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, 2012

MGO Certified Public Accountants.

COUNTY OF LOS ANGELES
BASIC FINANCIAL STATEMENT AND SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2012

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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, 2012, 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%	3%	1%
Business-type Activities	4%	15%	10%
Discretely Presented Component Unit	100%	100%	100%
Aggregate Remaining Fund Information	68%	70%	4%

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 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 the 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 previously 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, 2012, and the respective changes in financial position and cash flows, where applicable, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 21 and the schedules of funding progress on pages 112 and 113 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we and the other auditors obtained during our audit of the basic financial statements. We and the other auditors do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and the community services block grant supplemental schedules of revenue and expenditures are presented for purposes of additional analysis as required by OMB Circular A-133 and the California Department of Community Services and Development, respectively, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Macias Gini & O'Connell LLP

Los Angeles, California
December 14, 2012, except for the report on the schedule of expenditures of federal awards and community services block grant supplementary schedules of revenue and expenditures, as to which the date is March 19, 2013.

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, 2012. 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 $12.131 billion. However, net assets are classified into three categories and the unrestricted component is negative $7.717 billion. See further discussion on page 7.

During the current year, the County's net assets decreased by a total of $2.060 billion. Net assets related to governmental activities decreased by $1.789 billion, while net assets related to business-type activities decreased by $271 million. Growth in liabilities associated with postemployment health insurance benefits was $1.572 billion during the current year and continued to have a very significant effect on the County's financial condition and overall decrease in net assets. See further discussion on page 7.

At the end of the current year, the County's General Fund reported a total fund balance of $2.642 billion. The fund balance categories and amounts consisted of nonspendable fund balance of $260 million, restricted fund balance of $55 million, committed fund balance of $332 million, assigned fund balance of $405 million, and $1.590 billion of unassigned fund balance.

The County's capital asset balances were $18.490 billion at year-end and increased by $275 million during the year.

During the current year, the County's total long-term debt increased by $38 million. Newly issued and accreted long-term debt of $508 million exceeded bond maturities of $470 million.

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. As discussed in Note 20 to the basic financial statements, First 5 LA recognized an "extraordinary item" of $424 million in the current year which restored this amount to the net assets of this component unit due to a Superior Court decision that invalidated State Assembly Bill (AB) 99. In the prior year, an "extraordinary item" of like amount ($424 million) was recognized as a reduction of net assets to reflect First 5 LA's obligation to the State under AB 99.

FUND FINANCIAL STATEMENTS

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

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

- Governmental Funds - These funds are used to account for essentially the same services that were previously described as governmental activities above. However, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Governmental funds include the General Fund, as well as Special Revenue Funds, Debt Service Funds, Capital 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 four 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, the Private-Purpose Trust Fund, 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 $12.131 billion at the close of the most recent fiscal year.

Summary of Net Assets
As of June 30, 2012 and 2011 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 8,411,714	$ 9,065,797	$ 1,073,713	$ 892,800	$ 9,485,427	$ 9,958,597
Capital assets	15,701,869	15,563,696	2,787,966	2,650,760	18,489,835	18,214,456
Total assets	$ 24,113,583	$ 24,629,493	$ 3,861,679	$ 3,543,560	$ 27,975,262	$ 28,173,053
Current and other liabilities	$ 1,761,689	$ 2,218,534	$ 268,362	$ 179,700	$ 2,030,051	$ 2,398,234
Long-term liabilities	10,977,896	9,248,193	2,836,246	2,336,010	13,814,142	11,584,203
Total liabilities	$ 12,739,585	$ 11,466,727	$ 3,104,608	$ 2,515,710	$ 15,844,193	$ 13,982,437
Net assets:						
Invested in capital assets, net of related debt	14,593,171	14,484,468	2,241,059	2,242,340	16,834,230	16,726,808
Restricted net assets	2,908,564	2,925,662	104,997	122,216	3,013,561	3,047,878
Unrestricted net assets (deficit)	(6,127,737)	(4,247,364)	(1,588,985)	(1,336,706)	(7,716,722)	(5,584,070)
Total net assets	11,373,998	13,162,766	757,071	1,027,850	12,131,069	14,190,616
Total liabilities and net assets	$ 24,113,583	$ 24,629,493	$ 3,861,679	$ 3,543,560	$ 27,975,262	$ 28,173,053

Significant changes in assets and liabilities included the following:

Current and Other Assets

Current and other assets decreased by $654 million for governmental activities and increased by $181 million for business-type activities. For governmental activities, pooled cash and investment balances were lower by $231 million in the current year. However, there was a reduction of $515 million in investment purchase transactions which took place at the end of the current year and settled subsequent to the statement of net assets date. This decrease was offset by corresponding reductions in liabilities (Other Payables) of like amount. Changes in "internal balances" of $225 million had the effect of reducing assets for governmental activities and increasing assets for business-type activities by like amount. This change was primarily associated with a $359 million reduction in cash flow advances from governmental activities (the County's General Fund) to the business activities (the County's Hospitals).

Liabilities

Current and other liabilities decreased by $457 million for governmental activities, largely due to the previously mentioned $515 million reduction of liabilities associated with investment purchase transactions pending settlement at year-end. For business-type activities, a net increase of $89 million in current and other liabilities was primarily due to a $76 million increase in accounts payable for intergovernmental transfer expenses associated with the Hospitals. Long-term liabilities increased by $1.730 billion for governmental activities and by $500 million for business-type activities. Other postemployment benefits (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 $1.311 billion and $261 million, respectively. Additional significant factors increasing liabilities were higher compensated absences for the governmental activities and third party payor liabilities for the business-type activities. 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 ($16.834 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 $3.014 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 $7.717 billion. Both governmental and business-type activities reported deficits in this category of $6.128 billion and $1.589 billion, respectively. The deficits closely parallel the OPEB related liabilities of $5.777 billion for governmental activities and $1.142 billion for business-type activities. Other unfunded liabilities are also factors, such as workers' compensation, compensated absences, and litigation and self-insurance claims. As discussed in Note 8 to the basic financial statements, the County established an OPEB trust fund during the current year.

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

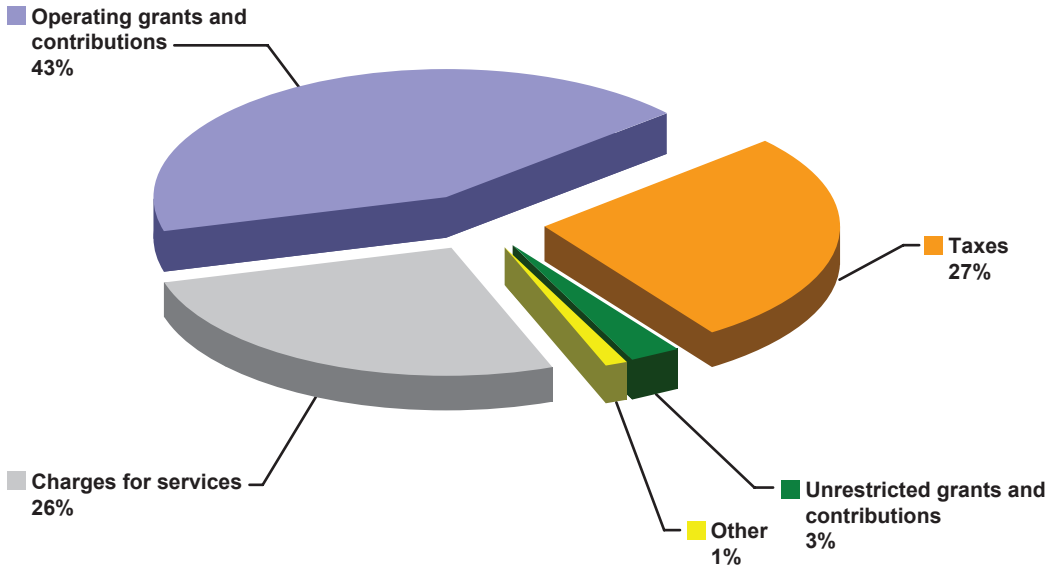
The following table indicates the changes in net assets for governmental and business-type activities:

Summary of Changes in Net Assets
For the Years Ended June 30, 2012 and 2011
(in thousands)

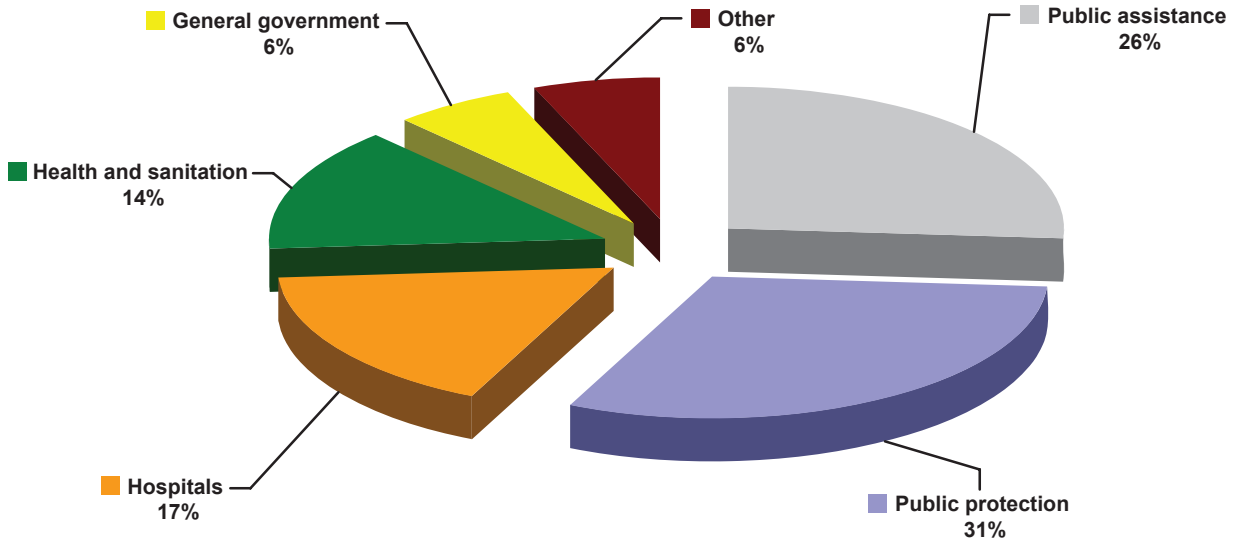
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	$ 2,712,525	$ 2,657,587	$ 2,262,644	$ 2,283,048	$ 4,975,169	$ 4,940,635
Operating grants and contributions	7,715,282	7,939,142	776,779	681,471	8,492,061	8,620,613
Capital grants and contributions	38,352	149,569	1,311	437	39,663	150,006
General revenues:						
Taxes	5,192,668	5,046,783	4,382	4,265	5,197,050	5,051,048
Unrestricted grants and contributions	608,967	677,767	51	41	609,018	677,808
Investment earnings	82,271	80,746	1,770	2,142	84,041	82,888
Miscellaneous	134,827	129,963	21,657	28,232	156,484	158,195
Total revenues	16,484,892	16,681,557	3,068,594	2,999,636	19,553,486	19,681,193
Expenses:						
General government	1,315,662	1,100,781			1,315,662	1,100,781
Public protection	6,608,319	6,081,466			6,608,319	6,081,466
Public ways and facilities	355,527	417,250			355,527	417,250
Health and sanitation	3,036,296	2,781,183			3,036,296	2,781,183
Public assistance	5,599,244	5,728,637			5,599,244	5,728,637
Education	112,497	104,159			112,497	104,159
Recreation and cultural services	310,369	311,422			310,369	311,422
Interest on long-term debt	110,541	134,429			110,541	134,429
Hospitals			3,768,699	3,541,874	3,768,699	3,541,874
Waterworks			94,651	83,592	94,651	83,592
Aviation			5,022	4,658	5,022	4,658
Community Development Commission			289,924	284,048	289,924	284,048
Total expenses	17,448,455	16,659,327	4,158,296	3,914,172	21,606,751	20,573,499
Excess (deficiency) before transfers and extraordinary item	(963,563)	22,230	(1,089,702)	(914,536)	(2,053,265)	(892,306)
Transfers	(818,923)	(859,079)	818,923	859,079		
Extraordinary item	(6,282)				(6,282)	
Changes in net assets	(1,788,768)	(836,849)	(270,779)	(55,457)	(2,059,547)	(892,306)
Net assets – beginning	13,162,766	13,999,615	1,027,850	1,083,307	14,190,616	15,082,922
Net assets – ending	$ 11,373,998	$ 13,162,766	$ 757,071	$ 1,027,850	$ 12,131,069	$ 14,190,616

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

REVENUES BY SOURCE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012



EXPENSES BY TYPE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012



Governmental Activities

Revenues from governmental activities decreased by $197 million (1.2%) when compared with the prior year. The most significant changes in specific revenue sources were experienced in the following areas:

- Program revenues recognized from operating grants and contributions decreased by $224 million. State mental health revenues associated with the Mental Health Services Act (Proposition 63) were lower by $301 million as program revenues for Proposition 63 declined in the current year. The previous year's revenues were exceptionally higher as there were a large number of significant one-time program plans approved by the State, enabling the County to qualify for, and recognize, these revenues in the prior year. For public assistance programs, there was an $85 million reduction in federal stimulus revenues as this funding source was phased out in the current year and there were reduced revenues of $71 million associated with lower claimable costs for the California Work Opportunities and Responsibilities to Kids (CalWORKs) program, particularly in the areas of child care, eligibility and employment services. The above program revenue decreases were partially offset by $151 million of increased State revenues for public safety programs, which included new current year revenues of $106 million to fund the State's public safety realignment initiatives.

- Taxes, the County's largest general revenue source, were $146 million higher than the previous year. The additional growth in tax revenues was concentrated in property taxes, which grew by $134 million. The County's assessed property tax roll was 1.36% higher in the current year and the increase followed assessed value reductions in the two previous years. Property tax revenues also increased due to State legislation which dissolved redevelopment agencies and shifted residual property taxes to local government agencies, including the County. The County's share of such revenues in the current year was $100 million.

- Capital grants and contributions were $111 million lower than the previous year. In the previous year, the County recognized $85 million of one-time revenues associated with State Proposition 1B. Revenues from Proposition 1B provided transportation infrastructure funding to local governments, including the County and funded street and highway pavement maintenance, drainage facilities, traffic control devices, facilities that expand ridership on transit systems, and capital improvements to address local traffic congestion. There were no current year revenues from Proposition 1B and there were a variety of other current year revenues which comprised the remaining reduction of $26 million for this revenue category.

Governmental Activities-Continued

Expenses related to governmental activities increased by $789 million during the current year. The largest portion of the net increase was attributable to the public protection category, which grew by $527 million. As discussed in Note 1 to the basic financial statements, the County reevaluated liabilities for compensated absences and this accounted for $281 million of the growth in the public protection costs. Additional factors were salaries and paid benefits, which grew by $119 million and an increase of $88 million in workers' compensation expenses. There were also expense increases of $255 million in the health and sanitation sector. Of this amount, contractual service costs were higher by $140 million and were concentrated in mental health services. Salaries and employee benefits, including compensated absences and workers' compensation expenses, also grew by $98 million in the current year.

Business-type Activities

Revenues from business-type activities increased in comparison to the prior year by $69 million (2.3%). The most significant change was in the area of operating grants and contributions, which increased by $95 million and was associated with the County's Hospitals. As discussed in Note 13 to the basic financial statements, a federal funding program known as the Delivery System Reform Incentive Pool (DSRIP) provided nearly $443 million of revenues to the Hospitals. The DSRIP program began in the prior year and the year-to-year revenue increase for this program was $100 million. There were reduced revenues from charges for services of $20 million and all other revenues were $6 million lower in the current year.

Expenses related to business-type activities increased from the previous year by $244 million. The increased expenses were principally related to the Hospitals, where expenses were higher by $227 million. Intergovernmental transfer expenses were $155 million higher and these increases were associated with managed care programs ($84 million) and the DSRIP program ($80 million). There were reductions of $9 million for the intergovernmental transfers related to the Medi-Cal demonstration projects. Salaries and employee benefits associated with the Hospitals were also higher by $89 million. For all facilities, the average patient census during the current year was 1,263 patients per day, which was lower in comparison with 1,321 for the prior year.

Financial Analysis of the County's Funds

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

Governmental Funds

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

Governmental Funds-Continued

As of the end of the current fiscal year, the County's governmental funds reported combined total fund balances of $6.144 billion, a decrease of $61 million in comparison with the prior year. Of the total fund balances, $306 million is nonspendable to indicate the extent that funds are not in spendable form or are required to remain intact. An additional $3.237 billion is classified as restricted, $458 million as committed, and $553 million as assigned. The remaining balance of $1.590 billion is classified as unassigned and is entirely associated with the General Fund.

Revenues from all governmental funds for the current year were $16.455 billion, a decrease of $95 million (less than 1%) from the previous year. Expenditures for all governmental funds in the current year were $15.950 billion, an increase of $174 million (1.1%) from the previous year. In addition, other financing uses exceeded other financing sources by $560 million as compared to $483 million 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 $80 million (3.0%). At the end of the current fiscal year, the General Fund's total fund balance was $2.642 billion. Of this amount, $260 million is classified as nonspendable, $55 million as restricted, $332 million as committed, $405 million as assigned and the remaining $1.590 billion is classified as unassigned. In the prior year, the County implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and amounts previously displayed as "designations" were classified as "assigned" fund balance. Based on clarification from GASB and as discussed in Note 1 to the basic financial statements, the County reclassified the former fund balance "designations" from assigned to committed in the current year.

General Fund revenues during the current year were $13.826 billion, an increase of $258 million (1.9%) from the previous year. General Fund expenditures during the current year were $13.619 billion, an increase of $65 million (less than 1%) from the previous year. Other financing sources/uses-net was negative $287 million in the current year as compared to negative $288 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by $137 million and property taxes comprised $127 million of this increase. As previously mentioned, assessed property values were higher in the current year and there were also new property tax revenues from redevelopment dissolution and revenue increases associated with these two factors were $39 million and $88 million, respectively.

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

Governmental Funds-Continued

- Intergovernmental revenues increased overall by $126 million. Within this category, State revenues increased by $356 million, federal revenues declined by $208 million and revenues from other governmental agencies were lower by $22 million. State revenue growth of $165 million was largely associated with public protection programs, as the Sheriff's and Probation Departments recognized $96 million of new revenues associated with the State's Assembly Bill 109 public safety realignment initiative and there was also growth of $50 million from State Proposition 172 public safety revenues. There was also growth of $110 million in State revenues for mental health services. The decrease in federal revenues was principally due to the expiration of federal economic stimulus revenues, which funded a number of social service initiatives and was previously noted for public assistance programs.
- General fund expenditures increased by a total of $65 million, or less than 1%. Within this total, there were increases of $332 million in current expenditures, decreases in debt service expenditures of $254 million, and capital outlay expenditures were lower by $13 million. The most significant increase in current expenditures was in the health and sanitation category, where expenditures were higher by $213 million as mental health expenditures increased by $130 million, primarily due to higher levels of contracted program services. Public protection expenditures also grew by $136 million, of which $97 million was related to the Sheriff's Department and the remainder was concentrated in the Probation Department, District Attorney and Public Defender. In the previous year, the final payment of $243 million was made on pension obligation bonds and this accounted for nearly all of the year-to-year change in debt service expenditures.

The Fire Protection District reported a year-end fund balance of $204 million, which represented a decrease of $14 million from the previous year. Revenues were nearly unchanged in comparison to the previous year while expenditures increased by $8 million. Transfers out increased by $16 million in the current year and such transfers were made to a capital projects fund for purposes of accumulating funding to address facility improvement needs.

The Flood Control District reported a year-end fund balance of $195 million, which was $38 million higher than the previous year. Revenues were $10 million higher in the current year and increases were spread among several categories. Expenditures decreased by $31 million, or 14%, and nearly all of these reductions were due to lower infrastructure improvement expenditures of $26 million and lower equipment rental expenditures of $4 million.

The Public Library Fund reported a year-end fund balance of $54 million, which was $11 million higher than the previous year. Revenues were lower by $5 million, with most of the decrease associated with property taxes, as certain property tax revenues were transferred to a city which assumed direct operation of former County library facilities. Expenditures were also lower in the current year, decreasing by approximately $4 million. There was a net increase of $12 million for "transfers in," which was attributable to increased contributions from the County's General Fund. In the current year, sales of capital assets decreased by nearly $8 million as there was a significant sale of library facilities to the aforementioned city near the end of the prior year.

Governmental Funds-Continued

The Regional Park and Open Space District reported a year-end fund balance of $322 million, which was $12 million higher than the previous year. Current year revenues and expenditures were each slightly higher, increasing by $2 million and $4 million, respectively.

Proprietary Funds

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

The County's principal proprietary funds consist of four hospital enterprise funds and each one is reported as a major fund. All of the aforementioned funds incurred a net loss prior to contributions and transfers.

The County is legally required to provide local matching funds to the health care system in order to remain eligible for federal and State assistance. Such funds were provided to the hospitals as operating subsidies from the County General Fund during the year. The amount of subsidy, per facility, ranged from $77 million for Rancho Los Amigos National Rehabilitation Center to $258 million for the LAC+USC Medical Center. The total subsidy amount was $643 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 $672 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 ($73 million), Harbor UCLA Medical Center ($63 million), and Olive View UCLA Medical Center ($58 million). The total amount of current year Measure B transfers ($194 million) was lower than the prior year amount of $202 million.

Waterworks Funds reported year-end net assets of $828 million, a $22 million reduction from the previous year. Current year operating revenues of $68 million were $10 million higher than the previous year amount of $58 million. Current year operating expenses of $95 million were also higher than the previous year's amount of $84 million.

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 has not yet incorporated GASB 54 fund balance terminology and 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 $36 million in the General Fund's available (unreserved and undesignated) fund balance from the previous year.

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-(Negative)
Taxes	$ 93,868	$ 4,014,045	$ 3,977,557	$ (36,488)
Intergovernmental revenues	197,915	8,310,809	7,595,430	(715,379)
Charges for services	(24,779)	1,783,188	1,704,354	(78,834)
All other revenues	77,617	606,005	525,357	(80,648)
Other sources and transfers in	54,269	704,886	456,322	(248,564)
Total	$ 398,890	$ 15,418,933	$ 14,259,020	$ (1,159,913)

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources approximated $399 million. The most significant changes occurred in the following areas:

- Estimated intergovernmental revenues increased by $198 million. Of this amount, $140 million was associated with State revenues for newly realigned programs operated by the County, primarily in the public safety sector. There was $45 million of State revenues added to the budget to reflect funding for the Seriously Emotionally Disturbed Children's program. There were other net additions to budgeted intergovernmental revenues of $13 million.

Changes from Amounts Originally Budgeted-Continued

- The budget for tax revenues was increased by $94 million. Of this increase, $86 million was associated with year-end budgetary changes that are designed to demonstrate compliance with legal provisions related to the appropriation of revenues from property taxes and certain other tax related revenues. The remaining $8 million of increased tax revenues was appropriated for a variety of programs.

- There was a net increase of $78 million related to "all other revenues" and $65 million of this amount was attributable to tobacco settlement revenues. The County's policy is to budget tobacco settlement revenues after they have been received. Miscellaneous revenue increases accounted for the remaining $13 million.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $1.160 billion, or 7.5%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues and "other sources and transfers in."

- Actual intergovernmental revenues were $715 million lower than the amount budgeted. Budgeted intergovernmental revenues of $200 million were not realized for various capital improvements, disaster recovery programs and homeland security projects, as these initiatives were not completed prior to year-end. Mental health programs accounted for approximately $187 million of this variance, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues. Approximately $155 million was associated with social service programs, where reimbursable costs were lower than anticipated due to hiring and promotion delays, reduced spending for services and supplies, and delays in implementing new systems. Public health related programs experienced budgeted revenue shortfalls of $54 million, most of which was associated with federal grants and offset by a comparable amount of cost savings. The Registrar-Recorder did not realize $43 million of federal and state revenues associated with an anticipated election that was canceled during the fiscal year. The remaining variance of $76 million was related to a variety of other programs.

- The actual amount of "other sources and transfers in" was $249 million lower than the amount budgeted. Of this amount, mental health programs funded by the Mental Health Services Act Special Revenue Fund (Proposition 63) did not fully materialize at the budgeted level and "transfers in" were $112 million lower than budgeted. In addition, "transfers in" totaling $107 million were assumed in the budget for capital improvements and extraordinary building maintenance projects which did not incur expected costs. The budget for the Sheriff's Department under-realized the budgeted amount of "transfers in" by $25 million as such funds were not required as anticipated. There were various other sources and transfers that comprised the remaining variance of $5 million.

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

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	$ (3,285)	$ 1,659,144	$ 907,092	$ 752,052
Public protection	130,805	4,799,296	4,584,081	215,215
Health and sanitation	(23,254)	3,189,050	2,822,989	366,061
Public assistance	62,389	5,558,176	5,139,887	418,289
All other expenditures	42,741	1,115,615	366,497	749,118
Transfers out	17,947	644,949	628,344	16,605
Contingencies	74,612	74,612		74,612
Reserves/designations-net	96,935	(20,338)	(153,801)	133,463
Total	$ 398,890	$ 17,020,504	$14,295,089	$ 2,725,415

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations, reserves and designations were approximately $399 million. As discussed below, the most significant increases occurred in the following areas:

- Appropriations were increased for the public protection category by $131 million. Of this amount, $108 million was appropriated for newly realigned State programs associated with public safety. An additional $10 million was allocated for various Sheriff's and Probation Departments' programs, and the remaining $13 million augmented various other programs.
- Provisions for net reserves and designations were increased during the year by $97 million. At the end of the fiscal year, the designation for health services, which is predominately funded by tobacco settlement revenues, was increased by $73 million. This amount was comprised of tobacco settlement revenues recognized in the current year ($65 million) plus prior year funds that were appropriated, but unexpended ($8 million). There were net increases of $26 million to reserve amounts funded by local utility tax revenues, pending their required allocation for services to unincorporated County areas. Miscellaneous decreases of $2 million were made to other reserves and designations.
- After the original budget was established, appropriations for contingencies were increased by $75 million. As previously mentioned, there was an $86 million increase at the end of the fiscal year to budgeted tax revenues, which was accompanied by an increase in the appropriations for contingencies for purposes of complying with statutory requirements. There were also various reductions in the appropriations for contingencies totaling $11 million.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were $2.725 billion lower (16.0%) than the final total budget of $17.021 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, prioritization of purchases of services and supplies and capital assets, and continued reliance on efficiency initiatives. Following are the functional areas that recognized the largest variations from the final budget:

- The general government function reported actual expenditures that were $752 million less than the amount budgeted. Of this amount, $580 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations and central non-departmental appropriations. The remaining $172 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.

- The category referred to as "all other expenditures" reflected actual spending of $749 million less than the budgeted amount. Nearly all ($739 million) 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.

- Actual public assistance expenditures were $418 million lower than the final budget. Of this amount, $355 million was concentrated in social service, children, and family programs. Administrative costs in these areas were lower than anticipated due to overall cost containment efforts, vacant positions, and delays in implementing new technology initiatives. There were also direct program savings associated with lower than anticipated caseloads. There were $39 million of savings related to homeless and housing programs due to delays in carrying out multi-year projects. The remaining variance amount of $24 million was related to other public assistance programs.

- Overall expenditures for the health and sanitation category were $366 million less than the budgeted amount. Appropriations related to mental health services exceeded actual expenditures by $256 million, primarily due to less than anticipated costs for contracted services and to a lesser extent, salary savings. Public Health Services recognized budgetary savings of $89 million, primarily due to lower than expected contract service costs. The remaining variance of $21 million was associated with programs administered by the Department of Health Services.

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2012 were $18.490 billion (net of depreciation). Capital assets include land, easements, buildings and improvements, equipment, software, and infrastructure. The major infrastructure network elements are roads, sewers, water, flood control, and aviation. Specific capital asset changes during the current year are presented in Note 6 to the basic financial statements.

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was $275 million, as shown in the following table.

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

	Current Year	Prior Year	Increase (Decrease)
Land and easements	$ 7,533,637	$ 7,520,029	$ 13,608
Buildings and improvements	3,907,035	3,917,585	(10,550)
Infrastructure	5,106,802	5,044,706	62,096
Equipment	501,887	496,315	5,572
Software	337,633	294,865	42,768
Capital assets, in progress	1,102,841	940,956	161,885
Total	$ 18,489,835	$ 18,214,456	$ 275,379

The County's major capital asset initiatives during the current year continued to focus on new medical facilities and major improvements for the Hospitals. There was significant construction-in-progress at Harbor/UCLA Medical Center, as $88 million was capitalized for surgical facilities and seismic retrofit projects. There were an additional $88 million of capitalized construction costs for the Martin Luther King, Jr. inpatient tower project, and $44 million for the Martin Luther King, Jr. Multi-Service Ambulatory Care Center project. As of the end of the current year, there were $475 million of capital construction commitments outstanding and as discussed in the subsequent events note to the basic financial statements (Note 21), the Board approved $720 million of new capital asset commitments in November 2012.

Debt Administration

During the current year, the County's liabilities for long-term debt increased by $38 million, as newly issued debt and accretions of $508 million exceeded debt maturities of $470 million. 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:

- Commercial paper proceeds of $370 million were issued for governmental and business-type activities in the amounts of $189 million and $181 million, respectively. For governmental activities, debt was issued to finance a new hospital facility that will be operated by a non-profit organization (see Note 13 to the basic financial statements) and fire department facilities. For business-type activities, debt was issued to finance hospital and ambulatory care improvements.

- New debt of $79 million was issued to finance the acquisition of equipment. Equipment debt totaling $95 million was redeemed during the year in accordance with maturity schedules.

- Current refunding debt of $51 million, along with bond reserve funds, was issued to refund $58 million of outstanding bond principal.

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, with maturities of $300 million on February 29, 2012, $500 million on March 30, 2012, and $500 million on June 29, 2012. The General Fund also relied upon periodic borrowing from available agency 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	AA-
Facilities	A1	AA-	A+
Equipment/Non-Essential Leases	A2	AA-	A+
Operating/Non-Essential Leases	A2	AA-	A
Short-Term	MIG1	SP-1+	F1+
Flood Control District Revenue Bonds	Aaa	AA	AAA
Regional Park and Open Space District Bonds	Aa1	AA	AAA

Since the previous year, the County's bond ratings remained the same except for the following changes:

- Standard and Poor's upgraded the following ratings: General Obligation Bonds from AA- to AA, Facilities from A+ to AA-, Equipment/Non-Essential Leases from A+ to AA-, and Operating/Non-Essential Leases from A+ to AA-.

- Moody's upgraded the rating for the Flood Control District Revenue Bonds from Aa1 to Aaa and upgraded the rating for Regional Park and Open Space District Bonds from Aa2 to Aa1.

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2012-2013 Budget on June 25, 2012. The Budget was adopted based on estimated fund balances that would be available at the end of 2011-2012. The Board updated the Budget on October 2, 2012 to reflect final 2011-2012 fund balances and other pertinent financial information. For the County's General Fund, the 2012-2013 Budget, as updated in October 2012, utilized $1.566 billion of fund balance, which exceeded the previously estimated fund balance of $1.270 billion. Of the additional fund balance of $296 million, $104 million was used to carryover lapsed appropriations and the remaining $192 million was used to fund one-time projects and programs.

After four consecutive years of budget reductions and fiscal challenges, the County's 2012-2013 budget outlook was improved and did not require program reductions or departmental curtailments. The County Assessor has released the Net Local Property Tax Roll for 2012-13 and it is 1.14% higher than the previous year. This marks the second consecutive year of increased assessed property values. Despite the relative stability of the 2012-2013 County Budget, there was a cautionary spending approach as the Board reaffirmed a hard hiring freeze, except for critical health and safety positions. Non-essential purchases of services, supplies, and capital assets also remain under close scrutiny.

The County's budgetary process continues to closely monitor the State of California's economic recovery and there are signs of an improved budget outlook at the State level. The State Legislative Analyst's Office (LAO) reports that the State budget situation has improved sharply. The improved economy, State budget reductions and voter approval of temporary taxes (State Proposition 30) have combined to significantly reduce the prospects of a State budget deficit for 2013-2014.

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.

BASIC FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES
STATEMENT OF NET ASSETS
JUNE 30, 2012 (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)	$ 3,641,157	56,369	$ 3,697,526	$ 809,663
Other (Note 1)	1,334,755	44,210	1,378,965	
Total pooled cash and investments	4,975,912	100,579	5,076,491	809,663
Other investments (Note 5)	550,763	42,636	593,399	
Taxes receivable	272,361	991	273,352	
Accounts receivable - net (Note 13)		1,135,385	1,135,385	
Interest receivable	9,775	328	10,103	385
Other receivables	1,754,702	280,096	2,034,798	45,613
Internal balances (Note 14)	735,278	(735,278)		
Inventories	102,264	17,537	119,801	
Restricted assets (Note 5)	10,659	231,439	242,098	
Capital assets: (Notes 6 and 9)				
Capital assets, not being depreciated	7,920,623	715,855	8,636,478	2,039
Capital assets, net of accumulated depreciation	7,781,246	2,072,111	9,853,357	10,739
Total capital assets	15,701,869	2,787,966	18,489,835	12,778
TOTAL ASSETS	24,113,583	3,861,679	27,975,262	868,439
LIABILITIES				
Accounts payable	415,535	166,694	582,229	22,593
Accrued payroll	350,103	73,189	423,292	
Other payables (Note 5)	547,994	12,278	560,272	3,644
Accrued interest payable	20,902	14,215	35,117	
Unearned revenue	39,604	1,696	41,300	
Advances payable	387,551	290	387,841	
Long-term liabilities: (Note 10)				
Due within one year	857,543	289,498	1,147,041	81
Due in more than one year	10,120,353	2,546,748	12,667,101	313
TOTAL LIABILITIES	12,739,585	3,104,608	15,844,193	26,631
NET ASSETS				
Invested in capital assets, net of related debt (Notes 6 and 10)	14,593,171	2,241,059	16,834,230	12,778
Restricted for:				
Capital projects	82,520		82,520	
Debt service	58,399	38,829	97,228	
Permanent funds - nonspendable	2,240		2,240	
Permanent funds - spendable	404		404	
General government	551,124		551,124	
Public protection	520,161		520,161	
Public ways and facilities	461,502	53,997	515,499	
Health and sanitation	624,337		624,337	
Recreation	329,385		329,385	
Community development	269,128	12,171	281,299	
Other	9,364		9,364	829,030
Unrestricted (deficit)	(6,127,737)	(1,588,985)	(7,716,722)	
TOTAL NET ASSETS	$ 11,373,998	757,071	$ 12,131,069	$ 841,808

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, 2012 (in thousands)

		PROGRAM REVENUES		
FUNCTIONS PRIMARY GOVERNMENT:	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	$ 1,315,662	455,062	83,141	3,057
Public protection	6,608,319	1,304,650	1,241,768	31,367
Public ways and facilities	355,527	36,828	213,883	3,812
Health and sanitation	3,036,296	665,863	1,725,711	116
Public assistance	5,599,244	63,981	4,447,838	
Education	112,497	2,990	1,417	
Recreation and cultural services	310,369	183,151	1,524	
Interest on long-term debt	110,541			
Total governmental activities	17,448,455	2,712,525	7,715,282	38,352
Business-type activities:				
Hospitals	3,768,699	2,181,405	491,093	
Waterworks	94,651	66,504	204	
Aviation	5,022	3,806	979	1,311
Community Development Commission	289,924	10,929	284,503	
Total business-type activities	4,158,296	2,262,644	776,779	1,311
Total primary government	$ 21,606,751	4,975,169	8,492,061	39,663
COMPONENT UNIT -				
First 5 LA	$ 139,596	$	108,770	$

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

EXTRAORDINARY ITEMS (Note 20):
- Reversal of State of California - AB 99 liability
- Net assets transferred to private-purpose trust fund

TRANSFERS - NET

Total general revenues, extraordinary items and transfers

CHANGE IN NET ASSETS

NET ASSETS, JULY 1, 2011

NET ASSETS, JUNE 30, 2012

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

NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS				
PRIMARY GOVERNMENT			COMPONENT UNIT	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 LA	FUNCTIONS
				PRIMARY GOVERNMENT:
				Governmental activities:
$ (774,402)		$ (774,402)		General government
(4,030,534)		(4,030,534)		Public protection
(101,004)		(101,004)		Public ways and facilities
(644,606)		(644,606)		Health and sanitation
(1,087,425)		(1,087,425)		Public assistance
(108,090)		(108,090)		Education
(125,694)		(125,694)		Recreation and cultural services
(110,541)		(110,541)		Interest on long-term debt
(6,982,296)		(6,982,296)		Total governmental activities
				Business-type activities:
	(1,096,201)	(1,096,201)		Hospitals
	(27,943)	(27,943)		Waterworks
	1,074	1,074		Aviation
	5,508	5,508		Community Development Commission
	(1,117,562)	(1,117,562)		Total business-type activities
(6,982,296)	(1,117,562)	(8,099,858)		Total primary government
				COMPONENT UNIT -
			$ (30,826)	Total - First 5 LA
				GENERAL REVENUES:
				Taxes:
4,615,965	4,382	4,620,347		Property taxes
57,985		57,985		Utility users taxes
338,134		338,134		Voter approved taxes
48,266		48,266		Documentary transfer taxes
49,371		49,371		Other taxes
82,947		82,947		Sales and use taxes, levied by the State
				Grants and contributions not restricted
608,967	51	609,018		to special programs
82,271	1,770	84,041	916	Investment income
134,827	21,657	156,484	9	Miscellaneous
				EXTRAORDINARY ITEMS (Note 20):
			424,389	Reversal of State of California - AB 99 liability
(6,282)		(6,282)		Net assets transferred to private-purpose trust fund
(818,923)	818,923			TRANSFERS - NET
5,193,528	846,783	6,040,311	425,314	Total general revenues, extraordinary items and transfers
(1,788,768)	(270,779)	(2,059,547)	394,488	CHANGE IN NET ASSETS
13,162,766	1,027,850	14,190,616	447,320	NET ASSETS, JULY 1, 2011
$ 11,373,998	757,071	$ 12,131,069	$ 841,808	NET ASSETS, JUNE 30, 2012

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
ASSETS:				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	$ 820,310	129,190	173,402	47,033
Other (Note 1)	1,190,548	53,381	14,483	4,066
Total pooled cash and investments	2,010,858	182,571	187,885	51,099
Other investments (Notes 4 and 5)	11,109			119
Taxes receivable	186,830	45,367	14,223	6,531
Interest receivable	2,965	332	422	117
Other receivables	1,583,132	38,102	9,167	1,644
Due from other funds (Note 14)	407,604	3,471	8,699	6,405
Advances to other funds (Note 14)	703,512		6,534	
Inventories	51,616	14,862		1,565
TOTAL ASSETS	$ 4,957,626	284,705	226,930	67,480
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 354,119	4,727	4,091	1,257
Accrued payroll	303,615	28,553		3,263
Other payables (Note 5)	525,438	2,278		426
Due to other funds (Note 14)	390,153	12,806	14,092	3,433
Deferred revenue	346,488	32,776	14,076	4,748
Advances payable	379,847			
Third party payor (Notes 10 and 13)	16,015			
TOTAL LIABILITIES	2,315,675	81,140	32,259	13,127
FUND BALANCES (Note 19):				
Nonspendable	259,597	14,862		1,565
Restricted	55,115	188,703	194,572	9,661
Committed	332,255			
Assigned	405,285		99	43,127
Unassigned	1,589,699			
TOTAL FUND BALANCES	2,641,951	203,565	194,671	54,353
TOTAL LIABILITIES AND FUND BALANCES	$ 4,957,626	284,705	226,930	67,480

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)
$ 321,988	2,114,971		$ 3,606,894	Operating (Note 1)
4,828	62,473		1,329,779	Other (Note 1)
326,816	2,177,444		4,936,673	Total pooled cash and investments
	702,865	(170,725)	543,368	Other investments (Notes 4 and 5)
2,766	16,644		272,361	Taxes receivable
788	5,043		9,667	Interest receivable
5,169	75,258		1,712,472	Other receivables
95	344,079		770,353	Due from other funds (Note 14)
	16,117		726,163	Advances to other funds (Note 14)
	23,508		91,551	Inventories
$ 335,634	3,360,958	(170,725)	$ 9,062,608	TOTAL ASSETS
				LIABILITIES AND FUND BALANCES
				LIABILITIES:
$ 959	43,586		$ 408,739	Accounts payable
	94		335,525	Accrued payroll
	17,780		545,922	Other payables (Note 5)
6,552	357,977		785,013	Due to other funds (Note 14)
5,959	36,435		440,482	Deferred revenue
	6,833		386,680	Advances payable
	654		16,669	Third party payor (Notes 10 and 13)
13,470	463,359		2,919,030	TOTAL LIABILITIES
				FUND BALANCES (Note 19):
	29,944		305,968	Nonspendable
322,164	2,637,268	(170,725)	3,236,758	Restricted
	125,838		458,093	Committed
	104,549		553,060	Assigned
			1,589,699	Unassigned
322,164	2,897,599	(170,725)	6,143,578	TOTAL FUND BALANCES
$ 335,634	3,360,958	(170,725)	$ 9,062,608	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, 2012 (in thousands)

Fund balances - total governmental funds (page 27)		$ 6,143,578
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	$ 7,278,235	
Construction-in-progress	642,388	
Buildings and improvements - net	2,687,634	
Equipment - net	281,300	
Intangible software - net	296,794	
Infrastructure - net	4,381,908	15,568,259
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	$ 199,232	
Long-term receivables	234,199	433,431
Accrued interest payable is not recognized in governmental funds.		(20,734)
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 (including accreted interest)	$ (1,717,093)	
Capital lease obligations	(190,613)	
Accrued compensated absences	(1,130,688)	
Workers' compensation	(1,811,663)	
Litigation and self-insurance	(156,733)	
Pollution remediation obligations	(25,294)	
OPEB obligation	(5,529,309)	(10,561,393)
Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net assets.		(189,143)
Net assets of governmental activities (page 23)		$ 11,373,998

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, 2012 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
REVENUES:				
Taxes	$ 3,980,409	628,948	101,735	67,829
Licenses, permits and franchises	57,144	12,954	705	
Fines, forfeitures and penalties	217,972	4,092	1,500	540
Revenue from use of money and property:				
Investment income (Note 5)	39,258	1,342	1,911	510
Rents and concessions (Note 9)	61,752	113	7,565	15
Royalties	2,019		1,154	
Intergovernmental revenues:				
Federal	3,081,893	14,989	769	90
State	4,464,100	11,826	4,502	1,847
Other	86,821	22,493	5,529	1,470
Charges for services	1,700,540	163,127	116,758	2,298
Miscellaneous	134,071	874	4,733	1,739
TOTAL REVENUES	13,825,979	860,758	246,861	76,338
EXPENDITURES:				
Current:				
General government	983,077			
Public protection	4,538,075	855,987	189,656	
Public ways and facilities				
Health and sanitation	2,689,192			
Public assistance	5,108,516			
Education				109,089
Recreation and cultural services	255,818			
Debt service:				
Principal	5,295	745		270
Interest and other charges	19,307	129		20
Capital outlay	20,106			
TOTAL EXPENDITURES	13,619,386	856,861	189,656	109,379
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	206,593	3,897	57,205	(33,041)
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 14)	466,078		226	50,464
Transfers out (Note 14)	(772,080)	(18,325)	(19,885)	(6,065)
Issuance of debt (Note 10)				
Refunding bonds issued (Note 10)				
Proceeds for capital leases (Note 9)	15,128			
Sales of capital assets	3,789	235	21	2
TOTAL OTHER FINANCING SOURCES (USES)	(287,085)	(18,090)	(19,638)	44,401
EXTRAORDINARY ITEM (Note 20) - Net assets transferred to private-purpose trust fund				
NET CHANGE IN FUND BALANCES	(80,492)	(14,193)	37,567	11,360
FUND BALANCES, JULY 1, 2011	2,722,443	217,758	157,104	42,993
FUND BALANCES, JUNE 30, 2012	$ 2,641,951	203,565	194,671	54,353

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:
$	325,577		$ 5,104,498	Taxes
	12,449		83,252	Licenses, permits and franchises
713	75,493		300,310	Fines, forfeitures and penalties
				Revenue from use of money and property:
5,526	42,670	(9,270)	81,947	Investment income (Note 5)
	44,733		114,178	Rents and concessions (Note 9)
	273		3,446	Royalties
				Intergovernmental revenues:
	136,268		3,234,009	Federal
	488,596		4,970,871	State
	14,904		131,217	Other
79,484	145,351		2,207,558	Charges for services
	82,583		224,000	Miscellaneous
85,723	1,368,897	(9,270)	16,455,286	TOTAL REVENUES
				EXPENDITURES:
				Current:
	16,885		999,962	General government
	65,379		5,649,097	Public protection
	324,449		324,449	Public ways and facilities
	151,340		2,840,532	Health and sanitation
	144,410		5,252,926	Public assistance
	70		109,159	Education
37,063	6,782		299,663	Recreation and cultural services
				Debt service:
	207,201	(26,560)	186,951	Principal
	100,812	(9,270)	110,998	Interest and other charges
	156,091		176,197	Capital outlay
37,063	1,173,419	(35,830)	15,949,934	TOTAL EXPENDITURES
48,660	195,478	26,560	505,352	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES):
	202,797		719,565	Transfers in (Note 14)
(36,577)	(689,646)		(1,542,578)	Transfers out (Note 14)
	192,281		192,281	Issuance of debt (Note 10)
	50,675		50,675	Refunding bonds issued (Note 10)
			15,128	Proceeds for capital leases (Note 9)
	686		4,733	Sales of capital assets
(36,577)	(243,207)		(560,196)	TOTAL OTHER FINANCING SOURCES (USES)
	(6,282)		(6,282)	EXTRAORDINARY ITEM (Note 20) - Net assets transferred to private-purpose trust fund
12,083	(54,011)	26,560	(61,126)	NET CHANGE IN FUND BALANCES
310,081	2,951,610	(197,285)	6,204,704	FUND BALANCES, JULY 1, 2011
$ 322,164	2,897,599	(170,725)	$ 6,143,578	FUND BALANCES, JUNE 30, 2012

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, 2012 (in thousands)

Net change in fund balances - total governmental funds (page 31)		$ (61,126)
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	$ 457,331	
Less - current year depreciation expense	(348,944)	108,387
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.		(4,306)
Contribution of capital assets is not recognized in the governmental funds.		35,295
Revenue timing differences result in more revenue in government-wide statements.		(58,601)
Issuance of long-term debt provides resources in the governmental funds, but increases long-term liabilities in the statement of net assets.		(258,084)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Certificates of participation	$ 139,817	
Assessment bonds	26,560	
Other long-term notes, loans and capital leases	22,470	188,847
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	$ (61,781)	
Change in litigation and self-insurance	(39,366)	
Change in pollution remediation obligations	2,801	
Change in accrued compensated absences	(334,045)	
Change in OPEB obligation	(1,255,782)	
Change in accrued interest payable	5,906	
Change in accretion of tobacco settlement bonds	(2,321)	
Transfer of capital assets from governmental fund to enterprise fund	(1,478)	(1,686,066)
The portion of internal service funds that is reported with governmental activities.		(53,114)
Change in net assets of governmental activities (page 25)		$ (1,788,768)

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, 2012 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 3,920,177	4,014,045	3,977,557	(36,488)
Licenses, permits and franchises	46,494	47,169	57,144	9,975
Fines, forfeitures and penalties	224,114	224,114	217,972	(6,142)
Revenue from use of money and property:				
Investment income	56,387	57,087	36,989	(20,098)
Rents and concessions	96,696	96,696	61,752	(34,944)
Royalties	225	225	2,019	1,794
Intergovernmental revenues:				
Federal	3,643,401	3,669,259	3,066,041	(603,218)
State	4,313,050	4,484,566	4,440,333	(44,233)
Other	156,443	156,984	89,056	(67,928)
Charges for services	1,807,967	1,783,188	1,704,354	(78,834)
Miscellaneous	104,472	180,714	149,481	(31,233)
TOTAL REVENUES	14,369,426	14,714,047	13,802,698	(911,349)
EXPENDITURES:				
Current:				
General government	1,662,429	1,659,144	907,092	(752,052)
Public protection	4,668,491	4,799,296	4,584,081	(215,215)
Health and sanitation	3,212,304	3,189,050	2,822,989	(366,061)
Public assistance	5,495,787	5,558,176	5,139,887	(418,289)
Recreation and cultural services	269,125	270,751	260,647	(10,104)
Debt service-				
Interest	5,456	5,456	5,456	
Capital outlay	798,293	839,408	100,394	(739,014)
TOTAL EXPENDITURES	16,111,885	16,321,281	13,820,546	(2,500,735)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,742,459)	(1,607,234)	(17,848)	1,589,386
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	8,471	8,471	3,789	(4,682)
Transfers in	642,146	696,415	452,533	(243,882)
Transfers out	(627,002)	(644,949)	(628,344)	16,605
Appropriation for contingencies		(74,612)		74,612
Changes in reserves and designations	117,273	20,338	153,801	133,463
OTHER FINANCING SOURCES (USES) - NET	140,888	5,663	(18,221)	(23,884)
NET CHANGE IN FUND BALANCE	(1,601,571)	(1,601,571)	(36,069)	1,565,502
FUND BALANCE, JULY 1, 2011 (Note 15)	1,601,571	1,601,571	1,601,571	
FUND BALANCE, JUNE 30, 2012 (Note 15)	$		1,565,502	1,565,502

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, 2012 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 619,509	628,031	628,563	532
Licenses, permits and franchises	13,007	13,007	12,954	(53)
Fines, forfeitures and penalties	5,821	5,821	4,092	(1,729)
Revenue from use of money and property:				
Investment income	1,500	1,500	1,030	(470)
Rents and concessions	85	85	113	28
Intergovernmental revenues:				
Federal	20,602	24,316	14,989	(9,327)
State	12,012	12,265	11,826	(439)
Other	29,540	29,540	22,493	(7,047)
Charges for services	171,102	171,102	163,127	(7,975)
Miscellaneous	377	377	874	497
TOTAL REVENUES	873,555	886,044	860,061	(25,983)
EXPENDITURES:				
Current-Public protection:				
Salaries and employee benefits	755,592	756,235	740,841	(15,394)
Services and supplies	149,144	146,009	108,124	(37,885)
Other charges	4,842	4,850	1,690	(3,160)
Capital assets	19,103	27,120	20,974	(6,146)
TOTAL EXPENDITURES	928,681	934,214	871,629	(62,585)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(55,126)	(48,170)	(11,568)	36,602
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	117	117	235	118
Transfers out	(13,123)	(17,686)	(17,686)	
Appropriation for contingencies		(8,522)		8,522
Changes in reserves and designations	(13,208)	(7,079)	(5,510)	1,569
OTHER FINANCING SOURCES (USES) - NET	(26,214)	(33,170)	(22,961)	10,209
NET CHANGE IN FUND BALANCE	(81,340)	(81,340)	(34,529)	46,811
FUND BALANCE, JULY 1, 2011 (Note 15)	81,340	81,340	81,340	
FUND BALANCE, JUNE 30, 2012 (Note 15)	$		46,811	46,811

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, 2012 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 97,311	101,264	101,684	420
Licenses, permits and franchises	695	695	705	10
Fines, forfeitures and penalties	2,178	2,178	1,500	(678)
Revenue from use of money and property:				
Investment income	2,360	2,360	1,452	(908)
Rents and concessions	7,879	7,879	7,565	(314)
Royalties	634	634	1,154	520
Intergovernmental revenues:				
Federal			769	769
State	852	852	4,502	3,650
Other	5,726	5,726	5,529	(197)
Charges for services	113,349	113,349	116,949	3,600
Miscellaneous	1,219	1,219	4,733	3,514
TOTAL REVENUES	232,203	236,156	246,542	10,386
EXPENDITURES:				
Current-Public protection:				
Services and supplies	194,999	194,699	168,808	(25,891)
Other charges	20,945	21,245	19,828	(1,417)
Capital assets	245	245	177	(68)
Capital outlay	21,479	21,479	12,703	(8,776)
TOTAL EXPENDITURES	237,668	237,668	201,516	(36,152)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,465)	(1,512)	45,026	46,538
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	300	300	21	(279)
Transfers in			99	99
Transfers out	(2,835)	(2,835)	(1,018)	1,817
Appropriation for contingencies		8,047		(8,047)
Changes in reserves and designations	(13,956)	(25,956)	(12,435)	13,521
OTHER FINANCING SOURCES (USES) - NET	(16,491)	(20,444)	(13,333)	7,111
NET CHANGE IN FUND BALANCE	(21,956)	(21,956)	31,693	53,649
FUND BALANCE, JULY 1, 2011 (Note 15)	21,956	21,956	21,956	
FUND BALANCE, JUNE 30, 2012 (Note 15)	$		53,649	53,649

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, 2012 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 65,432	67,900	67,901	1
Fines, forfeitures and penalties			540	540
Revenue from use of money and property:				
Investment income	400	400	386	(14)
Rents and concessions	15	15	15	
Intergovernmental revenues:				
Federal	61	61	90	29
State	857	857	1,847	990
Other	1,415	1,415	1,470	55
Charges for services	3,379	3,379	2,298	(1,081)
Miscellaneous	1,270	1,270	1,739	469
TOTAL REVENUES	72,829	75,297	76,286	989
EXPENDITURES:				
Current-Education:				
Salaries and employee benefits	79,669	79,669	70,791	(8,878)
Services and supplies	61,399	67,802	42,363	(25,439)
Other charges	426	426	319	(107)
Capital assets	695	695	325	(370)
TOTAL EXPENDITURES	142,189	148,592	113,798	(34,794)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(69,360)	(73,295)	(37,512)	35,783
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	13	13	2	(11)
Transfers in	53,761	60,164	50,464	(9,700)
Transfers out	(924)	(6,065)	(6,065)	
Appropriation for contingencies		(2,468)		2,468
Changes in reserves and designations	(9,277)	(4,136)	(2,498)	1,638
OTHER FINANCING SOURCES (USES) - NET	43,573	47,508	41,903	(5,605)
NET CHANGE IN FUND BALANCE	(25,787)	(25,787)	4,391	30,178
FUND BALANCE, JULY 1, 2011 (Note 15)	25,787	25,787	25,787	
FUND BALANCE, JUNE 30, 2012 (Note 15)	$		30,178	30,178

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, 2012 (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	$ 950	950	713	(237)
Revenue from use of money and property-				
Investment income	4,217	4,217	4,688	471
Charges for services	81,129	81,129	79,555	(1,574)
TOTAL REVENUES	86,296	86,296	84,956	(1,340)
EXPENDITURES:				
Current-Recreation and cultural services:				
Services and supplies	5,914	5,914	5,069	(845)
Other charges	198,401	198,401	29,974	(168,427)
TOTAL EXPENDITURES	204,315	204,315	35,043	(169,272)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(118,019)	(118,019)	49,913	167,932
OTHER FINANCING SOURCES (USES):				
Transfers in	84,287	84,287	74,571	(9,716)
Transfers out	(120,765)	(120,765)	(111,148)	9,617
Appropriation for contingencies	(31,148)	(31,148)		31,148
Changes in reserves and designations	6,997	6,997	8,205	1,208
OTHER FINANCING SOURCES (USES) - NET	(60,629)	(60,629)	(28,372)	32,257
NET CHANGE IN FUND BALANCE	(178,648)	(178,648)	21,541	200,189
FUND BALANCE, JULY 1, 2011 (Note 15)	178,975	178,975	178,975	
FUND BALANCE, JUNE 30, 2012 (Note 15)	$ 327	327	200,516	200,189

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, 2012 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
ASSETS				
Current assets:				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	$ 1,677	594	1,448	251
Other (Note 1)	13,453	10,312	17,183	2,283
Total pooled cash and investments	15,130	10,906	18,631	2,534
Other investments (Note 5)				
Taxes receivable				
Accounts receivable - net (Note 13)	376,298	218,875	414,242	106,453
Interest receivable	114	22	64	3
Other receivables	15,261	14,961	24,842	4,912
Due from other funds (Note 14)	56,372	51,134	55,963	5,618
Advances to other funds (Note 14)				
Inventories	6,432	4,220	5,779	1,102
Total current assets	469,607	300,118	519,521	120,622
Noncurrent assets:				
Restricted assets (Note 5)	190,684	15,259	22,605	1,438
Other receivables (Note 13 and 14)	72,859	47,503	68,424	30,986
Capital assets: (Notes 6 and 9)				
Land and easements	3,276	16,426	18,183	217
Buildings and improvements	272,319	152,939	1,079,042	187,179
Equipment	73,228	43,362	146,095	15,607
Intangible - software	15,352	13,878	18,158	5,085
Infrastructure				
Construction in progress	300,326	83,673	2,095	9,143
Less accumulated depreciation	(214,900)	(120,775)	(294,580)	(111,746)
Total capital assets - net	449,601	189,503	968,993	105,485
Total noncurrent assets	713,144	252,265	1,060,022	137,909
TOTAL ASSETS	1,182,751	552,383	1,579,543	258,531
LIABILITIES				
Current liabilities:				
Accounts payable	53,086	27,224	66,666	12,064
Accrued payroll	22,399	13,788	30,902	6,100
Other payables	4,333	2,022	3,666	1,105
Accrued interest payable	11,709	2,250	60	156
Due to other funds (Note 14)	66,776	43,032	73,428	13,330
Advances from other funds (Note 14)	251,887	204,430	188,095	57,000
Advances payable			290	
Unearned revenue			1,423	
Current portion of long-term liabilities (Note 10)	84,256	41,906	139,499	14,429
Total current liabilities	494,446	334,652	504,029	104,184
Noncurrent liabilities:				
Accrued compensated absences (Note 10)	54,607	30,185	69,804	12,816
Bonds and notes (Note 10)	415,974	76,855	6,436	15,525
Capital lease obligations (Notes 9 and 10)				
Workers' compensation (Notes 10 and 17)	70,173	21,790	110,347	20,155
Litigation and self-insurance (Notes 10 and 17)	24,773	1,539	51,114	
OPEB obligation (Notes 8 and 10)	321,321	222,975	492,955	104,895
Third party payor (Notes 10 and 13)	109,947	32,978	178,083	49,260
Total noncurrent liabilities	996,795	386,322	908,739	202,651
TOTAL LIABILITIES	1,491,241	720,974	1,412,768	306,835
NET ASSETS				
Invested in capital assets, net of related debt (Notes 6 and 10)	164,703	94,231	872,325	83,486
Restricted:				
Debt service		1,336	22,041	
Public ways and facilities				
Community development commission				
Unrestricted (deficit)	(473,193)	(264,158)	(727,591)	(131,790)
TOTAL NET ASSETS (DEFICIT) (Note 3)	$ (308,490)	(168,591)	166,775	(48,304)

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)
$ 44,649	7,274	$ 55,893	$ 34,739	Operating (Note 1)
975	3	44,209	4,977	Other (Note 1)
45,624	7,277	100,102	39,716	Total pooled cash and investments
	42,636	42,636	7,395	Other investments (Note 5)
991		991		Taxes receivable
12,352	7,165	1,135,385		Accounts receivable - net (Note 13)
107	17	327	109	Interest receivable
348		60,324	8,929	Other receivables
759	2	169,848	64,016	Due from other funds (Note 14)
1,445		1,445		Advances to other funds (Note 14)
3	1	17,537	10,713	Inventories
61,629	57,098	1,528,595	130,878	Total current assets
				Noncurrent assets:
		229,986	12,112	Restricted assets (Note 5)
		219,772		Other receivables (Note 13 and 14)
				Capital assets: (Notes 6 and 9)
11,273	206,027	255,402		Land and easements
119,091	173,759	1,984,329	1,734	Buildings and improvements
889	3,410	282,591	275,581	Equipment
1,222		53,695		Intangible - software
1,165,291	51,615	1,216,906		Infrastructure
27,353	37,863	460,453		Construction in progress
(545,883)	(185,920)	(1,473,804)	(135,311)	Less accumulated depreciation
779,236	286,754	2,779,572	142,004	Total capital assets - net
779,236	286,754	3,229,330	154,116	Total noncurrent assets
840,865	343,852	4,757,925	284,994	TOTAL ASSETS
				LIABILITIES
				Current liabilities:
3,483	4,095	166,618	6,872	Accounts payable
		73,189	14,578	Accrued payroll
	1,152	12,278	2,072	Other payables
17		14,192	191	Accrued interest payable
4,067	332	200,965	18,239	Due to other funds (Note 14)
	4,196	705,608	22,000	Advances from other funds (Note 14)
		290		Advances payable
65	208	1,696	123	Unearned revenue
24	7,055	287,169	29,216	Current portion of long-term liabilities (Note 10)
7,656	17,038	1,462,005	93,291	Total current liabilities
				Noncurrent liabilities:
	62	167,474	44,700	Accrued compensated absences (Note 10)
5,032	40,202	560,024	49,060	Bonds and notes (Note 10)
			87	Capital lease obligations (Notes 9 and 10)
		222,465	37,039	Workers' compensation (Notes 10 and 17)
		77,426	1,341	Litigation and self-insurance (Notes 10 and 17)
		1,142,146	247,665	OPEB obligation (Notes 8 and 10)
		370,268		Third party payor (Notes 10 and 13)
5,032	40,264	2,539,803	379,892	Total noncurrent liabilities
12,688	57,302	4,001,808	473,183	TOTAL LIABILITIES
				NET ASSETS
774,180	251,242	2,240,167	88,168	Invested in capital assets, net of related debt (Notes 6 and 10)
				Restricted:
	15,452	38,829		Debt service
53,997		53,997		Public ways and facilities
	12,171	12,171	2,593	Community development commission
	7,685	(1,589,047)	(278,950)	Unrestricted (deficit)
$ 828,177	286,550	756,117	$ (188,189)	TOTAL NET ASSETS (DEFICIT) (Note 3)
		954		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ 757,071		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, 2012 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
OPERATING REVENUES:				
Net patient service revenues (Note 13)	$ 647,879	365,062	1,043,827	123,703
Rentals				
Charges for services				
Other (Note 13)	159,995	94,833	203,161	54,674
TOTAL OPERATING REVENUES	807,874	459,895	1,246,988	178,377
OPERATING EXPENSES:				
Salaries and employee benefits	595,476	375,046	841,045	167,570
Services and supplies	106,749	93,200	238,937	25,371
Other professional services	173,971	113,999	330,049	38,111
Depreciation and amortization (Note 6)	7,460	5,648	25,987	3,048
Medical malpractice	3,176	319	15,627	
Rent		1,718	5,602	1,867
TOTAL OPERATING EXPENSES	886,832	589,930	1,457,247	235,967
OPERATING LOSS	(78,958)	(130,035)	(210,259)	(57,590)
NONOPERATING REVENUES (EXPENSES):				
Taxes				
Investment income	12	64	508	16
Interest expense	(28,699)	(6,481)	(2,827)	(2,001)
Intergovernmental transfers expense (Note 13)	(173,424)	(79,921)	(268,286)	(36,411)
Intergovernmental revenues:				
State				
Federal				
Other				
TOTAL NONOPERATING REVENUES (EXPENSES)	(202,111)	(86,338)	(270,605)	(38,396)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(281,069)	(216,373)	(480,864)	(95,986)
Capital contributions	551	497	430	
Transfers in (Note 14)	277,719	152,066	330,445	78,548
Transfers out (Note 14)	(1,333)	(144)	(23,731)	
CHANGE IN NET ASSETS	(4,132)	(63,954)	(173,720)	(17,438)
TOTAL NET ASSETS (DEFICIT), JULY 1, 2011	(304,358)	(104,637)	340,495	(30,866)
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2012	$ (308,490)	(168,591)	166,775	(48,304)

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:
$		$ 2,180,471	$	Net patient service revenues (Note 13)
	14,364	14,364	29,308	Rentals
66,504	368	66,872	433,808	Charges for services
1,003	625	514,291		Other (Note 13)
67,507	15,357	2,775,998	463,116	TOTAL OPERATING REVENUES
				OPERATING EXPENSES:
		1,979,137	400,778	Salaries and employee benefits
69,318	291,251	824,826	53,244	Services and supplies
3,386	761	660,277	35,832	Other professional services
21,927	2,796	66,866	31,871	Depreciation and amortization (Note 6)
		19,122		Medical malpractice
		9,187		Rent
94,631	294,808	3,559,415	521,725	TOTAL OPERATING EXPENSES
(27,124)	(279,451)	(783,417)	(58,609)	OPERATING LOSS
				NONOPERATING REVENUES (EXPENSES):
4,382		4,382		Taxes
536	634	1,770	380	Investment income
(20)	(138)	(40,166)	(1,814)	Interest expense
		(558,042)		Intergovernmental transfers expense (Note 13)
				Intergovernmental revenues:
121		121		State
119	284,860	284,979	706	Federal
15		15		Other
5,153	285,356	(306,941)	(728)	TOTAL NONOPERATING REVENUES (EXPENSES)
(21,971)	5,905	(1,090,358)	(59,337)	INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS
	1,311	2,789		Capital contributions
	4,126	842,904	5,683	Transfers in (Note 14)
(254)		(25,462)	(112)	Transfers out (Note 14)
(22,225)	11,342	(270,127)	(53,766)	CHANGE IN NET ASSETS
850,402	275,208		(134,423)	TOTAL NET ASSETS (DEFICIT), JULY 1, 2011
$ 828,177	286,550		$ (188,189)	TOTAL NET ASSETS (DEFICIT), JUNE 30, 2012
		(652)		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ (270,779)		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, 2012 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from patient services	$ 659,374	333,686	1,153,315	159,426
Rentals received				
Cash received from (returned for) charges for services				
Other operating revenues	160,012	94,835	203,163	54,678
Cash received for services provided to other funds	18,750	12,937	23,213	929
Cash paid for salaries and employee benefits	(515,671)	(311,573)	(709,926)	(140,228)
Cash paid for services and supplies	(35,496)	(9,321)	(111,796)	(6,397)
Other operating expenses	(182,076)	(118,032)	(338,786)	(43,343)
Cash paid for services from other funds	(72,603)	(40,691)	(75,833)	(12,198)
Net cash provided by (required for) operating activities	32,290	(38,159)	143,350	12,867
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash advances received from other funds	538,765	313,155	795,385	109,178
Cash advances paid/returned to other funds	(625,731)	(337,659)	(995,902)	(156,237)
Interest paid on advances	(842)	(773)	(1,014)	(185)
Intergovernmental transfers	(173,424)	(79,921)	(268,286)	(36,411)
Intergovernmental receipts				
Transfers in	277,719	152,066	330,445	78,548
Transfers out	(1,333)	(144)	(23,731)	
Net cash provided by noncapital financing activities	15,154	46,724	(163,103)	(5,107)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from taxes				
Capital contributions				
Proceeds from bonds and notes	55,341	32,340	89,254	4,000
Interest paid on capital borrowing	(33,643)	(6,738)	(1,951)	(2,172)
Principal payments on bonds and notes	(13,746)	(5,513)	(90,909)	(7,732)
Principal payments on capital leases				
Acquisition and construction of capital assets	(110,411)	(23,323)	(1,164)	(890)
Net cash provided by (required for) capital and related financing activities	(102,459)	(3,234)	(4,770)	(6,794)
CASH FLOWS FROM INVESTING ACTIVITIES -				
Investment income received	95	64	618	17
Net increase (decrease) in cash and cash equivalents	(54,920)	5,395	(23,905)	983
Cash and cash equivalents, July 1, 2011	260,734	20,770	65,141	2,989
Cash and cash equivalents, June 30, 2012	$ 205,814	26,165	41,236	3,972

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:
$		$ 2,305,801	$	Cash received from patient services
	16,543	16,543	29,579	Rentals received
64,073	(807)	63,266	64,623	Cash received from (returned for) charges for services
1,003	625	514,316		Other operating revenues
		55,829	381,783	Cash received for services provided to other funds
	(20,169)	(1,697,567)	(344,646)	Cash paid for salaries and employee benefits
(70,454)	(273,970)	(507,434)	(47,352)	Cash paid for services and supplies
(3,386)	(761)	(686,384)	(35,832)	Other operating expenses
		(201,325)		Cash paid for services from other funds
(8,764)	(278,539)	(136,955)	48,155	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:
	696	1,757,179		Cash advances received from other funds
(137)		(2,115,666)		Cash advances paid/returned to other funds
		(2,814)		Interest paid on advances
		(558,042)		Intergovernmental transfers
255	284,860	285,115	706	Intergovernmental receipts
	4,126	842,904	5,683	Transfers in
(254)		(25,462)	(112)	Transfers out
(136)	289,682	183,214	6,277	Net cash provided by noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:
4,356		4,356		Proceeds from taxes
	1,311	1,311		Capital contributions
5,032	6	185,973	79,404	Proceeds from bonds and notes
(3)	(138)	(44,645)	(1,861)	Interest paid on capital borrowing
(22)		(117,922)	(94,910)	Principal payments on bonds and notes
			(43)	Principal payments on capital leases
(23)	(32,241)	(168,052)	(39,158)	Acquisition and construction of capital assets
9,340	(31,062)	(138,979)	(56,568)	Net cash provided by (required for) capital and related financing activities
570	640	2,004	419	CASH FLOWS FROM INVESTING ACTIVITIES - Investment income received
1,010	(19,279)	(90,716)	(1,717)	Net increase (decrease) in cash and cash equivalents
44,614	69,192	463,440	60,940	Cash and cash equivalents, July 1, 2011
$ 45,624	49,913	$ 372,724	$ 59,223	Cash and cash equivalents, June 30, 2012

Continued…

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:				
Operating loss	$ (78,958)	(130,035)	(210,259)	(57,590)
Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:				
Depreciation and amortization	7,460	5,648	25,987	3,048
Other revenues (expenses) - net	(46,974)	11,123	(1,118)	(1)
(Increase) decrease in:				
Accounts receivable - net	(28,979)	(18,398)	27,709	5,070
Other receivables	(22,375)	9,359	(10,313)	(8,433)
Due from other funds	25,182	(13,393)	63,626	15,699
Inventories	(2,202)	(315)	1,434	157
Increase (decrease) in:				
Accounts payable	32,128	16,154	36,546	8,213
Accrued payroll	932	877	653	314
Other payables	56	37	66	23
Accrued compensated absences	11,885	6,995	16,345	2,427
Due to other funds	15,715	16,228	14,448	(1,589)
Unearned revenue			1,384	
Workers' compensation	(6,569)	(755)	(3,947)	(1,061)
Litigation and self-insurance	(3,852)	(842)	20,255	(3,365)
OPEB obligation	71,019	54,839	109,161	25,529
Third party payor	57,822	4,319	51,373	24,426
TOTAL ADJUSTMENTS	111,248	91,876	353,609	70,457
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ 32,290	(38,159)	143,350	12,867
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Assets acquired from capital leases	$			
Capital contributions	551	497	430	
TOTAL	$ 551	497	430	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:				
Pooled cash and investments	$ 15,130	10,906	18,631	2,534
Other investments				
Restricted assets	190,684	15,259	22,605	1,438
TOTAL	$ 205,814	26,165	41,236	3,972

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:
$ (27,124)	(279,451)	$ (783,417)	$ (58,609)	Operating loss
				Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:
21,927	2,796	66,866	31,871	Depreciation and amortization
3	(284)	(37,251)	(807)	Other revenues (expenses) - net
				(Increase) decrease in:
(1,947)	1,054	(15,491)		Accounts receivable - net
(1)		(31,763)	228	Other receivables
(41)	(1)	91,072	13,639	Due from other funds
	(1)	(927)	(688)	Inventories
				Increase (decrease) in:
227	(594)	92,674	1,521	Accounts payable
		2,776	337	Accrued payroll
	(677)	(495)	124	Other payables
	85	37,737	5,863	Accrued compensated absences
(1,366)	(1,417)	42,019	(2,111)	Due to other funds
(442)	(49)	893	69	Unearned revenue
		(12,332)	2,469	Workers' compensation
		12,196	(950)	Litigation and self-insurance
		260,548	55,199	OPEB obligation
		137,940		Third party payor
18,360	912	646,462	106,764	TOTAL ADJUSTMENTS
$ (8,764)	(278,539)	$ (136,955)	$ 48,155	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:
$		$	$ 11	Assets acquired from capital leases
		1,478		Capital contributions
$		$ 1,478	$ 11	TOTAL
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:
$ 45,624	7,277	$ 100,102	$ 39,716	Pooled cash and investments
	42,636	42,636	7,395	Other investments
		229,986	12,112	Restricted assets
$ 45,624	49,913	$ 372,724	$ 59,223	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS	CDC PRIVATE-PURPOSE TRUST FUND	AGENCY FUNDS
ASSETS				
Pooled cash and investments (Note 5)	$ 63,046	$ 14,250,254	$	$ 1,468,892
Other investments: (Note 5)		97,933	2,346	302
Stocks	19,139,191			
Bonds	9,470,150			
Short-term investments	1,133,643			
Commodities	929,259			
Real estate	3,899,087			
Mortgages	144,185			
Alternative assets	4,041,846			
Cash collateral on loaned securities	1,469,510			
Taxes receivable				330,905
Interest receivable	110,360	33,815		17,667
Other receivables	806,278	237,000	22	
Inventories (Note 1)			5,368	
TOTAL ASSETS	41,206,555	14,619,002	7,736	$ 1,817,766
LIABILITIES				
Accounts payable	1,367,869		75	
Other payables (Note 5)	1,531,930	602,118	179	
Due to other governments			1,511	1,817,766
TOTAL LIABILITIES	2,899,799	602,118	1,765	$ 1,817,766
NET ASSETS HELD IN TRUST	$ 38,306,756	$ 14,016,884	$ 5,971	

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, 2012 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS	CDC PRIVATE-PURPOSE TRUST FUND
ADDITIONS:			
Contributions:			
Pension trust contributions:			
Employer	$ 1,078,929	$	$
Member	506,758		
Contributions to investment trust funds		37,262,271	
Total contributions	1,585,687	37,262,271	
Investment earnings:			
Investment income	1,213,169	176,200	16
Net decrease in the fair value of investments	(1,432,805)		
Securities lending income (Note 5)	4,234		
Total investment earnings (losses)	(215,402)	176,200	16
Less - Investment expenses:			
Expense from investing activities	75,216		
Expense from securities lending activities (Note 5)	391		
Total net investment expense	75,607		
Net investment earnings (losses)	(291,009)	176,200	16
Miscellaneous	1,004		39
TOTAL ADDITIONS	1,295,682	37,438,471	55
DEDUCTIONS:			
Salaries and employee benefits	38,069		
Services and supplies	12,149		366
Benefit payments	2,372,977		
Distributions from investment trust funds		39,062,751	
Miscellaneous	17,742		
TOTAL DEDUCTIONS	2,440,937	39,062,751	366
EXTRAORDINARY ITEM (Note 20) -			
Net assets transferred from CDC special revenue fund			6,282
CHANGE IN NET ASSETS	(1,145,255)	(1,624,280)	5,971
NET ASSETS HELD IN TRUST, JULY 1, 2011	39,452,011	15,641,164	
NET ASSETS HELD IN TRUST, JUNE 30, 2012	$ 38,306,756	$ 14,016,884	$ 5,971

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Los Angeles (County), which was established in 1850, is a legal subdivision of the State of California (State) charged with general governmental powers. The County's powers are exercised through an elected five member Board of Supervisors (Board), which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by 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 and Los Angeles County Redevelopment Successor Agency) (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, 2012, the restricted net assets balances were $2.91 billion and $105.00 million for governmental activities and business-type activities, respectively. For governmental activities, $707.30 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 and report all financial resources not accounted for and reported in another fund.

Fire Protection District Fund

The Fire Protection District Fund is used to account for fire prevention and suppression, rescue service, management of hazardous materials incidents, ocean lifeguard services, and acquisition and maintenance of District property and equipment. Funding comes primarily from the District's statutory share of the Countywide tax levy, voter-approved taxes and charges for services.

Flood Control District Fund

The Flood Control District Fund is used to account 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. Funding comes primarily from the District's statutory share of the Countywide tax levy and benefit assessments (charges for services).

Public Library Fund

The Public Library Fund is used to account for free library services to the unincorporated areas of the County and to cities that contract for these services. Funding comes primarily from the District's statutory share of the Countywide tax levy and voter-approved taxes.

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 is used to account for the 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 comes primarily from voter-approved assessments, charges for services and long-term debt proceeds.

The County's major enterprise funds consist of four 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.

Rancho Los Amigos National Rehabilitation Center

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

Waterworks Funds

The Waterworks Enterprise funds are used to account for the administration, maintenance, operation and improvement of district water systems.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

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.

CDC Private-Purpose Trust Fund

The CDC Private-Purpose Trust Fund (PPTF) is a fiduciary fund used by the County to report trust arrangements under which principal and income benefit other governments. Unlike the limited reporting typically utilized for agency fund, a private-purpose trust fund reports a statement of fiduciary net assets and changes in fiduciary net assets. This fund reports the assets, liabilities and activities of the Los Angeles County Redevelopment Successor Agency. On February 21, 2012, the Board of Supervisors assigned CDC to become the Successor Agency for the former redevelopment agency in accordance with Assembly Bill x1 26. Specific details related to Assembly Bill x1 26 appear in Note 20.

Agency Funds

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

Basis of Accounting

The government-wide, proprietary, pension, investment and private-purpose 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. When property taxes are measurable but not available, the collectible portion (taxes levied less estimated uncollectibles) are recorded as deferred revenue in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims (including workers' compensation) and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital lease obligations are reported as other financing sources.

For the governmental funds financial statements, revenues are recorded when they are susceptible to accrual. Specifically, 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 four Hospital Enterprise Funds (Hospitals) are from patient services. The principal operating revenues for the Waterworks Enterprise Funds are from charges for services. The principal operating revenues for the 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 Flood Control District, 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, 2012. 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 2011-2012 assessed valuation of the County of Los Angeles approximated $1.071 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 11,969 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.

Legislation Dissolving Redevelopment Agencies and Affect on Property Taxes

State Assembly Bill x1 26 (AB x1 26), also referred to as the “Redevelopment Dissolution Act,” was upheld by the State Supreme Court in December 2011 and redevelopment agencies were dissolved on February 1, 2012. AB x1 26 requires successor agencies to take over from the former redevelopment agencies and perform the following functions:

- Continue making payments on existing legal obligations and not incur any additional debt.
- Wind down the affairs of the former redevelopment agencies and return the funds of liquidated assets to the County’s Auditor-Controller, who will in turn distribute these funds to the appropriate local government agencies.

Under AB x1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as “residual taxes,” are distributed as property tax revenue to the appropriate local government agencies, including the County. Oversight Boards have been established for each of the 71 successor agencies within the County. The Oversight Boards are required to evaluate and approve the successor agencies’ remaining enforceable legal obligations. The Auditor-Controller is responsible for disbursing property tax increment revenues in accordance with provisions of AB x1 26 and applicable amendments. For the year ended June 30, 2012, the County’s share of residual property tax revenues was $100 million, of which $88 million was recognized in the County’s General Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Legislation Dissolving Redevelopment Agencies and Affect on Property Taxes-Continued

The County's direct involvement in redevelopment activities was limited to unincorporated areas of the County and a small number of projects. The successor agency for these activities is the County's Community Development Commission (a blended component unit) and the dissolution of County related projects is expected to have minimal impact, if any, to the County's overall financial condition. As discussed earlier in this Note 1, a newly established fiduciary fund, the Community Development Commission Private-Purpose Trust Fund, was established to account for the County's dissolution of redevelopment activities.

Deposits and Investments

In accordance with GASB 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.

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, 2012 that were owed to or were more appropriately classified in County operating funds. Accordingly, certain cash balances have been reclassified from the agency funds as required by GASB 34.

Other Investments

"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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

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.

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 categorized as nonspendable fund balance as required by GASB 54 because these amounts are not available for appropriation and expenditure.

Of the amounts reported as inventories in the governmental activities and fiduciary funds, $23,508,000 and $5,368,000, respectively, 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.

Capital outlay is recorded as expenditures in the fund financial statements 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

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

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."

Compensated Absences

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. Employees can also accumulate unused holiday and compensatory time off benefits throughout the year. All benefits are payable upon termination, if unused, within limits and rates as specified in the County Salary Ordinance.

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

In FY 2011-2012, and in conjunction with its various collective bargaining agreements, the County re-evaluated the accumulation of compensatory time earned on holidays and compensatory overtime. As a result of this review, approximately $474 million of current year additions were made to the liabilities for compensated absences. The increase was concentrated in the public protection functional area due to the heavy reliance on those departments to provide continuous service to the public.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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, discounts and deferred losses on refunding, 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, discount or deferred losses on refundings. 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. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. Interest is reported as an expenditure in the period in which the related payment is made. The matured portion of long-term debt (i.e. portion that has come due for payment) is reported as a liability in the fund financial statements of the related fund.

Fund Balances

In the fund financial statements, the governmental funds report the classification of fund balance in accordance with GASB 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” The reported fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Specific details related to Fund Balances appear in Note 19.

Nonspendable Fund Balance - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and long-term notes receivable.

Restricted Fund Balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only by changing the condition of the constraint.

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

Assigned Fund Balance - amounts intended to be used by the County for specific purposes that are neither restricted nor committed. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balance-Continued

The Board of Supervisors establishes, modifies, or rescinds fund balance commitments by passage of an ordinance or resolution. In FY 2011-2012, the County reviewed the GASB 54 criteria and determined that an ordinance or resolution is equally binding, and either action can establish a fund balance commitment. This is done through the adoption of the budget and subsequent amendments that occur throughout the fiscal year.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Cash Flows

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

Use of Estimates

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

Reclassification

Certain prior year balances may have been reclassified in order to conform to current year presentation. These reclassifications have no effect upon reported net assets or fund balances.

2. NEW PRONOUNCEMENTS

For the fiscal year ended June 30, 2012, the County implemented GASB 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions.” GASB 64 is an amendment to GASB 53, “Accounting for Financial Reporting for Derivative Instruments.”

GASB 64 sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. GASB 64 did not have an impact to the County or LACERA financial statements.

2. NEW PRONOUNCEMENTS-Continued

Future Governmental Accounting Standards Board (GASB) Statements that the County is evaluating but the impact have not been determine:

GASB 60	Accounting and Financial Reporting for Service Concession Arrangements	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.
GASB 61	The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34	The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.
GASB 62	Codification of Accounting and Financial Reporting Guidance Continued in Pre-November 30, 1989 FASB and AICPA Pronouncements	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.
GASB 63	Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.
GASB 65	Items Previously Reported as Assets and Liabilities	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.
GASB 66	Technical Corrections-2012-An Amendment of GASB Statements No. 10 and No. 62	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.
GASB 67	Financial Reporting for Pension Plans-An Amendment of GASB Statement No. 25	The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2013.
GASB 68	Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27	The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

3. NET ASSET DEFICITS

The following funds had net asset deficits at June 30, 2012 (in thousands):

	Accumulated Deficit
Enterprise Funds:	
Harbor-UCLA Medical Center	$ 308,490
Olive View-UCLA Medical Center	168,591
Rancho Los Amigos National Rehab Center	48,304
Internal Service Fund-	
Public Works	205,802

3. NET ASSET DEFICITS-Continued

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

4. ELIMINATIONS

The Regional Park and Open Space District (RPOSD), a blended component unit, is authorized to issue assessment bonds to acquire and improve recreational land and facilities. These bonds are secured by voter-approved property tax assessments. The RPOSD executed a financing agreement with the Public Works Financing Authority, another blended component unit referred to in the basic financial statements as "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:

Fund Financial Statements

At June 30, 2012, the governmental fund financial statements reflect an investment asset (referred to as "Other Investments") held by the JPAs of $170,725,000 that has been recorded in the Nonmajor Governmental Funds. The governmental fund financial statements do not reflect a liability for the related bonds payable ($170,725,000), 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 ($170,725,000) and investment income and interest expense ($9,270,000 for each). Accordingly, there are no reconciling differences between the two sets of financial statements (after the effects of eliminations) for this matter.

4. ELIMINATIONS-Continued

Government-wide Financial Statements-Continued

The bonds payable of $170,725,000, 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, 2012 (in thousands):

			Restricted Assets		
	Pooled Cash and Investments	Other Investments	Pooled Cash and Investments	Other Investments	Total
Governmental Funds	$ 4,936,673	$ 543,368	$	$	$ 5,480,041
Proprietary Funds	139,818	50,031	45,901	196,197	431,947
Fiduciary Funds (excluding Pension Trust Fund)	15,719,146	100,581			15,819,727
Pension Trust Fund	63,046	40,226,871			40,289,917
Component Unit	809,663				809,663
Total	$ 21,668,346	$40,920,851	$ 45,901	$ 196,197	$ 62,831,295

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.

At June 30, 2012, the carrying amount of the County's deposits was $144,251,000 and the balance per various financial institutions was $141,999,000. 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, 2012, the carrying amount of Pension Trust Fund deposits was $130,198,000. 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.

5. CASH AND INVESTMENTS-Continued

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	N/A	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.

**The maximum percentage of portfolio is based on the investment limit established by LAIF for each account, not by Pool Policy.

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 such as repurchase agreements, mortgage trust deeds, Los Angeles County securities and guaranteed investment contracts. The fair value of pooled investments is determined and provided by the custodian bank based on quoted market prices at month-end. 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.

5. CASH AND INVESTMENTS-Continued

Investments-Continued

At June 30, 2012, the County had open trade commitments with various brokers to purchase investments totaling $1,123,745,000 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, 2012.

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty percent (80%) 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 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 in the amount of $98,785,000. 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.

County pooled and other investments (excluding Pension Trust Fund other investments) at June 30, 2012 (in thousands) are as follows:

	Fair Value
U.S. Agency securities	$ 9,688,622
U.S. Treasury securities	680,835
Negotiable certificates of deposit	4,019,435
Commercial paper	7,190,209
Corporate and deposit notes	705,639
Municipal bonds	76,380
Los Angeles County securities	17,000
Money market mutual funds	9,087
Local Agency Investment Fund	63,523
Mortgage trust deeds	97
Other	9,346
Total	$ 22,460,173

5. CASH AND INVESTMENTS-Continued

Investments-Continued

Pension Trust Fund investments are reported in the basic financial statements at fair value at June 30, 2012 (in thousands) and are as follows:

	Fair Value
Domestic and international equity	$ 20,478,503
Fixed income	10,747,978
Real estate	3,899,087
Private equity	3,789,891
Commodities	929,259
Hedge Funds	251,955
Total	$ 40,096,673

The Pension Trust Fund also had deposits with the Los Angeles County Treasury Pool at June 30, 2012 totaling $63,046,000. 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, 2012 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.

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

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
U.S. Agency securities	$ 9,618,411	$ 9,562,358	0.19% - 5.25%	08/13/12 - 12/18/17	3.87
U.S. Treasury bills	499,211	499,245	0.16% - 0.20%	03/07/13 - 06/27/13	0.84
U.S. Treasury notes	181,215	173,970	1.38% - 2.38%	08/31/14 - 11/30/15	2.88
Negotiable certificates of deposit	4,019,435	4,019,708	0.18% - 0.44%	07/02/12 - 06/25/15	0.30
Commercial paper	7,190,209	7,190,060	0.16% - 0.49%	07/02/12 - 08/28/12	0.05
Corporate and deposit notes	633,255	632,106	0.32% - 5.45%	07/20/12 - 01/30/15	0.83
Los Angeles County securities	17,000	17,000	0.55% - 0.56%	06/30/14	2.00
Deposits	114,791	114,791			
	$ 22,273,527	$22,209,238			

5. CASH AND INVESTMENTS-Continued

Investments-Continued

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	$ 63,523	$ 63,447	0.00% -15.00%	07/02/12 - 08/25/37	0.74
Corporate and deposit notes	72,384	72,364	1.72% - 6.50%	08/15/12 - 10/19/16	2.92
Mortgage trust deeds	97	97	5.50%	01/01/14 - 04/01/17	4.00
Municipal bonds	76,380	76,380	3.13% - 7.26%	08/01/12 - 09/02/21	2.62
U.S. Agency securities	70,211	70,259	0.04% - 3.70%	11/26/12 - 01/17/30	6.40
U.S. Treasury bonds	107	86	7.25%	05/15/16	3.88
U.S. Treasury bills	302	302	0.13%	12/06/12	0.43
Money market mutual funds	9,087	9,087	0.01% - 0.04%	07/01/12	0.00
Other	9,346	9,346			
Deposits	29,460	29,460			
	$ 330,897	$ 330,828			

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County's Investment policy limits most investment maturities to less than three years, with the exception of commercial paper and bankers' acceptances, which are limited to 270 days and 180 days, respectively. In addition, U.S. Treasury Notes, Bills, and Bonds may have maturities beyond five years. 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, 2012, 50.96% have a maturity of six months or less, 6.02% have a maturity of between six and twelve months, and 43.02% have a maturity of more than one year.

As of June 30, 2012, variable-rate notes comprised 3.81% 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, 2012, 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.

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County 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, 2012, 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.

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 2.12% of the investment pool's daily investment balance. For commercial paper, the highest issuer limit was $750 million, or 3.18% 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, 2012 (in thousands):

Issuer	Pool	SPI
Federal Farm Credit Bank	$ 2,355,659	$ 8,050
Federal Home Loan Bank	2,198,723	9,642
Federal Home Loan Mortgage Corp	2,297,278	5,240
Federal National Mortgage Association	2,769,422	8,647

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each portfolio's fair value at June 30, 2012:

	S & P	Moody's	% of Portfolio
Pooled Cash and Investments:			
Commercial paper	Not Rated	Not Rated	32.45%
Corporate and deposit notes			
	AA-	Aa3	0.79%
	AA+	A1	1.00%
	A+	A2	0.05%
	AA-	Not Rated	0.68%
	Not Rated	Not Rated	0.34%
Los Angeles County securities	Not Rated	Not Rated	0.08%
Negotiable certificates of deposit	AA-	Aa2	0.22%
	AA-	Aa3	0.22%
	AA-	Not Rated	0.45%
	Not Rated	Aa2	0.23%
	Not Rated	P-1	0.79%
	Not Rated	Not Rated	16.22%
U.S. Treasury securities	AA+	Aaa	42.31%
	AA+	Not Rated	1.10%
U.S. Agency securities	Not Rated	Aaa	0.82%
	Not Rated	Not Rated	2.25%
			100.00%
Other Investments:			
Local Agency Investment Fund	Not Rated	Not Rated	21.07%
Corporate and deposit notes	AA+	A1	1.03%
	Not Rated	Not Rated	22.98%
Mortgage trust deeds	Not Rated	Not Rated	0.03%
Municipal bonds	Not Rated	Not Rated	25.34%
U.S. Agency securities	AA+	Aaa	10.48%
	Not Rated	Aaa	12.82%
	Not Rated	Not Rated	< 0.00%
U.S. Treasury securities	Not Rated	Aaa	0.03%
	Not Rated	Not Rated	0.10%
Money market mutual funds	Not Rated	Not Rated	3.02%
Other	Not Rated	Not Rated	3.10%
			100.00%

The earned yield, which includes net gains on investments sold, on all investments held by the Treasury Pool for the fiscal year ended June 30, 2012 was 0.98%.

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

A separate financial report is issued for the Treasury Pool. The most current report, as of June 30, 2011, is available on the Treasurer's website, and the report as of June 30, 2012, is in progress. The following represents a condensed statement of net assets and changes in net assets for the Treasury Pool as of and for the year ended June 30, 2012 (in thousands):

Statement of Net Assets	
Net assets held in trust for all pool participants	$ 22,273,527
Equity of internal pool participants	$ 8,355,428
Equity of external pool participants	13,918,099
Total equity	$ 22,273,527
Statement of Changes in Net Assets	
Net assets at July 1, 2011	$ 24,248,618
Net change in investments by pool participants	(1,975,091)
Net assets at June 30, 2012	$ 22,273,527

The unrealized gain on investments held in the Treasury Pool was $64,289,000 as of June 30, 2012. 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.

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.

5. CASH AND INVESTMENTS-Continued

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, 2012, there were approximately $844,101,000 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, 2012, forward currency contracts receivable and payable totaled $7,543,962,000 and $7,501,703,000, respectively. All investment derivative positions are included as part of investments at fair value on LACERA's statement of plan net assets. All changes in fair value are reported as part of net appreciation/(depreciation) in fair value of investments in the statement of changes in plan net assets.

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, 2012.

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, 2012, 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, 2012.

As of June 30, 2012, the fair value of securities on loan was $2.01 billion. The value of the cash collateral received for those securities was $1.47 billion and the non-cash collateral was $587 million. Securities lending assets (Other Investments) and liabilities (Other Payables) of $1.5 billion are recorded in the Pension Trust Fund. Pension Trust Fund income, net of expenses, from securities lending was $3.8 million for the year ended June 30, 2012.

For the year ended June 30, 2012, 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, 2012 (in thousands):

	County	Pension Trust Fund	Total
Deposits	$ 144,251	$ 130,198	$ 274,449
Investments	22,460,173	40,096,673	62,556,846
	$ 22,604,424	$ 40,226,871	$ 62,831,295

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 is as follows (in thousands):

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 2,403,087	4,005	(10)	$ 2,407,082
Easements	4,862,795	9,175	(817)	4,871,153
Software in progress	24,524	28,717	(38,858)	14,383
Construction in progress-buildings and improvements	210,947	188,831	(85,143)	314,635
Construction in progress-infrastructure	421,288	128,564	(236,482)	313,370
Subtotal	$ 7,922,641	359,292	(361,310)	$ 7,920,623

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

6. CAPITAL ASSETS-Continued

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets, being depreciated:				
Buildings and improvements	$ 4,115,164	100,033	(38,422)	$ 4,176,775
Equipment	1,317,700	125,259	(33,881)	1,409,078
Software	405,899	90,825		496,724
Infrastructure	7,359,624	217,803	(567)	7,576,860
Subtotal	13,198,387	533,920	(72,870)	13,659,437
Less accumulated depreciation for:				
Buildings and improvements	(1,441,579)	(76,276)	29,656	(1,488,199)
Equipment	(920,516)	(100,903)	26,309	(995,110)
Software	(155,542)	(44,388)		(199,930)
Infrastructure	(3,039,695)	(155,293)	36	(3,194,952)
Subtotal	(5,557,332)	(376,860)	56,001	(5,878,191)
Total capital assets, being depreciated, net	7,641,055	157,060	(16,869)	7,781,246
Governmental activities capital assets, net	$15,563,696	516,352	(378,179)	$15,701,869
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 223,138	1,255		$ 224,393
Easements	31,009			31,009
Software in progress	2,154	2,144		4,298
Construction in progress-buildings and improvements	232,815	194,920	(1,106)	426,629
Construction in progress-infrastructure	49,228	14,972	(34,674)	29,526
Subtotal	538,344	213,291	(35,780)	715,855
Capital assets, being depreciated:				
Buildings and improvements	1,983,062	1,451	(184)	1,984,329
Equipment	337,507	9,620	(44,178)	302,949
Software	53,818		(123)	53,695
Infrastructure	1,195,795	21,344	(233)	1,216,906
Subtotal	3,570,182	32,415	(44,718)	3,557,879
Less accumulated depreciation for:				
Buildings and improvements	(739,062)	(26,992)	184	(765,870)
Equipment	(238,376)	(19,056)	42,402	(215,030)
Software	(9,310)	(3,546)		(12,856)
Infrastructure	(471,018)	(21,227)	233	(492,012)
Subtotal	(1,457,766)	(70,821)	42,819	(1,485,768)
Total capital assets, being depreciated, net	2,112,416	(38,406)	(1,899)	2,072,111
Business-type activities capital assets, net	$ 2,650,760	174,885	(37,679)	$ 2,787,966
Total Capital Assets, net	$18,214,456	691,237	(415,858)	$18,489,835

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	$ 21,644
Public protection	159,315
Public ways and facilities	87,031
Health and sanitation	17,196
Public assistance	41,964
Education	2,905
Recreation and cultural services	18,889
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	27,916
Total depreciation expense, governmental activities	$ 376,860
Business-type activities:	
Hospitals	$ 42,143
Waterworks	21,927
Aviation	1,729
Community Development Commission	1,067
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	3,955
Total depreciation expense, business-type activities	$ 70,821

The business-type activities included equipment transfers from the County's General Fund to each Hospital Fund. Capital contributions totaling $1.5 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 2011-2012, the County recorded two courthouse transfers of buildings and improvements to the State, which resulted in a loss on the transfer of capital assets used in governmental activities. The loss of $13.6 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, 2012 was as follows (in thousands):

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets, not being depreciated-				
Land	$ 2,039			$ 2,039
Capital assets, being depreciated:,				
Buildings and improvements	12,021	55		12,076
Equipment	2,399	80		2,479
Subtotal	14,420	135		14,555
Less accumulated depreciation for:				
Buildings and improvements	(1,466)	(241)		(1,707)
Equipment	(1,879)	(230)		(2,109)
Subtotal	(3,345)	(471)		(3,816)
Total capital assets being depreciated, net	11,075	(336)		10,739
Component unit capital assets, net	$ 13,114	(336)		$ 12,778

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.

7. PENSION PLAN-Continued

Plan Description-Continued

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

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 2011-2012:

July 1, 2011 - September 30, 2011	A	B	C	D	E
General Members	19.40%	12.74%	12.23%	12.65%	12.67%
Safety Members	29.46%	22.69%			

October 1, 2011 - June 30, 2012	A	B	C	D	E
General Members	21.59%	15.00%	14.51%	14.80%	15.30%
Safety Members	30.38%	21.10%			

The rates were determined by the actuarial valuation performed as of June 30, 2010 and June 30, 2011, respectively. The June 30, 2010 and June 30, 2011 actuarial valuations were 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 2011-2012, 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 2011-2012, computed in accordance with GASB 27, were as follows (in thousands):

Annual required contribution (ARC):	
County	$ 1,078,783
Non-County entities	146
Total ARC/Annual pension cost	1,078,929
Contributions made:	
County	1,078,783
Non-County entities	146
Total contributions	1,078,929
Change in net pension obligation (asset)	0
Net pension obligation (asset), July 1, 2011	0
Net pension obligation (asset), June 30, 2012	$ 0

7. PENSION PLAN-Continued

Annual Pension Cost and Net Pension Obligation-Continued

Trend Information (in thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2010	$ 895,453	94.2%	$(51,751)
June 30, 2011	995,925	94.8%	0
June 30, 2012	1,078,929	100.00%	0

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the funded ratio was determined to be 80.6%. The actuarial value of assets was $39.2 billion, and the actuarial accrued liability (AAL) was $48.6 billion, resulting in an unfunded AAL of $9.4 billion. The covered payroll was $6.7 billion and the ratio of the unfunded AAL to the covered payroll was 141.4%.

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 7.70%, and projected salary increases ranging from 4.21% to 10.19%, with both assumptions including a 3.45% 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 five-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 assumptions remained the same from the last actuarial valuation completed in 2010.

The County contribution rate to finance the unfunded AAL is 16.31% and 17.54% of payroll, which is a weighted average for all LACERA plans, as determined by the June 30, 2010 and 2011 actuarial valuations, respectively.

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.

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

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.

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.

The County's contribution during 2011-2012 is on a pay-as-you-go basis. During the 2011-2012 fiscal year, the County made payments to LACERA totaling $379.7 million for retiree health care benefits. Included in this amount was $38.0 million for Medicare Part B reimbursements and $6.9 million in death benefits. Additionally, $36.0 million was paid by member participants. The County also made payments of $36.7 million for long-term disability benefits.

Establishment of OPEB Trust

Pursuant to the California Government Code, the County established an irrevocable Other Post-Employment Benefit (OPEB) Trust for the purpose of holding and investing assets to pre-fund the Retiree Health Program, which LACERA administers. On May 15, 2012, the Los Angeles County Board of Supervisors entered into a trust and investment services agreement with the LACERA Board of Investments to act as trustee and investment manager. The County established an OPEB trust fund and there were no financing activities during the current year.

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Establishment of OPEB Trust-Continued

The OPEB Trust is the County's first step to reduce its OPEB unfunded liability. It will provide a framework where the Board of Supervisors can begin making contributions to the trust and transition, over time, from "pay-as-you-go" to "pre-funding." The OPEB Trust does not modify the County' s benefit programs.

Annual OPEB Cost and Net OPEB Obligation

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, 2010, and the OPEB long-term disability actuarial valuation as of July 1, 2011. The following table shows the ARC, the amount actually contributed and the net OPEB obligation (in thousands):

	Retiree Health Care	LTD	Total
Annual OPEB required contribution (ARC)	$ 1,853,600	$ 70,509	$1,924,109
Interest on Net OPEB obligation	261,488	5,892	267,380
Adjustment to ARC	(199,587)	(3,928)	(203,515)
Annual OPEB cost (expense)	1,915,501	72,473	1,987,974
Less: Contributions made (pay-as-you-go)	379,744	36,701	416,445
Increase in Net OPEB obligation	1,535,757	35,772	1,571,529
Net OPEB obligation, July 1, 2011	5,229,762	117,829	5,347,591
Net OPEB obligation, June 30, 2012	$ 6,765,519	$ 153,601	$6,919,120

Annual OPEB Cost and Net OPEB Obligation

Retiree Health Care Trend Information (in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 1,687,657	22.8%	$ 3,707,862
June 30, 2011	1,897,487	19.8%	5,229,762
June 30, 2012	1,915,501	19.8%	6,765,519

LTD Trend Information (in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 62,479	53.6%	$ 90,139
June 30, 2011	62,962	56.0%	117,829
June 30, 2012	72,473	50.6%	153,601

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Funded Status and Funding Progress

As of July 1, 2010, 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 $22.9 billion, resulting in an unfunded AAL of $22.9 billion. The covered payroll was $6.7 billion and the ratio of the unfunded AAL to the covered payroll was 342.62%.

As of July 1, 2011, the most recent actuarial valuation date for OPEB long-term disability benefits, the funded ratio was 0%. The assumptions remained the same from the last actuarial valuation completed in 2009. The actuarial value of assets was zero. The AAL was $1.019 billion, resulting in an unfunded AAL of $1.019 billion. The covered payroll was $6.7 billion and the ratio of the unfunded AAL to the covered payroll was 15.22%.

The schedules of funding progress are presented as RSI following the notes to the financial statements. These RSI schedules present multi-year trend information.

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.

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Actuarial Methods and Assumptions-Continued

The healthcare cost trend initial and ultimate rates, based on the July 1, 2010 actuarial valuation, are as follows:

	Initial Year	Ultimate
LACERA Medical Under 65	8.09%	5.05%
LACERA Medical Over 65	6.81%	5.05%
Firefighters Local 1014 (all)	6.55%	5.05%
Part B Premiums	8.25%	4.95%
Dental (all)	2.43%	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, 2012 (in thousands):

Year Ending June 30	Governmental Activities
2013	$ 86,056
2014	65,740
2015	55,118
2016	30,725
2017	20,390
2018-2022	42,533
2023-2027	17,884
2028-2032	12,210
Total	$ 330,656

Rent expenses related to operating leases were $97,144,000 for the year ended June 30, 2012.

Capital Lease Obligations

The following is a schedule of future minimum lease payments under capital lease obligations together with the present value of future minimum lease payments as of June 30, 2012 (in thousands):

Year Ending June 30	Governmental Activities
2013	$ 26,914
2014	24,474
2015	21,827
2016	21,340
2017	19,990
2018-2022	101,098
2023-2027	79,108
2028-2032	67,622
2033-2037	40,984
2038-2042	1,360
Total	404,717
Less: Amount representing interest	213,971
Present value of future minimum lease payments	$ 190,746

9. LEASES-Continued

Capital Lease Obligations-Continued

The following is a schedule of property under capital leases by major classes at June 30, 2012 (in thousands):

	Governmental Activities
Land	$ 17,279
Buildings and improvements	153,513
Equipment	63,036
Accumulated depreciation	(37,477)
Total	$ 196,351

Future rent revenues to be received from noncancelable subleases are $1,160,000 as of June 30, 2012.

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 85 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 27 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 55 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 $435,086,000. 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, 2012 (in thousands):

Year Ending June 30	Governmental Activities
2013	$ 43,748
2014	42,996
2015	42,186
2016	41,976
2017	41,703
Thereafter	1,427,760
Total	$ 1,640,369

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, 2012 (in thousands):

	Governmental Activities
Minimum rentals	$ 43,387
Contingent rentals	17,364
Total	$ 60,751

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, 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 recorded within governmental activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2012
Los Angeles County Flood Control District Refunding Bonds 2.5% to 5.0%	$ 143,195	$ 22,275
Los Angeles County Flood Control District Revenue Bonds 4.0% to 4.12%	20,540	14,920
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3.0% to 5.25%	275,535	182,868
Community Development Commission (CDC) Notes, 0.45% to 6.41%	78,512	30,789
NPC Bond Anticipation Notes, 0.536% to 0.561%	13,902	13,902
NPC Bonds 1.5% to 5.0%	66,597	45,294
Marina del Rey Loans, 4.5% to 4.7%	23,500	18,083
Public Buildings Certificates of Participation, 2.0% to 6.841%	1,130,933	846,576
Commercial Paper, 0.16% to 0.33%	189,065	189,065
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds, 5.25% to 6.65%	319,827	412,517
Total	$ 2,261,606	$ 1,776,289

10. LONG-TERM OBLIGATIONS-Continued

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

	Original Par Amount of Debt	Balance June 30, 2012
NPC Bond Anticipation Notes, 0.536% to 0.561 %	$ 3,098	$ 3,098
NPC Bonds, 1.5% to 5.0%	12,903	6,176
Public Buildings Certificates of Participation, 2.0% to 6.841%	610,607	528,301
Commercial Paper, 0.16% to 0.33 %	180,935	180,935
Waterworks District Bonds, 3.3% to 8.0%	280	24
Waterworks District Loans, 2.28%	5,032	5,032
Community Development Commission Mortgage Notes, 2.0% to 5.5%	55,128	46,702
Total	$ 867,983	$ 770,268

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
2013	$ 24	$ 1
Total	$ 24	$ 1

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.

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 $198,963,000, not including unamortized bond premiums. Principal and interest for the current year and assessment revenues were $35,830,000 and $79,484,000, respectively.

10. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds-Continued

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

Year Ending June 30	Governmental Activities Principal	Interest
2013	$ 27,855	$ 7,925
2014	29,255	6,497
2015	30,735	4,998
2016	32,270	3,422
2017	11,715	2,313
2018-2022	38,895	3,083
Subtotal	170,725	$ 28,238
Add: Unamortized Bond Premiums	12,143	
Total Assessment Bonds	$ 182,868	

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 the 2011-2012 fiscal year, the County issued COPs of $50,675,000 to refund the 1998 Disney Concert Hall Parking Garage Refunding COPs and $55,475,000 to finance equipment purchases. The allocation of debt between Governmental Activities and Business-type Activities was $101,816,000 and $4,334,000, respectively.

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 available revenues, in the amount of $679,000, 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. The County paid $2,540,000 of the current fiscal year debt payment of $3,219,000. Total principal and interest remaining on the bonds is $35,959,000.

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
2013	$ 88,196	$ 52,926	$ 14,939	$ 37,771
2014	61,542	50,111	14,618	37,117
2015	64,099	47,920	22,743	36,495
2016	48,486	46,184	21,901	35,488
2017	33,759	46,186	14,305	33,632
2018-2022	146,847	209,453	57,127	151,705
2023-2027	133,097	116,783	70,409	132,256
2028-2032	120,620	79,794	89,280	102,901
2033-2037	90,572	44,890	113,688	64,954
2038-2042	75,993	11,879	111,617	17,448
Subtotal	863,211	$ 706,126	530,627	$ 649,767
Accretions	71,687			
Unamortized Bond Premiums	20,116		3,850	
Unamortized Loss	(25,949)			
Total Certificates of Participation	$ 929,065		$ 534,477	

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 2012 were $131,514,000. 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 are as follows:

Year Ending	Governmental Activities	
June 30	Principal	Interest
2013	$	$ 20,762
2014		20,763
2015		20,762
2016		20,763
2017		20,762
2018-2022	51,995	100,186
2023-2027		85,680
2028-2032	46,370	72,585
2033-2037	62,196	64,767
2038-2042	53,157	42,665
2043-2047	97,824	21,564
Subtotal	311,542	$ 491,259
Accretions	100,975	
Total Tobacco Settlement Asset-Backed Bonds	$ 412,517	

Notes, Loans, and Commercial Paper

Notes and Loans

Bond Anticipation Notes (BANS) are issued by the Los Angeles County Capital Assets Leasing Corporation (LACCAL) 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 lease obligations with a three-year term secured by County real property. During the 2011-2012 fiscal year, LACCAL issued additional BANS in the amount of $18,040,000, as reflected in Governmental Activities and $2,460,000 as reflected in Business-type Activities.

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 2011-2012 fiscal year, CDC issued additional notes payable in the amount of $3,216,000 as reflected in Governmental Activities and $6,000 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.

During the 2011-2012 fiscal year, the Waterworks District obtained loans in the amount of $5,032,000 from the California Department of Public Health for the replacement of aging water pipelines. The loans are secured by revenue from surcharges collected for capital improvements.

10. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Commercial Paper-Continued

Commercial Paper

Tax-exempt commercial paper (TECP) notes provide the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which may be refinanced with the issuance of long-term bonds upon completion. Repayment of the TECP is secured by irrevocable direct-pay letters of credit (LOC) from four separate banks, with twenty-four County-owned properties pledged as collateral in a lease-revenue financing structure with the Los Angeles County Capital Asset Leasing Corporation. The LOCs were issued for a three-year period and have a termination date of April 26, 2013. The County has the option to extend the LOCs for an additional one-year period, or to some other term mutually agreed to with the participating banks.

The aggregate principal amount of the four LOCs is $400 million, which consists of $175 million of Series A (JP Morgan), $75 million of Series B (Bank of America), $75 million of Series C (Wells Fargo) and $75 million of Series D (Union Bank). For Series A, B and C, the County is required to pay an annual fee equal to 1.25% of the stated amounts of the LOCs. For Series D, the County is required to pay an annual fee equal to 0.95% of the stated amount on the utilized portion of the LOC and 0.50% of the stated amount on the unutilized portion of the LOC. The stated amount for each LOC series is equal to the sum of the principal amount and the 12% maximum interest rate permitted on the LOCs. As of June 30, 2012, $370 million of TECP notes were outstanding, including $175 million of Series A, $75 million of Series B, $75 million of Series C and $45 million of Series D.

The TECP notes are issued as variable rate instruments with a maximum term not to exceed 270 days. On the maturity date of the TECP notes, the notes are re-issued at prevailing interest rates in the short term note market, which reflects the term of the note and the perceived credit quality of the supporting letter of credit bank. During fiscal year 2011-2012, County issued TECP notes are reflected as notes payable in the amount of $189,065,000 for Governmental Activities and $180,935,000 for Business-type Activities. The average interest rate on TECP notes in fiscal year 2011-2012 was 0.152%.

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

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2013	$ 193,307	$ 1,966	$ 187,435	$ 1,946
2014	17,405	1,846	3,668	1,873
2015	3,617	1,717	592	2,196
2016	3,611	1,583	839	1,948
2017	3,742	1,443	1,855	1,918
2018-2022	15,941	5,186	4,944	9,000
2023-2027	11,324	2,042	6,084	7,857
2028-2032	2,892	197	7,578	6,359
2033-2037			8,181	4,388
2038-2042			10,205	2,020
2043-2047			2,380	62
Indeterminate maturity			2,006	
Total	$ 251,839	$ 15,980	$ 235,767	$ 39,567

10. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions

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

	Governmental Activities		Business-type Activities	
Debt Type	Principal	Interest	Principal	Interest
General Obligation Bonds	$	$	$ 24	$ 1
Assessment Bonds	170,725	28,238		
Certificates of Participation	863,211	706,126	530,627	649,767
Tobacco Settlement Asset-Backed Bonds	311,542	491,259		
Notes, Loans, and Commercial Paper	251,839	15,980	235,767	39,567
Subtotal	1,597,317	$1,241,603	766,418	$ 689,335
Add: Accretions	172,662			
Unamortized Bond Premiums	32,259		3,850	
Less: Unamortized Loss on Advanced Refunding of Debt	(25,949)			
Total Bonds and Notes	$1,776,289		$ 770,268	

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 refunding.

Current Refunding of Debt

On March 6, 2012, the County issued $50,675,000 of 2012 Refunding Certificate of Participation for Disney Concert Hall Parking Garage, maturing on various dates between 2020 and 2023. These bonds, with an average rate of 3.12%, were issued to refund the outstanding principal amount of $57,975,000 of bonds issued in 1995, with an average interest rate of 4.75%.

Proceeds from the sale of the Certificates were deposited in an irrevocable trust with an escrow agent to provide for the prepayment of debt service payments on the refunded bonds. Accordingly, the refunded bonds were considered to be defeased and the liabilities for those bonds were removed from the Government-Wide Statement of Net Asset – Governmental Activities. Specific disclosures related to the refunding issue are as follows (in thousands):

Proceeds of refunding bonds issued	$ 50,675
Prior years' bond reserves and/or premiums	7,675
Deposit to escrow	$ 58,350
Future years' aggregate debt service Payment reduction	$ 8,789
Present value savings (economic gain)	7,150

10. LONG-TERM OBLIGATIONS-Continued

Current Refunding of Debt-Continued

For the refunding transaction, the carrying amount of the refunded debt was less than the reacquisition price. This difference was $375,000. This amount has been reported as a reduction of the amount of outstanding debt in the basic financial statements.

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, 2012, the amount of outstanding bonds and certificates of participation considered defeased was $18,410,000. 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, 2012 (in thousands):

	Balance July 1, 2011	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2012	Due Within One Year
Governmental activities:					
Bonds and notes	$ 1,802,547	315,555	341,813	$ 1,776,289	$ 319,613
Capital lease obligations (Note 9)	181,260	15,139	5,653	190,746	10,162
Accrued compensated absences	838,104	425,425	85,518	1,178,011	63,499
Workers' compensation (Note 17)	1,791,511	377,993	313,743	1,855,761	322,851
Litigation and self-insurance (Note 17)	119,661	85,136	46,645	158,152	123,337
Pollution remediation obligation (Note 18)	28,095	1,865	4,666	25,294	1,412
OPEB obligation (Note 8)	4,465,993	1,310,981		5,776,974	
Third party payor	21,022	23,741	28,094	16,669	16,669
Total governmental activities	$ 9,248,193	2,555,835	826,132	$ 10,977,896	$ 857,543
Business-type activities:					
Bonds and notes	$ 706,121	192,767	128,620	$ 770,268	$ 203,299
Accrued compensated absences	139,489	48,408	10,671	177,226	9,752
Workers' compensation (Note 17)	279,087	29,214	41,546	266,755	44,290
Litigation and self-insurance (Note 17)	92,589	30,204	18,008	104,785	27,359
OPEB obligation (Note 8)	881,598	260,548		1,142,146	
Third party payor (Note 13)	237,126	180,718	42,778	375,066	4,798
Total business-type activities	$ 2,336,010	741,859	241,623	$ 2,836,246	$ 289,498

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 compensated absences and litigation and self-insurance.

Bond interest accretions for deep discount bonds have been included in the amounts reported for Bonds and Notes. Accretions increased during 2011-2012, thereby increasing liabilities for Bonds and Notes by $425,000 for governmental activities. Note 17 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance.

11. SHORT-TERM DEBT

On July 1, 2011, the County issued $ 1,300,000,000 of short-term Tax and Revenue Anticipation Notes Series A, B and C at an effective interest rate of 0.32%, 0.34%, and 0.40%, respectively. 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 2011. The Series A notes, $300,000,000, matured and were redeemed on February 29, 2012, the Series B notes, $500,000,000, on March 30, 2012 and the Series C notes, $500,000,000, on June 29, 2012.

12. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2012, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $59,614,000 and limited obligation improvement bonds totaling $8,357,000. 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.

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, 2012, was $336,087,000.

12. CONDUIT DEBT OBLIGATIONS-Continued

Residential Mortgage Revenue Bonds-Continued

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, 2012, the amount of industrial development and other conduit bonds outstanding was $24,255,000.

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 Demonstration Project

In November, 2010, the Centers for Medicare and Medicaid Services (CMS) approved, pursuant to Section 1115(a) of the Social Security Act, the new Medi-Cal demonstration project, called the California Bridge to Reform, which effects many aspects of Medi-Cal revenue for the County hospitals and clinics including the financing methods by which the State draws down federal matching funds. It incorporates many of the features of the prior demonstration projects, particularly as they relate to inpatient hospital services paid on a fee-for-service basis (FFS), and disproportionate share hospital (DSH) payments.

Under the Demonstration Project, revenues for the public hospitals are comprised of: 1) cost-based reimbursement for inpatient hospital services for Medi-Cal patients who are not enrolled in managed care; 2) DSH payments; and 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP), which was capped Statewide at $436.0 million in FY 2011-2012. The non-federal share of these three types of payments is provided by the public hospitals rather than the State, through certified public expenditures (CPE). In addition to CPE, for DSH, Intergovernmental Transfers (IGT) are also made whereby the hospital would utilize its local funding for services to draw down the federal financial participation (FFP).

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project-Continued

The federal medical assistance percentage (FMAP), which establishes the matching amount for the FFS cost-based reimbursement, was 50% for FY 2011-2012.

The FMAP for DSH remains at 50%. For the inpatient hospital cost-based reimbursement, each hospital receives all of the federal match associated with its CPE.

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 also provides funding for the State's share of the DSH program by transferring funds to the State. These transferred funds, referred to as 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. The gross IGT funded DSH payment must be "retained" by the recipient hospital fund.

The County recognizes the funding received under the Demonstration Project by each hospital as net patient services revenue, unless mentioned otherwise, as reflected in the statement of revenues, expenses, and changes in fund net assets. The IGTs are reflected as nonoperating expenses by each hospital in the statement of revenues, expenses, and changes in fund net assets.

The IGTs paid during FY 2011-2012 include payments for services provided in FYs 2010-2011 and 2011-2012. The estimated Medi-Cal Demonstration Project net revenues for inpatient services, DSH and SNCP include amounts collected and accrued for FY 2011-2012 as adjusted for over/under-realization of revenues for FY 2005-2006 through FY 2010-2011. The amounts below are in thousands:

	Program Revenues			
	Medi-Cal FFS	DSH	SNCP	Intergovernmental Transfers Expense
Harbor-UCLA	$ 88,413	$ 50,762	$ 59,051	$ 61,493
Olive View-UCLA	36,889	66,969	28,126	32,175
LAC+USC	151,351	241,945	64,144	137,661
Rancho	31,675	1,437	7,338	16,154
Total	$ 308.328	$ 361,113	$ 158,659	$ 247,483

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project-Continued

Besides these revenues, the Demonstration Project provides support for public hospital systems in the following areas:

Coverage Expansion – Low Income Health Program or Healthy Way LA

Under the Demonstration Project, counties have the option to expand coverage by operating a Low Income Health Program (LIHP). 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 for a particular group of services, and receive federal matching funds for the amount they expend. If counties meet certain federal requirements and have the resources available to do so, they can also cover individuals between 133% and 200% FPL, known as the Health Care Coverage Initiative (HCCI) population. The LIHP will run through the end of 2013, at which time coverage under federal health care reform will take effect.

For the County, the LIHP program is called Healthy Way LA (HWLA) – Matched. In FY 2011-2012, supplemental federal revenues estimated at $142.5 million for patient care services and $10.3 million for HWLA administration were recognized.

CMS is currently considering a proposal retroactively to allow the County to change the basis for HWLA payments to capitation. Once CMS makes a decision on a capitation rate, the County will decide whether to actually make the change.

Delivery System Reform Incentive Pool

The Demonstration Project establishes the Delivery System Reform Incentive Pool (DSRIP), which will tie federal funding to the achievement of milestones in care delivery improvements. To obtain funding under the DSRIP, public hospital systems submitted a five-year plan showing how they will accomplish desired results, and will be required to achieve significant milestones that were approved by the State and CMS. The amounts below, in thousands, were recorded as “other operating revenues” in FY 2011-2012:

	DSRIP Gross Revenues	Intergovernmental Transfers Expense
Harbor-UCLA	$ 143,528	$ 85,383
Olive View-UCLA	86,430	32,523
LAC+USC	163,550	89,364
Rancho	48,992	13,980
Total	$ 442,500	$ 221,250

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project-Continued

Managed Care for Seniors and Persons with Disabilities (SPDs)

Under the Demonstration Project, the State of California requires Medi-Cal beneficiaries who are Seniors and Persons with Disabilities (SPDs) to enroll in managed care plans, rather than using a fee for service system, in an effort to provide more coordinated care and contain costs. In FY 2011-2012, an estimated $93.6 million of SPD gross revenues were recorded, which included $92.5 million for FY 2011-2012 and $1.1 million for FY 2010-2011.

SPD also requires that the County make IGTs to the State to fund the non-federal share of Medi-Cal inpatient payments for this population and expenses associated with such IGTs were $22.0 million in FY 2011-2012.

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 (as well as non-physician practitioner services) provided by the County 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 a Demonstration Project. The Demonstration Project payment for inpatient and other facility services excluded professional services. California State Plan Amendment 05-23 allows professional services to be paid similarly to the inpatient hospital services under the Demonstration Project. Hospitals are allowed to claim federal reimbursement for unreimbursed costs of Medi-Cal professional services (Hospital Inpatient, Emergency Room, and Psychiatric services), which is matched at the applicable FMAP rate for the year.

Net revenues of $21.7 million were recognized during FY 2011-2012 and included adjustments for the over/under-realization of revenues associated with FY 2005-2006 through FY 2010-2011.

Other Medi-Cal Programs

Cost Based Reimbursement Clinics (CBRC)

CBRC reimburses 100% of allowable costs for 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 2011-2012 were $203.5 million. As of June 30, 2012, the County estimated that approximately $219.8 million of CBRC accounts receivable would not be collectable within 12 months and this amount is classified as a noncurrent asset in the proprietary fund statements of net assets for each hospital.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Cost Report Settlements

All of the FY 2007-2008 CBRC audit reports were issued and total audit settlements of $68.5 million were paid to the County. The Department issued appeal letters to the State Office of Administrative Appeals regarding unresolved audit adjustment issues. The informal level appeal hearing between DHS and the Medi-Cal Auditors to discuss disputed adjustments before the Administrative Hearing Officer was held during August 2012. The hearing results are anticipated to be issued sometime next year.

The State auditors are in the process of finalizing the FY 2008-09 CBRC audit findings and the anticipated issuance of the audit report is late December 2012.

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 Health Net for the period October 1, 2010 through September 30, 2011. The supplement is funded by an IGT made by the County. 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.

For L.A. Care and Health Net, the total estimated revenues and related estimated IGTs recorded in FY 2011-2012, including prior year over/under realization, are as follows (in thousands):

	Program Revenues	Intergovernmental Transfers Expense
L.A. Care	$ 100,080	$ 46,783
Health Net	44,196	20,556
Totals	$ 144,276	$ 67,339

Revenues from the various Medi-Cal programs (i.e., FFS, DSH, SNCP, CBRC, AB 915, SB 1732, etc.) represent approximately 61% of the hospitals' patient care revenue for the year ended June 30, 2012.

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 ongoing at all hospitals. The initial notices of program reimbursement (NPR) have not been issued for all hospitals for recent fiscal years due to CMS Ruling No. CMS-1498-R, which required a revision to the methodology used to determine Medicare DSH payments. Before the initial NPR can be issued, CMS will revise the data matching process in recalculating the hospital's Medicare Supplemental Security Income (SSI) fraction that determines a portion of the Disproportionate Share payment adjustment for each hospital. The remaining issues, other than the Medicare DSH SSI fraction issue, have been reviewed and completed for all hospitals through FY 2005-2006.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicare Program-Continued

For FY 2002-2003 and FY 2003-2004, the audits have been completed for all hospitals and NPRs have been issued for the former Martin Luther King Jr./Drew Medical Center (MLK/D), Harbor-UCLA Medical Center (H-UCLA MC), Rancho Los Amigos National Rehabilitation Center (RLANRC), and Olive View-UCLA Medical Center (OV-UCLA MC) only. LAC+USC Medical Center (LAC+USC MC) has not received their NPR due to the Medicare SSI fraction issue.

For FY 2004-2005, the audits have been completed and the NPRs issued for MLK/D and OV-UCLA MC only. Except for the Medicare SSI fraction issue, the FY 2004-2005 audits have been completed for LAC+USC MC, H-UCLA MC and RLANRC.

For FY 2005-2006, the audits have been completed and NPRs issued for MLK/D and OV-UCLA MC only. Except for the Medicare SSI fraction issue, the FY 2005-2006 audits have been completed for LAC+USC MC, H-UCLA MC, and RLANRC.

For FY 2006-2007, the audits for MLK/D, RLANRC and OV-UCLA MC have been completed and the NPRs have been issued. The audits are in progress for H-UCLA MC and LAC+USC MC.

For FY 2007-2008, the audits for RLANRC and OV-UCLA MC have been completed except for the Medicare SSI fraction issue. The audits are in progress for LAC+USC MC and H-UCLA MC. Effective August 16, 2007, MLK/D ceased to be certified as a participant in the Medicare program and will not undergo a hospital Medicare audit for FY 2007-2008 due to low Medicare utilization.

For FY 2008-2009, the Medicare audit has been completed, except for the Medicare SSI fraction issue for RLANRC. The audit is in progress for OV-UCLA MC. Audits for LAC+USC MC and H-UCLA MC have not been scheduled.

For FY 2009-2010, the audits are in progress for RLANRC and OV-UCLA MC. Audits for LAC+USC MC and H-UCLA MC have not been scheduled.

For FY 2010-2011, audits have not been scheduled for LAC+USC MC, H-UCLA MC, RLANRC, and OV-UCLA MC.

Revenues from the Medicare program represent approximately 8% of patient care revenue for the year ended June 30, 2012.

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-net. 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, 2012 (in thousands):

	H-UCLA	OV-UCLA	LAC+USC	Rancho	Total
Accounts receivable	$1,783,472	$ 901,138	$ 2,346,958	$ 420,022	$ 5,451,590
Less: Allowance for uncollectible amounts	1,407,174	682,263	1,932,716	313,569	4,335,722
Accounts receivable - net	$ 376,298	$ 218,875	$ 414,242	$ 106,453	$ 1,115,868

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 programs, 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 year ended June 30, 2012, based on established rates, is as follows (in thousands):

Charges forgone	$2,033,597
Less: Federal and State subventions	-
Net charges forgone	$2,033,597

Martin Luther King, Jr.

The County and the University of California ("UC"), with the State, have created a wholly independent, non-profit 501(c)(3), the Martin Luther King, Jr.-Los Angeles Healthcare Corporation, to operate a new hospital at the MLK-MACC site. The new hospital would: i) serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients and ii) be integrated with the County's existing network of specialty and primary care ambulatory clinics. The seven-member MLK Hospital Board of Directors was appointed by the County and UC 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-MACC site is expected to be completed by mid-year 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, 2012.

14. INTERFUND TRANSACTIONS

Interfund Receivables/Payables-Continued

Cash transfers related to interfund receivables/payables are generally made within 30 days after year-end. Amounts due to/from other funds at June 30, 2012 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 10,597
	Flood Control District	1,953
	Public Library	3,433
	Regional Park and Open Space District	5,925
	Nonmajor Governmental Funds	204,509
	Harbor-UCLA Medical Center	56,056
	Olive View-UCLA Medical Center	38,040
	LAC+USC Medical Center	70,534
	Rancho Los Amigos Nat'l Rehab Center	11,730
	Waterworks Enterprise Funds	566
	Nonmajor Enterprise Funds	11
	Internal Service Funds	4,250
		407,604
Fire Protection District	General Fund	2,944
	Nonmajor Governmental Funds	524
	Harbor-UCLA Medical Center	2
	Olive View-UCLA Medical Center	1
		3,471
Flood Control District	General Fund	1,471
	Nonmajor Governmental Funds	3,227
	Waterworks Enterprise Funds	343
	Nonmajor Enterprise Funds	72
	Internal Service Funds	3,586
		8,699
Public Library	General Fund	4,465
	Nonmajor Governmental Funds	1,940
		6,405
Regional Park and Open Space District	Nonmajor Governmental Funds	95
Nonmajor Governmental Funds	General Fund	309,628
	Fire Protection District	1,906
	Flood Control District	393
	Regional Park and Open Space District	627
	Nonmajor Governmental Funds	21,741
	Internal Service Funds	9,784
		344,079

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

14. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Harbor-UCLA Medical Center	General Fund	$ 15,759
	Fire Protection District	12
	Nonmajor Governmental Funds	38,001
	Olive View-UCLA Medical Center	609
	LAC+USC Medical Center	1,463
	Rancho Los Amigos Nat'l Rehab Center	528
		56,372
Olive View-UCLA Medical Center	General Fund	11,043
	Fire Protection District	144
	Nonmajor Governmental Funds	38,000
	Harbor-UCLA Medical Center	1,802
	LAC+USC Medical Center	29
	Rancho Los Amigos Nat'l Rehab Center	116
		51,134
LAC+USC Medical Center	General Fund	22,304
	Fire Protection District	44
	Nonmajor Governmental Funds	21,234
	Harbor-UCLA Medical Center	7,814
	Olive View-UCLA Medical Center	3,909
	Rancho Los Amigos Nat'l Rehab Center	658
		55,963
Rancho Los Amigos Nat'l Rehab Center	General Fund	4,122
	Fire Protection District	56
	Nonmajor Governmental Funds	35
	Olive View-UCLA Medical Center	4
	LAC+USC Medical Center	1,401
		5,618
Waterworks Enterprise Funds	General Fund	142
	Internal Service Funds	617
		759
Nonmajor Enterprise Funds	Internal Service Funds	2
Internal Service Funds	General Fund	18,275
	Fire Protection District	47
	Flood Control District	11,746
	Nonmajor Governmental Funds	28,671
	Harbor-UCLA Medical Center	1,102
	Olive View-UCLA Medical Center	469
	LAC+USC Medical Center	1
	Rancho Los Amigos Nat'l Rehab Center	298
	Waterworks Enterprise Funds	3,158
	Nonmajor Enterprise Funds	249
		64,016
Total Interfund Receivables/Payables		$ 1,004,217

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 four 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, 2012 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Public Library	$ 48,594
	Nonmajor Governmental Funds	80,134
	Harbor-UCLA Medical Center	214,322
	Olive View-UCLA Medical Center	93,976
	LAC+USC Medical Center	257,749
	Rancho Los Amigos Nat'l Rehab Center	77,230
	Internal Service Funds	75
		772,080
Fire Protection District	Nonmajor Governmental Funds	18,325
Flood Control District	Nonmajor Governmental Funds	18,910
	Internal Service Funds	975
		19,885
Public Library	General Fund	5,141
	Nonmajor Governmental Funds	924
		6,065
Regional Park and Open Space District	Nonmajor Governmental Funds	36,577
Nonmajor Governmental Funds	General Fund	438,678
	Flood Control District	226
	Public Library	1,870
	Nonmajor Governmental Funds	46,200
	Harbor-UCLA Medical Center	63,364
	Olive View-UCLA Medical Center	58,072
	LAC+USC Medical Center	72,696
	Rancho Los Amigos Nat'l Rehab Center	35
	Nonmajor Enterprise Funds	4,126
	Internal Service Funds	4,379
		689,646

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

14. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Harbor-UCLA Medical Center	Nonmajor Governmental Funds	$ 1,333
Olive View-UCLA Medical Center	Nonmajor Governmental Funds	144
LAC+USC Medical Center	General Fund	22,259
	Nonmajor Governmental Funds	138
	Harbor-UCLA Medical Center	33
	Olive View-UCLA Medical Center	18
	Rancho Los Amigos Nat'l Rehab Center	1,283
		23,731
Waterworks Enterprise Funds	Internal Service Funds	254
Internal Service Funds	Nonmajor Governmental Funds	112
Total Interfund Transfers		$1,568,152

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. The County estimates that a portion of Hospital revenue is not collectible within one year and has 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 $162.7 million long-term advance and classified a corresponding amount of fund balance as nonspendable balance.

Advances from/to other funds at June 30, 2012 are as follows (in thousands):

Receivable Fund	Payable Fund	Short-Term	Long-Term	Total
General Fund	Harbor-UCLA Medical Center	$ 219,521	$ 32,366	$ 251,887
	Olive View-UCLA Medical Center	161,188	43,242	204,430
	LAC+USC Medical Center	127,698	60,397	188,095
	Rancho Los Amigos Nat'l Rehab Center	30,339	26,661	57,000
	Internal Service Funds	2,100		2,100
		540,846	162,666	703,512

14. INTERFUND TRANSACTIONS-Continued

Interfund Transactions-Continued

Receivable Fund	Payable Fund	Short-Term	Long-Term	Total
Flood Control District	Internal Service Funds	$ 6,534		$ 6,534
Nonmajor Governmental Funds	Nonmajor Enterprise Funds	4,196		4,196
	Internal Service Funds	11,921		11,921
		16,117		16,117
Waterworks Enterprise Funds	Internal Service Funds	1,445		1,445
Total Interfund Advances		$ 564,942	$ 162,666	$ 727,608

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 Budget adopted by the County for FY 2011-2012 uses fund balance terminology that was in effect prior to GASB 54. As such, the Statement of Revenue, Expenditures, and Changes in Fund Balances-Budget and Actual on Budgetary Basis continues to make reference to reserves and designations.

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

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

- 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 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.

- 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, 2012.

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	$ 1,565,502	$ 46,811	$ 53,649	$ 30,178	$ 200,516
Reserves and designations	1,145,523	168,437	145,863	25,556	121,470
Subtotal	2,711,025	215,248	199,512	55,734	321,986
Adjustments:					
Accrual of estimated liability for litigation and self-insurance claims	121,297	(478)		94	
Accrual of compensated absences	53,701				
Deferral of sale of tobacco settlement revenue	(252,815)				
Change in revenue accruals	(105,862)	(18,062)	(4,841)	(2,566)	178
Change in OPEB	114,605	6,857		1,091	
Subtotal	(69,074)	(11,683)	(4,841)	(1,381)	178
Fund balance - GAAP basis	$ 2,641,951	$ 203,565	$ 194,671	$ 54,353	$ 322,164

16. COMMITMENTS AND CONTINGENCIES

Construction Commitments

At June 30, 2012, there were contractual commitments of approximately $252.3 million for various general government construction projects and approximately $223.0 million for various hospital construction projects that were financed by bonds and commercial paper.

LACERA Capital Commitments

At June 30, 2012, LACERA had outstanding capital commitments to various investment managers, approximating $2,210,000,000. Subsequent to June 30, 2012, LACERA funded $220,000,000 of these capital commitments.

Encumbrances

The County uses “encumbrances” to control expenditure commitments for the year. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve applicable appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. As of June 30, 2012, the encumbrance balances for the governmental funds (in thousands) are reported as follows:

	Restricted	Committed	Assigned	Total
General Fund	$	$	$ 397,192	$ 397,192
Fire Protection District	27,697			27,697
Flood Control District	51,582			51,582
Public Library			12,792	12,792
Regional Park and Open Space District	56,667			56,667
Nonmajor Governmental Funds	120,101	14,428	4,848	139,377
Total Encumbrances	$ 256,047	$ 14,428	$ 414,832	$ 685,307

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 2009-2010, 2010-2011 or 2011-2012.

17. RISK MANAGEMENT-Continued

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 balance as of June 30, 2012 were approximately $2.123 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2012. Approximately $101,715,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2012, the County's best estimate of these liabilities is $2.385 billion. Changes in the reported liability since July 1, 2010 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
2010-2011				
Workers' Compensation	$ 2,159,415	$ 245,578	$(334,395)	$ 2,070,598
Other	257,708	22,302	(67,760)	212,250
Total 2010-2011	$ 2,417,123	$ 267,880	$(402,155)	$ 2,282,848
2011-2012				
Workers' Compensation	$ 2,070,598	$ 407,207	$(355,289)	$ 2,122,516
Other	212,250	115,340	(64,653)	262,937
Total 2011-2012	$ 2,282,848	$ 522,547	$(419,942)	$ 2,385,453

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $148.7 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 obligation (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 obligation when estimates can reasonably be determined.

18. POLLUTION REMEDIATION-Continued

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, 2012, the County's estimated pollution remediation obligation totaled $25,294,000. 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. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned as described in Note 1. A detailed schedule of fund balances for all the major and nonmajor governmental funds at June 30, 2012 (in thousands) are as follows:

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Nonmajor Governmental Funds
Fund Balances:						
Nonspendable:						
Inventories	$ 51,616	14,862		1,565		23,508
Long-term receivables	207,981					4,196
Permanent fund principal						2,240
Total nonspendable	259,597	14,862		1,565		29,944
Restricted for:						
General government	38,458					
Public protection	3,206	188,703	194,572			310,973
Public ways and facilities						468,850
Health and sanitation						612,972
Public assistance	13,451					245,402
Education				9,661		442
Recreation and cultural services					322,164	5,694
Capital projects						373,551
Debt service						618,980
Endowments and annuities						404
Total restricted	55,115	188,703	194,572	9,661	322,164	2,637,268
Committed to:						
General government	202,989					150
Public protection	12,237					25,642
Health and sanitation	108,189					
Public assistance	8,840					
Education						14,402
Capital projects						85,644
Total committed	332,255					125,838

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

19. FUND BALANCES-Continued

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Nonmajor Governmental Funds
Assigned to:						
General government	$ 160,234					72,736
Public protection	101,151		99			4,593
Health and sanitation	94,643					3,746
Public assistance	36,871					
Education				43,127		
Recreation and cultural services	10,298					22,306
Capital projects						1,168
Imprest cash	2,088					
Total assigned	405,285		99	43,127		104,549
Unassigned	1,589,699					
Total Fund Balances	$2,641,951	203,565	194,671	54,353	322,164	2,897,599

Reserve for “Rainy Day” Fund

On June 22, 2009, the Board established a Reserve for “Rainy Day” fund. The Reserve for “Rainy Day” fund was established and maintained to protect essential County programs against unforeseen emergencies and economic downturns. The Reserve cap should be 10% of on-going locally generated revenue. Transfers of three percent (3%) should be made into the Reserve each year, if feasible, until the 10% cap is met.

When the Reserve cap of 10% is exceeded, the excess may be available for specified one-time purposes such as capital projects, unfunded retiree health obligations, efficiency measures and information technology initiatives. The objective is to avoid on-going commitments with funding that may not be sustainable in an economic downturn.

The County’s “Rainy-Day” fund does not meet the criteria for a stabilization arrangement for reporting the funds as either restricted or committed. As such, the Reserve for “Rainy Day” funds in the amount of $93,271,000 is reported as unassigned fund balance in the General Fund.

20. EXTRAORDINARY ITEMS

First 5 LA (Discretely Presented Component Unit)

On March 24, 2011, the Governor signed Assembly Bill 99 (“AB 99”) into law. AB 99 established the Children and Families Health and Human Services Fund (the “CFHHSF”). As specified in the legislation, the CFHHSF will be used, upon appropriation, by the California State Legislature for health and human services. First 5 LA accrued the AB 99 amount of $424,389,000 as a liability with a corresponding expense at June 30, 2011 as an extraordinary item.

20. EXTRAORDINARY ITEMS-Continued

First 5 LA (Discretely Presented Component Unit)-Continued

A lawsuit was filed by First 5 LA against the State challenging that the AB 99 violates the intent of Proposition 10. Several Counties joined the suit against the State and in November 2011, a Fresno Superior Court judge found AB 99 invalid. As a result, the AB 99 liability reflected in the First 5 LA statement of net assets as of June 30, 2011 in the amount of $424,389,000 was reversed, a corresponding extraordinary item was recognized in FY 2011-2012, and net assets for this matter were restored in the government-wide financial statements.

Community Development Commission

On December 29, 2011, the California Supreme Court upheld Assembly Bill x1 26 (AB x1 26) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the County's Community Development Commission (CDC) that previously had reported a redevelopment agency.

AB x1 26 provides that upon the dissolution of the redevelopment agency, either CDC or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On February 21, 2012, the Board of Supervisors assigned CDC to become the Successor Agency for the County's former redevelopment agency.

All redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in the governmental funds of the CDC Nonmajor Special Revenue fund. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in the financial statements in the CDC Private-Purpose Trust Fund.

The transfer of assets and liabilities of the former redevelopment agency as of February 1, 2012 from governmental funds of CDC to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was reported in the CDC Private-Purpose Trust Fund as an extraordinary gain. Total extraordinary loss reported in the governmental funds and government-wide financial statements amounted to $6.3 million.

21. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 2, 2012, the County issued $300,000,000; $400,000,000; and $400,000,000 in 2012-2013 TRANS Series A, B, and C, respectively, which will mature on the following dates: February 28, 2013, March 29, 2013, and June 28, 2013, respectively. The TRANS are collateralized by taxes and other revenues attributable to the 2012-2013 fiscal year and were issued in the form of Fixed Rate Notes at effective interest rates of 0.18%, 0.19%, and 0.20%, respectively.

21. SUBSEQUENT EVENTS-Continued

Tax-Exempt Commercial Paper

On September 6, 2012, the Los Angeles County Capital Asset Leasing Corporation issued an additional $30,000,000 in tax-exempt commercial paper with an initial average rate of 0.180%. Also, on November 26, 2012, the Corporation issued an additional $25,000,000 in tax-exempt commercial paper with an initial average rate of 0.244%. The proceeds are being used to fund capital requirements of various capital projects. The commercial paper notes are secured by a long-term lease of County real estate and a letter of credit.

California Public Employees' Pension Reform Act of 2013

On September 12, 2012, AB 340, known as the California Public Employees' Pension Reform Act of 2013 (PEPRA), was signed into law by Governor Brown. PEPRA takes effect January 1, 2013. LACERA and the County of Los Angeles are working together to thoroughly analyze the complex legislation's impact on the County of Los Angeles and its employees.

Public Works Financing Authority - Lease Revenue Bonds Series 2012

On October 10, 2012, the authority issued $339,410,000 in lease revenue bonds, maturing from 2013 to 2033, with yields ranging from 0.40% to 3.5%. Proceeds from the sale of the bonds will be used to finance and/or refinance various capital improvements projects.

County Assessor

On October 17, 2012, certain members of the Office of the Assessor, including the elected Assessor, were arrested by the Los Angeles County District Attorney in connection with assessed property value reductions allegedly extended to the Assessor's campaign contributors and would-be contributors. The investigations are not focused on the day-to-day operations of the Office of the Assessor and are not expected to have a material financial impact on the County's financial statements.

Significant Contractual Commitments

In November 2012, the Board of Supervisors approved and authorized approximately $720 million in various contractual commitments to be financed by bonds and commercial paper. The committed projects approved by the Board included the $367 million for an Electronic Health Record System, $176 million for the San Fernando Valley Family Support Center Project and $177 million for the Rancho Seismic Retrofit Compliance and Inpatient Consolidation Project.

Capital Asset Leasing Corporation Lease Revenue Bond Anticipation Notes

On December 5, 2012, the Corporation issued a $10,000,000 Bond Anticipation Note with an initial interest rate of 0.632%. 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, 2015. Proceeds of the notes are being used to purchase equipment. The notes are to be paid from the proceeds of lease revenue bonds.

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)
June 30, 2009	$39,541,865	$ 44,468,636	$ 4,926,771	88.9%	$ 6,547,616	75.2%
June 30, 2010	38,839,392	46,646,838	7,807,446	83.3%	6,695,439	116.6%
June 30, 2011	39,193,627	48,598,166	9,404,539	80.6%	6,650,674	141.4%

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Schedule of Funding Progress-Other Postemployment Benefits
(Dollar amounts in thousands)

Retiree Health Care

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (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%
July 1, 2010	0	22,939,800	22,939,800	0%	6,695,439	342.62%

Long-Term Disability

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%
July 1, 2011	0	1,018,898	1,018,898	0%	6,695,439	15.22%

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA)				
U.S. Agency For International Development				
Direct Program				
International Search and Rescue Operations	98.001			$ 57,153
Total U.S. Agency for International Development				57,153
U.S. Department of Agriculture				
Passed Through the California Department of Education				
Child Nutrition Program - School Breakfast	10.553	(2)		1,435,486
Child Nutrition Program - School Lunch	10.555	(2)		2,229,068
Summer Food Service Program for Children	10.559	(2)	CN110428	58,192
Summer Food Service Program for Children	10.559	(2)		599,606
Subtotal Child Nutrition Cluster (10.553, 10.555, 10.559)				4,322,352
Passed Through the California Department of Food and Agriculture				
Pest Detection Emergency Program	10.025		11-8520-1399-CA	1,673,811
Pest Exclusion/Dog Teams Program	10.025		11-8520-1165-CA	551,755
Glassy Winged Sharpshooter (GWSS)	10.025		11-8500-0484-CA	279,412
Sudden Oak Death (SOD) Program	10.025		11-8523-0572-CA	100,720
Subtotal 10.025				2,605,698
Senior Farmer's Market Program	10.576			110,200
Passed Through the California Department of Public Health				
Nutrition Program - Network for a Healthy California	10.561	(1)	11-10233	1,652,802
Passed Through the California Department of Social Services				
Supplemental Nutrition Assistance Program (SNAP) - Administration (CalFresh)	10.561	(1)	5180	179,154,878
Subtotal SNAP Cluster (10.561)				180,807,680
Total U.S. Department of Agriculture				187,845,930
U.S. Department of Defense				
Direct Program				
Procurement Technical Assistance	12.002			219,639
Total U.S. Department of Defense				219,639
U.S. Department of Education				
Direct Program				
Supplemental Educational Opportunity Grants	84.007	(16)		14,045
Pell Grants	84.063	(16)		233,019
Passed Through the Los Angeles Unified School District				
Safe School-Healthy Students Grant	84.184		1200196	94,588
Passed Through the California Department of Alcohol and Drugs				
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
Total U.S. Department of Education				491,652

See legend on page 128 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

(Continued)

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA)			
U.S. Department of Health and Human Services			
Direct Program			
Public Health Preparedness and Response for Bioterrorism	93.069		$ 21,020,585
Public Health Emergency Response Phase III	93.069		9,608,743
Subtotal 93.069			30,629,328
Emergency System for Advance Registration of Volunteer Health Professionals	93.089		204,271
Child Mental Health Initiative Grant	93.104		302,608
Tuberculosis/Centers for Disease Control Cooperative Agreement	93.116		4,729,100
Active Varicella Surveillance and Epidemic Studies	93.185		231,054
Integrated Behavioral Health and Primary Care Program	93.243	(20)	286,891
Adult Drug Court Program (SAMHSA)	93.243	(20)	123,410
Project ABC Family Wellness Network	93.243	(20)	1,122,751
Subtotal 93.243			1,533,052
State Epidemiology and Lab Surveillance Responses	93.283	(21)	402,548
Adult Viral Hepatitis Prevention Coordinator	93.283	(21)	133,579
Los Angeles County Sodium Reduction Initiative (LACSRI)	93.283	(21)	365,402
Los Angeles County DOH-EPI and Lab Capacity	93.283	(21)	307,398
Subtotal 93.283			1,208,927
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507		1,315,195
Patient Protection and Affordable Care Act (PPACA)	93.521		828,475
Enhanced HIV Prevention Planning and Implementation	93.523		2,054,503
Community Transformation Grant	93.531		1,211,446
Diligent Recruitment of Families for Children in the Foster Care (FC) System	93.652		117,742
Bioterrorism Hospital Preparedness Program	93.889		11,333,253
HIV Emergency Relief Project Grant	93.914	(25)	42,260,075
Minority AIDS Initiative (MAI)	93.914	(25)	3,063,193
Subtotal 93.914			45,323,268
Scholarships for Disadvantaged Students	93.925	(16)	15,460
HIV Prevention Project	93.940	(26)	11,935,115
Expanded and Integrated HIV Testing for Populations	93.940	(26)	730,242
National HIV Behavioral Surveillance	93.940	(26)	519,330
Subtotal 93.940			13,184,687
Enhanced HIV/AIDS Surveillance for Perinatal Prevention	93.941		47,552
PS09-007 Evaluating Locally-Developed Homegrown HIV Prevention Interventions	93.941		257,490
Subtotal 93.941			305,042
HIV AIDS Surveillance and Seroprevalence	93.944		2,479,942
Morbidity and Risk Behavior Surveillance	93.944		529,539
Subtotal 93.944			3,009,481
Comprehensive Sexually Transmitted Disease (STD) Preventions Systems	93.977	(27)	3,621,886
STD Surveillance Network	93.977	(27)	112,418
Comprehensive STD Prevention Systems	93.977	(27)	6,410
Subtotal 93.977			3,740,714

See legend on page 128 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

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COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA)				
Passed Through the Association of Public Health Laboratories				
Tuberculosis (TB) Nucleic Acid Amplification Testing (NAAT)	93.065			$ 11,467
Passed Through the California Family Health Council				
Family Planning	93.217			839,101
Passed Through the Council of State and Territorial Epidemiologist (CSTE)				
Influenza Incidence Surveillance Project	93.283	(21)	5U38HM000414	161,025
Passed Through the Health Research Association, Inc.				
Teenage Pregnancy Prevention Program	93.297			159,543
Integrated, Multi-Level Interventions to Improve Adolescent Health	93.977	(27)		85,227
Passed Through the University of California, Los Angeles				
Effectiveness of Peer Navigation to Link Released HIV / Jail Inmates to HIV Care	93.279			287,226
Passed Through the California Department of Aging				
Title VII - Elder Abuse Prevention	93.041		AP1112-19	86,495
Title VII - Ombudsman	93.042		AP1112-19	138,051
Area Agency on Aging III D	93.043		AP1112-19	385,745
Area Agency on Aging III B	93.044	(9)	AP1112-19	5,651,485
Area Agency on Aging III C-I	93.045	(9)	AP1112-19	6,071,748
Area Agency on Aging III C-II	93.045	(9)	AP1112-19	4,586,157
Subtotal 93.045				10,657,905
Area Agency on Aging Title III E	93.052		AP1112-19	2,197,675
Area Agency on Aging III USDA CI	93.053	(9)	AP1112-19	930,853
Area Agency on Aging III USDA CII	93.053	(9)	AP1112-19	653,870
Area Agency on Aging - 2nd Medicare Improvements for Patients Providers Act (2 MIPPA)	93.518		2M-1011-19	123,278
Area Agency on Aging - Health Insurance Counseling and Advocacy Program (HICAP)	93.779		HI-1112-19	392,259
Area Agency on Aging - 2nd Health Insurance Counseling Advocacy Program (HICAP)	93.779		2M-1011-19	5,368
Subtotal 93.779				397,627
Passed Through the California Department of Alcohol and Drugs				
Co-Occurring Disorders Court Program Enhancement	93.243	(20)		127,614
Federal Drug Medi-Cal (Prenatal and Drug) FMAP	93.778	(14) (24)		4,830,083
Alcohol Block Grant	93.959			37,504,056
Federal Female Offender	93.959			294,098
New Prenatal Set - Aside	93.959			3,704,368
Substance Abuse Block Grant New HIV Set - Aside	93.959			4,600,928
Substance Abuse Prevention and Treatment Block Grant Adolescent Treatment	93.959			1,601,498
Substance Abuse Prevention and Treatment Set-Aside	93.959			12,886,442
Subtotal 93.959				60,591,390
Passed Through the California Department of Child Support Services				
Child Support Enforcement Title IV D	93.563			111,085,777

See legend on page 128 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

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COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA)				
Passed Through the California Department of Community Services and Development				
Community Services Block Grant (CSBG) 11F-4222 (Note 5)	93.569	(12)	11-F4222	$ 4,601,399
Community Services Block Grant 12F-4421 (Note 5)	93.569	(12)	12F-4421	1,641,908
Community Services Block Grant American Indian 12F-4458 (Note 5)	93.569	(12)	12F-4458	139,678
Community Services Block Grant American Indian 11F-4260 (Note 5)	93.569	(12)	11F-4260	247,580
Subtotal 93.569				6,630,565
Passed Through the California Department of Education				
Child Care Salary Retention Incentive Program	93.575	(13)		2,752,612
Local Child Care Planning and Development Council (LCCPDC)	93.575	(13)		188,779
Child Day Care Program	93.596	(13)	CAPP-1029	7,372,504
Subtotal CCDF Cluster (93.575, 93.596)				10,313,895
Passed Through the California Department of Health Care Services				
Medi-Cal Administrative Activities (MAA)	93.778	(14) (24)	04-35096	10,463,020
Medi-Cal Eligibility Determination	93.778	(14) (24)	4260	188,069,402
Child Health and Disability Program	93.778	(14) (24)	75-0512-0-1-551	5,067,875
Health Care Program Children in Foster Care	93.778	(14) (24)	75-0512-0-1-551	7,103,957
Subtotal 93.778				210,704,254
Passed Through the California Department of Mental Health				
McKinney Homeless Act Program	93.150			2,136,230
Mental Health Services: Block Grant	93.958			14,422,914
Passed Through the California Department of Public Health				
Immunization Calendar Year	93.268	(10)	11-10878	5,439,135
Refugee Preventive Health Program	93.576	(22)	11-70-90841-00	40,821
Health Facilities Inspection	93.777	(14)	11-10670	17,029,082
Minority AIDS Initiative (MAI)	93.914	(25)		50,705
HIV Care Program	93.917			8,901,794
HIV Prevention Program	93.940	(26)		719,238
Refugee Preventive Health Services	93.978		10-70-90840-00	2,005,336
Maternal and Child Health	93.994		2011-19	2,198,145
Passed Through the California Department of Social Services				
Kinship Guardianship Assistance Payment Program (KIN-GAP) Title IV-E	93.090		CFL 11/12-07	10,653,391
Promoting Safe and Stable Families Program (PSSF)	93.556		CFL 11/12-11 & 13	8,543,950
Calworks - Family Group/Unemployed Parent (FG/U) Assistance	93.558	(11)	5180	421,732,620
Calworks Legal Immigrants (Medi-Cal)	93.558	(11)	5180	10,719,474
Calworks Diversion - Federal	93.558	(11)	5180	17,754
Calworks Fraud Incentives	93.558	(11)	5180	15,166
Calworks Single	93.558	(11)	5180	414,142,900
Temporary Assistance for Needy Families (TANF)	93.558	(11)	CFL 11/12-18	55,603,744
Subtotal 93.558				902,231,658
Refugee Resettlement	93.566		5180	2,982,637
Refugee Employment Social Services	93.566		5180	1,986,588
Subtotal 93.566				4,969,225
Older Refugee Discretionary Grant	93.576	(22)	5180	242,110
Refugee Targeted Assistance Program	93.584		5180	3,014,924
Children's Welfare Services IV B (Direct Cost)	93.645		CFL 11/12-18	8,452,175

See legend on page 128 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

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COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA)				
California Partnership for Permanency (CAPP)	93.648		MOU 10-6078	$ 614,555
Aid to Families with Dependent Children - FC - Administration and Assistance	93.658		CFL 11/12-18	155,060,222
Foster Care Title IV-E	93.658		CFL 11/12-18	255,910,048
Foster Parent Training	93.658		CFL 11/12-18	149,321
Foster Family Licensing	93.658		CFL 11/12-10	308,087
Group Home Month Visits / County Welfare Department (CWD)	93.658		CFL 11/12-18	2,019,182
Child Welfare Services Outcome Improvement Project (Cohort 1)	93.658		CFL 11/12-18	1,648,451
Subtotal 93.658				415,095,311
Adoptions - Administration and Assistance	93.659	(23)	CFL 11/12-18	122,701,033
Children's Welfare Services Title XX	93.667		CFL 11/12-18	35,992,000
Independent Living Skills - Children's Services	93.674		CFL 11/12-15	7,193,102
In Home Supportive Services - Personal Care Services Program Health Related	93.778	(14) (24)	4260	58,376,692
Adult Protective Services/County Services Block Grant	93.778	(14) (24)	5180	24,307,110
Children's Welfare Services XIX (Health Reel)	93.778	(14) (24)	CFL 11/12-18	36,898,641
Subtotal 93.778				119,582,443
Passed Through the California Emergency Management Agency				
Children Exposed to Domestic Violence Specialized Response Program (CEDV)	93.643			205,063
Passed Through the California Secretary of State				
Help America Vote Act Section 261 Voting Access for Individuals with Disabilities	93.617			35,990
Total U.S. Department of Health and Human Services				2,240,798,087
U.S. Department of Homeland Security				
Direct Program				
Urban Search and Rescue	97.025			63,373
Urban Search and Rescue 2010 SR-24-K045	97.025			194,857
Urban Search and Rescue 2011 CA-K00078-S01	97.025			27,177
Subtotal 97.025				285,407
Assistance to Firefighters Grant (AFG) 09	97.044			5,704
Assistance to Firefighters Grant (AFG) 10	97.044			121,777
Fire Prevention and Safety Grant (FP&SG) 10	97.044			44,574
Subtotal 97.044				172,055
TSA National Explosives Detection Canine Team Program	97.072			597,693
Passed Through the United Way				
Emergency Food and Shelter National Board Program	97.024	(15)	LRO ID 069500-009	25,158
Passed Through the California Department of Boating and Waterways				
Boating and Waterways 10	97.012		204-799	47,569
Boating and Waterways-Marina Del Rey/ Santa Monica Bay	97.012			79,263
Subtotal 97.012				126,832

See legend on page 128 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

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COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA)				
Passed Through the California Emergency Management Agency				
Earthquake (Northridge)	97.036		037-00000	$ 21,283
2005 Winterstorms	97.036		037-00000	1,734,693
2005 Winterstorms #2	97.036		037-00000	782,731
2008 Wildfires	97.036		037-00000	2,671,051
2010 Winterstorms	97.036		037-00000	110,204
Subtotal 97.036				5,319,962
2010 Emergency Management Performance Grant	97.042		037-00000	999,421
2011 Emergency Management Performance Grant	97.042		037-00000	11,251
Subtotal 97.042				1,010,672
State Homeland Security Program 08	97.067	(28)	037-00000	18,266,824
State Homeland Security Program 08	97.067	(28)	037-00000	384,820
State Homeland Security Program 09	97.067	(28)	037-00000	3,433,190
State Homeland Security Program 09	97.067	(28)	037-00000	851,700
State Homeland Security Program 10	97.067	(28)	037-00000	127,919
State Homeland Security Program 11	97.067	(28)	037-00000	16,019
Subtotal 97.067				23,080,472
Transit Security Grant Program Supplemental	97.075			204,158
Buffer Zone Protection Program 07	97.078		037-00000	30,898
Buffer Zone Protection Program 08	97.078		037-00000	543,949
Buffer Zone Protection Program 09	97.078		037-00000	66,640
Buffer Zone Protection Program 10	97.078		037-00000	16,976
Subtotal 97.078				658,463
Passed Through CalEMA/CaliforniaVolunteers				
Disaster Corps Grant 10	97.067	(28)	037-00000	116,108
Passed Through the City of Los Angeles				
Urban Area Security Initiative 09	97.067	(28)	037-95050	884,853
Urban Area Security Initiative 06	97.067	(28)	037-95050	950,916
Urban Area Security Initiative 09	97.067	(28)	037-95050	246,004
Urban Area Security Initiative 08	97.067	(28)	037-95050	755,605
Urban Area Security Initiative 08	97.067	(28)	037-95050	1,070,900
Urban Area Security Initiative 09	97.067	(28)	037-95050	5,004,975
Urban Area Security Initiative 08	97.067	(28)	037-95050	5,745,000
Urban Area Security Initiative 09	97.067	(28)	037-95050	6,580,541
Urban Area Security Initiative 10	97.067	(28)	037-95050	208,204
Subtotal 97.067				21,563,106
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111			27,891
Regional Catastrophic Preparedness Grant Program (RCPGP) 09	97.111			36,475
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111			56,981
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111			713,403
Subtotal 97.111				834,750
Total U.S. Department of Homeland Security				53,878,728

See legend on page 128 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

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COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Federal Grantor/ Pass Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA)				
U.S. Department of Housing and Urban Development (HUD)				
Direct Program				
Homeless Foster Youth Program (HFYP)	14.235			$ 1,908,444
Economic Development Initiative (EDI)	14.251			136,978
Charles White Park Planning Project	14.251			48,156
Subtotal 14.251				185,134
Passed Through the Los Angeles County Community Development Commission				
Community Development Block Grant - Santa Clarita Service Center	14.218	(3)		10,000
Project Star (Studying, Tutoring, and Reading)	14.218	(3)		72,443
Project Star (La Puente/Graham Library)	14.218	(3)		51,880
Hacienda Heights Community Recreation Program	14.218	(3)	F96411	26,995
Burke's Club Drug Prevention and Gang Intervention	14.218	(3)	F96228	110,808
Adventure Park Recreation Program	14.218	(3)	F96410	63,927
Amigo Park Mobile Recreation Program	14.218	(3)	F96409	22,999
Pathfinder Senior Recreation Program	14.218	(3)	F98415	13,300
Loma Alta Park Recreation Program	14.218	(3)	600475	25,955
Pamela Park Recreation Program	14.218	(3)	600482	27,611
Pearblossom Park Recreation Program	14.218	(3)	600483	27,640
Valleydale Park After-School Program	14.218	(3)	601346	28,521
Community Development Block Grant	14.218	(3)		142,180
Community Code Enforcement East Los Angeles-1st District	14.218	(3)		492,011
Community Code Enforcement 4th District	14.218	(3)		35,000
Homeowners Fraud Prevention Program	14.218	(3)	FP96227-11	45,600
Fraud Prevention For Senior and Families	14.218	(3)	600978-11	97,312
Rowland Heights Youth Athletic League Program-Carolyn Rosas Park	14.218	(3)		34,561
Century Station Code Enforcement Project	14.218	(3)		199,911
Subtotal 14.218				1,528,654
Economic Development Initiative (EDI) (South Health Center Replacement Project)	14.246			683,733
Section 108 Loan Guarantees (South Health Center Replacement Project)	14.248			683,733
Total U.S. Department of Housing and Urban Development (HUD)				4,989,698
U.S. Department Of Interior				
Direct Program				
National Rec Area Vac Lot Weeding	15.230			3,325
Rural Fire Assistance Agreement 09	15.242		H8140100023	16,856
Passed Through the California Department of Parks and Recreation				
Land and Water Conservation Fund - Cold Creek High Trail	15.916		06-01669	126,345
Total U.S. Department of Interior				146,526
U.S. Department of Justice				
Direct Program				
Office of Juvenile Justice and Delinquency Prevention Act (Adam Schiff)	16.541			132,956
2009 Earmarks Programs	16.541			62,537
Altadena Youth Activities League Congressional Earmark Program	16.541			23,959
Subtotal 16.541				219,452

See legend on page 128 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

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COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Federal Grantor/ Pass Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA)				
Forensic Science Training Development and Delivery Program	16.560			$ 134,610
2009 Solving Cold Cases with DNA	16.560			37,064
DNA Technology to Identify the Missing	16.560			88,802
Congressionally Directed Awards - Rape Kit Reduction Program	16.560			360,566
Subtotal 16.560				621,042
Adult Drug Court Discretionary Grant Program	16.585			103,063
Adult Drug Court Program (BJA)	16.585			25,592
Subtotal 16.585				128,655
State Criminal Alien Assistance Program (SCAAP) (Note 4)	16.606			9,879,073
Bulletproof Vest Partnership Program	16.607			188,814
RCPI Integrity/Public Trust Initiative	16.710			45,271
Cops Secure our Schools Program	16.710			76,622
Subtotal 16.710				121,893
Gang Resistance, Education and Training	16.737			44,692
Forensic DNA Backlog Reduction Program 10	16.741			438,663
DNA Backlog Reduction Program 11	16.741			480,763
Subtotal 16.741				919,426
Paul Coverdell Forensic	16.742	(18)		167,875
Justice and Mental Health Collaboration Program 09	16.745			86,462
Counterfeit and Piracy Enforcement Team Program (CAPE)	16.751			39,553
Counterfeit and Piracy Enforcement Team Program (CAPE) 11	16.752			152,984
2009 Congressionally Selected Awards Program - Advanced Surveillance and Protection (ASAP)	16.753			670
2010 Congressionally Selected Awards Program - Gang Coplink Project	16.753			8,560
Subtotal 16.753				9,230
Southwest Border Prosecution Initiative (SWBPI) (Note 4)	16.755			4,875,486
Second Chance Act Adult and Juvenile Offender Reentry Demonstration Projects Grant	16.812			312,653
Asset Seizure and Forfeiture	16.922			6,681,761
Passed Through the City of Los Angeles				
Gang Reduction and Community Engagement Project (GRACE) (JAG) 09	16.738	(4) (17)		159,488
Jail Overcrowding Reduction Program (JAG) 09	16.738	(4) (17)		16,939
Drug Court Treatment (JAG) 09	16.738	(4) (17)		324,000
Youth Activities League (JAG) 09	16.738	(4) (17)		35,000
School Resource Deputy Program-Rosemont Middle School (JAG) 09	16.738	(4) (17)		25,000
Patrol Services (JAG) 07,09	16.738	(4) (17)		26,388
Cops Bureau (JAG) 09	16.738	(4) (17)		31,081
School Based Education Program (JAG) 09,10	16.738	(4) (17)		254,476
Alternative Sentencing Program (JAG)10	16.738	(4) (17)		208,000
JAG City Clear Foothill	16.738	(4) (17)		86,471
JAG City Clear Various Sites	16.738	(4) (17)		697,288
Community Law Enforcement and Recovery (CLEAR) (JAG)	16.738	(4) (17)	C-118495	(89,695)
JAG City Clear	16.738	(4) (17)		572,741
Subtotal 16.738				2,347,177

See legend on page 128 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

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COUNTY OF LOS ANGELES
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Federal Grantor/ Pass Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA)				
Passed Through the California Department of Corrections and Rehabilitation				
Juvenile Accountability Block Grant	16.523		161-11	$ 525,462
Juvenile Accountability Block Grant	16.523		CSA183-09AMYVPT	37,518
Juvenile Accountability Block Grant	16.523			549,495
Subtotal 16.523				1,112,475
Disproportionate Minority Contact Support Project	16.540		CSA338-11	117,844
Title II Formula Block Grant	16.540		CSA382-11	166,621
Subtotal 16.540				284,465
Passed Through the California Emergency Management Agency				
Victim Witness Assistance Program (VWAP)	16.575			1,729,402
Underserved Victim Advocacy and Outreach Program (UV)	16.575			125,000
Subtotal 16.575				1,854,402
Stalking and Threat Assessment Team (STAT)	16.588			188,634
Lancaster Domestic Violence Program	16.588			116,178
Subtotal 16.588				304,812
Residential Substance Abuse Treatment	16.593			170,330
JAG Comprehensive Drug Court Implementation Program	16.738	(4) (17)		525,000
JAG Clearinghouse Electronic Surveillance System	16.738	(4) (17)		299,640
JAG Anti-Drug Abuse (ADA) Enforcement Team Program	16.738	(4) (17)		348,278
Subtotal 16.738				1,172,918
Paul Coverdell Forensic	16.742	(18)		157,308
Coverdell Forensic Sciences Improvement Act Program 10	16.742	(18)		246,598
Subtotal 16.742				403,906
Total U.S. Department of Justice				32,099,536
U.S. Department of Labor				
Passed Through the California Department of Aging				
Older American Title V Project	17.235		TV1112-19	64,148
Title V Senior Community Services Employment Program (SCSEP)	17.235		AA-0910-19	64,312
Older American Title V Project	17.235		TV1112-19	2,266,215
Subtotal 17.235				2,394,675
Passed Through the California Employment Development Department				
Workforce Investment Act (WIA) Adult	17.258	(5)	K178664	3,001,869
Workforce Investment Act 15% RDI New Start	17.258	(5)	K178664	310,410
Workforce Investment Act Adult	17.258	(5)	K282479	10,106,497
Workforce Investment Act 15% Incentive	17.258	(5)	K178664	49,000
Workforce Investment Act Youth	17.259	(5)	K178664	3,502,456
Workforce Investment Act Youth	17.259	(5)	K282479	9,841,640
Workforce Investment Act Youth	17.259	(5)	K386301	901,321
Workforce Investment Act Dislocated Worker	17.278	(5)	K178664	500
Workforce Investment Act Rapid Response	17.278	(5)	K178664	12,017
Workforce Investment Act Dislocated Worker	17.278	(5)	K282479	9,701,009
Workforce Investment Act Rapid Response	17.278	(5)	K282479	1,172,460
Subtotal WIA Cluster (17.258, 17.259, 17.278)				38,599,179
Total U.S. Department of Labor				40,993,854

See legend on page 128 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

(Continued)

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA)				
U.S. Department of Transportation				
Direct Program				
Vacant Lot Clearance-Federal Aviation	20.106			$ 2,871
Airport Improvement Program	20.106			2,163,855
Subtotal 20.106				2,166,726
Passed Through the Los Angeles Metropolitan Transportation Authority				
Job Access and Reverse Commute (JARC)	20.516	(7)	CA-57-X123	5,652
Passed Through the California Department of Transportation				
Bridge Retrofit Program	20.205	(6) (19)		6,361,451
Surface Transportation Program (STP)	20.205	(6) (19)		2,492,723
Highway Bridge Rehabilitation	20.205	(6) (19)		5,550,228
Hazard Elimination Safety	20.205	(6) (19)		6,812
1998/1999 Demonstration	20.205	(6) (19)		92,846
Transportation Enhancement Activities	20.205	(6) (19)		2,488,838
Congestion Mitigation and Air Quality Program	20.205	(6) (19)		281,324
Emergency Relief Program	20.205	(6) (19)		5,656,346
Transportation, Community and System Preservation	20.205	(6) (19)		135,319
Highway Safety Improvement Program (HSIP)	20.205	(6) (19)		532,267
Federal Safe Routes to School (SRTS)	20.205	(6) (19)		119,267
Subtotal Highway Planning and Construction Cluster (20.205)				23,717,421
Public Transportation for Non Urbanized Areas	20.509			416,375
Passed Through the California Emergency Management Agency				
Hazardous Materials Emergency Preparedness Grant 10	20.703			26,236
Hazardous Materials Emergency Preparedness Grant 11	20.703			12,068
Subtotal 20.703				38,304
Passed Through the California Office of Traffic Safety				
Traffic Enforcement and Collision Reduction Program	20.600	(8)		441,244
Selective Traffic Enforcement Program - General Funds	20.600	(8)		139,811
Subtotal Highway Safety Cluster 20.600				581,055
Office of Traffic and Safety Program Driving Under the Influence	20.608		20812	264,017
Selective Traffic Enforcement Program - Alcohol Funds	20.608			232,886
Passed Through the California Office of Traffic Safety/ University of California, Berkeley				
Sobriety Checkpoint Mini-Grant Program 11	20.608			8,729
Subtotal 20.608				505,632
Total U.S. Department of Transportation				27,431,165
U.S. Election Assistance Commission				
Passed Through the California Secretary of State				
Help America Vote Act Section 301 Voting Systems Program	90.401			1,084,413
Total U.S. Election Assistance Commission				1,084,413

See legend on page 128 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

(Continued)

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF NON AMERICAN RECOVERY AND REINVESTMENT ACT (Non-ARRA)			
U.S. Environmental Protection Agency			
Direct Program			
Fish Contamination Inspection, Outreach and Education (Toxics Epidemiology)	66.802		$ 112,129
Fish Contamination Inspection, Outreach and Education (Environmental Health)	66.802		3,812
Subtotal 66.802			115,941
Passed Through the California Department of Public Health			
Safe Drinking Water State Revolving Fund	66.468		5,582,669
Total U.S. Environmental Protection Agency			5,698,610
U.S. Executive Office of the President			
Direct Program			
High Intensity Drug Traffic (HIDTA)	95.001		111,426
Total U.S. Executive Office of the President			111,426
U.S. Institute of Museum and Library Services			
Direct Program			
Lifelong Learning Center at Pico Rivera Library	45.312		10,458
Community and Family Place -San Gabriel Library	45.312		8,961
Subtotal 45.312			19,419
Passed Through the California State Library			
California State Library's Family Place Initiative	45.310		51,501
Implementing a Recareering Program in the Public Library (Transforming Life After 50 Grant)	45.310		4,113
Sustainable Living Educational Fairs at Agoura Hills and East Rancho Dominguez Libraries	45.310		5,000
Lawndale Lifestyle - 24/7 Access to Healthy Living for Kids, Teens, and Adults	45.310		4,974
A Focus on Teen Bullying: A Library Prevention and Awareness Program	45.310		4,975
Subtotal 45.310			70,563
Total U.S. Institute of Museum and Library Services			89,982
Subtotal Non American Recovery and Reinvestment Act (Non-ARRA) Schedule of Expenditures of Federal Awards			$ 2,595,936,399

See legend on page 128 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

(Continued)

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)				
U.S. Department Of Education				
Passed Through the Children, Youth and Family Collaborative				
ARRA Investing in Innovation (i3) Fund Grant	84.411		CYF001 & 2	$ 36,594
Total U.S. Department of Education				36,594
U.S. Department of Energy				
Direct Program				
ARRA-Energy Efficiency and Conservation Block Grant	81.128			5,103,438
ARRA-Energy Efficiency and Conservation Block Grant-Better Buildings	81.128			8,145,397
Subtotal 81.128				13,248,835
Total U.S. Department of Energy				13,248,835
U.S. Department of Health and Human Services				
Direct Program				
ARRA-Pneumococcal Conjugate Vaccine (PCV-13)	93.712	(10)		95,746
ARRA-Varicella Active Surveillance Project	93.712	(10)		45,738
Subtotal 93.712				141,484
ARRA-Category A: Communities Putting Prevention to Work	93.724			8,733,836
ARRA-Category B: Tobacco Prevention and Control	93.724			10,525,466
Subtotal 93.724				19,259,302
Passed Through the California Health and Human Services Agency/ Cal eConnect				
ARRA-Health Information Exchange (HIE) Expansion Grant	93.719			607,441
Passed Through the California Department of Health Care Services				
ARRA-Targeted Case Management (TCM) FMAP	93.778	(14) (24)	19-0712	52,253
Passed Through the California Department of Social Services				
ARRA-Adoptions-Administration and Assistance FMAP (Note 7)	93.659	(23)	CA800	(29,126)
ARRA-Temporary Assistance Needy Families (TANF) Emergency Contingency Fund (ECF) (Note 7)	93.714	(11)	5180	(711,442)
Total U.S. Department of Health and Human Services				19,319,912
U.S. Department of Homeland Security				
Direct Program				
ARRA-Assistance to Firefighters Fire Station Construction Grant	97.115			2,797,529
ARRA-Port Security Grant Program (PSGP)	97.116			602,205
Total U.S. Department of Homeland Security				3,399,734
U.S. Department of Housing and Urban Development (HUD)				
Passed Through the Los Angeles County Community Development Commission				
ARRA-Roosevelt Park ADA Improvements Project	14.253	(3)	REC069	291,410
ARRA-Community Development Block Grant Recovery	14.253	(3)		340,546
Subtotal 14.253				631,956
ARRA-Homelessness Prevention and Rapid Re-Housing Program (HPRP)	14.257			1,296,505
ARRA-Homelessness Prevention and Rapid Re-Housing Program (HPRP)	14.257		HPRP20-0+9	550,282
Subtotal 14.257				1,846,787
Total U.S. Department of Housing and Urban Development (HUD)				2,478,743

See legend on page 128 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

(Continued)

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)		Pass-Through Entity ID No. (Note A)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)				
U.S. Department of Justice				
Passed Through the City of Los Angeles				
ARRA-Internet Crimes Against Children (ICAC) Task Force Program	16.800			$ 28,745
ARRA-Jail Overcrowding Reduction Program (JAG) 09	16.804	(4)		36,000
ARRA-L.A. Regional Interoperable Communications System (LA-RICS)	16.804	(4)		588,279
ARRA-JAG City Clear 77th Street	16.804	(4)		79,062
ARRA-JAG City Clear 77th Street	16.804	(4)		113,330
Passed Through the California Emergency Management Agency				
ARRA-Justice Assistance Grant (JAG) Substance Abuse Offender Treatment Program (OTP)	16.804	(4)		1,169,893
ARRA-Evidence-Based Probation Supervision (EBPS) Program	16.804	(4)	ZP09010190	4,912,367
ARRA-JAG California Multi-Jurisdictional Methamphetamine Enforcement Team (CAL-MMET)	16.804	(4)		1,903
ARRA-Regional Anti-Gang Intelligence-Led Policing Grant 09	16.804	(4)		75,651
Subtotal 16.804				6,976,485
Passed Through California Emergency Management Agency/ Superior Court of California-County of Los Angeles				
ARRA-Women's Re-Entry Court Recovery Act Program	16.803	(4)		524,610
Total U.S. Department of Justice				7,529,840
U.S. Department of Labor				
Passed Through the California Employment Development Department				
ARRA-Workforce Investment Act National Emergency Grant on the Job Training (GC 775)	17.260			51,746
Total U.S. Department of Labor				51,746
U.S. Department of Transportation				
Passed Through the California Department of Transportation				
ARRA-Federal Aid Secondary Program	20.205	(6) (19)		705,175
ARRA-Regional Surface Transportation Program	20.205	(6) (19)		2,766,806
ARRA-Transportation Enhancement Program (TEP)	20.205	(6) (19)		4,503
Subtotal 20.205				3,476,484
Total U.S. Department of Transportation				3,476,484
Subtotal American Recovery and Reinvestment Act (ARRA) Schedule of Expenditures of Federal Awards (SEFA)				$ 49,541,888
Total Non-ARRA and ARRA Schedule of Expenditures of Federal Awards				$ 2,645,478,287

See legend on page 128 for CFDA No. Cluster Summary and Note A.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

(Continued)

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Legend		Amounts
(1)	SNAP Cluster	$ 180,807,680
(2)	Child Nutrition Cluster	4,322,352
(3)	CDBG - Entitlement Grants Cluster	2,160,610
(4)	JAG Program Cluster	11,021,190
(5)	WIA Program Cluster	38,599,179
(6)	Highway Planning and Construction Cluster	27,193,905
(7)	Transit Services Programs Cluster	5,652
(8)	Highway Safety Cluster	581,055
(9)	Aging Cluster	17,894,113
(10)	Immunization Cluster	5,580,619
(11)	TANF Cluster	901,520,216
(12)	CSBG Cluster	6,630,565
(13)	CCDF Cluster	10,313,895
(14)	Medicaid Cluster	352,198,115
(15)	Emergency Food and Shelter Program Cluster	25,158
(16)	Student Financial Assistance Cluster	262,524
(17)	Total for CFDA# 16.738 - Edward Byrne Memorial Justice Assistance Grant (JAG) Program	3,520,095
(18)	Total for CFDA# 16.742 - Paul Coverdell Forensic Sciences Improvement Grant Program	571,781
(19)	Total for CFDA# 20.205 - Highway Planning and Construction	27,193,905
(20)	Total for CFDA# 93.243 - Substance Abuse and Mental Health Services-Projects of Regional and National Significance	1,660,666
(21)	Total for CFDA# 93.283 - Centers for Disease Control and Prevention-Investigations and Technical Assistance	1,369,952
(22)	Total for CFDA# 93.576 - Refugee and Entrant Assistance-Discretionary Grants	282,931
(23)	Total for CFDA# 93.659 - Adoption Assistance	122,671,907
(24)	Total for CFDA# 93.778 - Medical Assistance Program	335,169,033
(25)	Total for CFDA# 93.914 - HIV Emergency Relief Project Grants	45,373,973
(26)	Total for CFDA# 93.940 - HIV Prevention Activities-Health Department Based	13,903,925
(27)	Total for CFDA# 93.977 - Preventive Health Services Sexually Transmitted Diseases Control Grants	3,825,941
(28)	Total for CFDA# 97.067 - Homeland Security Grant Program	44,643,578

Note A - 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 $372,513,952 and $483,325 respectively, in federal awards, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2012. The CDC engaged other auditors to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* First 5 LA did not meet the minimum threshold of $500,000 and, therefore, was not subject to an OMB A-133 audit. 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 presently 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 Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. 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	Supplemental Nutrition Assistance Program (SNAP) - Administration (CalFresh)
14.235	Homeless Foster Youth Program (HFYP)
14.257	ARRA-Homelessness Prevention and Rapid Re-Housing Program (HPRP)
15.916	Land and Water Conservation Fund-Cold Creek High Trail
16.541	Office of Juvenile Justice and Delinquency Prevention Act (Adam Schiff)
45.310	Sustainable Living Educational Fairs at Agoura Hills and East Rancho Dominguez Libraries
45.310	Lawndale Lifestyle - 24/7 Access to Healthy Living for Kids, Teens, and Adults
45.310	A Focus on Teen Bullying: A Library Prevention and Awareness Program
84.007	Supplemental Educational Opportunity Grants
84.063	Pell Grants
84.411	ARRA-Investing in Innovation (i3) Fund Grant
93.090	Kinship Guardianship Assistance Payment Program (KIN-GAP) Title IV-E
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 – Family Group/Unemployed Parent (FG/U) Assistance
93.558	Calworks Legal Immigrants (Medi-Cal)
93.558	Calworks Diversion – Federal
93.558	Calworks Fraud Incentives
93.558	Calworks Single
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 11F-4222
93.569	Community Services Block Grant 12F-4421

Catalog of Federal Domestic Assistance Number (CFDA#)	Program Name
93.576	Older Refugee Discretionary Grant
93.584	Refugee Targeted Assistance Program
93.596	Child Day Care Program
93.645	Children’s Welfare Services IV B (Direct Cost)
93.648	California Partnership for Permanency (CAPP)
93.652	Diligent Recruitment of Families for Children in the Foster Care (FC) System
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 / County Welfare Department (CWD)
93.658	Child Welfare Services Outcome Improvement Project (Cohort 1)
93.659	Adoptions - Administration and Assistance
93.659	ARRA-Adoptions-Administration and Assistance FMAP
93.667	Children's Welfare Services Title XX
93.674	Independent Living Skills - Children's Services
93.714	ARRA-Temporary Assistance Needy Families (TANF) Emergency Contingency Fund (ECF)
93.719	ARRA-Health Information Exchange (HIE) Expansion Grant
93.778	Medi-Cal Administrative Activities (MAA)
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 (Health Reel)
93.778	ARRA-Targeted Case Management (TCM) FMAP
93.925	Scholarships for Disadvantaged Students
93.958	Mental Health Services: 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
Economic Development Initiative (EDI)	14.251	$ 135,000
Adult Drug Court Program (BJA)	16.585	21,754
JAG Comprehensive Drug Court Implementation Program	16.738	525,000
Southwest Border Prosecution Initiative (SWBPI)	16.755	245,648
Workforce Investment Act (WIA) 15% RDI New Start - K178664	17.258	242,584
Workforce Investment Act Adult - K178664	17.258	3,001,869
Workforce Investment Act Adult - K282479	17.258	8,003,181
Workforce Investment Act Youth - K282479	17.259	7,741,418
Workforce Investment Act Youth - K178664	17.259	3,502,456
Workforce Investment Act Rapid Response - K178664	17.278	12,017
Workforce Investment Act Dislocated Worker - K282479	17.278	7,932,259
Workforce Investment Act Rapid Response - K282479	17.278	795,021
Workforce Investment Act Dislocated Worker - K178664	17.278	500
Subtotal WIA Cluster (17.258, 17.259, 17.278)		31,231,305
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	86,495
Title VII - Ombudsman	93.042	138,051
Area Agency on Aging III D	93.043	383,805

Non-ARRA County Program Title	CFDA #	Amount Provided to Subrecipients
Area Agency on Aging III B	93.044	$ 3,407,776
Area Agency on Aging III C-I	93.045	5,446,074
Area Agency on Aging III C-II	93.045	4,266,048
Area Agency on Aging III USDA CI	93.053	930,853
Area Agency on Aging III USDA CII	93.053	653,870
Subtotal Aging Cluster (93.044, 93.045, 93.053)		14,704,621
Area Agency on Aging Title III E	93.052	1,733,367
Public Health Preparedness and Response for Bioterrorism	93.069	1,158,293
Public Health Emergency Response Phase III	93.069	279,292
Subtotal 93.069		1,437,585
Child Mental Health Initiative Grant	93.104	295,249
Tuberculosis/Centers for Disease Control Cooperative Agreement	93.116	26,551
McKinney Homeless Act Program	93.150	1,270,208
Co-Occurring Disorders Court Program Enhancement	93.243	116,364
Adult Drug Court Program (SAMHSA)	93.243	104,898
Project ABC Family Wellness Network	93.243	969,467
Subtotal 93.243		1,190,729
Effectiveness of Peer Navigation to Link Released HIV / Jail Inmates to HIV Care	93.279	21,117
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507	61,736
Area Agency on Aging – 2nd Medicare Improvements for Patients Providers Act (2 MIPPA)	93.518	104,753
Patient Protection and Affordable Care Act (PPACA)	93.521	377,662
Enhanced HIV Prevention Planning and Implementation	93.523	696,823
Community Transformation Grant	93.531	109,898
Promoting Safe and Stable Families Program (PSSF)	93.556	8,234,183
Calworks Single	93.558	104,496,225
Refugee Employment Social Services	93.566	866,426

COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Non-ARRA County Program Title	CFDA #	Amount Provided to Subrecipients
Community Services Block Grant (CSBG) American Indian 11F-4260	93.569	$ 161,075
Community Services Block Grant 12F-4421	93.569	1,092,402
Community Services Block Grant 11F-4222	93.569	3,291,402
Community Services Block Grant American Indian 12F-4458	93.569	127,107
Subtotal 93.569		4,671,986
Older Refugee Discretionary Grant	93.576	167,382
Refugee Targeted Assistance Program	93.584	2,291,109
Foster Care Title IV-E	93.658	4,454,826
Aid to Families with Dependent Children - FC - Administration and Assistance	93.658	15,913,498
Subtotal 93.658		20,368,324
Independent Living Skills - Children's Services	93.674	2,777,523
Medi-Cal Administrative Activities (MAA)	93.778	847,672
Area Agency on Aging - Health Insurance Counseling and Advocacy Program (HICAP)	93.779	292,989
Bioterrorism Hospital Preparedness Program	93.889	8,428,557
HIV Emergency Relief Project Grant	93.914	25,356,977
Minority AIDS Initiative (MAI)	93.914	2,806,307
Subtotal 93.914		28,163,284
HIV Care Program	93.917	7,994,266
HIV Prevention Program	93.940	647,611
HIV Prevention Project	93.940	8,089,808
Expanded and Integrated HIV Testing for Populations	93.940	234,806
National HIV Behavioral Surveillance	93.940	99,870
Subtotal 93.940		9,072,095
PS09-007 Evaluating Locally-Developed Homegrown HIV Prevention Interventions	93.941	136,887
Enhanced HIV/AIDS Surveillance for Perinatal Prevention	93.941	27,796
Subtotal 93.941		164,683

COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Non-ARRA County Program Title	CFDA #	Amount Provided to Subrecipients
HIV AIDS Surveillance and Seroprevalence	93.944	$ 150,349
Mental Health Services: Block Grant	93.958	1,692,983
Substance Abuse Block Grant New HIV Set - Aside	93.959	4,600,928
Substance Abuse Prevention and Treatment Block Grant	93.959	12,886,442
Federal Female Offender	93.959	294,098
Substance Abuse Prevention and Treatment Block Grant Adolescent Treatment	93.959	1,441,391
New Prenatal Set - Aside	93.959	3,333,932
Alcohol Block Grant	93.959	32,376,521
Subtotal 93.959		54,933,312
Comprehensive Sexually Transmitted Disease (STD) Preventions Systems	93.977	610,504
STD Surveillance Network	93.977	42,899
Subtotal 93.977		653,403
2010 Emergency Management Performance Grant	97.042	866,724
State Homeland Security Program 09	97.067	456,000
State Homeland Security Program 08	97.067	9,713,530
Subtotal 97.067		10,169,530
Buffer Zone Protection Program 09	97.078	41,189
Buffer Zone Protection Program 08	97.078	527,600
Buffer Zone Protection Program 07	97.078	30,898
Subtotal 97.078		599,687
Subtotal Amount Provided to Non-ARRA Subrecipients		$ 322,850,049

COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

ARRA County Program Title	CFDA #	Amount Provided to Subrecipients
ARRA-Homelessness Prevention and Rapid Re-Housing Program (HPRP)	14.257	$ 137,697
ARRA-Justice Assistance Grant (JAG) Substance Abuse Offender Treatment Program (OTP)	16.804	1,001,668
ARRA-Workforce Investment Act National Emergency Grant on the Job Training (GC 775)	17.260	16,258
ARRA-Varicella Active Surveillance Project	93.712	12,332
ARRA-Pneumococcal Conjugate Vaccine (PCV-13)	93.712	50,291
Subtotal 93.712		62,623
ARRA-Health Information Exchange (HIE) Expansion Grant	93.719	607,441
ARRA-Category B: Tobacco Prevention and Control	93.724	4,355,486
ARRA-Category A: Communities Putting Prevention to Work	93.724	3,805,660
Subtotal 93.724		8,161,146
Subtotal Amount Provided to ARRA Subrecipients		9,986,833
Total Amount Provided to Non ARRA and ARRA Subrecipients		$ 332,836,882

NOTE 4 – GRANT PROGRAMS REIMBURSED IN ARREARS

The County of Los Angeles participates in several federal programs where payments are received in arrears because eligibility, as determined by the federal agency, is determined in arrears. The County reports actual expenditures for these programs in the year that the funds are received since the County's eligible expenditures are not determinable until reimbursement is received.

STATE CRIMINAL ALIEN ASSISTANCE PROGRAM (SCAAP), CFDA #16.606

FY Exp. Incurred	FY Exp. Reimbursed	Amount
09-10	11-12	$ 9,879,073

SOUTHWEST BORDER PROSECUTION INITIATIVE (SWBPI), CFDA #16.755

FY Exp. Incurred	FY Exp. Reimbursed	Amount
08-09 & 09-10	11-12	$ 4,875,486

NOTE 5 – COMMUNITY SERVICES BLOCK GRANTS, CFDA #93.569

At the request of the California Health and Human Services Agency, Department of Community Services and Development, supplementary schedules of grant expenditures for CSBG grant programs are included on pages 189 – 192.

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.

NOTE 7 – ARRA OVERPAYMENT RECOVERIES

The Department of Public Social Services' ARRA TANF ECF program (CFDA No. 93.714) funding ended last fiscal year. However, due to adjustments for grant overpayment recoveries from vendors and interest earned on advances we are reflecting a negative $711,442.

The Department of Children & Family Services' ARRA – Adoptions FMAP (CFDA No. 93.659) funding ended last fiscal year. However, due to adjustments such as overpayment recoveries, aid code adjustments and prior month cancellations, we are reflecting a negative $29,126.

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MGO Certified Public Accountants.

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

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, 2012, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 14, 2012. Our report was modified to include a reference to 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. 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 Angles 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

Management of the County is responsible for establishing and maintaining effective 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 12-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 12-01.

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

Los Angeles, California
December 14, 2012

MGO Certified Public Accountants.

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INDEPENDENT AUDITOR'S 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's (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, 2012. 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 $372,513,952 and $483,325, respectively, in federal awards, which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2012. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 12-02 and 12-09 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding eligibility (item 12-02) and reporting (12-09) that are applicable to the Kinship Guardianship Assistance Payment Program (KIN-GAP) Title IV-E (CFDA No. 93.090) and HIV Prevention (CFDA No. 93.940) programs. 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 compliance 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, 2012. However, the results of our auditing procedures also disclosed 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 12-03, 12-04, 12-05, 12-06, and 12-07.

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 a deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 12-02 and 12-09 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 12-03, 12-04, and 12-08 to be significant deficiencies.

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

Los Angeles, California
March 19, 2013

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

Noncompliance material to the financial statements noted? **Yes**

(b) Federal Awards

Internal control over major programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified that are not considered to be material weaknesses? **Yes**

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

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

- Kinship Guardianship Assistance Payment Program (KIN-GAP) Title IV-E (CFDA No. 93.090) - Qualified
- HIV Prevention Activities (CFDA No. 93.940) - Qualified

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

COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.561	SNAP Cluster
14.218/ 14.253	Community Development Block Grants Cluster
14.257	ARRA-Homelessness Prevention and Rapid Re-Housing Program
16.738/ 16.803/ 16.804	Justice Assistance Grant (JAG) Program Cluster
66.468	Safe Drinking Water State Revolving Fund
81.128	ARRA-Energy Efficiency and Conservation Block Grant
93.090	Kinship Guardianship Assistance Payment Program (KIN-GAP) Title IV-E
93.558/ 93.714	Temporary Assistance for Needy Families (TANF) Cluster
93.563	Child Support Enforcement Title IV-D
93.645	Children Welfare Service Title IV-B
93.667	Children Welfare System Title XX
93.658	Foster Care Title IV-E
93.777/ 93.778	Medicaid Cluster
93.724	ARRA-Communities Putting Prevention to Work
93.889	Bioterrorism Hospital Preparedness Program
93.940	HIV Prevention Activities
93.958	Mental Health Services Block Grant

CFDA Number	Name of Federal Program or Cluster
97.115	ARRA-Assistance to Firefighters Fire Station Construction Grant

Dollar threshold used to distinguish between Type A and Type B programs: **$7,936,435.**

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

Section II – Financial Statement Findings

Reference Number: ` **12-01**
Federal Program Title: **Bioterrorism Hospital Preparedness Program**
Federal Catalog Number: **93.889**
Federal Agency: **U.S. Department of Health and Human Services**
Pass-Through Entity: **N/A**
Federal Award Number and Year: **Various – 2007-2011**
Name of Department: **Department of Health Services**
Category of Finding: **Financial Reporting - SEFA**

Criteria

U.S. Office of Management and Budget Circular A-133, Subpart C - §___.300 states that the auditee shall identify all federal awards received and expended, prepare the Schedule of Expenditures of Federal Awards (SEFA) and ensure that audits are performed and submitted when due.

As directed by the Auditor-Controller (A-C), each County department is responsible for reviewing their grant agreements, to determine if a grant is a federal award as defined under OMB Circular A-133. A-C continues to train and provide guidance to County departments on the importance of identifying federal expenditures and ensuring they are reported on the SEFA. Each County department is responsible to report federal award expenditures to the A-C by specified deadlines.

Condition

The Department of Health Services (DHS) did not report on the SEFA expenditures incurred by the County hospitals. The amounts not reported on the SEFA totaled $4,916,304 for the period of July 1, 2006 through June 30, 2011. Below are the unreported expenditures by fiscal years:

HOSPITAL	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11	TOTAL
Harbor-UCLA	$642,500	$453,000	$367,640	$344,300	$342,700	$2,150,140
LAC+USC	642,500	820,640	312,327		318,500	2,093,967
Rancho Los Amigos	11,385	69,555	53,440	65,631	52,673	252,684
Olive View-UCLA	51,500	84,900	79,500	69,713	82,400	368,013
Martin Luther King	51,500					51,500
TOTAL	$1,399,385	$1,428,095	$812,907	$479,644	$796,273	$4,916,304

Cause

Lack of proper controls over financial reporting of federal expenditures led the SEFA to be understated for the five year period from FY06-07 through FY10-11.

Effect

Failure to timely report federal awards on the SEFA could result in programs not being audited in accordance with OMB A-133 and also result in not submitting the Single Audit to the Federal Audit Clearinghouse timely in accordance with OMB A-133. Federal agencies could withhold grant funding to the County.

Context

In FY 2011-12, A-C issued a memo to all County departments requesting a review of their grants to ensure that all federal expenditures were reported on the SEFA. During this review, it was noted that federal expenditures managed by DHS, pertaining to the Bioterrorism Hospital Preparedness Program (HPP), that were incurred by the County Hospitals, were not listed on the County's SEFA for FY06-07 through FY10-11.

Recommendation

We recommend that DHS develop a comprehensive list of federal grants received and track all expenditures, including expenditures incurred by the County hospitals and that all expenditures are reported to the A-C on the grant inventory.

Management Response and Corrective Action

1. Person responsible: Chief, Financial Services, Department of Health Services

2. Corrective action plan: Department of Health Services (DHS) agrees with this recommendation. Health Services Administration (HSA) Fiscal Services develops and submits a comprehensive list of federal grants to the Auditor-Controller (A-C) on the Grant Inventory Report on an annual basis. DHS hospitals track and monitor their federal grant expenditures, which are consolidated by HSA Fiscal Services and provided to the A-C on the Annual Single Audit Report.

   To address the audit findings related to federal expenditures managed by the DHS pertaining to the Bioterrorism Hospital Preparedness Program (HPP), a notification was sent to all DHS hospitals on July 27, 2012, which stated that beginning with FY 2011-12, actual HPP grant expenditures need to be submitted to the EMS Agency, as this office directly manages this grant, for inclusion in the Single Audit Report. Additionally, the notice states that each DHS hospital shall provide their HPP expenditure reconciliation schedules for FYs 2006-07 through 2010-11 to the EMS Agency. The DHS hospitals submitted the required documentation to the EMS Agency and on September 6, 2012, the EMS Agency

submitted the total HPP grant expenditures for fiscal year 2011-12 along with the HPP reconciliation schedules for fiscal years 2006-07 through 2010-11, to HSA Fiscal Services. This new reporting methodology for HPP will remain in effect for all future Single Audits.

3. Anticipated implementation date: September 6, 2012

Section III – Federal Award Findings and Questioned Costs

Reference Number:	**12- 02**
Federal Program Title:	**Kinship Guardianship Assistance Payment Program (KIN-GAP) Title IV-E**
Federal Catalog Number:	**93.090**
Federal Agency:	**U.S. Department of Health and Human Services**
Pass-Through Entity:	**California Department of Social Services**
Federal Award Number and Year:	**11/12-07 - 2012**
Name of Department:	**Department of Children and Family Services**
Category of Finding:	**Eligibility – Non-compliance with OMB Circular A-133 requirements and County policies**

Criteria

In accordance with OMB Circular A-133, funds may be expended for kinship guardianship assistance payments made on behalf of eligible children (see III.E.1 below).

The General Eligibility for Individuals Section (§ (III)(E)(1)(a)(1)) in the Part 4 of the 2012 OMB A-133 Compliance Supplement for CFDA 93.090 Guardian Assistance states:

(b) Title IV-E Foster Care Connection – The child was eligible for foster care maintenance payments under 42 USC 672 while residing for at least 6 consecutive months in the home of the prospective relative guardian (42 USC 673(d)(3)(A)(i)(II)).

(g) Legal Guardianship – A kinship guardianship assistance agreement that meets, or is amended to meet, all the requirements of 42 USC 673(d)(1) must be in place with a prospective relative guardian prior to the establishment of the legal guardianship. Payments may only begin once the relative guardian has committed to care for the child and has assumed legal guardianship for the child for whom they have cared as foster parents and for whom they have committed to care on a permanent basis (42 USC 671(a)(28) and 675(7)).

Condition

During our testing at Department of Children and Family Services (DCFS) of 60 eligibility case files, we noted exceptions in the following compliance requirements:

1) Four (4) sampled children did not have in place the kinship guardianship assistance agreement that meets, or is amended to meet, all requirements of 42 USC 673(d)(1) (Forms SOC 369 and 369A) with a prospective relative guardian prior to the establishment of legal guardianship;
2) Supervisor did not approve the Statement of Facts Supporting Eligibility for Kin-GAP until over one year after the statement was completed by the Eligibility Worker for three (3) sampled children; and
3) One (1) sampled child is not federally-eligible for Kin-GAP Title IV-E funding.

Cause

1) Conversion of ineligible cases to the new Federal Kin-GAP program;
2) Untimely supervisors' approval on the Statement of Facts Supporting Eligibility for in-GAP; and
3) State funded Kin-GAP cases were incorrectly reported on the Kin-GAP Federal Summary Report of Assistance Expenditures.

Effect

Non-compliance with Allowable Activities and the General Eligibility requirements per OMB A-133 may result in questionable costs related to kinship guardianship assistance payments made on behalf of a child.

Questioned Costs

$6,101 (Known questioned costs within our samples tested)

Context

During our review of sixty (60) eligibility case files (totaling $56,296), the following issues were noted:

1) For four (7%) case files, a kinship guardianship assistance agreement that met, or was amended to meet, all the requirements of 42 USC 673(d)(1) was not in place with a prospective relative guardian prior to the establishment of the legal guardianship;
2) For three (5%) case files, a supervisor did not approve the Statement of Facts Supporting Eligibility for Kin-GAP until over one year after the statement was completed by the Eligibility Worker; and

3) For one (2%) case file, the child is not federally-eligible for Kin-GAP Title IV-E funding.

Recommendation

We recommend DCFS consistently enforce policies and procedures requiring a kinship guardianship assistance agreement that meets, or is amended to meet, all the requirements of 42 USC 673(d)(1) to be in place prior to the establishment of legal guardianship; that Statement of Facts Supporting Eligibility for Kin-GAP are approved timely; and that only federally-eligible Kin-GAP Title IV-E cases are reported on the Kin-GAP Federal Summary Report of Assistance Expenditures.

Management Response and Corrective Action

1. Person responsible: Administrative Deputy, Department of Children & Family Services (DCFS)

.

2. Corrective action plan: Department Revenue Enhancement staff follows all Kin-GAP policy and procedures, and agrees that policy and procedural reinforcement is always beneficial for staff. Revenue Enhancement respectfully disagrees with condition one (1) of the finding. Kin-GAP staff process eligibility determination funding source identification based on the instructions given in the California Department of Social Services' (State) All County Letters. During the period of the review, Revenue Enhancement staff was waiting for the State to provide guidelines on how to comply with the pre-existing federally-funded Kin-GAP cases. The guidelines were provided in September 2012; and DCFS conducted a second review of all federal cases in February and March 2013 to be in compliance with the kinship assistance agreement.

   The condition two (2) outlined in the finding reflects policy and procedure reinforcement rather than a reflection on non-compliance cases.

   For condition three (3), the CWS/CMS database did not have federal Kin-GAP aid codes available when the new Kin-GAP Program was implemented. In April 2012 when the federal aid code was accessible, Revenue Enhancement staff appropriately identified federal Kin-GAP cases on CWS/CMS.

   The Revenue Enhancement Kin-GAP manager will convene a meeting to discuss the following:
   - Kin-GAP audit conditions mentioned above;
   - Kin-GAP policy and procedures; and
   - Confirmation from Kin-GAP Section staff that they were informed of the Single Audit's Kin-GAP audit conditions as well as the review of policy and procedures.

3. Anticipated implementation date: April 30, 2013

Reference Number:	**12-03**
Federal Program Title:	**Foster Care – Title IV-E**
Federal Catalog Number:	**93.658**
Federal Agency:	**U.S. Department of Health and Human Services**
Pass-Through Entity:	**California Department of Social Services**
Federal Award Number and Year:	**11/12-18 - 2012**
Name of Department:	**Probation Department**
Category of Finding:	**Allowable Costs/ Cost Principles– Lack of Supporting Documents and Controls over Payroll Transactions**

Criteria

U.S. Office of Management and Budget Circular A-87, Cost Principles for State, Local and Indian Tribal Governments (OMB Circular A-87), Attachment A – General Principles for Determining Allowable Costs, Paragraph C – Basic Guidelines states:

1) Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
   (b) Be allocable to Federal awards under the provisions of this Circular.
   (j) Be adequately documented.

U.S. Office of Management and Budget Circular A-133, Subpart C - §___.300 Auditee responsibilities states:

(b) 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.

Condition

The Probation Department is required to use the Foster Care Title IV-E funds for expenditures that are allowable under the program. Our review of payroll timesheets and time studies resulted in the discovery of four (4) employees' non-working hours incorrectly reported as allocable on the respective time study. We also discovered that one (1) employee's time study was not reviewed and approved by the supervisor.

Cause

Lack of consistent enforcement of policies and procedures led to an inaccurate time study and lack of review and approval of the time study.

Effect

Inaccurate allocable hours charged to the program and lack of review and approval of time study may result in disallowed costs.

Questioned Costs

$1,047 (Known questioned costs within our sample tested)

Context

Out of sixty (60) payroll transactions selected for testing (totaling $130,224), the following compliance issues were noted:

a. Four (7%) employees' timesheets indicated holiday, vacation, or sick hours, which were erroneously recorded as allocable on the time study and charged to the program.

b. One (2%) employee's time study was not reviewed and approved by the employee's supervisor.

Recommendation

We recommend the Probation Department consistently enforce policies and procedures requiring detailed supervisory reviews of timesheets and time studies concurrently for accuracy. We also recommend that the time study sheets are signed by the supervisors.

Management Response and Corrective Action

1. Person responsible: Deputy Chief, Probation Department

.

2. Corrective action plan: In addition to disseminating a clarifying memo and instructions to address the issues identified, all juvenile staff that complete a time study for the Title IV-E program will be trained annually, with related booster trainings during the time study month of the applicable quarter, to accurately complete the Title IV-E time study. The training will include a description of the Title IV-E program codes and annotating working hours to reflect actual hours worked that are matched to their time cards. In order to ensure enforcement of policies and procedures, mandatory management review has been implemented, as well as Bureau-level review. Fiscal Services will also sample 10% of time studies submitted each quarter from applicable juvenile bureaus and provide respective managers with discrepancies that will be addressed with staff and included in future training.

3. Anticipated implementation date: February 11, 2013

Reference Number:	**12-04**
Federal Program Title:	**ARRA - JAG – Justice Assistance Program**
Federal Catalog Number:	**16.804**
Federal Agency:	**U.S. Department of Justice**
Pass-Through Entity:	**California Emergency Management Agency**
Federal Award Number and Year:	**ZO09 010190 - 2012**
Name of Department:	**Department of Public Health**
Category of Finding:	**Cash Management – Non-compliance with OMB Circular A-133 requirements**

Criteria

U.S. Office of Management and Budget Circular A-133, Compliance Statement, Cash Management, states:

"When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government."

Condition

The Department of Public Health is required to pay program costs before reimbursement is requested from the Federal Government. Our review of supporting documentation resulted in the discovery of two (2) e-Caps statements that indicate that the payment was made after the reimbursement request.

Cause

Lack of consistent adherence with Cash Management policies and procedures led to the request for reimbursement from the Federal Government for program costs that were paid subsequent to reimbursement request.

Effect

Payment occurring after the reimbursement request may result in non-compliance with OMB Circular A-133 requirements.

Questioned Costs

$22,301 (Known questioned costs within our sample tested)

Context

Out of thirty-seven (37) non-payroll transactions selected for testing, two (2) purchase vouchers were included in the reimbursement claim; however, they were paid after the claim was submitted. Our sampled items totaled $932,243.

Recommendation

We recommend the Department of Public Health consistently adhere to cash management policies and procedures requiring payment of program costs prior to submission of reimbursement claims for federal funds.

Management Response and Corrective Action

1. Person responsible: Chief Financial Officer, Department of Public Health

2. Corrective action plan: The Department of Public Health, Substance Abuse and Prevention Control (SAPC) agrees with this recommendation. SAPC will take the necessary steps to ensure consistent adherence to cash management policies and procedures requiring payment of program costs prior to submission of reimbursement claims of federal funds.

3. Anticipated implementation date: January 2014

Reference Number:	**12-05**
Federal Program Title:	**ARRA- Assistance to Firefighter Grant**
Federal Catalog Number:	**97.115**
Federal Agency:	**U.S. Department of Homeland Security-FEMA**
Pass-Through Entity:	**N/A**
Federal Award Number and Year:	**EMW-2009-FC-04978R**
Name of Department:	**Fire Department**
Category of Finding:	**Reporting – Non-compliance with U.S. Department of Homeland Security- FEMA, Article VIII- Financial Reporting Requirement**

Criteria

U.S. Department of Homeland Security- Federal Emergency Management Agency (FEMA), Agreement Article VII states:

"The grantee must complete an on-line, semiannual financial status report to meet FEMA requirements. Semiannual Financial reports are due within 30 days of the end of every six month period of the life of the grant."

Condition

During our testing of the Semiannual Performance Report, we noted that the report was submitted timely to FEMA, however the period covered was from March 25, 2011 to March 25, 2012. Further discussion with the Fire Department revealed that the period from March 25, 2011 to September 25, 2011 was not reported timely and was included in the subsequent Semiannual Performance Report for the period ending March 25, 2012, which was submitted timely.

Cause

Lack of awareness with reporting policies and procedures led to the failure to submit the semiannual status report to meet FEMA requirements.

Effect

Submission of the semiannual status after the required time period may result in non-compliance with the Department of Homeland Security-FEMA, Article VIII Financial Reporting Requirement.

Questioned Costs

N/A

Context

One semiannual report was selected for testing. The semi-annual report included two six month periods, March 25, 2011 to March 25, 2012.

Recommendation

We recommend that the Fire Department adhere to reporting policies and procedures requiring that a semiannual financial status report be submitted to fulfill FEMA requirements on-line within 30 days of a six month period.

Management Response and Corrective Action

1. Person responsible: Administrative Services Manger I – Grants Unit, Fire Department; Assistant Fire Chief, Technical Services Division, Fire Department

2. Corrective action plan: The Fire Department agrees with the recommendation and will implement such recommendation immediately by ensuring all future semi-annual and financial status reports are submitted via the online system in accordance with the U. S. Department of Homeland Security Federal Emergency Management Agency Agreement Article VIII.

3. Anticipated implementation date: March 15, 2013

Reference Number:	**12-06**
Federal Program Title:	**ARRA Communities Putting Prevention to Work**
Federal Catalog Number:	**93.724**
Federal Agency:	**U.S. Department of Health and Human Services**
Pass-Through Entity:	**N/A**
Federal Award Number and Year:	**1U58DP002485-01 - 2012; 3U58DP002485-01S1 - 2012; 1U58DP002543-01 - 2012; 3U58DP002543-01S1 - 2012**
Name of Department:	**Department of Public Health**
Category of Finding:	**Reporting – Non-compliance with OMB Circular A-133 requirements.**

Criteria

U.S. Office of Management and Budget Circular A-133, Compliance Statement, Reporting, states:

"With regard to 1512 reporting, recipients are required to report expenditures as of the last day of the quarter for the full quarter. However, due to the accounting closing process, some recipients do not have the actual expenditures amount within the 10 days allowed for the 1512 reporting period. "Best available data" can be used in these instances. "Best available data" should represent the full quarter and can include estimates. For example, if the recipient has two months of finalized data and the third month can only be estimated due to the timing of closing the monthly financial data, this approach is acceptable. However, if estimates are used for quarterly reporting, the recipient should have a process in place to review the submitted reports, (after the reports have been submitted) and determine if there are any material differences that would require the report to be corrected during the FederalReporting.gov continuous correction period (described above). If there are no material differences, there is no need for the recipient to correct a submitted report. Note that it is not appropriate for recipients to utilize a "best available data" approach that uses a "lag" methodology (e.g., using finalized data for two months of a quarter then not including the final month of the quarter)."

Condition

The Department of Public Health (DPH) is required to submit quarterly ARRA 1512 Reports to the Department of Health and Human Services. Our review of the reports and supporting documentation resulted in the discovery of eight (8) ARRA 1512 reports that do not cover a calendar quarter, but cover the last month of the previous quarter and the first two months of the current quarter. (For example, the first calendar quarter of a year should cover January, February and March; however, DPH covers December, January and February).

Cause

In order to meet the Federal requirement to submit the ARRA 1512 report within ten (10) days after calendar quarter ends, which coincides with the department monthly accounting close process, Management fulfilled the requirement by including periods that are processed and finalized.

Effect

Reporting the incorrect periods on the ARRA 1512 reports may result in inaccurate expenditures being reported

Questioned Costs

N/A

Context

Of eight (8) ARRA 1512 reports tested, all eight (8) reports did not cover the reporting period required by OMB Circular A-133.

Recommendation

We recommend that the Department of Public Health adhere to reporting policies and procedures in regards to ARRA reporting periods required by OMB Circular A-133. For each quarter, DPH is to report expenditure information for each month of that quarter. If the information for the final month of the quarter is unavailable, then an estimate based on the “Best available data.” should be determined. After DPH has the actual data for the final month they should compare it to their estimate. If there are no material differences, then no changes will need to be made. However, if there are material differences, then they must correct them during the FederalReporting.gov continuous correction period.

Management Response and Corrective Action

1. Person responsible: Chief Financial Officer, Department of Public Health

2. Corrective action plan: The Department of Public Health (DPH) agrees with this recommendation. DPH will take the necessary steps to ensure full compliance with OMB Circular A-133 requirements for reporting expenditure information for each month of that quarter. If the information for the final month of the quarter is not available, then we will determine an estimate based on the “Best available data”.

3. Anticipated implementation date: January 2014

Reference Number:	**12-07**
Federal Program Title:	**ARRA - JAG- Justice Assistance Program**
Federal Catalog Number:	**16.804**
Federal Agency:	**U.S. Department of Justice**
Pass-Through Entity:	**California Emergency Management Agency (CalEMA)**
Federal Award Number and Year:	**ZO09 01 0190**
Name of Department:	**Department of Public Health**
Category of Finding:	**Subrecipient Monitoring – Non-compliance with OMB Circular A-133 Compliance Requirements Part 3**

Criteria

OMB Circular A-133 Compliance Requirements Part 3 states:

"A pass through entity is responsible for:

Award Identification – At the time of the subaward, identifying to the subrecipient the Federal 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) and applicable compliance requirements."

Condition

The Department of Public Health (DPH) is required to formally communicate the CFDA title and number of the Federal award to their subrecipients. We noted the following nine (9) subrecipients were sent letters informing them of the required information, however, the CFDA number was indicated as N/A:

- Driver Safety School, Inc.
- Pride Health Services, Inc.
- California Graduate Institute
- California Hispanic Commission on Alcohol and Drug Abuse, Inc.
- Canon Human Services, Inc.
- Sunrise Community Counseling Center
- Substance Abuse Foundation of Long Beach, Inc.
- CLARE Foundation, Inc.
- Tarzana Treatment Center

Cause

Personnel did not follow policies and procedures to inform subrecipients of the CFDA number pertaining to their award.

Effect

The failure to communicate the federal award title and CFDA number to their subrecipients results in non-compliance with monitoring of subrecipients.

Questioned Costs

N/A

Context

Nine (9) contracts were selected for testing, none of which were notified of the CFDA number that pertained to their federal award.

Recommendation

We recommend that the Department of Public Health adhere to policies and procedures requiring that the pass through entity notify subrecipients of their award information, including CFDA number.

Management Response and Corrective Action

1. Person responsible: Chief Financial Officer, Department of Public Health

2. Corrective action plan: 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, including the CFDA number.

3. Anticipated implementation date: January 2014

Reference Number:	**12-08**
Federal Program Title:	**Foster Care Title IV-E**
Federal Catalog Number:	**93.658**
Federal Agency:	**U.S. Department of Health and Human Services**
Pass-Through Entity:	**California Department of Social Services**
Federal Award Number and Year:	**11/12-18 - 2012**
Name of Department:	**Department of Children and Family Services**
Category of Finding:	**Allowable Costs/ Cost Principles – Non-compliance with OMB Circular A-133 requirements.**

Federal Program Title:	**Kinship Guardianship Assistance Payment Program (KIN-GAP) Title IV-E**
Federal Catalog Number:	**93.090**
Federal Agency:	**U.S. Department of Health and Human Services**
Pass-Through Entity:	**California Department of Social Services**
Federal Award Number and Year:	**11/12-07 - 2012**
Name of Department:	**Department of Children and Family Services**
Category of Finding:	**Allowable Costs/ Cost Principles – Non-compliance with OMB Circular A-133 requirements.**

Criteria

U.S. Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, Attachment A – General Principles for Determining Allowable Costs, Paragraph C – Basic Guidelines states:

1) Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
   - (b) Be allocable to Federal awards under the provisions of this Circular.
   - (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
   - (j) Be adequately documented.

U.S. Office of Management and Budget Circular A-133, 2012 Compliance Supplement, Part 6 – Internal Control states:

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

The Department of Children and Family Services (DCFS) is required to perform a time study to properly report employees' time records and functions. Our review of the Time Study Reports resulted in two (2) instances where the employee's hours documented on the time study did not agree to those on the employee's timesheet.

Cause

The Time Study Reports were not reviewed to ensure conformity with the timesheets.

Effect

Recording and charging employees' non-working hours to the program may result in non-compliance with OMB Circular A-133 requirements.

Questioned Costs

$1,855 (Known questioned costs within our samples tested)

Context

Out of sixty (60) payroll transactions selected for testing (totaling $318,015), two (2) time studies included non-working hours that were charged to the program.

Recommendation

We recommend the DCFS consistently adhere to policies and procedures requiring detailed supervisory reviews of timesheets and time studies for accuracy.

Management Response and Corrective Action

1. Person responsible: Administrative Deputy, Department of Children & Family Services

2. Corrective action plan: The Department of Children & Family Services (DCFS) agrees with the recommendation. Fiscal Operations Division Time Study Unit staff continues to emphasize the time study policy and procedures to workers and supervisors prior to starting the time study process. The procedures are posted on the DCFS's intranet (LA Kids) and specifically instruct departmental management and supervisors to ensure the hours in the Time Study System and

eCAPS match before they certify and approve the employee's time study.

In addition, the Time Study Unit staff conducts time study/time sheet hour agreement quality assurance reviews to ensure all DCFS time study personnel entered their time study hours in the Time Study System correctly. Last year, the Time Study staff collaborated with the Auditor-Controller (A-C) and Department's Bureau of Information Systems (BIS) staff to enhance the Time Study System by requiring the system to reconcile employees' time study hours against their timesheet prior to submission. If there are any errors highlighted, the system prevents submission of the time study. The implementation date for this time study system enhancement was January 2013, which covered the December 2012 time study month. Therefore, the Department expects to produce reports that are generally error-free thereafter.

3. Anticipated implementation date: March 15, 2013

Reference Number:	**12-09**
Federal Program Title:	**HIV Prevention Activities**
Federal Catalog Number:	**93.940**
Federal Agency:	**U.S. Department of Health and Human Services**
Pass-Through Entity:	**N/A**
Federal Award Number and Year:	**2012**
Name of Department:	**Department of Public Health**
Category of Finding:	**Reporting – Non-compliance with OMB Circular A-133 Compliance Requirements Part 3**

Criteria

In accordance with OMB A-133 Compliance Supplement, "While 2 CFR part 170 and the FAR implement several distinct Transparency Act reporting requirements (pursuant to the FFATA - Funding Accountability and Transparency Act), including reporting of executive compensation, the Supplement (OMB A-133 Part 3) addresses only the following requirements: (1) recipient reporting of each first-tier subaward (subrecipient) or subaward amendment that results in an obligation of $25,000 or more in Federal funds; and (2) contractor reporting of each first-tier subcontract award of $25,000 or more in Federal funds…The two requirements vary somewhat…, i.e., the triggering event for reporting under a grant or cooperative agreement is the obligation of funds under a subaward or subaward amendment rather than a payment made pursuant to the subaward; the triggering event for reporting under a contract is awarding or modifying a first-tier subcontract. Under either set of requirements, the reporting (FFATA report) must be accomplished by the end of the month following the month in which the reportable action occurred."

Condition

During our testing at Department of Public Health (DPH), we noted amendments to HIV Testing Services agreements that provide for increases in the funding obligation of $75,000 to each of the following three (3) subrecipients:

- California State University Long Beach Foundation
- JWCH Institute, Inc.
- Valley Community Clinic

The amendments were executed in February 2012, therefore reporting requirements pursuant to the FFATA should be accomplished by the end of March 2012, which DPH did not comply with.

Cause

DPH was not aware of the requirement to file the FFATA report.

Effect

Failure to submit the required report will result in noncompliance with the Federal Funding Accountability and Transparency Act (FFATA) of 2006.

Questioned Costs

Not Applicable.

Context

DPH amended award contracts with 3 subrecipients during fiscal year June 30, 2012 and each amendment increased funding by $75,000. DPH informed us that no reports were filed.

Recommendation

We recommend the DPH implement policies and procedures to ensure that the required FFATA reports, also known as the Subaward Reporting under the Transparency Act reports, are submitted through the FFATA Subaward Reporting System (FSRS) in a timely manner.

Management Response and Corrective Action

1. Person responsible: Administrative Deputy, Department of Public Health

2. Corrective action plan: The Department of Public Health agrees with this recommendation and will take the necessary steps to implement policies and procedures to ensure that the required FFATA reports are submitted through the FFATA Subaward Reporting System (FSRS) in a timely manner.

3. Anticipated implementation date: September 1, 2013

Financial Statement Findings:

Finding #11-01 - Information Technology Controls

Finding

The County's Internal Services Department (ISD) could do more to have a more complete set of policies and procedures for monitoring and reviewing eCAPS database and operating system super user activity. General computer controls over the access to programs and data require that network and application security controls be implemented to assure administrative, master and super user activities are proper and authorized and safeguard information technology resources and data. Master and Super Users have application or database access beyond that of a normal user. Typically they have privileged access to configure systems, update data, and conduct transactions at a broader level of authority than general users. The activities that can be performed by these individuals are typically outside the normal application workflow. During our review, we found that while the ISD has a UNIX history log (via Symark PowerBroker) and an Oracle root history log, these logs are only reviewed on an exception basis, increasing the risk that unauthorized activity may take place and not be identified. ISD managers reported, however, that there are plans to implement Oracle Audit Vault for database privileged user auditing. Go-live is scheduled for March/April 2012. This will ease the setup and review of Oracle privileged user activity.

Recommendation

We recommend that the County's Internal Services Department (ISD) develop policies and implement procedures requiring periodic (e.g., monthly) reviews of privileged user activities at the UNIX and database levels. These reviews should be performed by someone either above (e.g., supervisor, director) or outside the reporting structure (e.g., County Information Security Officer) 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.

Current Year Management Response

The Internal Services Department agrees with the recommendation. As of March 2012, policies and procedures for auditing super user activities at the UNIX and Oracle database levels have been formalized and implemented. The Midrange Computing Division Database Administration and UNIX Hosting Services Sections are working on incorporating additional instructions to the policies and procedures.

As of April 2012, reviews of the Oracle history reports and UNIX raw root history logs have been conducted by the respective Section Managers. The UNIX Hosting Services Section is continuing work to export raw root history logs into workable history reports.

Current Status as of June 30, 2012

Implemented

Implementation Date

September 15, 2012

Finding #11-02 – Information Technology Controls

Condition

APPS application password standards need to be strengthened. General computer controls require that access to the IT network and applications be properly controlled. At the time of our review, the County's password access policy for system and applications only required five character passwords. On February 23, 2012, ISD provided a draft policy, which requires eight character passwords. The Department of Children and Family Services (DCFS) requires passwords of any six characters for accessing the APPS system. Without strong password requirements, password configuration standards may change based on administrator preference, rather than adherence to standard industry practices. Additionally, if strong passwords are not used, the chance of someone hacking into a financial system increases considerably.

Recommendation

The Chief Information Office (CIO), working with the County departments, should finalize its draft Baseline Server Security Standards (version 2.0) policy. In addition, the DCFS Information Security Officer, working with the CIO, should implement a strong password requirement for the APPS system. For example, we provide sample characteristics to be included in the formal requirement below.

Password Policy Setting	**Current Settings (APPS)**	**Recommended Value Range**
Enforce password history	0	12 to 24 passwords remembered
Maximum password age	90 days	30 to 90 days
Minimum password length	6 characters	8 to 14 characters
Password must meet complexity requirements	Disabled	Enabled
Password complexity	None	• Minimum of 8 characters • Contains at least two numeric or special characters

Current Year Management Response

The Chief Information Office agrees with the recommendation. The County Baseline Server Security Standard (version 2.0) continues to be examined by county agencies and requires additional time to complete the review. The draft County Password Security Standard is being reviewed by Information Technology security personnel.

The Department of Children and Family Service's (DCFS) agrees with the recommendation. DCFS's Automated Provider Payment System (APPS) was successfully migrated off of the Unisys mainframe computing environment which is where the initial ICCP review was conducted. APPS is now executing on the centrally hosted IBM mainframe. Additionally, under development and testing by the Internal Services Department and DCFS is a web front-end to handle the user authentication and password management which will include a stronger password scheme.

A best practice password protection scheme has been implemented that will automatically deactivate a password that has been inactive ninety-days (90).

Current Status as of June 30, 2012

Partially Implemented

Implementation Date

APPS target implementation date for strong password is to occur by August 30, 2012. This implementation includes an application single sign-on capability.

Information Technology security standards for Baseline Server Security and Password Security will obtain ISSC approval on February 21, 2013.

CFDA# 93.575 – Child Care Salary Retention Incentive Program; Local Childcare Planning and Development Council; Centralized Eligibility List Contracts
CFDA# 14.246 – Economic Development Initiative
CFDA# 14.248 – Section 108 Loan Guarantees

Finding #11- 03 – Financial Reporting (SEFA)

Condition

Several grants/loans were reported untimely to the Auditor-Controller (AC) by the Chief Executive Office (CEO). These include:

- Child Care Salary Retention Incentive Program
- Local Child Care Planning and Development Council
- Centralized Eligibility List Contracts
- Economic Development Initiative
- Section 108 Loan Guarantees

In addition, some of these grants had been received by the CEO for many years prior to the current year's Single Audit and were not reported in prior year Single Audits. There could be other unreported grants under CEO management that have also not yet been reported.

Recommendation

We recommend the CEO designate a central grant administrator for all federal grants received, develop a comprehensive list of the federal grants received by their department and report the information to the AC by the deadlines. This will ensure that all federal grants are reported timely for inclusion in the County's Single Audit in compliance with OMB A-133.

Current Year Management Response

The Chief Executive Office (CEO) agrees with the finding and has designated a staff person to function as the departmental grants administrator. The grants administrator collected data from all CEO divisions that apply for and receive Federal grant funds. With some assistance from the Auditor-Controller (A-C), the collected responses were verified and compiled into a central listing. The grants administrator is maintaining a central record of all federal grants received and provided this information to the Auditor-Controller by the required deadline. The A-C met with the CEO's Administrative Deputy and their newly assigned departmental grant administrator in April and May 2012 to understand their role. On May 15, 2012 the A-C provided an extensive training session with CEO staff regarding the proper methods to follow to ensure that these grants are

reported in a timely manner. This will ensure that all federal grants are reported timely for inclusion in the County's Single Audit in compliance with OMB A-133.

Current Status as of June 30, 2012

Implemented

Implementation Date

May 15, 2012

Federal Award Findings:

CFDA# 93.658 – Foster Care-Title IV-E

Finding # 11-04 – Activities Allowed or Unallowed – Lack of Supporting Documents and Controls over Payroll Transactions

Condition

The Probation Department is required to use the Foster Care Title IV-E funds for expenditures that are allowable under the program. Our review of payroll timesheets and time studies resulted in the discovery of three (3) employee timesheets not matching the time reported on the respective time study. We also noted that non-working hours for two (2) employees were incorrectly reported as allocable on the respective time study.

Recommendation

We recommend the Probation Department consistently enforce policies and procedures requiring detailed supervisory reviews of timesheets and time studies concurrently for accuracy.

Current Year Management Response

The Probation Department agrees with the recommendation. Effective July 1, 2011, the Fiscal Services Section began performing a quarterly sample of 10% of the Title IV-E Program time studies to compare the number of hours reported on the time study with the employees' time cards. Also, the quarterly sample is used to ensure any vacation or holiday hours are reported as non-allocable in the time study. Any discrepancies noted during the review are sent to the respective Title IV-E Area Office Coordinators with a description of the discrepancies to be corrected or to request an explanation of the discrepancies. Furthermore, effective April 26, 2012, a quarterly memo was sent on behalf of the Juvenile Bureau Chiefs to the staff completing a time study providing guidelines and examples of how the time studies need to match the time cards.

The Juvenile Field Operations are going to increase training from annually to twice a year to assure compliance. Juvenile Field Services, Juvenile Placement and Juvenile Special Services have continuous annual staff movement and attrition. Conducting this training once a year is not sufficient to assure that all staff are proficient in completing their time studies. Additionally, it will give the existing staff the requisite refresher training to improve the efficacy of the time study process.

Current Status as of June 30, 2012

Implemented

Implementation Date

April 26, 2012

CFDA# 84.027 – Special Education Cluster (IDEA)

Finding# 11-05 – Eligibility – Lack of Timely Assessment, Quarterly Face to Face Contact, and Supporting Documents

Condition

The Department of Mental Health (DMH) is required to conduct a mental health assessment within 60 days of receiving a written parental consent form and must conduct quarterly face-to-face meetings with pupils placed in residential treatment facilities. Thirteen (13) case files tested failed to meet the criteria of conducting a mental health assessment within 60 days from the receipt of the parental consent form. Fifteen (15) case files failed to meet the quarterly face-to-face meeting requirement. Two (2) case files were missing the mental health assessment and/or parent consent form.

Recommendation

We recommend DMH consistently enforce policies and procedures requiring detailed supervisory reviews of timeframe requirements for conducting mental health assessments and quarterly face-to-face meetings with pupils placed in out-of-state residential facilities. Furthermore, we recommend DMH maintain proper supporting documentation in case files.

Current Year Management Response

The Department of Mental Health agrees with the recommendation. However, no corrective action is necessary. On June 30, 2011, the California Legislature approved, and the Governor signed into law, AB 114, which rendered the Chapter 26.5 California Government Code program "inoperative" for FY 2011-2012, and repealed the statute and regulations, effective January 1, 2012. County Mental Health agencies have no current statutory or regulatory requirement to provide assessments, mental health

treatment services, or residential placement/case management services to disabled students in California. Any fiscal or legal responsibility for the provision of such services rests solely with local education agencies, in accordance with IDEA and California Education Code. Should the County receive IDEA funds from the local school districts we will report these funds as a subrecipient per federal guidelines. Although County does not have a contract or MOU with any school district for FY 2012-2013, for the receipt of federal IDEA funds, and does not anticipate developing any contracts or MOUs for such, if a contract or MOU is developed County will comply with the terms and conditions of the contract or MOU.

Finally, the Los Angeles County – Department of Mental Health (DMH) would like to disclose that IDEA funds in the amount of $1,199,352 were received during fiscal year 2011-12. This represents the remaining balance from the final $15,235,678 grant award covering the period of July 1, 2010 through September 30, 2011. The amount received was utilized for residential services provided by the Los Angeles County – Department of Children and Family Services (DCFS) for the period of July 1, 2011 through September 30, 2011.

Current Status as of June 30, 2012

Implemented

Implementation Date

January 1, 2012

CFDA# 93.667 – Social Services Block Grant

Finding# 11-06 - Activities Allowed or Unallowed – Lack of Supporting Documents and Controls over Payroll Transactions

Condition

The Department of Children and Family Services (DCFS) is required to use the Social Services Block Grant funds for expenditures that are allowable under the program. During our review of sixty (60) payroll transactions, we noted that non-working hours for five (5) employees' were incorrectly coded as allocable on the respective time study.

Recommendation

We recommend DCFS enforce policies and procedures to ensure management reviews and approves timesheets and time studies concurrently for reasonableness and accuracy.

Current Year Management Response

The Department of Children and Family Services Fiscal Operations Division (FOD) agrees with the recommendation and the Time Study Unit staff reminds managers of the time study policy and procedures prior to starting the time study process every quarter. The procedures are posted in the Department's intranet (LA Kids) and specifically instruct departmental management and supervisors to ensure the hours in the Time Study System and eCAPS match before they certify and approve the employee's Time Study.

The Time Study Unit conducts random sampling for Time Study/Timesheet hour agreement compliance and we continue to discover errors that get corrected. The Internal Controls Section sent a memorandum on August 11, 2010 to all Regional Administrators asking them to instruct their time study staff and supervisors to adhere to the time study instructions and take all necessary steps to ensure the eCAPS time cards and the Time Study hours are reconciled before approving the Time Study Report.

In addition, Time Study staff is working with the Auditor-Controller and Business Information Systems (BIS) to enhance the Time Study System. BIS staff developed a project timetable with extensive modifications to the existing system that started in July 2012. The idea is to extract DCFS employees' daily data from eHR and enable the time study workers to enter program hours, but only on days that they actually worked. Therefore, except for timesheet adjustments, which are rare and unpredictable, this enhanced system is expected to produce reports that are generally error-free.

Current Status as of June 30, 2012

Implemented

Implementation Date

September 28, 2012

CFDA# 93.958 – Block Grants for Community Mental Health Services

<u>Finding# 11-07 - Activities Allowed or Unallowed – Lack of Supporting Documents</u>

Condition

The Department of Mental Health (DMH) is required to use the Community Mental Health Services Block Grant funds for expenditures that are allowable under the program. Our review of patient progress reports detailing units of service resulted in the discovery of one patient file missing all supporting documents, such as the progress notes detailing the types of service(s) and units of service provided.

Recommendation

We recommend DMH consistently enforce policies and procedures requiring detailed supervisory reviews of progress notes for ensuring the accuracy of units of service and total costs based upon those units.

Current Year Management Response

DMH agrees with the recommendation. The finding was specifically identified at San Pedro MHC and, therefore, on September 5, 2011, San Pedro MHC instituted a clinic-wide protocol in which line staff submit their Unit of Service (UOS)/Daily Log (DL) with the progress notes (for that service date) to their clinical supervisor. Once submitted, the supervisor carefully reviews each note, comparing it to the UOS/DL to ensure that all elements match (time billed, procedure code, etc…). After the supervisor approves the UOS, it is then submitted to the data entry staff, and the note is filed in the client's clinical record.

Current Status as of June 30, 2012

Implemented

Implementation Date

September 5, 2011

CFDA# 93.958 – Block Grants for Community Mental Health Services

<u>Finding# 11-08 - Subrecipient Monitoring – Lack of Supporting Documents</u>

Condition

The Department of Mental Health (DMH) is required to monitor the activities of subrecipients to ensure that federal awards are used in compliance with the federal grant requirements. These monitoring reports and/or compliance reviews must be recent to ensure that the pass-through entity responsibilities of OMB Circular A-133 are met. One (1) subrecipient case file did not include a recent monitoring review.

Recommendation

We recommend DMH consistently enforce policies and procedures requiring the completion of a monitoring report and/or compliance review of subrecipients receiving federal grant awards.

Current Year Management Response

DMH agrees with the recommendation. DMH will continue to work diligently with the Los Angeles County Auditor-Controller to ensure Non-Governmental Organizations (NGO) with existing contracts are financially and programmatically monitored and/or reviewed in accordance with existing federal, State and County rules and regulations, policy/procedures, and contract provisions. In addition to the monitoring and contract compliance reviews, DMH program staff will continue to perform on site evaluations, while its Financial Services Bureau annually evaluates the financial condition of every NGO.

Current Status as of June 30, 2012

Implemented

Implementation Date

June 4, 2012

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

Condition

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

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

b. Three (5%) employees' hours on the timesheet did not match the hours paid per the Countywide Timekeeping and Payroll Personnel System.

Recommendation

We recommend Department of Children and Family Services 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 Countywide Timekeeping and Payroll Personnel System.

Current Year Management Response

The Department of Children and Family Services (DCFS) agrees with the recommendation and has taken the following action:

a. The Fiscal Operations Division (FOD) Time Study Unit staff reminds managers of the time study policy and procedures prior to starting the time study process every quarter. The procedures are posted in the Department's intranet (LA Kids) and specifically instruct departmental management and supervisors to ensure the hours in the Time Study System and eCAPS match before they certify and approve the employee's Time Study.

   The Time Study Unit conducts random sampling for Time Study/Timesheet hour agreement compliance and we continue to discover errors that get corrected. The Internal Controls Section sent a memorandum on August 11, 2010 to all Regional Administrators asking them to instruct their time study staff and supervisors to adhere to the time study instructions and take all necessary steps to ensure the eCAPS time cards and the Time Study hours are reconciled before approving the Time Study Report (see attached Time Study Memo).

   In addition, Time Study staff is working with the Auditor-Controller and Business Information Systems (BIS) to enhance the Time Study System. BIS staff developed a project timetable with extensive modifications to the existing system that started in July 2012. The idea is to extract DCFS employees' daily data from eHR and enable the time study workers to enter program hours, but only on days that they actually worked. Therefore, except for timesheet adjustments, which are rare and unpredictable, this enhanced system is expected to produce reports that are generally error-free.

Current Status as of June 30, 2012

a. Implemented
b. Implemented

Implementation Date

a. September 28, 2012
b. June 30, 2012

CFDA # 84.027 – Special Education Grants to States (IDEA)

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

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 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 the Department of Mental Health case managers; and

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

Recommendation

We recommend the Department of Mental Health 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.

Current Year Management Response

Department of Mental Health agrees with and has partially implemented the recommendation.

Current Status as of June 30, 2012

No funding received in fiscal year 2011-12

On June 30, 2011, the California Legislature approved, and the Governor signed into law, AB 114, which rendered the Chapter 26.5 California Government Code program "imperative" for FY 2011-2012, and repealed the statue and regulations, effective January 1, 2012. County Mental Health agencies have no current statutory or regulatory requirement to provide assessments, mental health treatment services, or residential placement/ case management services to disabled students in California. Any fiscal or legal responsibility for the provision of such services rests solely with local education agencies, in accordance with IDEA and CA Education Code.

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

Department of Health Services agrees with the recommendation. The above recommendations have been made and are currently in place for the first facility. Department of Health Services (DHS) has built a new interim data center at the first facility. It is secure with key card access to a limited number of DHS IT staff. It has an independent air conditioning system, with an alarm system that monitors air conditioning/mechanical systems, uninterrupted power supply (UPS), and humidity within the room. The automatic monitoring system will inform the DHS IT service desk if environmental conditions fall out of tolerances. The DHS IT service desk will then notify IT management and/or building maintenance as appropriate. It also has a new automatic gaseous fire suppression system. All environmental systems (infrastructure) are redundant.

The long term goal for DHS is to utilize the LA County Data Center which will be built and operated by the Internal Services Department (ISD).

DHS management is still evaluating funding sources for a fire suppression system at the second facility, which would include the facility's server room.

Current Status as of June 30, 2012

Partially Implemented

Expected Implementation Date

August 1, 2012

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 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 the Department of Mental Health's case managers.

Recommendation

We recommend the Department of Mental Health 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

The Department of Mental Health agrees with the recommendation. However, no corrective action is necessary. On June 30, 2011, the California Legislature approved, and the Governor signed into law, AB 114, which rendered the Chapter 26.5 California Government Code program "inoperative" for FY 2011-2012, and repealed the statute and regulations, effective January 1, 2012. County Mental Health agencies have no current statutory or regulatory requirement to provide assessments, mental health treatment services, or residential placement/case management services to disabled students in California. Any fiscal or legal responsibility for the provision of such services rests solely with local education agencies, in accordance with IDEA and California Education Code. Should the County receive IDEA funds from the local school districts we will report these funds as a subrecipient per federal guidelines. Although County does not have a contract or MOU with any school district for FY 2012-2013, for the receipt of federal IDEA funds, and does not anticipate developing any contracts or MOUs for such, if a contract or MOU is developed County will comply with the terms and conditions of the contract or MOU.

Finally, the Los Angeles County – Department of Mental Health (DMH) would like to disclose that IDEA funds in the amount of $1,199,352 were received during fiscal year 2011-12. This represents the remaining balance from the final $15,235,678 grant award covering the period of July 1, 2010 through September 30, 2011. The amount received

was utilized for residential services provided by the Los Angeles County – Department of Children and Family Services (DCFS) for the period of July 1, 2011 through September 30, 2011.

Current Status as of June 30, 2012

Implemented

Implementation Date

January 1, 2012

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 performs one time study per quarter for all federal award programs in the consolidated County Expense Claim. Out of sixty-nine (69) timestudy transaction samples selected from the County Expense Claim 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 Countywide Timekeeping and Payroll Personnel 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 County Expense Claim 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 the Department of Children and Family Services 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 the Countywide Timekeeping and Payroll Personnel System.

Current Year Management Response

The Department of Children and Family Services agrees with the recommendation and has taken the following action:

a. The Fiscal Operations Division (FOD) Time Study Unit staff reminds managers of the time study policy and procedures prior to starting the time study process every quarter. The procedures are posted on the Department's intranet (LA Kids) and specifically instruct departmental management and supervisors to ensure the hours in the Time Study System and eCAPS match before they certify and approve the employee's Time Study.

   The Time Study Unit conducts random sampling for Time Study/Timesheet hour agreement compliance and we continue to discover errors that get corrected. The Internal Controls Section sent a memorandum on August 11, 2010 to all Regional Administrators asking them to instruct their time study staff and supervisors to adhere to the time study instructions and take all necessary steps to ensure the eCAPS time cards and the Time Study hours are reconciled before approving the Time Study Report (see attached Time Study Memo).

   In addition, Time Study staff is working with the Auditor-Controller and Business Information Systems (BIS) to enhance the Time Study System. BIS staff developed a project timetable with extensive modifications to the existing system that started in July 2012. The idea is to extract DCFS employees' daily data from eHR and enable the time study workers to enter program hours, but only on days that they actually worked. Therefore, except for timesheet adjustments, which are rare and unpredictable, this enhanced system is expected to produce reports that are generally error-free.

Current Status as of June 30, 2012

a. Implemented
b. Implemented

Implementation Date

a. September 28, 2012
b. June 30, 2012

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 performs one time study per quarter for all federal award programs in the consolidated County Expense Claim. 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 to the timecard but hours were allocated to a working Pin Code);

b. Sixteen (10%) employee timesheets did not match the hours paid per the Countywide Timekeeping and Payroll Personnel 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 the Countywide Timekeeping and Payroll Personnel System;

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 (DCFS) agrees with the recommendation and has taken the following action:

a. The Fiscal Operations Division (FOD) Time Study Unit staff reminds managers of the time study policy and procedures prior to starting the time study process every quarter. The procedures are posted in the Department's intranet (LA Kids) and specifically instruct departmental management and supervisors to ensure the hours in the Time Study System and eCAPS match before they certify and approve the employee's Time Study.

   The Time Study Unit conducts random sampling for Time Study/Timesheet hour agreement compliance and we continue to discover errors that get corrected. The Internal Controls Section sent a memorandum on August 11, 2010 to all Regional Administrators asking them to instruct their time study staff and supervisors to adhere to the time study instructions and take all necessary steps to ensure the eCAPS time cards and the Time Study hours are reconciled before approving the Time Study Report (see attached Time Study Memo).

   In addition, Time Study staff is working with the Auditor-Controller and Business Information Systems (BIS) to enhance the Time Study System. BIS staff developed a project timetable with extensive modifications to the existing system that started in July 2012. The idea is to extract DCFS employees' daily data from eHR and enable the time study workers to enter program hours, but only on days

that they actually worked. Therefore, except for timesheet adjustments, which are rare and unpredictable, this enhanced system is expected to produce reports that are generally error-free.

Current Status as of June 30, 2012

a. Implemented
b. Implemented
c. Implemented
d. Implemented
e. Implemented

Implementation Date

a. September 28, 2012
b. December 15, 2010
c. August 1, 2011
d. February 2009
e. August 2008

COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC SOCIAL SERVICES
SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
CSBG CONTRACT NO.11F-4222
FOR THE YEAR ENDED JUNE 30, 2012

CFDA # 93.569

	January 1, 2011 through June 30, 2011	July 1, 2011 through March 31, 2012	Total Costs	Total Budget[1]
REVENUE				
Grant Revenue	$ 3,715,463	$ 3,158,261	$ 6,873,724	$ 6,873,724
Interest Income		9,200	9,200	9,200
Other Income				
Total Revenue	3,715,463	3,167,461	6,882,924	6,882,924
EXPENDITURES [2]				
Administrative Costs				
Salaries and Wages	171,175	250,416	421,590	421,590
Fringe Benefits	68,626	108,908	177,534	177,534
Operating Expenses & Equipment	5,935	13,280	19,216	19,216
Out-of State Travel				
Other Costs:				
Indirect Cost	45,475	71,865	117,340	117,340
Others				
Total Administrative Costs	291,211	444,469	735,679	735,679
Program Costs				
Salaries and Wages	256,177	514,803	770,980	770,980
Fringe Benefits	79,651	206,472	286,123	286,123
Other Costs:				
Indirect Costs	65,861	144,255	210,116	210,116
Other Costs				
Subcontractor Services	1,588,625	3,291,401	4,880,025	4,880,025
Total Program Cost	1,990,314	4,156,931	6,147,245	6,147,245
Total Expenditures	2,281,525	4,601,399	6,882,924	6,882,924
Revenue Over (Under) Expenditures	$ 1,433,938	$ (1,433,938)	$ (0)	$ (0)

(1) The Total budget amounts are based on the CSBG Contract Budget Summary contained in the contract (as Attachment I to the Grant Agreement), with a year-end and close out budget shifts. The interests earned on the advance was also added to the budget amount.

(2) The expenditure amounts are based on the monthly CSBG Expenditure Claim Reports filed with the Department of Community Services and Development.

COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC SOCIAL SERVICES
SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
CSBG CONTRACT NO. 12F-4421
FOR THE YEAR ENDED JUNE 30, 2012

CFDA # 93.569

	January 1, 2012 through June 30, 2012	Total Costs	Total Budget[1]
REVENUE			
Grant Revenue	$ 3,034,270	$ 3,034,270	$ 6,683,336
Interest Income			
Other Income			
Total Revenue	3,034,270	3,034,270	6,683,336
EXPENDITURES [2]			
Administrative Costs			
Salaries and Wages	114,562	114,562	371,277
Fringe Benefits	51,150	51,150	145,930
Operating Expenses	1,796	1,796	20,300
Out-of State Travel			8,000
Other Costs:			
Indirect Costs	33,142	33,142	103,441
Other Costs			
Subcontractor Services			
Total Administrative Costs	200,650	200,650	648,948
Program Costs			
Salaries and Wages	201,404	201,404	649,328
Fringe Benefits	89,309	89,309	270,968
Other Costs:			
Indirect Costs	58,143	58,143	184,059
Other Costs			
Subcontractor Services	1,092,402	1,092,402	4,930,033
Total Program Costs	1,441,258	1,441,258	6,034,388
Total Expenditures	1,641,908	1,641,908	6,683,336
Revenue Over (Under) Expenditures	$ 1,392,362 [3]	$ 1,392,362	$ 0

(1) The Total budget amounts are based on the CSBG Contract Budget Summary contained in the contract (as Attachment I to the Grant Agreement). The Contract Budget amounts are from January 1, 2012 through December 31, 2012.

(2) The expenditure amounts are based on the monthly CSBG Expenditure Claim Reports filed with the Department of Community Services and Development (CSD) from January 1, 2012 through June 30, 2012.

(3) Revenue Over (Under) Expenditures: This amount represents the balance of CSBG program advances at the end of FY 2011-12. The amount will be applied to FY 2012-13 CSBG expenditure claims.

COUNTY OF LOS ANGELES
COMMUNITY AND SENIOR SERVICES
SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
CSD CONTRACT NO. 12F-4458
FOR THE YEAR ENDED JUNE 30, 2012

CFDA # 93.569

	January 1, 2012 through June 30, 2012	July 1, 2012 through December 31, 2012	Total Costs	Total Budget
REVENUE				
Grant Revenue	$ 139,678		$ 139,678	$ 371,408
Interest Income				
Other Income				
Total Revenue	139,678		139,678	371,408
EXPENDITURES				
Administrative Costs				
Salaries & Wages	8,378		8,378	34,039
Fringe benefits	4,193		4,193	17,033
Operating Expenses				771
Equipment				
Out-of-State Travel				3,230
Subcontractor Services				
Other Costs				
Total Administrative Costs	12,571		12,571	55,073
Program Costs				
Salaries & Wages				
Fringe benefits				
Operating Expenses				37,000
Equipment				
Out-of-State Travel				
Subcontractor Services	127,107		127,107	279,335
Other Costs				
Total Program Costs	127,107		127,107	316,335
Total Expenditures	139,678		139,678	371,408
Revenue over (under) costs	$ 0	$ 0	$ 0	$ 0

COUNTY OF LOS ANGELES
COMMUNITY AND SENIOR SERVICES
SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
CSD CONTRACT NO. 11F-4260
FOR THE YEAR ENDED JUNE 30, 2012

CFDA # 93.569

	January 1, 2011 through June 30, 2011	July 1, 2011 through June 30, 2012	Total Costs		Total Budget
REVENUE					
Grant Revenue	$ 135,353	$ 246,366	$ 381,719		$ 383,379
Interest Income		1,214	1,214	(1)	
Other Income					
Total Revenue	135,353	247,580	382,933		383,379
EXPENDITURES					
Administrative Costs					
Salaries & Wages	4,624	17,376	22,000		22,000
Fringe benefits	3,744	14,075	17,819		17,819
Operating Expenses					
Equipment					
Out-of-State Travel					
Subcontractor Services					
Other Costs					
Total Administrative Costs	8,368	31,451	39,819		39,819
Program Costs					
Salaries & Wages					
Fringe benefits					
Operating Expenses	6,195	53,840	60,035		60,695
Equipment					
Out-of-State Travel					
Subcontractor Services	120,790	161,075	281,865		282,865
Other Costs					
Total Program Costs	126,985	214,915	341,900		343,560
Total Expenditures	135,353	246,366	381,719		383,379
Revenue over (under) costs	$ 0	$ 1,214	$ 1,214		$ 0

(1) Represents interest earned on advances. $1,214 in earned interest was reprogrammed to provide additional administrative services.