



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

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JOHN NAIMO
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January 15, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo 
Auditor-Controller

SUBJECT: **APPROPRIATIONS LIMIT REVIEW**

Per Article XIIB of the State Constitution, the annual calculation of the appropriations (spending) limit under this Article is to be reviewed as part of the County's annual financial audit. The County's Appropriations Limit review was performed by our external auditors, Macias Gini & O'Connell LLP (MGO). Attached is a copy of their report for the year ended June 30, 2015. For the County's nearly \$18 billion appropriations limit, MGO reported a minor exception of approximately \$3,000. We will work with the Chief Executive Office to ensure that corrective action is taken to address this exception.

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

JN:CY:JG:rr

H:\Taxes_Special Projects\SY\GANN Limits\ GANN Transmittal FY 2015 Final.docx

Attachment

c: Sachi A. Hamai, Chief Executive Officer
Patrick Ogawa, Acting Executive Officer, Board of Supervisors
Public Information Office

COUNTY OF LOS ANGELES

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

For the Year Ended June 30, 2015



Certified
Public
Accountants

COUNTY OF LOS ANGELES
Agreed-Upon Procedures for
Appropriations Limit Worksheet

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Independent Accountant's Report On Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below to the accompanying Appropriations Limit Worksheet of the County of Los Angeles, California, which includes the calculations for Countywide, Special Districts, and Calabasas and Malibu Lighting Districts and Malibu Garbage Disposal Districts (collectively the County) for the year ended June 30, 2015, which were agreed to by the County and the County Accounting Standards and Procedures Committee (as presented in the publication entitled *Article XIII-B California Constitution Appropriation Limit Procedures Guidelines for California Counties*), solely to assist the County in meeting requirements of section 1.5 of Article XIII-B of the California Constitution. The County's management is responsible for the accompanying Appropriations Limit Worksheet. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

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

Finding: No exceptions were noted as a result of the procedure.

- 2) For the accompanying Appropriations Limit Worksheet, we added last year's limits to the annual adjustment amounts, and agreed the resulting amounts to the 2014/15 appropriations limits.

Finding: We noted that the 2013-14 annexation adjustment of \$39,674 for the Countywide limit did not include an additional annexation adjustment related to "North Saugus – General," in the amount of \$2,736. The discrepancy results in the recalculated limit amount not agreeing to the ending year's Countywide limit as approved by the Board of Supervisors. The Countywide appropriations limit as recalculated is \$17,976,875,991, a difference of \$2,806.

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

Finding: No exceptions were noted as a result of the procedure.

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

Finding: No exceptions were noted as a result of the procedure.

- 5) We compared the net annexation amount representing the reorganization adjustments for the Countywide limit to the resolution approved by the Board of Supervisors.

Finding: The result of the procedure includes an omission of a \$2,736 annexation adjustment to last year's limit for Countywide. This annexation adjustment, which was approved by the Board of Supervisors on May 13, 2014, was not incorporated into the net annexation adjustment to FY 2013-14 Countywide limit.

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

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

Macias Gini & O'Connell LLP

Los Angeles, California
December 30, 2015

COUNTY OF LOS ANGELES
Appropriations Limit Worksheet
For the Year Ended June 30, 2015

Countywide

Appropriations limit, fiscal year 2013/14		\$ 17,530,899,048
Net annexation adjustments*		<u>(39,674)</u>
Subtotal		17,530,859,374
Adjustment factors:		
Nonresidential AV%	1.01690000	
Population factor	<u>x 1.00840000</u>	
Total adjustment factor	1.025441960	
Annual adjustment in dollars*		<u>446,019,423</u>
Appropriations limit, fiscal year 2014/15*		<u><u>\$ 17,976,878,797</u></u>

Special Districts

Appropriations limit, fiscal year 2013/14		\$ 1,812,635,493
Adjustment factors:		
Nonresidential AV%	1.01690000	
Population factor	<u>x 1.00780000</u>	
Total adjustment factor	1.024831820	
Annual adjustment in dollars		<u>45,011,038</u>
Appropriations limit, fiscal year 2014/15		<u><u>\$ 1,857,646,531</u></u>

Calabasas and Malibu Lighting Districts and Malibu Garbage Disposal Districts

Appropriations limit, fiscal year 2013/14		\$ 2,315,338
Adjustment factors:		
Nonresidential AV%	1.01690000	
Population factor	<u>x 1.00840000</u>	
Total adjustment factor	1.025441960	
Annual adjustment in dollars		<u>58,907</u>
Appropriations limit, fiscal year 2014/15		<u><u>\$ 2,374,245</u></u>

* The Board approved annexation adjustments omitted \$2,736 of transfers from the County to the City of Santa Clarita, applied to the appropriation limit for fiscal year 2013/14, resulted in a difference of \$2,806. The correct appropriation limit for fiscal year 2014/15 should be \$17,976,875,991.

COUNTY OF LOS ANGELES
Notes to Appropriations Limit Worksheet
For the Year Ended June 30, 2015

(1) 2013-14 Appropriations Limit Adjustments

Net countywide annexation adjustments resulted in a decrease of \$39,674 to the previously reported 2013-14 Appropriations Limit. This property tax revenue transfer from the County of Los Angeles (County) is associated with the cities of Palmdale, Glendora, Santa Clarita and Covina. The transfers related to the cities of Palmdale, Glendora, Santa Clarita and Covina represent the negotiated exchange of property tax revenue resulting from the proposed annexation of various territories.

(2) Adjustment Factors

The County, as allowed by law, has chosen to use various population factors to compute its adjustment factors for the year ended June 30, 2015. The Countywide population factor uses the change in population within its jurisdiction, combined with the change in population within all counties having borders that are contiguous to the County. The population factor for each of the special districts is based solely on the change in population within the County. The County and each special district governed by the County Board of Supervisors choose to use the percentage change in the assessed value of nonresidential new construction (Nonresidential AV%), provided by the Office of Assessor. Such factors are as follows:

Countywide:

Nonresidential AV%		1.016900000	
Population Factor	x	1.008400000	
Adjustment Factor		1.025441960	

Special Districts:

Nonresidential AV%		1.016900000	
Population Factor	x	1.007800000	
Adjustment Factor		1.024831820	

Calabasas and Malibu Lighting Districts and
Malibu Garbage Disposal Districts:

Nonresidential AV%		1.016900000	
Population Factor	x	1.008400000	
Adjustment Factor		1.025441960	

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

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