.563	(27)		16,112,747
Passed Through the Calif Department of Community Services and Development				
ARRA-Community Services Block Grant	93.710	(13)	09F-5122	3,783,307
ARRA-Community Services Block Grant American Indian	93.710	(13)	09F-5158	342,924
Subtotal 93.710				4,126,231
Passed Through the Calif Department of Health Services				
ARRA-Targeted Case Management (TCM) FMAP	93.778	(15)	19-0712	832,979
Passed Through the Calif Department of Public Health				
ARRA-Immunization Supplemental Fund	93.712	(11)	09-11279	1,009,506
ARRA-Immunization Tracking	93.712	(11)		469,885
Subtotal 93.712				1,479,391

(Continued)

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note 1)	Federal Expenditures
Passed Through the Calif Department of Social Services				
ARRA-AID To Families With Dependent Children-FC-Administration and Assistance FMAP	93.658	(21)	CFL10/11-03	$ 19,234,207
ARRA-Adoptions-Administration and Assistance FMAP	93.659	(28)	CFL 09/10-10	12,698,286
ARRA-Temporary Assistance Needy Families (TANF) Emergency Contingency Fund (ECF)	93.714	(12)		75,741,688
ARRA-In Home Supportive Services-Personal Care Services Program Health Related-FMAP	93.778	(15)		12,282,497
Total U.S. Department of Health and Human Services				145,233,228
U.S. Department of Homeland Security				
Direct Program				
ARRA-Port Security Grant Program (PSGP)	97.116			338,811
Passed Through the United Way				
ARRA-Emergency Food and Shelter Program	97.114	(17)		50,772
Total U.S. Department of Homeland Security				389,583
U.S. Department of Housing and Urban Development (HUD)				
Passed Through the Los Angeles County Community Development Commission				
ARRA-Community Development Block Grant Recovery	14.253	(3)		86,251
ARRA-Homelessness Prevention and Rapid Re-Housing Program (HPRP)	14.257			1,119,738
Total U.S. Department of Housing and Urban Development (HUD)				1,205,989
U.S. Department of Justice				
Direct Program				
ARRA-Special Enforcement Unit (SEU) (JAG)	16.804	(20)		114,000
ARRA-Alternative Sentencing Program (JAG)	16.804	(20)		208,000
ARRA-Catalina Island Law Enforcement (JAG)	16.804	(20)		38,000
ARRA-Strategies Against Gang Environments (SAGE) (JAG)	16.804	(20)		40,000
ARRA-At Risk Youth (School Based Education Program) (JAG)	16.804	(20)		81,000
Subtotal 16.804				481,000
Passed Through the City of Los Angeles				
ARRA-Internet Crimes Against Children (ICAC) Task Force Program	16.800			64,682
Passed Through the Calif Emergency Management Agency				
ARRA-Victim Witness Assistance Program (VWAP) - Violence Against Women Act (VAWA)	16.588	(23)		41,272
ARRA-Lancaster Domestic Violence Program	16.588	(23)		60,459
Subtotal 16.588				101,731
ARRA-Victim Witness Assistance Program (VWAP) - Victims of Crime Act (VOCA)	16.801			31,229
ARRA-California Multi-Jurisdictional Methamphetamine Enforcement Team (CAL-MMET)	16.804	(20)		13,990
Total U.S. Department of Justice				692,632
U.S. Department of Labor				
Passed Through the Calif Department of Aging				
ARRA-Area Agency on Aging Title V	17.235	(24)	ES0809-19	255,133

(Continued)

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
Passed Through the Calif Employment Development Department			
ARRA-Workforce Investment Act Adult (GC 102)	17.258 (4)	R970541	$ 3,715,026
ARRA-Workforce Investment Act -15%	17.258 (4)	K074145	7,954
ARRA-Workforce Investment Act - AB118 Clean Energy	17.258 (4)	K077114	9,132
ARRA-Workforce Investment Act - Clean Energy Workforce Training	17.258 (4)	K077115	8,507
Subtotal 17.258			3,740,619
ARRA-Workforce Investment Act Youth (GC 103 & 107)	17.259 (4)	R970541	12,394,577
ARRA-Workforce Investment Act Dislocated Worker (GC 105)	17.260 (4)	R970541	5,774,924
ARRA-Workforce Investment Act Rapid Response (GC 106)	17.260 (4)	R970541	127,285
Subtotal 17.260			5,902,209
Total U.S. Department of Labor			22,292,538
U.S. Department of Transportation			
Direct Program			
ARRA-2009 Airport Improvement Program	20.106 (25)		4,101,091
Passed Through the Calif Department of Transportation			
ARRA-Federal Aid Secondary Program	20.205 (5)		6,133,680
ARRA-Regional Surface Transportation Program	20.205 (5)		13,358,465
ARRA-Transportation Enhancement Program (TEP)	20.205 (5)		692,451
Subtotal 20.205			20,184,596
Total U.S. Department of Transportation			24,285,687
U.S. National Endowment for the Arts			
Direct Program			
ARRA-National Endowment of the Arts Sub-Grant Program	45.024 (26)		163,975
Total U.S. National Endowment For the Arts			163,975
Subtotal American Recovery and Reinvestment Act (ARRA) Schedule of Expenditures of Federal Awards			$ 199,959,216
Total Non-ARRA and ARRA Schedule of Expenditures of Federal Awards			$ 2,924,589,352

(Continued)

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Legend		Amounts
(1) SNAP Cluster	*$*	*160,989,118*
(2) Child Nutrition Cluster		*5,191,808*
(3) CDBG - Entitlement Grants Cluster		*3,447,583*
(4) WIA Cluster		*51,861,895*
(5) Highway Planning and Construction Cluster		*43,192,677*
(6) Title I, Part A Cluster		*72,984*
(7) Transit Services Programs Cluster		*218,503*
(8) Highway Safety Cluster		*2,128,206*
(9) Special Education Cluster (IDEA)		*13,832,574*
(10) Aging Cluster		*18,930,982*
(11) Immunization Cluster		*6,023,988*
(12) TANF Cluster		*1,128,521,045*
(13) CSBG Cluster		*11,303,332*
(14) CCDF Cluster		*8,607,237*
(15) Medicaid Cluster		*380,977,454*
(16) Homeland Security Cluster		*11,228,490*
(17) Emergency Food and Shelter Program Cluster		*75,980*
(18) Student Financial Assistance Cluster		*264,062*
(19) Total for CFDA# 16.738		*4,260,355*
(20) Total for CFDA# 16.804		*494,990*
(21) Total for CFDA# 93.658		*437,856,368*
(22) Total for CFDA# 93.914		*38,203,359*
(23) Total for CFDA# 16.588		*398,975*
(24) Total for CFDA# 17.235		*2,534,893*
(25) Total for CFDA# 20.106		*5,489,723*
(26) Total for CFDA# 45.024		*182,445*
(27) Total for CFDA# 93.563		*114,602,459*
(28) Total for CFDA# 93.659		*139,435,400*
(29) Total for CFDA# 93.940		*12,430,948*

Note 1 - Certain awards do not have a pass-through entity ID number.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards represents all federal programs of the County of Los Angeles, California (the County). The County's basic financial statements include the operations of the Community Development Commission (CDC) and the Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA), which expended $346,480,216 and $740,794, respectively, in federal awards, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2010. The CDC and First 5 LA engaged other auditors to perform an audit in accordance with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* All federal financial assistance received directly from federal/state agencies as well as federal financial assistance passed through other government agencies are included in the schedule.

NOTE 2 - BASIS OF ACCOUNTING

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

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

Catalog of Federal Domestic Assistance Number (CFDA#)	Program Name
10.559	Summer Food Service Program For Children
10.561	ARRA-Supplemental Nutrition Assistance Program (SNAP) - Administration
10.561	Supplemental Nutrition Assistance Program (SNAP) - Administration
14.235	Homeless Foster Youth Program (HFYP)

Catalog of Federal Domestic Assistance Number (CFDA#)	Program Name
14.257	ARRA-Homelessness Prevention And Rapid Re-Housing Program (HPRP)
16.738	Justice Assistance Grant (JAG) Toberman Neighborhood Center 06
16.738	Justice Assistance Grant (JAG) Toberman Neighborhood Center 07
16.738	Retail Skills Vocational Program (JAG) 06
16.738	Retail Skills Vocation Program (JJAG) 07
16.738	We-Tip (JAG) 07
16.738	A Better Los Angeles (JAG) 07
16.738	A Better Los Angeles (JAG) 08
17.235	ARRA-Area Agency On Aging Title V
17.235	Older American Title V Project
17.258	Workforce Investment Act Adult
17.258	Workforce Investment Act 15% Adult
17.259	Workforce Investment Act Youth
17.260	ARRA-Workforce Investment Act Rapid Response (GC 106)
17.260	Workforce Investment Act 15% DW Augmentation
17.260	Workforce Investment Act 25% DW Augmentation
17.260	Workforce Investment Act Adult
17.260	Workforce Investment Act Youth
17.260	Workforce Investment Act Dislocated Worker
17.260	Workforce Investment Act (NEG) - Disaster
17.260	Workforce Investment Act (NEG) - So. California Wildfire 2008
17.260	Workforce Investment Act Rapid Response
45.310	Helping Customers Help Themselves-Los Angeles Public Library
45.312	Lifelong Learning Center At Pico Rivera Library
45.312	Community And Family Place -San Gabriel Library
84.007	Supplemental Educational Opportunity Grants
84.027	Individuals With Disabilities Education Act (IDEA)
84.063	Pell Grants
84.389	ARRA-Steps To Excellence Project (STEP)
93.041	Title VII - Elder Abuse Prevention
93.042	Title VII - Ombudsman
93.043	Area Agency On Aging III D
93.044	Area Agency On Aging III B

(Continued)

Catalog of Federal Domestic Assistance Number (CFDA#)	Program Name
93.045	Area Agency On Aging III C-I
93.045	Area Agency On Aging III C-II
93.052	Area Agency On Aging Title III E
93.053	Area Agency On Aging III USDA CI
93.053	Area Agency On Aging III USDA CII
93.071	Area Agency On Aging - Medicare Improvement Patient Provider Act (MIPPA)
93.104	Child Mental Health Initiative Grant
93.150	McKinney Homeless Act Program
93.217	Family Planning
93.556	Promoting Safe And Stable Families Program (PSSF)
93.558	Calworks – FG/U Assistance
93.558	Calworks Legal Immigrants (MC)
93.558	Calworks Diversion – Federal
93.558	Calworks Single
93.558	Calworks Temporary Assistance For Needy Families Time-Out Assistance
93.558	Temporary Assistance For Needy Families (TANF)
93.563	Child Support Enforcement Title IV D
93.566	Refugee Resettlement
93.566	Refugee Employment Social Services
93.569	Community Services Block Grant
93.569	Community Services Block Grant - Volunteer Income Tax Assistance (VITA)
93.584	Refugee Targeted Assistance Program
93.596	Child Day Care Program
93.645	Children's Welfare Services IV B (Direct Cost)
93.658	ARRA-Aid To Families With Dependent Children-FC-Administration And Assistance FMAP
93.658	Aid To Families With Dependent Children - FC - Administration And Assistance
93.658	Foster Care Title IV-E
93.658	Foster Parent Training
93.658	Foster Family Licensing
93.658	Group Home Month Visits / CWD
93.658	Child Welfare Services Outcome Improvement Project (Cohort 1)
93.659	ARRA-Adoptions-Administration And Assistance FMAP
93.659	Adoptions - Administration And Assistance

(Continued)

Catalog of Federal Domestic Assistance Number (CFDA#)	Program Name
93.667	Children's Welfare Services Title XX
93.674	Independent Living Skills – Children's Services
93.705	ARRA-Area Agency On Aging Title III C-2
93.707	ARRA-Area Agency On Aging Title III C-1
93.710	ARRA-Community Services Block Grant
93.714	ARRA-Temporary Assistance Needy Families (TANF) Emergency Contingency Fund (ECF)
93.778	ARRA-Targeted Case Management (TCM) FMAP
93.778	Medi-Cal Administrative Activities (MAA)
93.778	Targeted Case Management (TCM) FMAP
93.778	ARRA-In Home Supportive Services-Personal Care Services Program Health Related-FMAP
93.778	Medi-Cal Eligibility Determination
93.778	In Home Supportive Services - Personal Care Services Program Health Related
93.778	Adult Protective Services/County Services Block Grant
93.778	Children's Welfare Services XIX (Hlth Reel)
93.778	In Home Supportive Services - Personal Care Services Program Health Related
93.779	Area Agency On Aging Health Insurance Counseling And Advocacy Program (HICAP)
93.779	Area Agency On Aging - Health Insurance Counseling Advocacy Program (HICAP) - Medicare Improvement Patient Provider Act (MIPPA)
93.914	HIV Emergency Relief Project Grant
93.925	Scholarships For Disadvantaged Students
93.958	Mental Health Services: Block Grant
93.959	Alcohol Block Grant

NOTE 3 - SUBRECIPIENT AWARDS

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

Non-ARRA County Program Title	CFDA #	Amount Provided to Subrecipients
Supplemental Nutrition Assistance Program (SNAP) - Administration	10.561	$ 79,374
Adult Drug Court Discretionary Grant	16.585	15,152
Women's Re-Entry	16.585	130,992
Subtotal 16.585		146,144
Drug Court (JAG) 07	16.738	324,000
Workforce Investment Act 15% Adult	17.258	135,000
Workforce Investment Act Adult	17.258	4,282,756
Workforce Investment Act Youth	17.259	5,096,530
Workforce Investment Act (NEG) – Disaster	17.260	609,526
Workforce Investment Act (NEG) So. California Wildfire 2008	17.260	270,337
Workforce Investment Act 15% DW Augmentation	17.260	265,966
Workforce Investment Act 15% DW Augmentation	17.260	364,032
Workforce Investment Act 25% DW Augmentation	17.260	154,711
Workforce Investment Act Adult	17.260	3,030,345
Workforce Investment Act Dislocated Worker	17.260	4,091,176
Workforce Investment Act Rapid Response	17.260	566,898
Workforce Investment Act Youth	17.260	3,230,851
Workforce Investment Act Dislocated Worker	17.260	2,406,977
Subtotal WIA Cluster (17.258, 17.259, and 17.260)		24,505,105
Individuals with Disabilities Education Act (IDEA)	84.027	13,832,574
Drug Free Schools and Communities (DFSC) - Friday Night Live	84.186	75,000
Drug Free Schools and Communities - Club Live	84.186	75,000
Subtotal 84.186		150,000
Title VII: Elder Abuse Prevention	93.041	90,037
Title VII: Ombudsman	93.042	130,671
Area Agency on Aging III D	93.043	372,290
Area Agency on Aging III B	93.044	3,601,531
Area Agency on Aging III C-I	93.045	4,797,059
Area Agency on Aging III C-II	93.045	4,504,923
Area Agency on Aging III USDA CI	93.053	926,855

(Continued)

Non-ARRA County Program Title	CFDA #	Amount Provided to Subrecipients
Area Agency on Aging III USDA CII	93.053	$ 694,487
Subtotal Aging Cluster (93.044, 93.045, and 93.053)		14,524,855
Area Agency on Aging Title III E	93.052	1,908,472
Public Health Preparedness and Response for Bioterrorism	93.069	6,694,223
Public Health Emergency Response Phase III	93.069	5,973,965
Subtotal 93.069		12,668,188
Area Agency on Aging – Medicare Improvement Patient Provider Act (MIPPA)	93.071	42,966
Child Mental Health Initiative Grant	93.104	1,661,533
McKinney Homeless Act Program	93.150	1,282,549
Childhood Lead Poisoning Case Management	93.197	13,188
Co-Occurring Disorders Court Program Enhancement	93.243	107,824
Screening and Brief Intervention and Referral to Treatment (SBIRT)	93.243	637,185
Subtotal 93.243		745,009
Immunization Supplemental Fund	93.268	9,726
Promoting Safe and Stable Families Program (PSSF)	93.556	9,957,136
CalWORKs Single	93.558	148,199,507
Refugee Employment Social Services	93.566	3,977,321
Community Services Block Grant American Indian 10F-4060	93.569	133,487
Community Services Block Grant American Indian 08-4960	93.569	130,961
Community Services Block Grant	93.569	4,718,550
Subtotal CSBG Cluster (93.569)		4,982,998
Refugee Targeted Assistance Program	93.584	594,312
Independent Living Skills - Children's Services	93.674	5,226,594
Medi-Cal Administrative Activities (MAA)	93.778	817,879
Area Agency on Aging - Health Insurance Counseling Advocacy Program (HICAP) – Medicare Improvement Patient Provider Act (MIPPA)	93.779	14,773

(Continued)

Non-ARRA County Program Title	CFDA #	Amount Provided to Subrecipients
Area Agency on Aging - Health Insurance Counseling Advocacy Program (HICAP)	93.779	$ 228,540
Subtotal 93.779		243,313
Bioterrorism Hospital Preparedness Program	93.889	10,586,165
Minority AIDS Initiative (MAI)	93.914	2,811,931
HIV Emergency Relief Project Grant	93.914	26,109,651
Subtotal 93.914		28,921,582
HIV Care Program	93.917	8,709,781
Special Projects of National Significance / MSM Youth	93.928	46,067
HIV Prevention Program	93.940	1,260,979
HIV Prevention Project	93.940	4,919,965
Expanded and Integrated HIV Testing for Populations	93.940	306,942
National HIV Behavioral Surveillance	93.940	110,488
Subtotal 93.940		6,598,374
Enhanced HIV/AIDS Surveillance for Perinatal Prevention	93.941	50,091
HIV AIDS Surveillance and Seroprevalence	93.944	52,698
Mental Health Services: Block Grant	93.958	1,669,067
Substance Abuse Block Grant New HIV Set - Aside	93.959	4,395,351
New Prenatal Set – Aside	93.959	3,333,802
Substance Abuse Prevention and Treatment Block Grant Adolescent Treatment	93.959	1,437,506
Federal Female Offender	93.959	382,633
Alcohol Block Grant	93.959	33,634,033
Substance Abuse Prevention and Treatment - Set Aside	93.959	12,872,932
Subtotal 93.959		56,056,257
Comprehensive STD Preventions Systems	93.977	381,728
Urban Area Security Initiative 07	97.008	101,685
2009 Emergency Management Performance Grant	97.042	111,272
Emergency Management Performance 08	97.042	869,443
Subtotal 97.042		980,715

(Continued)

Non-ARRA County Program Title	CFDA #	Amount Provided to Subrecipients
State Homeland Security Program 06	97.067	$ 4,648,299
State Homeland Security Program 07	97.067	1,280,852
Subtotal Homeland Security Cluster (97.067)		5,929,151
Chemical Buffer Zone Protection Program 06	97.078	2,329,203
Sub-Total Amount Provided to Non ARRA Subrecipients		$ 368,898,305

ARRA County Program Title	CFDA #	Amount Provided to Subrecipients
ARRA-Workforce Investment Act Adult (GC 102)	17.258	$ 2,995,267
ARRA-Workforce Investment Act Youth (GC 103 & 107)	17.259	10,429,769
ARRA-Workforce Investment Act Dislocated Worker (GC 105)	17.260	4,636,627
ARRA-Workforce Investment Act Rapid Response (GC 106)	17.260	84,642
Subtotal WIA Cluster (17.258, 17.259, and 17.260)		18,146,305
ARRA-Area Agency on Aging Title III C-2	93.705	498,718
ARRA-Area Agency on Aging Title III C-1	93.707	1,013,019
Subtotal Aging Cluster (93.705 and 93.707)		1,511,737
ARRA-Community Services Block Grant	93.710	3,576,046
ARRA-Community Services Block Grant American Indian	93.710	293,816
Subtotal CSBG Cluster (93.710)		3,869,862
ARRA-Immunization Supplemental Fund	93.712	962,856
ARRA-Immunization Tracking	93.712	284,465
Subtotal Immunization Cluster (93.712)		1,247,321
ARRA-Temporary Assistance Needy Families (TANF) Emergency Contingency Fund (ECF)	93.714	63,025,343
ARRA-Temporary Assistance Needy Families (TANF) Emergency Contingency Fund (ECF) - Summer Youth Employment Program (SYEP)	93.714	1,341,056
Subtotal TANF Cluster (93.714)		64,366,399

(Continued)

ARRA County Program Title	CFDA #	Amount Provided to Subrecipients
ARRA-Category B: Tobacco Prevention and Control	93.724	$ 3,027
Sub-Total Amount Provided to ARRA Subrecipients		$ 89,144,651
Total Amount Provided to Non ARRA and ARRA Subrecipients		$ 458,042,956

NOTE 4 – STATE CRIMINAL ALIEN ASSISTANCE PROGRAM, CFDA # 16.606

The State Criminal Alien Assistance Program (SCAAP) is a payment program designed to provide federal assistance to states and localities that incur costs for incarcerating undocumented criminal aliens who are being held as a result of state and/or local charges or convictions. The County receives reimbursement two years after the expenditures occur based on the available funding. The County reports actual revenues in the year that the funds are received since the County is not fully reimbursed by SCAAP for expenditures in the year that they occur. $15,436,769 was received from SCAAP during FY 2009-2010 for expenditures incurred in FY 2007-2008.

NOTE 5 – SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM BENEFITS (SNAP) AND AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) SNAP BENEFITS, CFDA # 10.551

The County will no longer be reporting the value of the SNAP food stamps as reported in the prior years' schedule of expenditures of federal awards. Per the *OMB A-133 Compliance Supplement (June 2010),* a county should not be reporting expenditures for SNAP benefits in its schedule of expenditures of federal awards. In addition, a county, in a state where the SNAP is state-supervised but county-administered, such as Los Angeles County, is required to report its expenditures for SNAP administrative costs only. In these cases, states pass Federal SNAP administrative funds through to the counties for program functions performed by county agencies.

NOTE 6 – MEDICAID CLUSTER

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

(Continued)

NOTE 7 – SOUTHWEST BORDER PROSECUTION INITIATIVE (SWBPI), CFDA # 16.755

The Southwest Border Prosecution Initiative (SWBPI) is a payment program designed to provide federal assistance to states and localities that incur costs for handling and processing of federally initiated controlled substance cases along the Southwest Border. The County receives reimbursement two years after the expenditures occur based on an allocation of the available funding. Eligibility is determined for this program in arrears. The County reports actual revenues in the year that the funds are received since the County's eligible expenditures are not determinable until reimbursement is received. $8,377,269 was received from SWBPI during FY 2009-2010 for expenditures incurred in FY 2007-2008.

NOTE 8 – JUVENILE ACCOUNTABILITY BLOCK GRANT, CFDA # 16.523

The County received the Juvenile Accountability Block Grant each fiscal year since 1999-2000 from the State of California, Department of Corrections and Rehabilitation. The grant agreement requires the County to issue a program specific audit report by an independent accounting firm for each year funds were received. As such, until this year, the grant was not reported in the County's schedule of expenditures of federal awards. A review of the program audit determined that the audit was not sufficient to comply with OMB A-133 audit requirements. Below is the list of the fiscal years not previously reported:

Fiscal Year	Amount	Grant Number
1999-2000	$1,091,030	IP98C10190
2000-2001	$1,161,925	IP99C10190
2001-2002	$1,024,268	IP00C10190
2002-2003	$1,057,457	IP01C10190
2003-2004	$ 711,330	IP02C10190
2004-2005	$ 893,719	161-04
2005-2006	$ 514,755	161-05
2006-2007	$ 515,480	161-06
2007-2008	$ 478,222	161-07
2008-2009	$ 478,222	161-08

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

The Honorable Board of Supervisors
County of Los Angeles, California

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County), as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 13, 2010. Our report was modified to include a reference to other auditors and an explanatory paragraph describing the implementation of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. 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. Other auditors audited the financial statements of the Community Development Commission (CDC), Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA), and the Los Angeles County Employees Retirement Association (LACERA), as described in our report on the County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County'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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 management, the audit committee, the Board of Supervisors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP
Certified Public Accountants

Los Angeles, California
December 13, 2010

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Board of Supervisors
County of Los Angeles, California

Compliance

We have audited the County of Los Angeles', California (County), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2010. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Community Development Commission (CDC) and the Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA), which expended $346,480,216 and $740,794, respectively, in federal awards, which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2010. Our audit, described below, did not include the operations of CDC and First 5 LA because CDC and First 5 LA engaged other auditors to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in items 10-01, 10-02, 10-04, 10-06, 10-09, and 10-10 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding activities allowed or unallowed (item 10-01), eligibility (items 10-02, 10-04, and 10-06), and subrecipient monitoring (items 10-02, 10-09, and 10-10) that are applicable to the Special Education Cluster (IDEA) (CFDA No. 84.027), Promoting Safe and Stable Families (CFDA No. 93.556), Foster Care - Title IV-E (CFDA No. 93.658), Adoption Assistance (CFDA No. 93.659), Social Services Block Grant (CFDA No. 93.667), Chafee Foster Care Independence Program (CFDA No. 93.674), and Block Grants for Prevention and Treatment of Substance Abuse (CFDA No. 93.959). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 10-03, 10-05, 10-07, 10-08, and 10-11.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a

reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-01, 10-02, 10-04, 10-06, 10-09, and 10-10 to be material weaknesses.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the audit committee, the Board of Supervisors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP
Certified Public Accountants

Los Angeles, California
March 31, 2011

Section I - Summary of Auditor's Results

(a) Financial Statements

The type of auditor's report issued: **Unqualified Opinion**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified that are not considered to be material weaknesses? **None Reported**

Noncompliance material to the financial statements noted? **No**

(b) Federal Awards

Internal control over major programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified that are not considered to be material weaknesses? **None Reported**

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

Unqualified for all major programs except for the following, which were qualified:

- Adoption Assistance (CFDA No. 93.659) – Qualified
- Foster Care Title IV-E (CFDA No. 93.658) – Qualified
- Chafee Foster Care Independence Program (CFDA No. 93.674) – Qualified
- Social Services Block Grant (CFDA No. 93.667) – Qualified
- Special Education Cluster (IDEA) (CFDA No. 84.027) – Qualified
- Promoting Safe and Stable Families (CFDA No. 93.556) – Qualified
- Block Grants for Prevention and Treatment of Substance Abuse (CFDA No. 93.959) – Qualified

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
16.606	State Criminal Alien Assistance Program
17.258/17.259/17.260	Workforce Investment Act (WIA) Cluster
20.106	Airport Improvement Program
20.205	Highway Planning and Construction Cluster
84.027	Special Education Cluster (IDEA)
93.044/93.045/93.053/ 93.705/93.707	Aging Cluster
93.556	Promoting Safe and Stable Families
93.558/93.714/93.716	Temporary Assistance for Needy Families (TANF) Cluster
93.566	Refugee and Entrant Assistance State Administered Programs
93.569/93.710	Community Services Block Grants (CSBG) Cluster
93.658	Foster Care Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.674	Chafee Foster Care Independence Program
93.917	HIV Care Formula Grants
93.959	Block Grants for Prevention and Treatment of Substance Abuse
97.008	Non-Profit Security Program

Dollar threshold used to distinguish between Type A and Type B programs: **$8,773,768**

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

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

Finding # 10-01 - Activities Allowed or Unallowed – Lack of Supporting Documents and Controls over Payroll Transactions

Program Name:	**Adoptions – Administration & Assistance** **Independent Living Skills – Children's Services** **Aids to Families with Dependent Children – FC – Administration and Assistance** **Children's Welfare Services Title XX**
CFDA Title and Number:	**Adoption Assistance CFDA# 93.659** **Chafee Foster Care Independence Program CFDA# 93.674** **Foster Care - Title IV-E CFDA# 93.658** **Social Services Block Grant CFDA# 93.667**
Federal Agency:	**U.S. Department of Health & Human Services (HHS)**
Pass- Through Agency:	**California Department of Social Services (CDSS)**
Federal Award Number:	**N/A**
Award Year:	**June 30, 2010**
Name of Department:	**Department of Children and Family Services (DCFS)**

Condition

The Department of Children and Family Services (DCFS) performs one timestudy per quarter for all federal award programs in the consolidated County Expense Claim (CEC). Out of sixty (60) timestudy transaction samples selected for testing from the CEC report, the following control and compliance issues were noted:

a. Four (7%) employee timestudies reviewed contained instances where the employee coded the time as worked on the program per the timestudy report, even though the employee's timesheet revealed that there was no time worked on the program, but rather indicated sick time or vacation time;

b. One (2%) employee's hours on the timesheet did not match the hours paid per the CWTAPPS system;

In addition, MGO tested allocable support staff costs also claimed through the CEC report. During our testing of sixty (60) support staff transaction samples, the following control and compliance issues were noted:

c. One (2%) employee timesheet was not properly reviewed and approved by supervisory personnel; and

d. Three (5%) employees' hours on the timesheet did not match the hours paid per the CWTAPPS system.

Criteria

a. Employee work hours recorded and coded as worked on the timestudy should be coded as worked on the timesheet;

b. Per OMB Circular A-87 Attachment A Paragraph C, to be allowable under federal awards, costs must be adequately documented; therefore; employee work hours recorded on the County's time keeping system (i.e. CWTAPPS) should be substantiated by the actual hours recorded on the employee's timesheet;

c. Per OMB Circular A-133§___.300(b), the County must "maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs." (Therefore, timesheets should be signed and approved by the supervisor).

Questioned Costs:

Timestudy Transactions - $3,950 (Calculated based on the amount paid/discrepancies noted during the review of the transactions).

Support Staff Transactions - $7,565 (Calculated based on the amount paid/discrepancies noted during the review of the transactions).

Systemic or Isolated: Systemic

Cause

Lack of enforcement of current policies and procedures.

Effect

Lack of supervisory review over timestudies, timesheets, and CWTAPPS data entry may result in the submission of unallowable costs and activities causing noncompliance with OMB Circular A-87 Attachment A Paragraph C and Per OMB Circular A-133§___.300(b).

Recommendation

We recommend DCFS implement the following:

a. Enforce policies and procedures to ensure management reviews and approves timesheets and timestudies concurrently for reasonableness;

b. Enforce control procedures to ensure that the hours on the employee's timesheet match the hours per CWTAPPS.

Views of Responsible Officials and Planned Corrective Action

DSFS agrees with the recommendation and will implement the recommendation as follows:

a. The Time Study Unit will remind managers of the time study policy and procedures prior to starting the time study process. The Time Study Unit also posts the policies and procedures in the Department's intranet to instruct departmental management staff to ensure the hours in the Time Study System and CWTAPSS/eCAPS/Timesheet match before they certify and approve an employee's time sheet.

   Additionally, Finance Staff will submit a request to our Business Information System staff to see if a system enhancement that will promote accuracy in reporting is feasible. By incorporating automatic prompts to further emphasize the importance of the review and certification processes, we expect both the employee and the supervisor to turn in factual and accurate reports on a progressively more consistent basis.

b. Payroll management will instruct all payroll clerks to contact an employee's supervisor when the time in CWTAPPS does not match an employee's timesheet. In addition, our Internal Controls Section conducts a monthly payroll/personnel quality assurance review to ensure payroll staff entered employee's time in CWTAPPS correctly.

Finding # 10-02 - Eligibility and Subrecipient Monitoring – Lack of Timely Assessment, Quarterly Face to Face Contact, and Timely Contact for Establishing Date of IEP Meeting

Program Name:	**Individuals with Disabilities Education Act (IDEA)**
CFDA Title and Number:	**Special Education Cluster (IDEA) - Special Education Grants to States CFDA# 84.027**
Federal Agency:	**U.S. Department of Education**
Pass – Through Agency:	**California Department of Education**
Federal Award Number:	**N/A**
Award Year:	**June 30, 2010**
Name of Department:	**Department of Mental Health (DMH)**

Condition

During our testing of sixty (60) case files, the following compliance issues were noted:

a. Nine (15%) case files were not assessed for mental health services by the Department of Mental Health (DMH) within sixty days from the receipt of the written parental consent for the assessment. Furthermore, there was no evidence in the case file demonstrating that a parent has requested an extension for the assessment;

b. Eighteen (30%) case files did not contain evidence that face-to-face contact was performed quarterly by DMH case managers; and

c. For one (2%) case file, DMH did not contact the local education agency (LEA) within sixty days from the receipt of parental consent to establish the date of the Individualized Education Program (IEP) meeting.

Criteria

a. Per AB 1662, Chapter 653, Statute 205 dated October 7, 2005, the timeline was extended to 60 days. “The mental health assessment shall be completed in sufficient time to ensure that an Individualized Education Program (IEP) meeting is held within sixty (60) days from the receipt of the written parental consent for the assessment. This time line may only be extended upon the written request of the parent”;

b. Per California Code of Regulations Title 2. Division 9. Chapter 1. Article 3. 60110 (c)(8): “Case management shall conduct quarterly face-to-face contacts at the residential facility with a pupil with a disability who is seriously emotionally disturbed to monitor the level of care and supervision and the provision of the mental services as required by the IEP.” In addition, per conversations with DMH,

the quarterly face-to-face contacts are utilized as the tool to programmatically monitor out of state providers.

c. Per AB 1662, Chapter 653, Statute 205 dated October 7, 2005, "Once a child has been referred for an initial assessment to determine whether the child is an individual with exceptional needs as defined in Section 56026 and to determine the educational needs of the child, these determinations shall be made, and an individualized education program meeting shall occur, within 60 days of receiving parental consent for the assessment in accordance with subparagraph (C) of paragraph (1) of subsection (a) of Section 1414 of Title 20 of the United States Code."

Questioned Costs: N/A

Systemic or Isolated: Systemic

Cause

a. Lack of enforcement of policies and procedures over conducting timely assessments of cases referred to DMH;

b. Lack of enforcement of policies and procedures over conducting quarterly face-to-face contacts for those cases placed at a residential facility; and

c. Lack of enforcement of policies and procedures over conducting timely establishment of IEP meeting date with the school districts upon receiving the parental consent.

Effect

Failure to conduct timely assessments, quarterly face-to-face contacts for cases placed at a residential facility, and contact the school districts timely for establishing a date of an IEP meeting may result in noncompliance with OMB A-133 grant guidelines, California Code of Regulations Title 2. Division 9. and AB 1662, Chapter 653.

Recommendation

We recommend DMH enforce the policies and procedures in order to ensure compliance with OMB A-133 grant guidelines, California Code of Regulations Title 2. Division 9. and AB1662, Chapter 653.

Views of Responsible Officials and Planned Corrective Action

DMH agrees with the recommendation. One of the three findings (lack of timely assessments) relates to an IDEA statutory or regulatory requirement. Two of the findings, (quarterly site visits to students in residential placement, and notification to districts to determine the date of an IEP meeting) are California State requirements only. On October 8, 2010, the Governor signed the Budget Act for FY 2010-2011, and in doing so, deleted all funds allocated to counties for the implementation of Chapter 26.5 CA Government Code, and suspended the mandate on counties to provide services under this chapter for the remainder of FY 2010-2011. Litigation ensued and DMH is awaiting final determination by the judiciary what role, if any, counties have in the implementation of the program. It is assumed that the intent of the Governor and Legislature was to suspend the mandate for FY 2010-2011, and counties are not legally obligated to comply with existing State statutory and regulatory requirements. Operation of the program continues temporarily only via MOU with local school districts and is limited to use of existing resources. It is undisputed that DMH lacks sufficient resources to fully implement the program as currently structured. Ultimately, it is the responsibility of California Department of Education and local school districts to pay or provide services to disabled students that are entitled to such under IDEA. The Governor has proposed a realignment of the program to counties in FY 2011-2012, but it is premature to know if such a realignment will occur and if the State statute and regulations will be amended by the Legislature.

It is the intent of DMH to fully comply with the IDEA requirement for timely completion of assessments, to the extent that resources are available to DMH by local education agencies who now bear the responsibility to pay for or provide services.

In relation to the other two findings and recommendations, it is the intent of DMH to ensure prudent spending practices and provide quality clinical care to all consumers, while also preserving the health, safety and well being of employees at all times.

Finding # 10-03 - Special Tests and Provisions – Lack of Timely Nutrition Services Incentive Program (NSIP) Payments

Program Name:	**Area Agency on Aging USDA CI**
CFDA Title and Number:	**Aging Cluster CFDA# 93.044/93.045/93.053/93.705/93.707**
Federal Agency:	**Department of Health and Human Services (HHS)**
Pass-Through Agency:	**California Department of Aging (CDA)**
Federal Award Number:	**Non-ARRA: AP-0910-19, ARRA: NS-0809-19**
Award Year:	**June 30, 2010**
Name of Department:	**Department of Community and Senior Services (CSS)**

Condition

Out of sixty (60) invoices selected, one (2%) invoice for NSIP was not paid within 30 days. In this case, the payment was 4 days late. This invoice is specifically for CFDA # 93.053 Area Agency on Aging USDA CI and is not related to ARRA funds.

Criteria

As indicated in the *OMB Circular A-133 Compliance Supplement*, it is required "to promptly and equitably distribute NSIP cash to recipients of grants or contacts under OAA Title C1 and C2 (42 USC 3030a(d)(4))." Also, per the County of Los Angeles Fiscal Manual, "all vendor payments will be issued within 30 calendar days of receipt of the vendor's invoice."

Question Costs: N/A

Systemic or Isolated: Systemic

Cause

Lack of enforcement of policies and procedures over timely payment of NSIP costs.

Effect

Failure to make timely payment for NSIP costs may result in noncompliance with OAA Title C1 and C2 (42 USC 3030a(d)(4)) and the County of Los Angeles Fiscal Manual.

Recommendation

We recommend that the Department of Community and Senior Services enforce policies and procedures to ensure compliance with federal requirements and the County of Los Angeles Fiscal Manual.

Views of Responsible Officials and Planned Corrective Action

CSS agrees with this finding and will take appropriate action to ensure that payments are made in accordance with the County Fiscal Manual.

Finding # 10-04 - Eligibility – Controls and Compliance over Eligibility

Program Name:	**Aids to Families with Dependent Children – FC – Administration and Assistance** **ARRA- Aids to Families with Dependent Children – FC – Administration and Assistance FMAP** **Children's Welfare Services Title XX**

CFDA Title and Number:	**Foster Care-Title IV-E CFDA# 93.658**
	Social Services Block Grant CFDA# 93.667
Federal Agency:	**U.S. Department of Health & Human Services (HHS)**
Pass- Through Agency:	**California Department of Social Services (CDSS)**
Federal Award Number:	**N/A**
Award Year:	**June 30, 2010**
Name of Department:	**Department of Children and Family Services (DCFS)**

Condition

During our testing of sixty (60) case files, three eligibility re-determinations were not performed in a timely manner. The costs associated with these participants are included in total costs allocated between ARRA and non-ARRA funding for CFDA No. 93.658; however, the specific amount at the individual participant level is not readily determinable.

a. One (2%) eligibility re-determination was performed two months late;

b. One (2%) eligibility re-determination was performed three months late;

c. One (2%) case did not contain evidence that a re-determination was performed within 12 months.

Criteria

Per Part III of the OMB Circular A-133 Compliance Supplement, determination and re-determination should be performed in order to determine the participant to be eligible based on the program's compliance requirements. In addition, per the Department of Children and Family Services (DCFS) Procedural Guide E020-0510, titled "Eligibility Determination for Financial Participation," "a re-determination of all circumstances of eligibility shall be completed at least once every twelve (12) months."

Questioned Costs: N/A as the children were determined to be federally eligible.

Systemic or Isolated: Systemic

Cause

Lack of enforcement of current policies and procedures over the re-determination process.

Effect

Failure to properly document the re-determination of eligible participants may result in noncompliance with federal requirements and DCFS Procedural Guide E020-051.

Recommendation

We recommend DCFS enforce policies and procedures to ensure compliance with federal requirements and DCFS Procedural Guide E020-051.

Views of Responsible Officials and Planned Corrective Action

DCFS agrees with the recommendation. Revenue Enhancement Management has re-enforced Redetermination policies and procedures at the following meetings:

- June 10, 1010 Quarterly Supervisor's Meeting.
- January 27, 2011 Quarterly Supervisor's Meeting.
- February 10, 2011 Palmdale General staff meeting.
- Weekly managers' meeting.

Additionally, ongoing monitoring is conducted by Revenue Enhancement's Quality Assurance section. It is also important to note that the cases cited with the untimely redeterminations were found eligible for Federal financial participation. The fact that the redetermination was not done timely did not result in non-compliance cases.

Finding #10-05 - Activities Allowed or Unallowed – Lack of Supporting Documents over Payroll Transactions

Program Name:	**Area Agency on Aging III B** **Area Agency on Aging III C-I** **Area Agency on Aging III C-II** **Area Agency on Aging USDA CI** **Area Agency on Aging USDA CII**
CFDA Title and Number:	**Aging Cluster CFDA#** **93.044/93.045/93.053/93.705/93.707**
Federal Agency:	**Department of Health and Human Services (HHS)**
Pass-Through Agency:	**California Department of Aging (CDA)**
Federal Award Number:	**Non-ARRA: AP-0910-19, ARRA: NS-0809-19**
Award Year:	**June 30, 2010**
Name of Department:	**Department of Community and Senior Services (CSS)**

Condition

Out of sixty (60) monthly payroll transactions selected for testing, one (2%) employee's hours on the time card did not match the hours per the CWTAPPS system. The cost associated with this transaction is related to non-ARRA funds.

Criteria

a. Per OMB Circular A-87 Attachment A Paragraph C, to be allowable under federal awards, costs must be adequately documented. Therefore, employee work hours recorded on the County's time keeping system (i.e. CWTAPPS) should be substantiated by the actual hours recorded on the employee's time card.

b. Per OMB Circular A-133§___.300(b), the County must "maintain internal control over federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs."

Questioned Costs: $63.75 (Calculated based on the amount paid/discrepancies noted during the review of the transactions).

Systemic or Isolated: Systemic

Cause

Lack of enforcement of current policies and procedures.

Effect

Lack of supervisory review over time cards and CWTAPPS data entry may result in the submission of unallowable costs and activities causing noncompliance with OMB Circular A-87 Attachment A Paragraph C and OMB Circular A-133§___.300(b).

Recommendation

We recommend CSS enforce control procedures to ensure that the hours on the employee's time card match the hours per CWTAPPS.

Views of Responsible Officials and Planned Corrective Action:

CSS concurs with this finding. Effective August 17, 2009, this employee was transferred internally. Although CWTAPPS was updated timely to reflect the pay location change, such changes did not immediately reflect in eCAPS. As such, the employee's new supervisor did not have access to approve the timecard via eCAPS. Because the timecard was not approved in eCAPS within the CWTAPPS cutoff period, CWTAPPS defaulted to process the employee as having worked all days as scheduled. Upon verification of time reported, the Human Resources Division administratively approved the timecard in eCAPS. However, there was inadvertent failure to follow-up and ensure a signed copy of the eCAPS timecard was provided as well as the required timecard correction to be approved by the current supervisor. The Department has existing

policy in place regarding the submission of accurate timecards and is reinforcing supervisory responsibility to ensure accurate reflection of hours worked, in particular when submitting late timecards.

Finding # 10-06 - Eligibility- Lack of Supporting Documents and Controls over Eligibility

Program Name:	**Adoptions – Administration & Assistance** **ARRA- Adoptions – Administration & Assistance** **FMAP**
CFDA Title and Number:	**Adoption Assistance CFDA# 93.659**
Federal Agency:	**U.S. Department of Health & Human Services (HHS)**
Pass- Through Agency:	**California Department of Social Services (CDSS)**
Federal Award Number:	**N/A**
Award Year:	**June 30, 2010**
Name of Department:	**Department of Children and Family Services (DCFS)**

Condition

During our testing of sixty-three (63) Adoption Assistance Program cases, control and compliance issues were noted. The costs associated with these participants are included in total costs allocated between ARRA and non-ARRA programs; however, the specific amount at the individual participant level is not readily determinable.

a. Three (5%) cases contained an initial AD 4320 form that was properly signed by the adoptive parent(s); however, the "Reasons for AAP Eligibility" section, indicating that the child has special needs, was not completed. MGO was able to verify that the child has special needs through the review of the "Barriers to Adoption" section of the AAP4 form. Although MGO was able to verify that the child has special needs, the Initiating Adoption Assistance Benefits Procedural Guide requires that the initial AD 4320 form be properly completed.

b. One (2%) case did not contain an initial 4320 form. In addition, the case did not contain an AAP4 form because at the time the case was initiated, the AAP4 form was not required. Therefore, MGO could not verify that the child was determined by the County to be a child with special needs, the County made reasonable efforts to place the child for adoption without a subsidy, and the agreement for the subsidy was signed and was in effect before the final decree of adoption. However, MGO was able to verify that the child was federal AFDC-FC eligible through the review of FC3 form, "Determination of Federal AFDC-FC Eligibility."

c. Three (5%) cases contained an AAP4 form in which the "Federal Eligibility Information" section was not completed. However, MGO was able to verify that the child was federal AFDC-FC eligible through the review of FC3 form, "Determination of Federal AFDC-FC Eligibility." Although MGO was able to verify that the child was federal AFDC-FC Eligible, the Adoption Assistance Program

(AAP) Policies (E080-0530) require that the AAP4 form be properly completed.

d. Three (5%) cases contained an AAP4 form; however, the "Barriers to Adoption" section, indicating that the child has special needs, was not completed. MGO was able to verify that the child has special needs through the review of the "Reasons for AAP Eligibility" section of the initial AD 4320 form. Although MGO was able to verify that the child has special needs, the Adoption Assistance Program (AAP) Policies (E080-0530) require that the AAP4 form be properly completed.

e. One (2%) case did not contain an AAP4 form or the FC3 form; therefore, MGO was unable to verify that the child was federal AFDC-FC Eligible.

Criteria

a. Per the *Initiating Adoption Assistance Benefits Procedural Guide*, when completing the adoptive placement and initiating Adoption Assistance Program Benefits, an Adoption Case Social Worker (CSW) is required to complete the AD 4320 and obtain each adoptive parent's signature. Per review of the AD 4320 form, each section must be filled out in order for the form to be complete.

b. Per the *Adoption Assistance Program (AAP) Policies (E080-0530)*, "the CSW documents or establishes that the conditions are met for the child to be eligible" while "the Eligibility Worker (EW) is responsible for making the final determination that the foster care child meets the AAP requirements of age and financial participation." When an initial AAP determination request is received, an AAP EW is required to complete an AAP4 form and record the appropriate information on the *AAP Eligibility* section of the form. Per review of the AAP4 form, each section must be filled out in order for the form to be complete.

Questioned Costs:

$10,560 *(projected based on payments for 12 months for the case listed in condition e above).*
N/A – *The cases listed in conditions a, b, c and d were determined to be eligible; therefore, questionable costs are not applicable.*

Systemic or Isolated: Systemic

Cause

Lack of enforcement of the DCFS Initiating Adoption Assistance Benefits Procedural Guide 0200-511.05 and the Adoption Assistance Program (AAP) Policies (E080-0530).

Effect

Failure to maintain appropriate documentation on file supporting eligibility of participants may result in noncompliance with Part IV of OMB Circular A-133 Compliance Supplement for the Adoption Assistance program, the Initiating Adoption Assistance Benefits Procedural Guide 0200-511.05, and the Adoption Assistance Program (AAP) Policies (E080-0530), which may lead to inappropriate distribution of funds to ineligible participants.

Recommendation

We recommend DCFS enforce its policies and procedures in order to ensure compliance with Part IV of OMB Circular A-133 Compliance Supplement for the Adoption Assistance program, the Initiating Adoption Assistance Benefits Procedural Guide 0200-511.05 and the Adoption Assistance Program (AAP) Policies (E080-0530).

Views of Responsible Officials and Planned Corrective Action

DCFS agrees with the recommendation. Adoption and Permanency Resources Division staff have virtually updated all of the state AAP forms to streamline the process necessary to initiate and maintain AAP benefits. The changes most specifically connected to this audit are that the FC 3 was combined into the AAP 4 and the program eligibility criteria already present on the AAP 4 were eliminated from the AD 4320. DCFS and community partners are working on a memo clarifying and redistributing some aspects of the AAP initiation process to flow along with the changes in the forms. Once this memo is completed it will be distributed to all Adoption and Permanency Resources Division and Revenue Enhancement staff.

Finding # 10-07 - Davis Bacon – Lack of Statement of Compliance (Certified Payroll)

Program Name:	**Bridge Retrofit Program**
CFDA Title and Number:	**Highway Planning and Construction CFDA# 20.205**
Federal Agency:	**U.S. Department of Transportation**
Pass- Through Agency:	**California Department of Transportation**
Federal Award Number:	**N/A**
Award Year:	**June 30, 2010**
Name of Department:	**Department of Public Works**

Condition

While testing the requirements of the Davis-Bacon Act, we noted that out of forty (40) contractor samples selected, one (3%) contractor did not provide a statement of compliance (certified payroll) for the week of August 10, 2009. The payments to this contractor were not related to ARRA funding.

Criteria

In accordance with 29 CFR sections 5.5 and 5.6, non-federal entities which are subject to the Davis-Bacon Act must include a statement requiring the contractor or subcontractor to comply with the requirements of the Davis-Bacon Act and the Department of Labor regulations. This includes requiring the contractor or subcontractor to submit to the non-federal entity a copy of the payroll and a statement of compliance (certified payroll) for each week in which any contract work is performed.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Cause

Lack of enforcement of current policies and procedures.

Effect

Failure to provide proof that the statement of compliance (certified payroll) was submitted by the contractor may result in noncompliance with 29 CFR sections 5.5 and 5.6.

Recommendation

We recommend that the Department of Public Works obtain a statement of compliance (certified payroll) from their contractors and subcontractors and perform a review before reimbursing contractors and subcontractors.

Views of Responsible Officials and Planned Corrective Action:

DPW agrees with the intent of the recommendation. DPW's Construction Division's policy is to collect certified payrolls from the prime contractor and subcontractors on projects funded by the Federal Highway Administration. These payrolls are checked for compliance to the prevailing wage requirements. For this particular project, the certified payrolls were submitted by mail to Public Works from the contractor and were reviewed for compliance to prevailing wage laws. At the completion of the project, the certified payrolls were filed with the main project file. The week selected for the audit, August 10, 2009, was missing from the project file.

This missing record is an isolated incident and not a systemic problem. As part of this audit, 40 certified payrolls were requested, and DPW successfully located all of the requested payrolls in their proper files except for this one.

We recognize the importance of properly reviewing and maintaining the certified payroll records, and Labor Compliance staff has been reminded to be thorough and cautious in reviewing the certified payrolls to ensure a complete file before authorizing acceptance of the contract.

Finding # 10-08 - Eligibility – Controls and Compliance over Eligibility

Program Name:	**Independent Living Skills- Children's Services**
CFDA Title and Number:	**Chafee Foster Care Independence Program CFDA# 93.674**
Federal Agency:	**U.S. Department of Health & Human Services (HHS)**
Pass- Through Agency:	**California Department of Social Services (CDSS)**
Federal Award Number:	**N/A**
Award Year:	**June 30, 2010**
Name of Department:	**Department of Children and Family Services (DCFS)**

Condition

During the testing of program expenditures, we noted that out of sixty (60) samples selected, one (2%) participant was 17 years of age at the time they received funds for dormitory rent assistance.

Criteria

Per Social Services Standards Manual, Section 30-506, "Counties shall ensure that none of their ILP allocation will be expended for room and board for any child who has not attained 18 years of age."

Questioned Costs: $275

Systemic or Isolated: Systemic

Cause

Lack of enforcement of the Social Services Standards Manual, Section 30-506.

Effect

Failure to ensure that funds are not expended for room and board for any child who has not attained 18 years of age results in non-compliance with the Social Services Standards Manual, Section 30-506 and inappropriate distribution of funds to ineligible participants.

R*ecommendation*

We recommend that the Department of Children and Family Services reinforce a system of internal controls which requires a thorough review of all funds disbursed for room and board to ensure compliance with the Social Services Standards Manual, Section 30-506.

Views of Responsible Officials and Planned Corrective Action

DCFS agrees with the recommendation. Youth Development Services Division (YDSD) management will update the YDS policy and re-train staff regarding adherence to Chafee regulations and the diligence in the completion and review of Request for Funds forms.

Finding # 10-09 - Subrecipient Monitoring - During the Award Monitoring

Program Name:	**Promoting Safe and Stable Families (PSSF)**
CFDA Title and Number:	**Promoting Safe and Stable Families CFDA# 93.556**
Federal Agency:	**U.S. Department of Health and Human Services (HHS)**
Pass- Through Agency:	**California Department of Social Services (CDSS)**
Federal Award Number:	**N/A**
Award Year:	**June 30, 2010**
Name of Department:	**Department of Children and Family Services (DCFS)**

Condition

Out of 17 subrecipients selected for testing, the following control and compliance issues were noted:

a. Four (14%) subrecipient files did not contain a Single Audit report;

b. Thirteen (36%) subrecipients submitted Single Audit reports; however, there was no evidence of DCFS management review including follow-up of findings noted;

c. Two (21%) subrecipient files did not contain evidence of follow-up to ensure corrective action on deficiencies noted during the award monitoring.

Criteria

a. Per OMB Circular A-133§___.400(d), *Pass-through entity responsibilities*, a pass-through entity shall perform the following for the federal awards it makes:

   (1) Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved;

(2) Follow-up to ensure corrective action on deficiencies noted during-award monitoring;

(3) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action;

b. Per OMB Circular A-133§___.300(b), the County must "maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs."

Questioned Costs: $2,365,643

Systemic or Isolated: Systemic

Cause

Lack of enforcement of current policies and procedures over subrecipient monitoring.

Effect

Failure to properly monitor subrecipient activities and establish internal controls over subrecipient monitoring may result in DCFS being unable to determine whether the subrecipients used the funds appropriately and in compliance with OMB Circular A-133.

Recommendation

We recommend DCFS enforce current policies and procedures to ensure compliance with OMB Circular A-133 Subrecipient Monitoring requirements.

Views of Responsible Officials and Planned Corrective Action

DCFS agrees with the recommendation and shall convene a stakeholder meeting to delineate and commemorate all related tasks and responsibilities.

Finding # 10-10 - Subrecipient Monitoring - During the Award Monitoring and Identification of Federal Award Information

Program Name:	**Alcohol Block Grant** **Federal Female Offender** **New Prenatal Set – Aside** **Substance Abuse Block Grant New HIV Set – Aside** **Substance Abuse Prevention and Treatment Block Grant Adolescent Treatment** **Substance Abuse Prevention and Treatment Set - Aside**
CFDA Title and Number:	**Block Grants for Prevention and Treatment of Substance Abuse CFDA # 93.959**
Federal Agency:	**U.S. Department of Health and Human Services**
Pass- Through Agency:	**California Department of Alcohol and Drugs**
Federal Award Number:	**50-10, 45-10, 52-10, 51-10, 50a-10, 50d-10**
Award Year:	**June 30, 2010**
Name of Department:	**Department of Public Health (DPH)**

Condition

During our testing of sixty (60) subrecipients, five (8%) subrecipients were not made aware of the award information (i.e. CFDA title and number, award name and number, if the award is research and development, and name of Federal awarding agency) at the time of award. Subsequent to the award, these subrecipients did become aware of the award information to determine the need for a single audit.

Criteria

Per OMB Circular A-133§___.400(d), *Pass-through entity responsibilities,* a pass-through entity shall perform the following for the Federal awards it makes:

> At the time of award the pass through entity made subrecipients aware of the award information (i.e. CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency).

Questioned Costs: N/A

Systemic or Isolated: Systemic

Cause

Lack of enforcement of current policies and procedures regarding subrecipients.

Effect

Failure to inform subrecipients of the required award information may result in noncompliance with OMB Circular A-133.

Recommendation

We recommend DPH communicate all federal award information (i.e., CFDA title and number, award name and number, and the name of Federal awarding agency) to all subrecipients in a timely manner to ensure compliance with OMB A-133 Subrecipient Monitoring requirements.

Views of Responsible Officials and Planned Corrective Action:

The Department of Public Health, Substance Abuse Prevention and Control (SAPC) agrees with this recommendation. SAPC will take the necessary steps to ensure full compliance with OMB Circular A-133 requirements for communicating Federal Award information to all subrecipients.

Finding # 10-11 - Activities Allowed or Unallowed – Lack of Controls over Time Study Transactions

Program Name:	**CALWORKS - FG/U Assistance**
	CALWORKS Legal Immigrants (MC)
	CALWORKS Diversion - Federal
	CALWORKS Single
CFDA Title and Number:	**Temporary Assistance for Needy Families(TANF)**
	Cluster CFDA # 93.558/93.714
Federal Agency:	**U.S. Department of Health & Human Services (HHS)**
Pass- Through Agency:	**California Department of Social Services (CDSS)**
Federal Award Number:	**N/A**
Award Year:	**June 30, 2010**
Name of Department:	**Department of Public Social Services (DPSS)**

Condition

The Department of Public Social Services (DPSS) performs one Random Moment Time Study (RMTS) per quarter for all federal award programs in the consolidated County Expense Claim (CEC). Out of sixty (60) timestudy transaction samples selected for testing from the CEC report, one (2%) RMTS did not match the corresponding employee timesheet. The RMTS showed the employee worked on the program while the timesheet showed the employee using vacation time. The amount for this transaction was not included for reimbursement in the revised CEC. This item is related to the non-ARRA portion of the CEC.

Criteria

a. Per OMB Circular A-87 Attachment A Paragraph C, to be allowable under federal awards, costs must be adequately documented; therefore, the employee's Random Moment Time Study (RMTS) should be substantiated by the actual hours recorded on the employee's timesheet;

b. Per OMB Circular A-133§___.300(b), the County must "maintain internal control over federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs."

Questioned Costs: N/A

Systemic or Isolated: Systemic

Cause

Lack of enforcement of current policies and procedures over the review of Random Moment Time Studies (RMTS).

Effect

Lack of supervisory review over timesheets and time studies may result in the submission of unallowable costs and activities causing noncompliance with OMB Circular A-87 Attachment A Paragraph C and OMB Circular A-133§___.300(b).

Recommendation

We recommend DPSS enforce policies and procedures to ensure thorough management reviews of Random Moment Time Studies (RMTS).

Views of Responsible Officials and Planned Corrective Action

DPSS agrees with the recommendation. Management will issue a reminder to managers to reinforce policies and procedures to ensure thorough management review of RMTS. In addition, RMTS training curriculum is under development for District Directors, RMTS Observers, and their back-ups. The training is targeted for April 2011.

Finding # 09-01 - Information Technology Environment – Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework

Condition

During our audit of the County's basic financial statements for the year ended June 30, 2009, MGO and Macias Consulting Group reviewed the County's information technology (IT) environment and system controls and compared them against the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The COSO framework provides the basis for an effective system of internal control over financial reporting, including the IT environment. Although the County completed the process of assessing and documenting the County's overall and centralized IT controls, we determined that assessments and documentation of IT controls over significant financial information systems at County departments have not been performed.

Recommendation

We recommend County Auditor-Controller collaborate with County departments in assessing and documenting departmental IT environments and internal controls over critical financial information systems and ensure these assessments and controls are in compliance with the County's overall centralized IT controls. The County Chief Information Officer through its Chief Information Security Officer should collaborate with Departmental Information Security Officers to ensure compliance on the IT controls.

Current Year Management Response

The County Auditor-Controller (A-C) determined that the ICCP, and included IT control assessment, contains the essential components of an effective internal control system as described in the COSO framework.

Further, the A-C continued to work with County departments to assess and document departmental control environments over critical information technology (IT) systems. Specifically, the A-C continued to administer the Internal Control Certification Program (ICCP). As part of the ICCP, County departments identified and documented their critical IT systems and evaluated the related control environment on an annual or, if approved, biennial basis. The A-C evaluated the departments' assessments and participated in meetings with the County's Chief Information Security Officer, Departmental Information Security Officers and departmental ICCP coordinators to explain/clarify the ICCP process and ensure compliance with County IT controls/requirements.

The A-C will continue to work with County departments to ensure they understand the ICCP process and properly assess and document their IT control environments.

The County's Chief Information Security Officer collaborated with the Departmental Information Security Officers to ensure compliance of the County's ICCP related to the critical financial information systems.

Current Status as of June 30, 2010

Implemented

Implementation Date

June 30, 2010

Finding # 09-02 - System Access (DHS)

Condition

During our review we noted the following:

a. Procedures have not been established to monitor administrative, master and super-user activity in the Affinity system. This observation affects all five hospital facilities;

b. Procedures have not been established to monitor employee user access privileges within the Affinity system to ensure that user authorization roles are current and appropriate for the user's functions, and to ensure proper segregation of duties. This observation affects two of the hospital facilities;

c. User accounts are only reviewed once every two years at one of the hospital facilities, which places the facility at an increased risk of the user account access being inappropriate for assigned job functions.

Recommendation

We recommend that the County take the following actions:

a. Develop policies and implement procedures requiring periodic (e.g. monthly) reviews of Affinity administrative, master, and super-user activities. The review should be performed by a position outside of the chain of command of these users with high level access and should be pursuant to guidelines and criteria that would aid in identifying the nature of this activity;

b. Develop policies and implement procedures requiring periodic (at least annually) reviews of user access privileges to ensure that the access privileges are current and appropriate for their job functions and to ensure proper segregation of duties;

c. Revise policies to require more frequent (at least annually) reviews of Affinity user accounts to ensure that they are current and appropriate for each person's job functions, and to ensure proper segregation of duties.

Current Year Management Response

DHS agrees and has developed procedures for DHS security policy # 935.15 "System Audit Controls" to deal with auditing user's accounts and reviewing what action staff has taken with the various DHS applications like Affinity. In addition, individual DHS facilities have procedures for monitoring user access and deleting user accounts. Each DHS facility has one Master User and a number of Super Users. DHS has a complete list of all Master and Super users as well as every DHS staff person with Affinity access. DHS has audited all Affinity users throughout all of the DHS facilities. This will continue to be done annually by each DHS facility in accordance with DHS Security Policies.

Current Status as of June 30, 2010

Implemented

Implementation Date

March 2010

Finding # 09-03 - Contingency and Recovery Planning (DHS)

Condition

During our review we noted the following:

a. The disaster recovery plans have been developed for each facility although have not been fully tested due to a lack of available resources and funding. Without fully testing the recovery plan, the County cannot be assured that the plan is complete and assures that the financial data can be recovered within a reasonable amount of time. This observation affected all five hospital facilities;

b. One of the hospital facilities stores the Affinity backup tapes, which contain system and accounting data, on site. If a serious emergency occurred at this hospital facility, the data could be lost.

Recommendation

We recommend that the County take the following actions:

a. The County should plan and budget for a full test of the disaster recovery plan as soon as possible. In the absence of immediate funding, the facilities should

conduct table-top testing of the plan to identify administrative issues that may hinder implementing the plan;

b. Affinity back up data should be stored in a secure offsite location. Best practices require backup tapes be stored offsite at least 20 miles from the main facility.

Current Year Management Response

DHS has conducted a Disaster Recovery Table Top exercise with all of the DHS facilities pertaining to Affinity. Each facility completed a Disaster Recovery table top template in regards to the lost or downtime of Affinity.

DHS agrees that they need to budget and plan for development of a complete Disaster Recovery plan.

All backup tapes are stored off site for all DHS facilities. DHS has a contract with a vendor named "Recall Total" that picks up back up tapes from each DHS facility daily and stores them off site.

Current Status as of June 30, 2010

Implemented

Implementation Date

June 15, 2010

Finding # 09-04 - Protection of Information Assets (DHS)

Condition

During our review we noted the following:

a. One of the hospital facility's server room does not have the following:

   i. An independent air conditioning system

   ii. An automatic monitoring of server room temperature or any notification system that would inform IT management and building maintenance if environmental conditions fall out of tolerances

   iii. An automatic fire suppression system

   The lack of these items increases the risk of damage to IT assets and data loss. We also observed that a security door to the server room was propped open to allow for air circulation in the absence of an air conditioning system.

This also increases risk of accidental or deliberate damage or tampering with IT equipment and data.

b. At another hospital facility, IT assets are not currently safeguarded by an active dry fire suppression system. The server room has a Halon system, but it had been disconnected.

Recommendation

We recommend that the County take the following actions:

a. Server room conditions should be improved with an independent air conditioning system, and automatic temperature monitoring system and dry fire suppression system. In addition, IT management should implement oversight procedures to ensure that server room doors remain locked and not propped open;

b. Evaluate options and budget for the replacement of the Halon fire suppression system because the system should be reactivated as soon as possible.

Current Year Management Response

The unlocked server room door issue has been corrected. The Security and Compliance Division met with the facility and reminded them of the need to keep the server room locked and secure.

DHS Management will take into consideration if the funds should be spent to improve the air conditioning systems along with fire suppression systems.

The server room in question has an older air-conditioning system that needs to be replaced. DHS is still seeking the budget necessary needed to make the replacement.

Current Status as of June 30, 2010

Partially Implemented

Expected Implementation Date

Not Determinable

Finding # 09-05 - Allowable Costs/Cost Principles – Cost Allocation Plan – OMB A-87 Cost Principles for State, Local and Indian Tribal Governments-Allocation of Costs

Condition

Out of ten central service costs selected for the Cost Allocation Plan testwork, the

following control and compliance issues were noted:

a. Cost pool expenditures for the Human Resources central service department, e-HR subpool, were not appropriately allocated to the various benefiting departments during the second allocation;

b. The allocation basis for the Human Resources central service department, Countywide Non Court subpool, included the Court employee man months. Per the narrative description in the Cost Allocation Plan, this subpool should not include Courts;

c. Cost pool expenditures and direct billings for the Human Resources and Public Safety central service departments were not allocated to the Child Support Services Department (department #065);

d. The allocation basis used for the Auditor Controller central service department, General Claims Main subpool, was department salaries and wages with Courts. However, the narrative description in the Cost Allocation Plan states payment vouchers as the allocation basis.

Recommendation

a. Develop policies and procedures to ensure the allocation of expenditures is performed appropriately when encountered with system limitations;

b. Develop policies and procedures to ensure a detailed review process occurs in order to avoid errors.

Current Year Management Response

Auditor-Controller agrees with the recommendation. New procedures were established to ensure that all entries into the Cost Determination Model (CDM) are accurate and to ensure that any issues resulting from system limitations are resolved. A staff person, other than the one inputting data into CDM, reviews every report to ensure that it matches the work papers and that an accurate cost allocation has occurred.

Current Status as of June 30, 2010

Implemented

Implementation Date

June 10, 2009

CFDA # 93.658 - Foster Care_Title IV-E

Finding # 09-06 - Activities Allowed or Unallowed – Lack of Supporting Documents and Controls over Payroll and Time Study Transactions

Condition

The Probation Department performs one time study per quarter for all Probation Title IV-E employees. Out of sixty (60) time study transactions selected, the following control and compliance issues were noted:

a. Three (5%) employee time studies did not contain reasonable hours when compared to hours on the employee's timesheets (for example, the employee had non working hours on the timesheet; however, the hours per the time study were allocated to the working program codes);

b. Two (3%) employee time studies did not match the hours/category per the quarterly time study report.

Recommendation

We recommend the Probation department perform the following:

a. Develop policies and procedures to ensure management reviews timesheets and time studies concurrently for reasonableness;

b. Develop policies and procedures to ensure that the hours/category on the quarterly time study report match the hours and category per time study.

Current Year Management Response

a. New procedures were provided to Fiscal staff to ensure that the hours coded to the program description category and total daily hours on the quarterly time study report match. Fiscal management will conduct periodic sampling of time studies and compare them to the recorded hours/category per the quarterly time study report

b. On July 28, 2009, the Probation Department issue a memorandum to all Area Office Directors and Program Directors reminding them that supervisors who approve employees' time studies must verify and reconcile time study hours with the employee's time card before signing. To further reinforce compliance with Title IV-E requirements, the Probation Department provided refresher training to employees and supervisors on its Title IV-E time study completion and verification procedures.

The above actions will help ensure that Probation Department's employees capture their time accurately to the appropriate Title IV-E activities and that these activities are properly verified.

Current Status as of June 30, 2010

Implemented

Implementation Date

August 2009

CFDA # 84.027 - Special Education - Grants to States

Finding # 09-07 - Reporting – Lack of Supporting Documentation and Controls over Reporting

Condition

The Department of Mental Health (DMH) is required to provide an accounting of expenditures to Los Angeles County Office of Education (LACOE) twice a year, through an "Accounting of Expenditure" report. For the fiscal year under review, DMH was unable to provide a copy of the report, evidence the report was submitted timely, or documentation supporting the process to develop or prepare the report.

Recommendation

MGO recommends DMH establish policies and procedures to ensure that the "Accounting for Expenditure" reports are prepared and submitted to LACOE in accordance with the MOU.

Current Year Management Response

DMH agrees with the recommendation. Los Angeles County Department of Mental Health, Chief Information Office has implemented an internal procedure in order to comply with the audit recommendation. CIO staff is to submit data to the Administrative Unit for AB3632 and Reimbursement & Audit Support Division of the department for review prior to release. Once approved the data is forwarded to LACOE who is notified by electronic mail of the availability of data for further processing.

Current Status as of June 30, 2010

Not Implemented

Expected Implementation Date

September 1, 2010

CFDA # 84.027 - Special Education - Grants to States

Finding # 09-08 - Eligibility and Subrecipient Monitoring – Lack of Timely Assessment and Quarterly Face to Face Contact

Condition

During our review of forty (40) case files, the following compliance issues were noted:

a. Eight (20%) case files were not assessed for mental health services by the Department of Mental Health (DMH) within sixty days from the receipt of the written parental consent for the assessment. Furthermore, there was no evidence in the case file demonstrating that a parent had requested an extension for the assessment;

b. Eighteen (45%) case files did not contain evidence of quarterly face-to-face contact from DMH case managers.

Recommendation

We recommend DMH enforce the policies and procedures in order to ensure compliance with OMB A-133 grant guidelines, California Code of Regulations Title 2.Division 9.and AB 1662, Chapter 653.

Current Year Management Response

DMH agrees with the recommendation. We continue to exercise prudent spending practices and maintain sound clinical care of consumers, while awaiting the State of California to comply with the provisions of the California Constitution, amended by Proposition 1A (2004), in which it is required that the Legislature fully fund the program or suspend the mandate on the counties during the fiscal year in which full funding is not allocated. During this current fiscal year, the Legislature neither fully funded nor suspended the mandate, leaving DMH no options but to maintain the status quo and operate within existing resources.

Current Status as of June 30, 2010

Not Implemented (see current year finding #10-02)

Expected Implementation Date

January 1, 2011

CFDA # 93.659 - Adoption Assistance

Finding # 09-09 - Eligibility – Lack of Supporting Documents and Controls over Eligibility

Condition

During our review of sixty Adoption Assistance Program cases, the following control and compliance issues were noted:

a. One (2%) case contained an initial AD 4320 form, in which the adoptive parent(s) signed the "Deferred Agreement" indicating that they did not need assistance at that time. However, it was noted that the parent received assistance during the fiscal year;

b. Two (3%) cases contained an initial AD 4320 form that was properly signed by the adoptive parent(s); however, the "Reasons for AAP Eligibility" section, indicating that both children have special needs, was not completed. MGO was able to verify that the child has special needs through the review of the "Barriers to Adoption" section of the AAP4 form or the "Adoption Assistance Program Worksheet and Referral" form. Although MGO was able to verify that the children have special needs, the Initiating Adoption Assistance Benefits Procedural Guide requires that the initial AD 4320 form is properly completed;

c. Three (5%) cases contained an AAP4 form; however, the "Federal Eligibility Information" section, indicating that the child meets the eligibility requirements for federal AFDC-FC (Title IV-E foster care), was not completed or was incorrectly filled out. Please see details for each case below:

    i. One (2%) case contained an AAP4 form in which the "Federal Eligibility Information" section was not completed. However, MGO was able to verify that the child was federal AFDC-FC eligible through the review of FC3 form, "Determination of Federal AFDC-FC Eligibility." Although MGO was able to verify that the child was federal AFDC-FC Eligible, the Adoption Assistance Program (AAP) Policies (E080-0530) requires that the AAP4 form is properly completed;

    ii. One (2%) case contained an AAP4 form in which the "Federal Eligibility Information" section was erroneously marked that the child was eligible for the Supplemental Security Income Benefits (SSI/SSP) instead of the Federal AFDC–FC eligible benefits. However, per review of the FC3 form, "Determination of Federal AFDC-FC Eligibility," the child was determined to be federal AFDC-FC Eligible. Although MGO was able to verify that the child was federal AFDC-FC Eligible, the Adoption Assistance Program (AAP) Policies (E080-0530) requires that the AAP4 form is properly completed;

iii. One (2%) case contained an AAP4 form in which the "Federal Eligibility Information" section was erroneously marked that the child was eligible for the Supplemental Security Income Benefits (SSI/SSP) instead of the Federal AFDC–FC eligible benefits. In addition, the Department of Children and Family Services (DCFS) was unable to provide an FC3 form, "Determination of Federal AFDC-FC Eligibility," which would support that the child was AFDC-FC eligible. Therefore, MGO was unable to verify that the child was federal AFDC-FC Eligible;

d. Two (3%) cases contained an AAP4 form; however, the "Barriers to Adoption" section, indicating that the child has special needs, was not completed. MGO was able to verify that both children have special needs through the review of the "Reasons for AAP Eligibility" section of the initial AD 4320 form. Although MGO was able to verify that the children have special needs, the Adoption Assistance Program (AAP) Policies (E080-0530) require that the AAP4 form is properly completed;

e. One (2%) case did not contain an AAP4 form; therefore, MGO was unable to verify that the child was federal AFDC-FC Eligible.

Recommendation

MGO recommends DCFS enforce its policies and procedures in order to ensure compliance with Part IV of OMB Circular A-133 Compliance Supplement for the Adoption Assistance program, Initiating Adoption Assistance Benefits Procedural Guide and the Adoption Assistance Program (AAP) Policies (E080-0530).

Current Year Management Response

DCFS agrees with the recommendation. On May 7, 2010 Adoption and Permanency Resources Division (APRD) Management sent out a memo from the Assistant Division Chief to all APRD staff with a modified FYI (For Your Information) attachment on properly completing, and ensuring the correctness of AAP documentation.

Current Status as of June 30, 2010

Partially Implemented (see current year finding #10-06)

Expected Implementation Date

March 2011

CFDA # 93.659 - Adoption Assistance
CFDA # 93.674 - Chafee Foster Care Independence Program
CFDA # 93.658 - Foster Care_Title IV-E
CFDA # 93.667 - Social Services Block Grant

Finding # 09-10 - Activities Allowed or Unallowed – Lack of Supporting Documents and Controls over Payroll Transactions

Condition

The Department of Children and Family Services (DCFS) performs one time study per quarter for all federal award programs in the consolidated County Expense Claim (CEC). Out of sixty-nine (69) timestudy transaction samples selected from the CEC report, the following control and compliance issues were noted:

a. Four (6%) employee time studies reviewed contained instances where the employee coded the time as worked on the program per the time study, even though the employee's timesheet revealed that there was no time worked on the program, but rather indicated sick time or vacation time;

b. Ten (14%) employees hours on the timesheet did not match the hours paid per the CWTAPPS system;

c. Four (6%) employee timesheets were missing; consequently, we could not determine whether any time had been worked by the employee or whether the timesheets were properly reviewed and approved by supervisory personnel.

In addition, MGO reviewed allocable support staff costs also claimed through the CEC report. During our review of forty five (45) support staff transaction samples, the following control and compliance issue was noted:

d. Six (13%) employee timesheets were missing. Consequently, we could not determine whether any time had been worked by the employee or whether the timesheets were properly reviewed and approved by supervisory personnel.

Recommendation

We recommend that DCFS implement the following actions:

a. Develop policies and procedures to ensure management reviews timesheets and time studies concurrently for reasonableness;

b. Enforce control procedures to ensure that the hours on the employee's timesheet match the hours per CWTAPPS.

Current Year Management Response

DCFS agrees with the recommendation. The Department's Time Study Unit continues to reinforce and implement the Time Study policy and procedures on a quarterly basis. In addition, the Internal Controls Section Manager sent a memorandum to all Regional

(Continued)

Administrators to instruct their time study staff and supervisors to adhere to the time study instructions and take all necessary steps to ensure the Payroll Time Card Reconciliation is conducted before approving the Time Study Reports.

The Department of Children and Family Services Human Resources Management expects to have the e-Time Collection Timesheet system in full operation by the end of 2010. This e-Time Collection Timesheet System will resolve the document maintenance problems. In addition, management issued a memorandum to staff regarding the 5-year retention requirement and continues to distribute the memo at the monthly eCAPS Liaison Training Meetings.

Current Status as of June 30, 2010

Partially Implemented (see current year finding #10-01)

Expected Implementation Date

December 31, 2010

CFDA # 93.658 - Foster Care_Title IV-E
CFDA # 93.667 - Social Services Block Grant

Finding 09-11 - Eligibility and Activities Allowed or Unallowed – Controls and Compliance over Eligibility

Condition

During our review of forty-seven (47) case files, three (6%) eligibility re-determination's were not performed in a timely manner.

a. One (2%) eligibility re-determination was performed two months late;

b. One (2%) eligibility re-determination was performed seven months late;

c. One (2%) eligibility re-determination for fiscal year (FY) 08/09 was completed the same day as the re-determination for FY 07/08.

Recommendation

We recommend DCFS enforce policies and procedures to ensure compliance with the DCFS Procedural Guide E020-051 and with OMB Circular A-133.

Current Year Management Response

DCFS agrees with the recommendation. During the quarterly supervisor meetings, Revenue Enhancement Management continues to reiterate to staff the importance of

timely redeterminations. In addition, if a redetermination is not done timely then a corrective action plan is required from the first line manager.

Current Status as of June 30, 2010

Partially Implemented (see current year finding #10-04)

Expected Implementation Date

July 2010

CFDA # 93.674 - Chafee Foster Care Independence Program

Finding # 09-12 - Subrecipient Monitoring - During the Award Monitoring and Identification of Federal Award Information

Condition

The Department of Children and Family Services (DCFS) passes monies down to the Community Development Commission (CDC) in accordance with the Memorandum of Understanding (MOU) approved by the County Board of Supervisors. Monies are used to provide services to eligible youth. CDC in turn passes monies down to the Los Angeles Homeless Services Authority (LAHSA). Out of one (1) subrecipient selected, the following control and compliance issues were noted:

a. The contract with CDC did not contain the Catalog of Federal Domestic Assistance (CFDA) number or the name of the Federal granting agency;

b. Although it was noted that CDC programmatically monitored LAHSA, there was no evidence to show that the department reviewed and approved CDC's programmatic monitoring report or that the department performed their own programmatic monitoring. Furthermore, the department has no programmatic monitoring policies and procedures.

Recommendation

We recommend DCFS develop and implement procedures to ensure subrecipient monitoring processes are in accordance with OMB Circular A-133.

Current Year Management Response

DCFS agrees with the recommendation. Youth Development Services (YDS) staff developed monitoring tools and subrecipient monitoring procedures in accordance with OMB Circular A-133 requirements.

Current Status as of June 30, 2010

Implemented

Implementation Date

June 11, 2010

CFDA # 93.674 - Chafee Foster Care Independence Program

Finding # 09-13 - Eligibility – Lack of Beneficiary Certification

Condition

During our review of forty (40) beneficiary files, the following compliance issues were noted:

a. One file (3%) contained a Transitional Independent Living Plan (TILP) form that was not completed and signed by the youth (i.e. beneficiary);

b. One file (3%) did not contain a Transitional Independent Living Plan (TILP) form;

c. One file (3%) contained a Transitional Independent Living Plan (TILP) form that was not signed by the youth.

Recommendation

We recommend that the County enforce policies and procedures to maintain signed and completed TILP forms on file.

Current Year Management Response

DCFS agrees with the recommendation. The Youth Development Services (YDS) staff implemented the recommendation by informing YDS staff through meetings, conference calls and e-mails that all *Request for Funds* forms must have a completed TILP or Transition Age Youth (TAY) Living Plan attached prior to processing.

Current Status as of June 30, 2010

Implemented

Implementation Date

December 18, 2009

CFDA # 93.556 - Promoting Safe and Stable Families

Finding # 09-14 - Subrecipient Monitoring – During the Monitoring and Identification of Federal Award Information

Condition

Out of 14 subrecipients selected for review, the following control and compliance issues were noted:

a. Thirteen (93%) contracts with the subrecipients did not contain the CFDA title, number, award name and federal agency. Furthermore, one (7%) subrecipient contract was not made available to MGO for review. Therefore, MGO was unable to verify whether the Department of Children and Family Services (DCFS) communicated the CFDA title, number, award name and federal agency to the subrecipient;

b. Two (14%) subrecipients were not accompanied by a single audit report;

c. Five (36%) subrecipients were accompanied by a single audit report; however, there was no evidence of DCFS management review including follow-up of findings noted;

d. Three (21%) subrecipients were not accompanied by a Monitoring Report; therefore, there was no evidence of follow-up to ensure subrecipient corrected findings (if any);

e. The department does not have formal subrecipient monitoring policies and procedures.

Recommendation

We recommend DCFS develop and implement procedures to ensure subrecipient monitoring processes are in accordance with OMB Circular A-133.

Current Year Management Response

DCFS agrees with the recommendation. The Bureau of Finance and Administration Contract Services Administration is tasked with the collection of single audit reports and monitoring their submission from contractors. In December 2009, Department of Children and Family Services shifted the responsibility of the review of single audit reports from its Bureau of Finance and Administration Fiscal Monitoring Section to Program Administration.

DCFS Community-Based Support staff wrote subrecipient monitoring protocols to comply with OMB Circular A-133 requirements in December 2009.

Current Status as of June 30, 2010

Partially Implemented (see current year finding #10-09)

Expected Implementation Date

July 2011

CFDA # 93.044/93.045/93.053 - Aging Cluster

Finding # 09-15 - Subrecipient Monitoring – Identification of Federal Award Information

Condition

Out of thirteen (13) subrecipients selected, thirteen (100%) contracts with the subrecipients did not contain the CFDA title and number.

Recommendation

We recommend the Department of Community and Senior Services (CSS) develop and implement procedures to properly inform the subrecipients of required information in accordance with OMB Circular A-133 requirements.

Current Year Management Response

CSS management agrees with this recommendation. CSS issued policy Directive Number AAA-CMD-09-01, "Catalog of Federal Domestic Assistance (CFDA) Numbers," to all AAA contractors receiving federal funds. It was also provided to all appropriate CSS Staff. This information is updated when appropriate and provided to all AAA contractors on an annual basis and/or during the contract renewal process. The 2010 AAA contracts that have recently been procured contain the CFDA numbers as an attachment. As each program is procured, the CFDA number will be included in each contract as an attachment.

Current Status as of June 30, 2010

Implemented

Implementation Date

September 21, 2009

CFDA # 93.044/93.045/93.053 - Aging Cluster

Finding # 09-16 - Activities Allowed or Unallowed - Lack of Supporting Documents and Controls over Payroll Transactions

Condition

During our review of forty (40) timecards, we noted that one (3%) employee timecard did not match the hours paid per the CWTAPPs system.

Recommendation

We recommend CSS enforce policies and procedures to ensure compliance with OMB A-87.

Current Year Management Response

CSS management agrees with this recommendation. The Human Resources Division Payroll Liaison (PL) conducts a monthly audit of all CSS timecards submitted through the Countywide Timecard System (eCAPS) to ensure that accurate time and codes are recorded. If any discrepancies are found, the PL confirms the correct time with the employee and his supervisor. A timecard correction request is then submitted to the Payroll Services Department. Therefore, CSS is now in compliance with OMB A-87.

Current Status as of June 30, 2010

Partially Implemented (see current year finding #10-05)

Expected Implementation Date

March 2011

CFDA # 93.940 - HIV Prevention Activities-Health Department Based

Finding # 09-17 - Activities Allowed or Unallowed – Controls and Compliance over Time Survey

*Conditi*on

Department of Public Health (DPH) Office of Aids Program and Policy (OAPP), performs a one time survey per quarter for all DPH OAPP employees. Out of forty (40) time survey transactions selected, MGO found one (3%) employee time survey did not agree with the time survey percentage charged on the Employee Benefit (EB) Modified report (claim

Recommendation

DPH OAAP should enforce policies and procedures to ensure compliance with OMB A-87.

Current Year Management Response

DPH agrees with the recommendation. OAPP Management implemented the finding's corrective action with the Time Surveys for the quarter ending September 30, 2009 and implemented additional controls to ensure 100% accuracy in the posting of each employee's distribution of time as reflected in the Time Surveys.

Current Status as of June 30, 2010

Implemented

Implementation Date

October 23, 2009

CFDA # 93.959 - Block Grants for Prevention and Treatment of Substance Abuse

Finding # 09-18 - Subrecipient Monitoring – During the Award Monitoring

Condition

During our review of forty (40) subrecipients, the following compliance and control issues were noted:

a. Seven (18%) subrecipients had not been monitored for the fiscal year ended June 30, 2009, in accordance with the Department of Public Health (DPH) policies, which require annual programmatic monitoring. However, the department obtained and reviewed Single Audit reports.

Recommendation

We recommend DPH evaluate monitoring efforts to be performed on the subrecipients and ensure they are reasonable considering staffing levels and OMB, as well as Public Health requirements.

Current Year Management Response

DPH agrees with the recommendation. Substance Abuse Prevention & Control (SAPC) management reviewed the feasibility of reducing the frequency of program monitoring audits and found that such practice contradicts its contractual obligations. Therefore, to enforce the SAPC Monitoring Protocol and to ensure that all subrecipient monitoring

reports are completed timely, staffing levels were increased by filling 4 vacancies and supervisors assisted by auditing those agencies that did not have assigned monitors. Substance Abuse Prevention & Control (SAPC) management ensured that all contracts were monitored for FY 2009-10.

Current Status as of June 30, 2010

Implemented

Implementation Date

July 1, 2009

CFDA # 16.606 - State Criminal Alien Assistance Program

Finding # 09-19 Reporting – Controls and Compliance over the State Criminal Alien Assistance Program (SCAAP) Application Reporting

Condition

During our review of one (1) "FY 2006-2007 State Criminal Alien Assistance Program (SCAAP) Application," which is the annual claim submitted to the funding agency, the following was noted:

The salary of one Inmate Reception Center administrative employee who was not SCAAP eligible was included as part of the total reported salary cost.

Recommendation

We recommend the Sheriff's department enforce policies and procedures to ensure that the applications are properly reviewed for accuracy.

Current Year Management Response

The Sheriff's Department agrees with the finding and has submitted a new application for the SCAAP funding. The application was properly reviewed by the Program Manager to ensure salaries were properly recorded.

Current Status as of June 30, 2010

Implemented

Implementation Date

May 7, 2010

CFDA # 16.606 - State Criminal Alien Assistance Program

Finding # 09-20 - Activities Allowed or Unallowed – Lack of Supporting Documents and Controls over Payroll

Condition

During our review of sixty (60) State Criminal Alien Assistance Program (SCAAP) payroll transactions, we found that one (2%) employee time card was missing. Therefore, it could not be determined whether the employee actually worked during the pay period for which they were paid.

Recommendation

We recommend the Sheriff's department revisit their policies and procedures over record retention to ensure compliance with OMB A-110.

Current Year Management Response

The Sheriff's Department agrees with the finding and has revisited their policies and procedures over record retention to ensure compliance with OMB A-110. Electronic recording of time records is currently being maintained by the department.

Current Status as of June 30, 2010

Partially Implemented

Expected Implementation Date

September 1, 2010

Finding # 08-01 - Capital Assets

Condition

During the walkthrough of the Capital Assets account balance the following was noted:

a. One (1) capital asset transfer was not entered in the Capital Asset System (CAS). The transferring department completed the transfer forms and physically transferred the asset, but failed to provide the transfer forms to the Capital Asset Section therefore, the asset was not transferred in (CAS). The transferring department identified the error during the bi-annual physical inventory count. The receiving department never reported the error to the Auditor Controller's office. The net dollar impact of this transfer is zero.

b. One (1) Building & Improvement (B&I) project completed and placed in service during FY 2005/2006 was not capitalized until FY 2007/2008.

c. Revenue received for the sale of one (1) easement was recognized during FY 2006/2007; however, the title was not transferred until FY 2007/2008. Although the revenue was part of the monthly revenue report, Auditor Controller staff did not follow up to obtain supporting documentation for the revenue and therefore, did not realize that the revenue had not been earned.

d. One (1) transfer from Construction in Progress (CIP) B&I to completed projects was not approved in accordance to the Internal Control Plan established by the Auditor Controller's office. The Auditor Controller's Office applied two levels of approval, rather than only one. Auditor Controller stated the eCAPS security workflow was not changed for FX type documents. A change will be requested to ensure only one Auditor Controller approval is required.

Out of 47 transactions selected for the testing of the Additions to the Capital Assets account balance the following was noted:

a. Two (4%) Building & Improvement projects were not capitalized in the year they were placed in service. One (1) project was not listed on the CIP B&I worksheet that is maintained by Auditor Controller to keep track of open projects. One (1) project was listed on the CIP B&I worksheet, however, was not monitored for completion status:

   i. One (2%) project completed and placed in service during FY 2006/2007 is not yet capitalized. Since this project was not listed on the CIP B&I worksheet, it was never monitored for completion. Auditor Controller staff stated that this was a Waterworks project and until Auditor Controller began using CAS in FY 2006/2007, DPW maintained the CIP-B&I records for Waterworks. In the conversion from DPW records to CAS, this Waterworks project was overlooked for tracking and was not included in the worksheet.

   ii. One (2%) project completed and placed in service during FY 2007/2008 is not yet capitalized. Although this project was listed on the CIP B&I worksheet with an estimated completion date of May 2008, timely follow up with the department regarding the status of the project was not performed by Auditor Controller. At MGO's request, Auditor Controller staffs performed follow up and noted that the project had been completed.

Recommendation

Develop and enforce policies and procedures to ensure compliance with internal policies and generally accepted accounting principles.

Current Year Management Response

The County has implemented the remaining recommendation.

b. New procedures were developed, written and followed to more efficiently capture the completed capital projects by June 30, 2010.

d. The eCAPS security workflow for the FX document has been changed to require only one Auditor-Controller approval in accordance with the Internal Control Plan.

Current Status as of June 30, 2010

Implemented

Implementation Date

June 30, 2010

CFDA # 93.659 - Adoption Assistance

Finding # 08-03 - Activities Allowable or Unallowable – Controls over Cash Disbursements

Condition

Once a child enters into the Adoption Assistance Program, form AAP2 is completed by the eligibility worker of the Revenue Enhancement Division to determine if the child is eligible for funds. After review and approval from the supervisor, the AAP2 form is sent to Fiscal Monitoring and Special Payments division. Data from the AAP2 is entered into an AAP stand alone system. The AAP stand alone system does interface with the APPS (Automated Provider Payment System) which is interfaced with the e-Countywide Accounting and Purchasing System (e-CAPS) for payment. After all the data is entered, a check is automatically generated every month. Currently, there is no process in place to review and approve data entered into the stand alone system.

Due to the weakness noted above, 1 out of 48 cases (2%) selected to review was incorrectly coded as a Federal case in the AAP stand alone system when it should have been coded as a State case.

Recommendation

MGO recommends the County implement and enforce policies and procedures over the review of data inputted to the stand alone system.

Current Year Management Response

The AAP web-based program became fully operational on July 20, 2010. Eligibility Workers process AAP payments in the new program and no longer use the old AAP stand-alone system. Policies and procedures were written to conform to the new system but are currently awaiting final approval from Management.

Current Status as of June 30, 2010

Partially Implemented

Expected Implementation Date

December 31, 2010

CFDA # 93.659 - Adoption Assistance

Finding # 08-04 - Eligibility - Lack of Supporting Documents and Controls over the Eligibility

Condition

During our review of forty-nine Adoption Assistance Program cases the following control and compliance issues were noted:

Four (8%) cases did not contain an initial 4320 form that was properly signed by the adoptive parent(s) and the Agency's Representative; Therefore, MGO was unable to verify whether the 4320 form was signed and in effect before the final decree of adoption.

Recommendation

MGO recommends that the County enforce policies and procedures to maintain signed 4320 forms on file.

Current Year Management Response

On May 7, 2010 Adoptions and Permanency Resources Division (APRD) Management sent out a memo from the Assistant Division Chief to all APRD staff with a modified FYI (For Your Information) attachment on properly completing, and ensuring the correctness of AAP documentation.

Current Status as of June 30, 2010

Implemented

Implementation Date

May 7, 2010

CFDA # 93.674 - Chafee Foster Care Independence Program

Finding # 08-06 - Subrecipient Monitoring – During the Award Monitoring and Identification of Federal Award Information

Condition

Out of 4 subrecipients selected:

a. Three (75%) contracts with the subrecipients did not contain the CFDA title, number, and award name.

b. Three (75%) subrecipients were not accompanied by a single audit report.

c. Three (75%) subrecipients had no evidence in records indicating the effects of subrecipient noncompliance.

d. Three (75%) subrecipients had no evidence of follow-up to ensure subrecipient corrected findings.

e. Two (50%) subrecipients were not accompanied by proper program monitoring review.

Recommendation

Develop and implement procedures to ensure subrecipient monitoring processes are in accordance with OMB Circular A-133 requirements.

Current Year Management Response

Youth Development Services (YDS) staff developed monitoring tools and subrecipient monitoring procedures in accordance with OMB Circular A-133 requirements.

Current Status as of June 30, 2010

Implemented

Implementation Date

June 11, 2010

CFDA # 93.674 - Chafee Foster Care Independence Program

Finding # 08-07 - Eligibility – Lack of Beneficiary Certification

Condition

Our review of forty beneficiary files determined that one file (3%) did not contain a Transitional Independent Living Plan (TILP) form signed by the youth (i.e. beneficiary).

Recommendation

We recommend that the County develop policies and procedures to maintain signed TILP forms on file.

Current Year Management Response

The Youth Development Services (YDS) staff implemented the recommendation by informing YDS staff through meetings, conference calls and e-mails that all *Request for Funds* forms must have a completed TILP or Transition Age Youth (TAY) Living Plan attached prior to processing.

Current Status as of June 30, 2010

Implemented

Implementation Date

December 18, 2009

CFDA # 93.658 - Foster Care Title IV-E
CFDA # 93.659 - Adoption Assistance
CFDA # 93.667 - Social Services Block Grant
CFDA # 93.674 - Chafee Foster Care Independence Program

Finding # 08-08 - Activities Allowed or Unallowed – Lack of Supporting Documents and Controls over Payroll Transactions

Condition

The Department of Children and Family Services (DCFS) performs one time study per quarter for all federal award programs in the consolidated County Expense Claim (CEC). Out of one hundred fifty-six (156) time study transaction samples from the CEC report, the following control and compliance issues were noted:

a. Twenty (13%) employee time studies did not contain reasonable hours when compared to hours on the employee's timesheet (for example, an employee was sick or on vacation according the timecard but hours were allocated to a working Pin Code);

b. Sixteen (10%) employee timesheets did not match the hours paid per the CWTAPPS system;

c. Twenty (13%) employee timesheets were missing;

d. Three (2%) supervisors' signatures could not be verified. Therefore, it could not be determined whether the timecards were properly approved by authorized personnel;

e. One (1%) employee was missing the language proficiency certificate on file as evidence of a properly approved bi-lingual pay bonus;

f. One (1%) employee's salary exceeded the approved MOU range.

Recommendation

We recommend the following actions to be implemented:

a. Develop policies and procedures to ensure management reviews timecards and time studies concurrently for reasonableness.

b. Enforce control procedures to ensure that the hours on the employee's timesheet match the hours per CWTAPPS;

c. Enforce procedures for the record retention of timesheets, in order to ensure that copies are kept on file and management approval may be reviewed;

d. Enforce policies and procedures to ensure that copies of the Language Proficiency Certificate are kept on file to ensure that the bi-lingual bonus pay is properly supported;

e. Enforce policies and procedures to ensure that employee's salaries/hourly rates are supported by the approved MOU range.

Current Year Management Response

The Department of Children and Family Services Human Resources Management expects to have the e-Time Collection Timesheet system in full operation by the end of 2010. This e-Time Collection Timesheet System will resolve the document maintenance problems. In addition, management issued a memorandum to staff regarding the 5-year retention requirement and continues to distribute the memo at the monthly eCAPS Liaison Training Meetings.

Current Status as of June 30, 2010

Partially Implemented (see current year finding #10-01)

Expected Implementation Date

December 31, 2010 – Item a. and b.

CFDA # 93.958 - Block Grants for Community Mental Health Services

Finding # 08-16 - Activities Allowed or Unallowed – Lack of Supporting Documents

Condition

Out of 43 samples selected, one (2%) employee's hours on the timesheet did not match the hours paid per the CWTAPPS system.

Recommendation

We recommend that the County enforce procedures to ensure that the hours on the timesheet match the hours per CWTAPPS.

Current Year Management Response

The Payroll Clerks are working with only one time card at a time. When the time card is processed, it is placed in a bin marked "completed." The Payroll Clerk retrieves the next time card from the bin marked "not processed." This avoids the error of an employee's hours on the timesheet not matching the hours paid per the CWTAPPS system.

Current Status as of June 30, 2010

Implemented

Implementation Date

September 28, 2009

Finding # 07-01 - Capital Assets

Condition

For the fiscal year 2006/2007, the County implemented a new information system to account for the County's capital assets – Capital Asset System (CAS). During our review of capital assets, we noted that County managers had to perform significant reviews of information and prepare material adjustments to ensure that the information processed, maintained and reported for capital assets was materially accurate. Specifically, we noted the following:

a. A report generated by CAS included instances where capital asset additions and improvements amounts did not agree with amounts recorded in CAS.

b. Certain additions and deletions of infrastructure assets were technically not additions and deletions, but rather improvements to existing infrastructure assets and changes in estimated useful lives. County managers stated that due to CAS limitations, manual adjustments are prepared to account for these transactions.

c. Capital asset additions recorded in CAS were not always evidenced by management approval within the system. County management indicated that this was likely a system security and approval "set-up" issue during the initial implementation of CAS.

d. CAS system detail reports did not agree to system summary reports. County managers stated that this occurred during the conversion to CAS for the period under audit and may also be an ongoing system issue.

Recommendation

We recommend County management evaluate the sufficiency of internal controls, the effects of the conversion to CAS, and the overall process of accounting, recording and reporting capital assets, and determine where improvements can be made to ensure the accuracy of the County's capital assets information.

Current Year Management Response

The County has implemented the recommendation, except for the fourth "Condition," which is partially implemented as noted below.

d. The automated solution to correct the Activity Codes has been determined to be unfeasible. As alternative control, the County has identified all capital assets with incorrect Activity Codes and has been making manual adjustments to the CAFR summary reports. Additionally, the County performs a reconciliation of CAS detail records to the CAFR summary reports. Therefore, item d will be considered implemented as of June 30, 2010.

Current Status as of June 30, 2010

Implemented

Implementation Date

June 30, 2010 – Item d.

CFDA # 39.011 - Help America Vote Act (HAVA) 102 Punch Card Buyout

Finding # 07-05 - Cash Management – Interest Earned Not Remitted to Federal Agency

Condition

The Registrar-Recorder's Office received $15.8 million in advanced funds from the California Secretary of State in May 2004 to purchase voting systems. Due to a delay in the certification process of the voting systems, the County did not completely spend these advanced funds until fiscal year 2007. During that period, the advanced funds were maintained in a trust fund and the related interest earnings were retained by the County general fund. The grant agreement with the State was silent as to interest earnings on the $15.8 million in advanced funds. Per County policy, supporting documentation or information is required to justify the payment of interest earnings for each trust fund established. If grant agreements do not specifically require interest earnings to be accounted for as "program income" or returned to the grantor, the County general fund retains any interest earnings. It is noted that County management did confer with County Counsel as to the treatment of interest earnings from this advance.

Recommendation

We recommend the County remit the interest earned to the funding agency and review its policy on cash management to ensure that interest earned on advanced federal funds is remitted back to the funding agency in accordance with federal guidelines.

Current Year Management Response

Interest earned on the HAVA 102 Advance does not need to be remitted back to the funding agency. The County may retain the interest earned as long as the County's stated use of those funds is for HAVA-related Section 102 purposes per a letter, dated August 27, 2008, from the Deputy Secretary of State (SOS) for HAVA Activities, consistent with the SOS review of HAVA Section 102 and other Federal Guidelines.

The County calculated the interest earned of $1,253,359.90 as of 12/1/2009 for the HAVA Section 102 funds. The Auditor-Controller transferred that amount into an interest bearing trust fund for the County Registrar-Recorder as of December 23, 2009. The County Registrar-Recorder used the funds to pay the remaining HAVA Section 102 related invoices.

Additionally, we have reviewed our policy on cash management and concluded that the policy complies with the federal guidelines. We will continue to be proactive in working with departments to determine if any of their Federal grants include advanced funding. If so, departments will be required to deposit the advances into interest-bearing funds to track the interest earned on the advances.

Current Status as of June 30, 2010

Implemented

Implementation Date

December 23, 2009

CFDA # 93.674 - Independent Living Skills – Children's Services Program

Finding # 07-06 - Eligibility – Lack of Beneficiary Certification

Condition

Our review of forty beneficiary files determined that four files (10%) did not contain a Transitional Independent Living Plan (TILP) form signed by the youth (i.e., beneficiary).

Recommendation
We recommended that the County develop policies and procedures to maintain signed TILP forms on file.

Current Year Management Response

The Youth Development Services (YDS) staff implemented the recommendation by informing YDS staff through meetings, conference calls and e-mails that all *Request for Funds* forms must have a completed TILP or Transition Age Youth (TAY) Living Plan attached prior to processing.

Current Status as of June 30, 2010

Implemented

Implementation Date

December 18, 2009

CFDA # 93.674 - Independent Living Skills – Children's Services Program

Finding # 07-09 - Subrecipient Monitoring – During the Award Monitoring and Identification of Federal Award Information

Condition

Out of two samples selected, the following compliance issues were noted:

a. Two (100%) contracts with the subrecipients did not contain the CFDA title, number, and award name.

b. Two (100%) subrecipients were not accompanied by proper program monitoring review and no single audit report was requested from these subrecipients.

Recommendation

We recommend that the County develop and implement procedures to ensure the following:

a. There is a review of single audit reports received from the subrecipients and follow up on audit findings (if any) in compliance with OMB Circular A-133 subrecipients monitoring requirements.

b. Ensure that either the contract or an accompanying letter to the contract contains the CFDA title, number and award name at the time of the award.

c. Programmatic monitoring is performed for all subrecipients.

Current Year Management Response

Youth Development Services (YDS) staff developed monitoring tools and subrecipient monitoring procedures in accordance with OMB Circular A-133 requirements.

Current Status as of June 30, 2010

Implemented

Implementation Date

June 11, 2010

CFDA # 93.674 - Independent Living Skills – Children's Services
CFDA # 93.658 - Health Care Program Children in Foster Care
CFDA # 93.659 - Adoptions - Administration and Assistance
CFDA # 93.777/93.778 - Medicaid Cluster (Children's Welfare Services)

Finding # 07-10 - Activities Allowed or Unallowed – Lack of Supporting Documents and Controls over Payroll Transactions

Condition

Department of Children and Family Services (DCFS) performs one timestudy per quarter for all federal award programs in the consolidated County Expense Claim (CEC)

report. Out of one hundred (100) time study transaction samples from the CEC report, the following control and compliance issues were noted:

a. Nine (9%) timecards were "blank" (i.e., no actual work hours were filled out by employees). The County's payroll department recorded default 40 work hours into the Countywide Time Keeping and Payroll Personnel System (CWTAPPS) when the "blank" timesheets were received;

b. Twenty four (24%) employee timesheets were missing;

c. One (1%) employee was missing the language proficiency certificate on file as evidence of a properly approved bi-lingual pay bonus;

d. Three (3%) supervisors' signature identification could not be verified. Therefore, it could not be determined whether the timecard was properly approved by authorized personnel;

e. Twenty two (22%) employee hours on the timesheets did not match the hours paid per the CWTAPPS system.

Recommendation

We recommend the following actions to be implemented:

a. Enforce the County payroll policies and procedures by communicating to employees and supervisors via training/memo to complete the default and variance hours on the timesheets;

b. Establish control procedures to ensure that the hours on the timesheets match the hours per CWTAPPS;

c. Establish policies and procedures for the record retention of timesheets, in order to ensure that copies are kept on file;

d. Develop policies and procedures to ensure that copies of the Language Proficiency Certificate are kept on file to ensure that the bi-lingual bonus pay is properly supported;

e. Establish procedures to ensure records of the employee's supervisors are kept on file in order to determine whether the timesheet is properly approved by authorized personnel.

Current Year Management Response

The Department of Children and Family Services Human Resources Management expects to have the e-Time Collection Timesheet system in full operation by the end of

2010. This e-Time Collection Timesheet System will resolve the document maintenance problems. In addition, management issued a memorandum to staff regarding the 5-year retention requirement and continues to distribute the memo at the monthly eCAPS Liaison Training Meetings.

Current Status as of June 30, 2010

Partially Implemented (see current year finding #10-01)

Expected Implementation Date

December 31, 2010 – Item e

CFDA # 93.959 - Alcohol Block Grant

Finding # 07-13 - Subrecipient Monitoring – During the Award Monitoring and Identification of Federal Award Information

Condition

Under current procedures, the Department of Public Health (DPH) conducts contract monitoring on all subrecipients. However, the Department notifies only those subrecipients that have received more than $500,000 in Alcohol and Drug Program (ADP) funds of the required federal award information. The Department then requests single audit reports from those notified.

Per review of forty samples in our testwork, we noted the following compliance issues:

a. Twenty-two (55%) subrecipients that received less than $500,000 in federal awards from ADP did not receive contracts or appending letters notifying them with all required federal award information. Below you will find the details:

    i. Thirteen (33%)– missing CFDA number, award amount and name of federal agency; and

    ii. Nine (23%) – missing all information plus award name.

b. One (3%) subrecipient's Contract Monitoring Report was not filed timely.

Recommendation

We recommend the County perform the following:

a. Modify current monitoring procedures to ensure that all subrecipients, including those receiving less than $500,000 in federal funding from the ADP

i. Receive an appending letter containing all federal award information (i.e., CFDA number, amount of award, name of federal agency and award name) in a timely manner regardless if the agency requests it or not;

ii. Submit a copy of single audit report (if applicable) for review;

b. Enforce monitoring procedures to ensure that all subrecipient monitoring reports are completed timely.

Current Year Management Response

Substance Abuse Prevention & Control (SAPC) management ensured that all contracts were monitored for FY 2009-10. To enforce the SAPC Monitoring Protocol and to ensure that all subrecipient monitoring reports are completed timely, staffing levels were increased by filling 4 vacancies and supervisors assisted by auditing those agencies that did not have assigned monitors.

Current Status as of June 30, 2010

Partially Implemented (see current year finding #10-10)

Implementation Date

July 1, 2009 – Item b.

Expected Implementation Date

March 2011

CFDA # 93.940 - HIV Prevention Project

<u>Finding # 06-06 - Subrecipient Monitoring, During the Award Monitoring</u>

Condition

a. Fiscal reviews for 6 of the 25 subrecipients selected have not been done for the past three years. Desk reviews have been alternatively done by the CMD.

b. For 16 of the 25 subrecipients selected, fiscal reviews have been done recently but have not yet been finalized.

Recommendation

Limitations on existing resources may make it difficult, if not impossible, to conduct fiscal site reviews of subrecipients within the three-year period required by County policies. However, failure to conduct reviews for several consecutive periods increases

the risk of significant deficiencies in the subrecipients' financial control processes and disallowed costs not being detected in a timely manner. Desk reviews can provide valuable information as far as the financial viability of the subrecipient is concerned. However, such may prove to be inadequate for monitoring purposes in the long run. CMD, in coordination with the Department of Public Health, should ensure that fiscal audits of subrecipients are done periodically.

Current Year Management Response

The Department of Public Health's Contract Monitoring Division (CMD) conducts fiscal reviews on a triennial basis to verify that the subrecipients are in compliance with the requirements applicable to the federal programs. CMD has issued the final reports on the backlog of fiscal audits identified during this audit. Additionally, CMD has obtained and reviewed the outstanding contractors' Corrective Action Plans (CAPs).

Current Status as of June 30, 2010

Implemented

Implementation Date

June 30, 2010

CFDA # 93.959 - Block Grants for Prevention and Treatment of Substance Abuse

<u>Finding # 06-07 - Subrecipient Monitoring, During the Award Monitoring</u>

Condition

a. Fiscal reviews for 13 of the 25 subrecipients selected have not been done for the past three years. Desk reviews have been alternatively done by the Contract Monitoring Division (CMD).

b. For 12 of the 25 subrecipients selected, fiscal reviews have been done recently but have not yet been finalized.

Recommendation

Limitations on existing resources may make it difficult, if not impossible, to conduct fiscal site reviews of subrecipients within the three-year period required by County policies. However, failure to conduct reviews for several consecutive periods increases the risk of significant deficiencies in the subrecipients' financial control processes and disallowed costs not being detected in a timely manner. Desk reviews can provide valuable information as far as the financial viability of the subrecipient is concerned. However, such may prove to be inadequate for monitoring purposes in the long run.

CCMD, in coordination with the Department of Alcohol and Drug Prevention, should ensure that fiscal audits of subrecipients are done periodically.

Current Management Response

The Department of Public Health's Contract Monitoring Division (CMD) conducts fiscal reviews on a triennial basis to verify that the subrecipients are in compliance with the requirements applicable to the federal programs. CMD has issued the final reports on the backlog of fiscal audits identified during this audit. Additionally, CMD has obtained and reviewed the outstanding contractors' Corrective Action Plans (CAPs).

Current Status as of June 30, 2010

Implemented

Implementation Date

June 30, 2010

CFDA# 93.556 - Promoting Safe and Stable Families (PSSF)

Finding# 06-10 - Subrecipient Monitoring, Subrecipient Audits

Condition

We noted that 2 out of the 25 subrecipients tested did not have current Single Audit reports on file.

Recommendation

We recommend that DCFS ensure that up-to-date Single Audit reports are obtained from subrecipients, as applicable, and that subrecipients take timely and appropriate corrective action on all audit findings, if any.

Current Year Management Response

The Bureau of Finance and Administration, Contract Services Administration is tasked with the collection of single audit reports from contractors and monitoring the submission. In December 2009, the Department of Children and Family Services shifted the responsibility of the review of single audit reports from its Bureau of Finance and Administration, Fiscal Monitoring Section to program administration.

DCFS Community-Based Support staff wrote subrecipient monitoring protocols to comply with OMB Circular A-133 requirements in December 2009.

Current Status as of June 30, 2010

Not Implemented (see current year finding #10-09)

Implementation Date

July 2011

CFDA # 93.940 - HIV Prevention Project

Finding # 05-15 - Subrecipient Monitoring

Condition

The Fiscal Monitoring Instrument (FMI) is the guide utilized to provide evidence of the procedures performed to support the issuance of the Financial Evaluation Report. Based on the testwork performed, the following findings were noted:

a. 5 out of 50 items selected did not have Financial Monitoring Instruments (FMIs) and Financial Evaluation Reports;

b. 1 out of 50 items selected did not have FMIs, although the related Financial Evaluation Reports were issued;

c. 15 out of 50 items selected have no final Financial Evaluation Reports, only draft copies were available for 19 out of 50 items selected, fiscal reviews were not performed within the 3-year period County policy, but desk reviews were performed for the current year;

d. 4 out of 50 items selected did not have the Plan of Corrective Action on findings noted on the fiscal reviews.

Recommendation

Centralized Contract Monitoring Division (CCMD) should ensure compliance with the performance of the fiscal reviews for programs at least once in three years to verify that the subrecipients are in compliance with the requirements applicable to the federal program, including the audit requirements of OMB Circular A-133. Moreover, CCMD should keep complete documentation, including Financial Reviews and FMIs, to support the review performed.

Current Year Management Response

The Department of Public Health's Contract Monitoring Division (CMD) conducts fiscal reviews on a triennial basis to verify that the subrecipients are in compliance with the requirements applicable to the federal programs. CMD keeps complete documentation,

including FMIs and Corrective Action Plans, to support the review performed.

Current Status as of June 30, 2010

Implemented

Implementation Date

June 30, 2010

CFDA # 93.959 - Substance Abuse Prevention and Treatment

Finding # 05-16 - Subrecipient Monitoring

Condition

The Fiscal Monitoring Instrument (FMI) is the guide utilized to provide evidence of the procedures performed to support the issuance of the Financial Evaluation Report. Based on the testwork performed, the following findings were noted:

a. 3 out of 50 items selected did not have FMI and Financial Evaluation Reports;

b. 1 out of 50 items selected had the FMI but not the Financial Evaluation Report;

c. 18 out of 50 items have no final Financial Evaluation Reports, only draft copies were available;

d. 34 out of 50 items selected did not have fiscal reviews performed within the 3-year period County policy, but had desk reviews performed in the current year.

Recommendation

Centralized Contract Monitoring Division (CCMD) should perform fiscal reviews for programs at least once in three years to ensure that the subrecipients are in compliance with the requirements applicable to the federal program, including the audit requirements of OMB Circular A-133. Moreover, CCMD should keep complete documentation, i.e., Financial Reviews and FMIs, to support the review performed.

Current Year Management Response

The Department of Public Health's Contract Monitoring Division (CMD) conducts fiscal reviews on a triennial basis to verify that the subrecipients are in compliance with the requirements applicable to the federal programs. CMD keeps complete documentation, including FMIs and Corrective Action Plans, to support the review performed.

Current Status as of June 30, 2010

Implemented

Implementation Date

June 30, 2010

CFDA # 93.596 - Child Day Care Program

Finding # 05-32 - Allowable Costs and Activities

Condition

Based on the procedures performed, 2 of the 30 timesheets requested cannot be found.

Recommendation

Management should implement controls and retain documentation to support all hours worked for the program.

Current Year Management Response

The Department of Children and Family Services Human Resources Management expects to have the e-Time Collection Timesheet system in full operation by the end of 2010. This e-Time Collection Timesheet System will resolve the document maintenance problems. In addition, management issued a memorandum to staff regarding the 5-year retention requirement and continues to distribute the memo at the monthly eCAPS Liaison Training Meetings.

Current Status as of June 30, 2010

Partially Implemented

Expected Implementation Date as of June 30, 2010

December 31, 2010