



JOHN NAIMO
AUDITOR-CONTROLLER

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

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January 18, 2019

TO: Supervisor Janice Hahn, Chair
Supervisor Hilda L. Solis,
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Kathryn Barger

FROM: John Naimo 
Auditor-Controller

SUBJECT: **AUDIT OF THE LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2018**

Background

The Los Angeles County (County) Flood Control District (District) was established in 1915 under the County Flood Control Act. The District's powers are exercised through your Board acting as the District's governing body. The duties of your Board include approving the District's budget, determining the District's tax rates, approving contracts, and determining whether to issue bonds authorized by the voters of the District.

The District's mission is to provide for the control and conservation of flood, storm, and other waste waters of the District, to conserve such waters for beneficial purposes and to protect the harbors, waterways, public highways, and private property within the District from flood and stormwater damage.

Audit Scope and Objectives

We contracted with an independent Certified Public Accounting firm, Moss, Levy & Hartzheim, LLP (Moss), to audit the District's financial statements for the year ended June 30, 2018. Moss conducted the audit under the Auditor-Controller's Master Agreement for audit services.

Review Summary

Moss' report on the financial statements indicates they present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the fiduciary funds of the District as of June 30, 2018, in accordance with accounting principles generally accepted in the United States of America (Attachment I).

As part of the audit, Moss reviewed the District's internal control over financial reporting and did not identify any deficiencies that they consider to be material weaknesses. Moss tested the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements. Moss noted no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Moss' auditor's communication letter and the report on internal control are attached (Attachment II).

If you have any questions please call me, or your staff may contact Mike Pirolo at (213) 253-0100.

JN:AB:PH:MP:YK

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Mark Pestrella, Director, Department of Public Works
Audit Committee
Countywide Communications

Los Angeles County Flood Control District

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



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

Director Mark Pestrella



LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018

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LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018

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Introductory Section



MARK PESTRELLA, Director

COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

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IN REPLY PLEASE
REFER TO FILE: **FI-10**

December 27, 2018

TO: Each Supervisor

FROM: Mark Pestrella
for Director of Public Works

A handwritten signature in blue ink, appearing to read "Wendy Doyle".

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

We are pleased to submit the Comprehensive Annual Financial Report of the Los Angeles County Flood Control District (District) for the fiscal year ended June 30, 2018. The District is a blended component unit of the County of Los Angeles (County). The report contains financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) for governmental entities and provides a comprehensive overview of the District's financial operations and financial position. The accuracy, completeness, and fairness of presentation of all information in this report are the responsibility of the District.

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

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT AND ITS SERVICES

The District was established in 1915 under the Los Angeles County Flood Control Act. The District's powers are exercised through your Board acting as the District's governing body. The District's mission is to construct, operate, and maintain an advanced system for flood protection and water conservation for beneficial purposes, such as improving water quality and maximizing habitat, provide for open space and recreational opportunities to protect the harbors, waterways, public highways, and private property within the District from flood and stormwater damage.

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The District boundaries encompass 2,758 square miles. The District operates and maintains one of the most complex systems of flood control and water conservation in the country. The District's current infrastructure includes 14 major dams and reservoirs, 483 miles of concrete and soft-bottom channels, 3,380 miles of underground storm drain conduits, 82,275 catch basins, 48 pump stations, 173 debris basins, 181 crib dams, 29 sediment placement sites, 27 spreading grounds, 21 low-flow diversion structures, 290 seawater barrier injection wells, 1 constructed wetland, and 1 mitigation bank area. The District's major programs are categorized as Flood Risk Management, Storm and Recycled Water Recharge, and Watershed Health. These programs are described as follows:

- **Flood Risk Management** – This program includes the planning, operation, maintenance, and rehabilitation of flood control facilities; emergency preparedness; storm response; floodplain management; regulatory compliance; and public education.
- **Storm and Recycled Water Recharge** – This program includes the planning, operation, maintenance, and rehabilitation of water conservation facilities; regulatory compliance; and public education.
- **Watershed Health** – This program includes the compliance activities of the District as mandated under the Los Angeles County National Pollution Discharge Elimination System (NPDES) Permit. The District's responsibilities include conducting special water quality studies, water quality monitoring of the District's channel system, enforcement of an illicit connection and discharge program, and working with municipalities to implement control measures to reduce urban and stormwater runoff pollution.

ECONOMIC OVERVIEW

Population growth and drought in the County will continue to increase demands on already limited water supplies. To address this demand, the District continues to look toward expanding water conservation programs and identifying more opportunities for stormwater capture, treatment, and recharge.

The District's revenue stream is primarily supported by benefit assessment and property taxes. The District anticipates the continuation of moderate growth, as assessed property values and unemployment levels continue to trend favorably. The assessed property tax roll grew for the seventh consecutive year and is 6.0 percent higher in the current year.

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The District continues to seek grant opportunities to offset increasing costs, as well as partnerships and collaborative efforts with agencies and organizations to leverage resources.

To date, the District has been awarded nearly \$82 million in competitive grant funding from the various grants as follows:

- Proposition 1 – Voters approved in November 2014, which authorized \$510 million in Integrated Regional Water Management (IRWM) Funding. To date, the District (on behalf of the Los Angeles-Ventura Funding Area) has been awarded \$9.8 million to conduct a Disadvantaged Community Program (DAC) that includes engagement, needs assessment, and technical assistance to improve DAC participation in IRWM and prepare for potential implementation projects within DACs. Prop 1 allows the State to sell bonds for financing water supply infrastructure, such as the \$7 million West Coast Basin Project Unit 13 New Injection and Observation Wells.
- Proposition 1E – Voters approved in November 2006, which allows the State to sell bonds for financing projects that will enhance flood protection:
 1. Santa Anita Stormwater Flood Management and Seismic Strengthening Project - \$20 million
 2. Devil's Gate and Eaton Stormwater Flood Management Project - \$28.4 million
- Proposition 84 – Voters approved in November 2006, which allows the State to sell bonds for financing projects that will improve urban runoff and stormwater quality:
 1. Big Dalton Spreading Grounds Improvement - \$2.16 million
 2. Dominguez Gap Spreading Grounds West Basin Percolation Enhancements - \$2 million
 3. Lopez Spreading Grounds Improvements - \$1.3 million
 4. Pacoima Spreading Grounds Improvement - \$4 million
 5. Peck Road Water Conservation Improvement - \$4.78 million
 6. Walnut Creek Spreading Basin Improvement - \$1.2 million
 7. West Coast Basin Barrier New Injection and Observation Well Projects - \$1 million
 8. Oxford Retention Basin Multi-Use Enhancement - \$1.5 million

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- Proposition 50 – Voters approved in November 2002, which allows the State to sell bonds for financing water projects including coastal protection, the CALFED Bay-Delta Program, integrated regional water management, safe drinking water, and water quality. The District received \$5.6 million for the Morris Dam Water Supply Project.

The Cities of Arcadia and Sierra Madre and the Raymond Basin Management Board are providing a total of \$2 million for the Santa Anita Stormwater Flood Management and Seismic Strengthening Project.

The Los Angeles Department of Water and Power (DWP) is providing funding for the following projects:

1. Big Tujunga Reservoir Sediment Removal Project - \$10 million
2. Branford Spreading Basin Pump Station and Pipeline - \$500,000
3. Lopez Spreading Grounds Improvements - \$2 million
4. Pacoima Reservoir Sediment Removal Project - \$10 million
5. Pacoima Spreading Grounds Improvements - \$15 million

MAJOR INITIATIVES

FLOOD RISK MANAGEMENT

Dam Rehabilitation Program – The District has undertaken a program to upgrade its dams to meet current seismic and spillway requirements. The District has spent approximately \$163 million in construction costs for the Dam Rehabilitation Program since the 1994 Northridge Earthquake. Anticipated future construction projects under this program include Sierra Madre Dam, Big Tujunga Dam, Sawpit Debris Dam and Puddingstone Dam. Also, as part of the Santa Anita Stormwater Flood Management and Seismic Strengthening Project, the District is planning to spend \$45 million in modifications to existing facilities along the Santa Anita Wash. These facilities include Santa Anita Dam, Santa Anita Debris Dam, Santa Anita Spreading Grounds, and Santa Anita Headworks. The District entered into a Proposition 1E Grant Agreement with the State Department of Water Resources (DWR) for \$20 million in matching funds to complete these improvements. The Santa Anita Dam Spillway Modification Project was awarded for \$26 million and began construction in April 2018. The construction of the Santa Anita Spreading Grounds Improvement Project will be completed by end of 2018, at a cost of \$3.7 million. The construction of the Santa Anita Debris Dam Seismic Strengthening Project, at an estimated cost of \$13 million, and the Santa Anita Headworks Project, at an estimated cost of \$7 million, are anticipated to begin in early 2020. At Puddingstone

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Dam, the District conducted a \$1.1 million comprehensive dam safety evaluation project, which included a thorough geotechnical investigation and updated seismic stability analyses. Based on the results of this investigation, the State Division of Safety of Dams is requiring the District to evaluate implementing dam safety risk reduction measures at Puddingstone Dam. The estimated cost of this project at Puddingstone Dam is \$30 million. The estimated cost of all current and future construction projects over the next ten years will be approximately \$156 million.

Dams Inlet/Outlet Works Rehabilitation Program – As the District's dams continue to age, many of the inlet/outlet works and ancillary components such as flood control valves used for releasing reservoir water and utility systems are coming to the end of their useful lives and require major maintenance, repairs, or replacement. Since 2009 when the program was initiated, the District has completed or is in the process of completing numerous inlet/outlet works projects totaling approximately \$68 million in construction costs. An additional \$80 million in rehabilitation/improvement projects that support reliable dam operations, facility access, and integration of new technology is planned under this program over the next ten years.

Security Action Plan for District's Major Dams – The District is implementing physical infrastructure elements such as new hardened access gates and fencing, control house intrusion alarms, improved lighting, and other security features at select dams. These measures have been implemented at Big Tujunga, Eaton Wash, Morris, San Dimas, and San Gabriel Dams, totaling \$500,000 in construction costs.

Major Dams Security Improvements – The Major Dams Security Improvement Project was completed for a cost of \$1.6 million, including improvements at Cogswell, Pacoima, and Puddingstone Dams, and at Santa Anita Debris Dam. Additional security improvements for District dams are planned under this program over the next five years and will be included with upcoming projects.

Integrated Regional Water Management Plans (IRWMP) – This program, initiated by the DWR, brings together agencies and organizations with water resource interests to collaboratively address the water resource challenges in the County and surrounding areas. This collaborative effort includes the District, County, cities, water purveyors, water wholesalers, groundwater managers, environmental organizations, open space stakeholders, stormwater managers, and representatives from disadvantaged communities. Since 2006, agencies in the Los Angeles area have received over \$129 million in project funding toward 71 projects.

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DWR's Proposition 1 DAC required a single Funding Area-wide proposal from each of the 12 Proposition 1 Funding Areas, one of which is the Los Angeles-Ventura Funding Area. The District, on behalf of the Los Angeles-Ventura Funding Area, was awarded \$9.8 million and has initiated the program. District is also the lead agency for subsequent Proposition 1 implementation grant funds and will be submitting a grant application in conjunction with the other Funding Area regions in 2019.

Cooperative Projects with the Army Corps of Engineers – The District is currently involved in several project studies being sponsored and/or conducted by the Army Corps of Engineers. Project objectives include flood protection, water conservation, and ecosystem and habitat restoration. The projects are spread throughout the District as listed below:

- Arroyo Seco Ecosystem Restoration Feasibility Study
- Compton Creek Section 1135 Ecosystem Restoration Feasibility Study
- Dominguez Channel - Federal Interest Determination, Section 205 Flood Damage Reduction
- Los Angeles County Drainage Area Stormwater Management Plan Phase II
- Santa Clara River Watershed Feasibility Study
- Whittier Narrows Dam Water Conservation and Supply Feasibility Study Update

Federal Emergency Management Agency (FEMA)-National Levee Certification Program Compliance – The District has a program that certifies that District-owned levees meet the Federal flood protection standards. The objective is to ensure that all levees are evaluated and certified, enabling FEMA to continue to show them as providing flood protection from a 100-year flood on their Flood Insurance Rate Maps. To date, approximately 114 miles of district levees have been certified and accepted by FEMA. Improvement alternatives are being developed for approximately 7 miles of levees that have not been certified. The District is also working with FEMA to have the areas behind non-certified levees shown as providing some level of flood protection based on FEMA's new Levee Analysis Mapping Procedures.

Integrated Water Resource Planning – This program addresses flood protection and water conservation goals of the District in an integrated fashion. The goal of this program is to undertake projects that provide multiple benefits to the communities served by the

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District, which include flood protection, water conservation, water quality, and community enhancements such as active and passive recreational facilities. Funding for projects that go beyond the District's purview is provided through multiple partners such as State conservancies and other Local, State, and Federal agencies. The District has been using this approach to develop its projects.

Reservoir Sediment Removal – The District's 14 major dams and reservoirs are the backbone of the District's flood protection and water conservation network. The reservoirs also perform debris control due to their location in the San Gabriel Mountains, which are considered among the most erosive in the world. As a result of erosion, sediment from the tributary watersheds washes into reservoirs on a continuous basis. This accumulation of debris reduces the flood peak attenuation, stormwater capture for recharge, and debris control capacities of the facilities. After fires in 2008 and 2009, storm flows increased the sediment and debris inflow into these facilities. Several reservoirs have lost significant storage capacity and must be cleaned out. Anticipated construction projects under this program include Big Tujunga, Cogswell, Devil's Gate, Morris, Pacoima Dams, and San Gabriel Reservoir Restoration Projects. The cost to remove sediment from these facilities is expected to exceed \$250 million. Regulatory requirements for compensatory mitigation will further increase this estimate. Due to the large quantity of sediment, new sediment placement locations and/or partnerships are being pursued in search of additional disposal options. DWP provided \$10 million each for the Big Tujunga Reservoir and Pacoima Reservoir Restoration Projects.

Post-fire Sediment Management – The 2009 Station Fire, covering 160,000 acres, was the largest fire in Los Angeles County history, compounding the impacts of the 2009 Morris Fire and the 2008 Santa Anita, Merek, Sesnon, and Sayre Fires. These fires impacted 6 of the District's reservoirs and more than 40 of the District's debris basins. The 2014 Colby, 2015 Calgrove, and 2016 Old Sand, and San Gabriel Complex Fires, impacted an additional 34 debris basins/debris inlets and one reservoir. The 2017 La Tuna Fire impacted another 6 to 10 debris basins/inlets and 2 major flood control channels. Increased frequency and volume of cleanouts of the fire area facilities have resulted in rapidly filling the District's nearby sediment placement sites and increased use of local landfills. The District expects the need for cleanouts of these fire area facilities and accelerated filling of sediment placement sites to continue as the normal recovery period for each fire event is generally five years. Additionally, some of the reservoirs impacted by the fires do not have their own sediment placement sites, and although utilization of landfills is being coordinated for cleanouts of the District's fire area facilities, the landfills have their own limitations on accommodating the District's volume of debris. The District is exploring opportunities to acquire gravel pits or space in gravel pits in the City of Irwindale to use for sediment placement as well as groundwater recharge. In an

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effort to address how sediment will be handled over the next two decades, the Los Angeles County Public Works (Public Works), on behalf of the District, developed a Sediment Management Strategic Plan with the assistance of stakeholders throughout the region.

Post-fire Debris Protection – In the aftermath of major fires that occur in the vicinities of neighborhoods, the District investigates the need and feasibility of installing temporary post-fire debris barriers to minimize mudflow impacts to these neighborhoods during storms. When installed, the temporary barriers remain in place and the debris collected by these barriers is removed as needed until the burned hillsides recover, usually about five years. The District installed a temporary debris barrier in the 2013 Madison Fire area (Monrovia). The barrier is anticipated to be removed in 2018. In the aftermath of the 2015 Calgrove Fire (Santa Clarita), the District installed 5 temporary debris barriers. The barriers are anticipated to be removed in 2019. In the aftermath of the Sand Fire (Santa Clarita), the District installed 2 temporary debris barriers. The barriers are anticipated to be removed in 2021. In the aftermath of the 2017 La Tuna Fire, which burned over 7,000 acres, the District is working with the City of Los Angeles to rehabilitate 4 existing rail and timber structures and is seeking assistance from the Natural Resources Conservation Service (NRCS) to implement debris barriers at a school. The La Tuna Fire - Sunset Upper Debris Basin Dam Modification Project was also completed in April 2018 increasing its debris storage capacity by 8,000 cubic yards.

STORM AND RECYCLED WATER RECHARGE

Additional Spreading Ground Capacity – The District operates 27 groundwater recharge facilities. These facilities allow stormwater runoff, imported water, and recycled water to be percolated into the aquifers. In the interest of improving storage and operational capacity, the District is implementing improvements to its existing groundwater recharge facilities and working with DWP to improve some of its groundwater recharge facilities. During Fiscal Year 2016-17, the District began construction on the Santa Anita Spreading Grounds Improvements, Tujunga Spreading Grounds Enhancements, and the Walnut Creek Spreading Basin Improvement. Additional anticipated construction projects under this program include improvements to the following water conservation projects: Big Dalton, Branford, Dominguez Gap (West Basin), Lopez, Pacoima, Peck Improvements, and Bull Creek Water Conservation Project. The estimated construction cost for those projects is \$68 million. Cost-sharing agreements have been executed for the improvements at Branford, Lopez, Pacoima, and Santa Anita Spreading Grounds and the Bull Creek Water Conservation Project. Big Dalton Spreading Grounds Improvement, Dominguez West Basin Percolation Enhancements, Lopez Spreading Grounds Improvements, Pacoima Spreading Grounds Improvement, Peck Spreading Basin

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Improvement, and Walnut Creek Spreading Basin Improvement have been chosen to receive Proposition 84 grant funds. Additionally, the District is considering acquiring land for new and expanded spreading grounds. The District is in the process of evaluating water conservation potential at various locations and collaborating with cities and water agencies to cost-share on capital improvements.

Seawater Intrusion Barriers – This program consists of three separate projects designed to prevent saltwater from contaminating underground freshwater supplies. The District has constructed more than 290 recharge wells to inject advanced treated recycled water into underground aquifers to form a wall of freshwater under enough pressure to keep out the seawater. In addition, the water that is injected at the seawater barriers replenishes the aquifer system. The District also utilizes more than 750 observation wells to monitor groundwater levels and chloride concentrations in coastal areas. The District completed the installation of a telemetry system that allows for remote monitoring of seawater barrier facilities to improve operational effectiveness. The total cost to design and install the telemetry system was \$12.8 million. The District received \$1 million in Proposition 84 grant money to construct 4 new injection and 3 new observation wells at the West Coast Basin Barrier project. The cost to construct the new wells was \$5.6 million. In addition, the District received \$7 million in Proposition 1 grant money to construct 11 new injection wells and one new observation well at the West Coast Basin Barrier project. This project is currently in the design phase.

WATERSHED HEALTH

Clean Water Act Compliance – As a discharger under the Federal Clean Water Act, the District is required to obtain coverage under a municipal stormwater NPDES permit to operate its flood control system and discharge runoff into the waters of the United States. The permit requires the District to implement programs and controls, including public education, illicit connection/illicit discharge controls, good housekeeping practices, and other control measures, to minimize urban and stormwater runoff pollution from its discharges. The District also conducts water quality monitoring within its drainage system to characterize its discharges, identify pollutant sources, and assess compliance with the permit.

The current State regulatory trend is to view stormwater as a valuable resource instead of as waste. The District is actively pursuing multi-benefit solutions to improve water quality while also increasing stormwater capture for local water supply augmentation and reducing reliance on imported water.

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INTERNAL AND BUDGETARY CONTROLS

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

In accordance with the provisions of the California Government Code, Section 29000-29144, commonly known as the County Budget Act, District budgets are adopted on or before October 2 of each fiscal year. Expenditures are controlled at the object level for all budget units within the District, except for capital asset expenditures, which are controlled at the object class level. Budgets are generally adopted for the District's General Fund and Debt Service Fund.

Encumbrance accounting is utilized to ensure effective budgetary control and accountability. Unencumbered appropriations lapse at year-end.

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

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

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OTHER INFORMATION

INDEPENDENT AUDIT

The District's basic financial statements have been audited by Moss, Levy & Hartzheim, LLP for the fiscal year ended June 30, 2018, in accordance with the requirements of California Government Code Section 26909. The Independent Auditor's Report on the basic financial statements is included in the Financial Section of this report.

AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the eleventh consecutive year the District achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGEMENTS

This report could not have been prepared without the cooperative efforts of Los Angeles County Public Works staff and the A-C. The District would also like to thank our independent auditors, Moss, Levy & Hartzheim, LLP, for their professional assistance.

BK:lg

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Attach.

cc: Chief Executive Office (Yen)
County Counsel
Executive Office



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Los Angeles County

Flood Control District, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

**COUNTY OF LOS ANGELES
BOARD OF SUPERVISORS**
(for Period Ending June 30, 2018)

Sheila Kuehl, Chairman
Third District

Hilda L. Solis
First District

Janice Hahn
Fourth District

Mark Ridley-Thomas
Second District

Kathryn Barger
Fifth District

Celia Zavala
Acting Executive Officer
Board of Supervisors

CONTRIBUTING COUNTY OFFICIALS

Mark Pestrella
Director of Public Works

Sachi A. Hamai
Chief Executive Officer

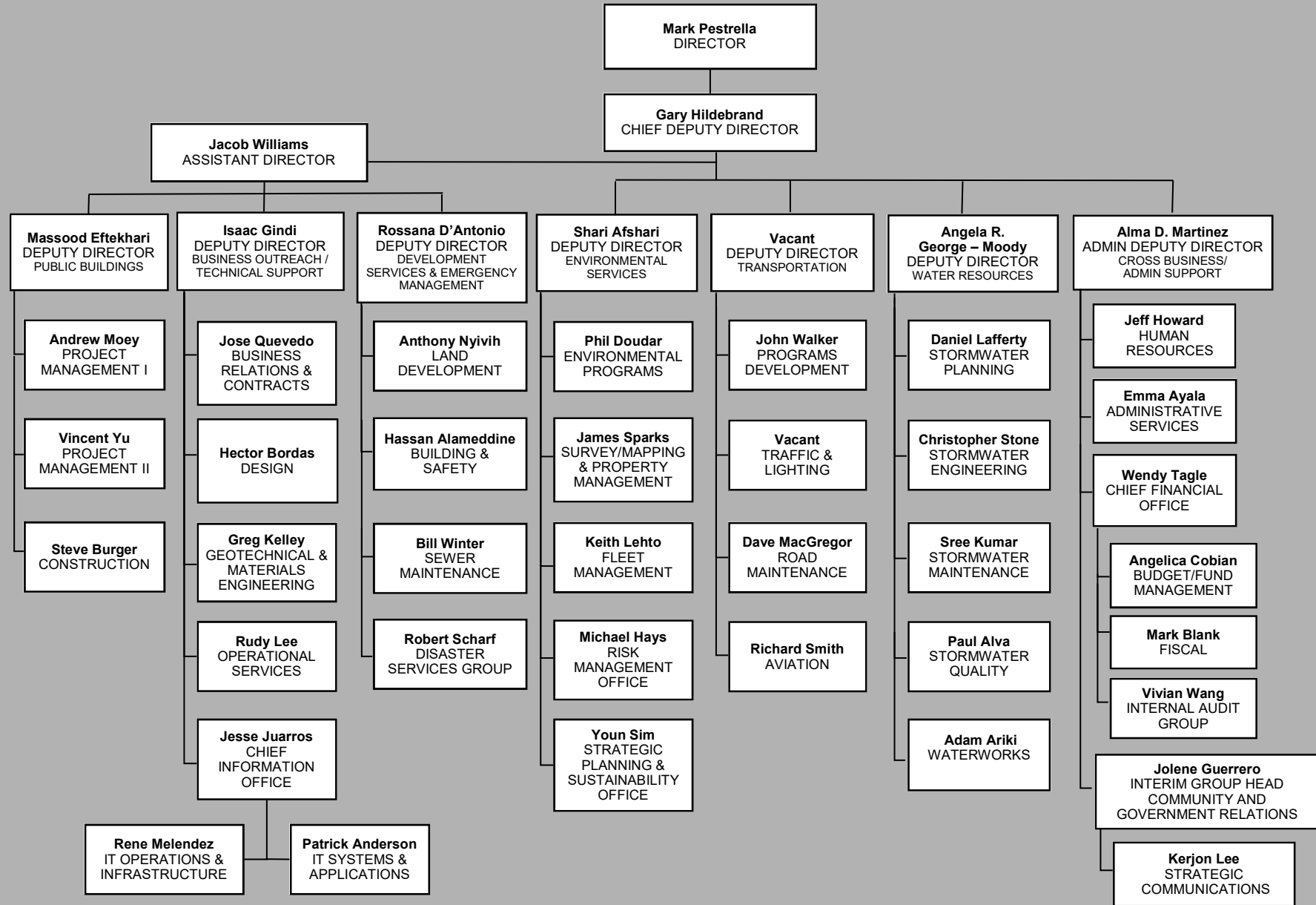
John Naimo
Auditor-Controller

Joseph Kelly
Treasurer and Tax Collector

Mary C. Wickham
County Counsel

Department of Public Works
dpw.lacounty.gov
Organization Chart

Revised: 05/29/2018



Financial Section



PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

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FAX: 310.670.1689
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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the fiduciary fund of the Los Angeles County Flood Control District (District), a blended component unit of the County of Los Angeles, California, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the fiduciary fund of the District as of June 30, 2018, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Budgetary Comparison Schedule of the General Fund on pages 4 through 15 and page 44 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 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 obtained during our audit of the basic financial statements. We 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section, the Statement of Changes in Assets and Liabilities – Fiduciary Fund, the Statistical Section, and Photo Gallery are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Statement of Changes in Assets and Liabilities – Fiduciary Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Changes in Assets and Liabilities – Fiduciary Fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory, Statistical, and Photo Gallery sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2018, on our consideration of the District'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 24, 2018

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

Our discussion and review of the Los Angeles County Flood Control District's (District) financial performance provides a narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with information contained in the letter of transmittal and accompanying basic financial statements, notes, and supplementary information.

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

FINANCIAL HIGHLIGHTS

At the end of the reporting year, the net position (total assets less total liabilities) of the District was \$6.1 billion.

During the fiscal year, the District's net position increased by \$6.7 million. The increase was a result of the District's governmental activities. The District has no business-type activities to report.

At the end of this fiscal year, the District's General Fund reported a total fund balance of \$500 million. The fund balance categories and amounts consisted of restricted fund balance of \$499.9 million and assigned fund balance of \$0.1 million.

The District's capital asset balance net of accumulated depreciation was \$5.6 billion at fiscal year-end, and decreased by \$29.6 million during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference representing net position. Over time, increases or decreases in the District's net position may serve as an indicator of improvement or decline of its financial health.

The Statement of Activities shows the change in the District's net position during the fiscal year. All changes in net position are reported when the underlying events giving rise to the changes take place, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will affect future cash flow. For example, property tax revenues have been recorded that have been earned but not yet collected and workers' compensation expenses that have been accrued but not yet paid.

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds – All of the District's basic services are included in governmental funds, which focus on resource inflow and outflow and show available balances at fiscal year-end. The governmental fund statements provide a detailed short-term view that helps readers determine whether there is an increase or decrease in financial resources available for spending in the near future on the District's activities. Because this information does not encompass the additional long-term focus of the government-wide statements, we show the relationship between governmental activities and governmental funds using reconciliations on pages 19 and 22 and the notes to the basic financial statements.

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

Fiduciary Funds – Assets held in an agency capacity for others and unable to be used to support District activities are known as fiduciary funds. The District's agency funds are reported in this fund category using the accrual basis of accounting.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information, essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes begin on page 24 of this report.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

In addition to the basic financial statements and accompanying notes, this report presents required supplementary information concerning the District's budget as well as actual revenues and expenditures on a budgetary basis. The RSI is located on pages 43 through 45 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

As noted earlier, net position can serve over time as a useful indicator of a government's financial health. In the case of the District, assets exceeded liabilities by \$6.1 billion at the close of the most recent fiscal year (see Table 1).

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

Table 1

**Summary of Net Position
As of June 30, 2018, 2017 and 2016
(in thousands)**

| | Governmental Activities | | |
|------------------------------------|------------------------------------|--------------------|--------------------|
| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
| Current and other assets | \$ 583,257 | \$ 534,897 | \$ 497,805 |
| Capital assets | <u>5,641,422</u> | <u>5,671,044</u> | <u>5,677,355</u> |
| Total assets | <u>\$6,224,679</u> | <u>\$6,205,941</u> | <u>\$6,175,160</u> |
| Current and other liabilities | \$ 75,111 | \$ 59,683 | \$ 69,712 |
| Long-term liabilities | <u>8,133</u> | <u>11,571</u> | <u>22,975</u> |
| Total liabilities | <u>83,244</u> | <u>71,254</u> | <u>92,687</u> |
| Net Position: | | | |
| Net investment in capital assets | 5,641,422 | 5,671,044 | 5,664,725 |
| Restricted net position | 499,914 | 463,544 | 417,649 |
| Unrestricted net position | <u>99</u> | <u>99</u> | <u>99</u> |
| Total net position | <u>6,141,435</u> | <u>6,134,687</u> | <u>6,082,473</u> |
| Total liabilities and net position | <u>\$6,224,679</u> | <u>\$6,205,941</u> | <u>\$6,175,160</u> |

As indicated above, the District's total net position consists of the following three components:

Net Investment in Capital Assets

The District's net investment in capital assets total \$5.641 billion. This represents its investment in capital assets (e.g., land and easements, buildings and improvements, infrastructure, equipment, and software—net of accumulated depreciation), less any outstanding debt related to acquiring those assets. The District uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending.

Restricted Net Position

The District's restricted net position at year-end was \$499.9 million, primarily for Capital Projects and Public Protection. These restrictions are primarily due to external restrictions imposed by State legislation and bond covenants for construction, debt service, and reserves.

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

Unrestricted Net Position

The District's unrestricted net position of \$0.1 million is available to meet the District's ongoing financial requirements.

Governmental Activities

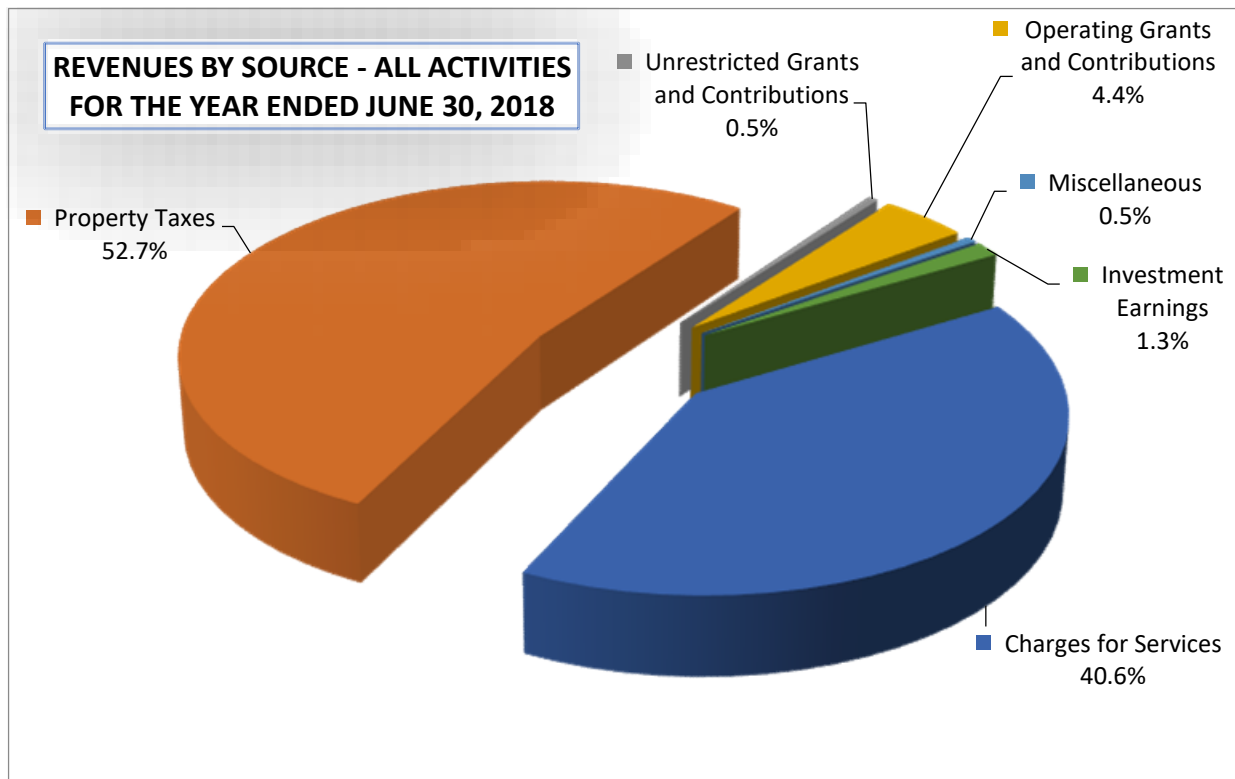
Table 2 indicates the changes in net position for the governmental activities.

Table 2

**Summary of Changes in Net Position
For the Fiscal Years Ended June 30, 2018, 2017 and 2016
(in thousands)**

| | Governmental Activities | | |
|---------------------------------------|------------------------------------|--------------------|--------------------|
| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 111,997 | \$ 146,461 | \$ 125,698 |
| Operating grants and contributions | 12,048 | 5,006 | 2,935 |
| General revenues: | | | |
| Property taxes | 145,222 | 139,405 | 129,302 |
| Unrestricted grants and contributions | 1,373 | 2,510 | 1,738 |
| Investment earnings | 3,679 | 1,687 | 4,465 |
| Miscellaneous | 1,447 | 2,640 | 5,995 |
| Total revenues | <u>275,766</u> | <u>297,709</u> | <u>270,133</u> |
| Expenses: | | | |
| Public protection | 269,018 | 245,401 | 260,841 |
| Interest on long-term debt | — | 94 | 580 |
| Total expenses | <u>269,018</u> | <u>245,495</u> | <u>261,421</u> |
| Changes in net position | 6,748 | 52,214 | 8,712 |
| Net position – beginning | <u>6,134,687</u> | <u>6,082,473</u> | <u>6,073,761</u> |
| Net position – ending | <u>\$6,141,435</u> | <u>\$6,134,687</u> | <u>\$6,082,473</u> |

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



The District's change in net position was \$45.5 million less than the prior fiscal year. Following are the major factors that contributed to the net position changes:

- Revenues from governmental activities decreased by \$21.9 million (7.4%) from the previous fiscal year. The most significant changes in revenue were in the following areas:
 - Charges for services were \$34.5 million (23.5%) lower than the previous fiscal year due to a reversal of recognized revenue which was ineligible reimbursement for Pacoima Reservoir Sediment and Pacoima Spreading Grounds Removal Projects. In addition, the District redeemed the remaining outstanding principal of its Capital Construction Bonds in the previous fiscal year, which resulted in a decrease in revenue collected as Public Works divisions no longer needed to participate in the debt payments.
 - Property taxes were \$5.8 million (4.2%) higher than previous fiscal year due to an increase in assessed property values.
 - Operating grants and contributions were \$7 million (140.7%) higher than the previous fiscal year due primarily to Federal reimbursement for 2010 Storms.

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

- Governmental activity expenses were \$23.5 million (9.6%) higher than the previous fiscal year primarily due to an increase in public protection spending.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure compliance with finance related legal requirements, tracking funding sources, and spending for defined purposes.

Types of governmental funds utilized by the District include General (commonly referred to as the Flood Fund) and Debt Service Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources available for spending. This information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2018, the District's governmental funds reported a General Fund balance of \$500 million, an increase of \$32.6 million in comparison with the prior fiscal year. Of the total fund balance, \$499.9 million is classified as restricted and \$0.1 million as assigned. There was no balance for Debt Service Fund.

Revenues in the District's governmental funds, all in the General Fund, were \$275.5 million, a decrease of 7.5% from the previous fiscal year. Property taxes, which were \$144.8 million, were a major source of revenue for the governmental funds. Property taxes increased \$5.6 million (4%) from the previous fiscal year. The increase is due to higher assessed property values and property tax revenue from the dissolution of redevelopment agencies. Another significant source of revenue was charges for services, which totaled \$104 million. Charges for services decreased \$25.1 million (19%) from the previous fiscal year. As previously mentioned, the decrease is due to a reversal of recognized revenue for ineligible reimbursement costs. Expenditures for the governmental funds totaled \$244 million, a decrease of 2.8% from the previous fiscal year. For the reporting year, revenues for governmental activities exceeded expenditures by \$31.5 million.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary Summary – Revenues/Financing Sources

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

Table 3

| <u>Category</u> | <u>Increase (Decrease) From Original Budget</u> | <u>Final Budget Amount</u> | <u>Actual Amount (Budgetary Basis)</u> | <u>Variance - Positive (Negative)</u> |
|-----------------------------|---|------------------------------------|--|---|
| Taxes | \$ 5,226 | \$ 146,871 | \$ 147,994 | \$ 1,123 |
| Intergovernmental revenues | | 3,081 | 13,421 | 10,340 |
| Charges for services | | 111,714 | 104,047 | (7,667) |
| All other revenues | 398 | 13,662 | 18,191 | 4,529 |
| Other sources and transfers | | 45 | 1,157 | 1,112 |
| Changes in fund balance | | | 6,934 | 6,934 |
| Total | \$ 5,624 | \$ 275,373 | \$ 291,744 | \$ 16,371 |

Changes from Amounts Originally Budgeted

During the fiscal year, the net change in the District's General Fund budget was a positive \$5.6 million. The change mainly resulted from a \$5.2 million property tax revenue increase. The District's policy is to increase the budget for certain tax revenues that exceed the amounts originally budgeted. The revised budget action occurs at the end of the fiscal year and is designed to demonstrate compliance with legal provisions related to the appropriation of revenues from taxes.

Actual Revenues/Financing Sources Compared With Final Budget Amounts

Actual revenues and other financing sources recognized by the District's General Fund were \$16.4 million (5.9%) more than budgeted. The variance resulted primarily from the following:

- Increase in property taxes.
- Increase in reimbursement from state and federal aid.
- Increase in interest earned.
- Increase in reimbursement from various Public Works funds.
- Increase in sale of land.
- Increase in fund balance as a result of cancellation of existing contracts and purchase orders.

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

Budgetary Summary - Expenditures/Other Financing Uses

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

Table 4

| <u>Category</u> | Increase (Decrease) From Original Budget | Final Budget Amount | Actual Amount | Variance - Positive (Negative) |
|-------------------------------------|---|---------------------------|------------------|--------------------------------------|
| Public protection and transfers out | \$ - | \$358,795 | \$314,115 | \$ 44,680 |
| Contingencies | 5,624 | 5,624 | | 5,624 |
| Total | \$ 5,624 | \$364,419 | \$314,115 | \$ 50,304 |

Changes from Amounts Originally Budgeted

During the fiscal year, the net change in the District's General Fund budgeted contingencies was a positive \$5.6 million. The increase resulted from a Gann budget adjustment for property tax collection that exceeded the budgeted amount.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amounts

Actual expenditures and other financing uses in the District's General Fund were \$50.3 million lower than budgeted. The variance primarily resulted from a decrease in Capital Assets-Infrastructure contracts due to changes in District's project schedule that generally occur as a result of various circumstances delaying the award of the construction projects. Delays are expected and an inventory of projects is kept ready for replacing projects that remain in planning stages or are otherwise delayed.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had \$5.64 billion (net of depreciation) invested in capital assets including land and easements, buildings and improvements, infrastructure, equipment, and software (see Table 5).

The District's capital assets (net of depreciation) for the reporting fiscal year decreased \$29.6 million (0.5%) from the prior fiscal year:

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

Table 5

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

| | Reporting Year | Prior Year | Increase (Decrease) |
|---|---------------------------|-----------------------|--------------------------------|
| Land and easements | \$3,690,761 | \$3,688,313 | \$ 2,448 |
| Buildings and improvements (B&I) | 58,584 | 59,738 | (1,154) |
| Infrastructure | 1,771,060 | 1,812,840 | (41,780) |
| Equipment | 955 | 948 | 7 |
| Software | 1,331 | 1,402 | (71) |
| Construction-in-progress-B&I | | 899 | (899) |
| Construction-in-progress-infrastructure | 118,731 | 106,904 | 11,827 |
| Total | \$5,641,422 | \$5,671,044 | \$ (29,622) |

Infrastructure costs were capitalized for projects that remained in progress at the end of the fiscal year. The value of construction-in-progress at June 30, 2018, was \$118.7 million and the value will be classified in the Construction-in-Progress category until the projects are completed. For additional information on Capital Asset activity (see Note 5).

The \$24.7 million in infrastructure asset additions and transfers (see Note 5) includes projects completed this year under the Construction-in-Progress category. The completed projects totaled \$21.7 million and primarily consist of the following (asset values are prior to depreciation):

Channels

- Eaton Wash Dam Spillway Access Ramp (\$657,099)

Dams

- Morris Dam Inlet/Outlet Rehabilitation Project (\$15,857,699)

Debris Basins

- La Tuna Fire – Sunset Upper Debris Basin Dam Modification (\$1,894,080)

Spreading Grounds

- Walnut Creek Spreading Basin Pump Station Project (\$3,099,979)

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

Debt Administration

At June 30, 2018, the District had \$8,133,000 in long-term debt. The District's long-term debt decreased by approximately \$3.4 million (29.7%) this fiscal year as a result of the decrease in pollution remediation, litigation, and auto and general liabilities. The District redeemed the remaining outstanding principal of its Capital Construction Bonds in the previous fiscal year. Specific disclosures related to long-term obligations appear in Notes 6, 8 and 12.

Table 6 indicates changes in the District's long-term debt during the fiscal year:

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

| | Current Fiscal Year | Prior Fiscal Year | (Increase) Decrease |
|--|--------------------------------|------------------------------|--------------------------------|
| Pollution Remediation (Note 6, 8 & 12) | \$ 1,738 | \$ 2,126 | \$ 388 |
| Litigation (Note 6 & 8) | 6,384 | 9,351 | 2,967 |
| Auto & General (Note 6 & 8) | 11 | 94 | 83 |
| Total | \$ 8,133 | \$ 11,571 | \$ 3,438 |

ECONOMIC CONDITIONS AND OUTLOOK

The Board of Supervisors adopted the District's 2018-2019 Budget on June 25, 2018. The Budget was adopted based on the estimated fund balances that would be available at the end of 2017-2018. The Board updated the Budget on October 2, 2018 to reflect final 2017-2018 fund balances and other pertinent financial information. For the District's General Fund, the 2018-2019 Budget included \$66.7 million of available fund balance, which exceeded the previously estimated fund balance of \$27.9 million. The additional fund balance of \$38.8 million resulted primarily from the unanticipated increase in tax revenue and the decrease in expenditures due to projects delayed.

The District's 2018-19 Budget anticipates the continuation of moderate growth, as assessed property values and unemployment levels continue to trend favorably. Revenues associated with sales taxes are trending higher and assessed property values are 6.0% higher in the current year. This reflects the seventh consecutive year of growth, which will provide additional property tax revenues to the District. However, the District faces unfunded liabilities for retiree healthcare and addressing maintenance and capital improvement needs.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018 (in thousands)

| | | <u>GOVERNMENTAL ACTIVITIES</u> |
|---|--------------|------------------------------------|
| ASSETS | | |
| Pooled cash and investments (Notes 1 and 4) | | \$ 560,613 |
| Advances to the County of Los Angeles | | 6,466 |
| Taxes receivable | | 11,814 |
| Interest receivable | | 1,423 |
| Other receivables | | 2,941 |
| Capital assets: (Notes 1 and 5) | | |
| Land and easements and construction-in-progress | \$ 3,809,492 | |
| Other capital assets, net of accumulated depreciation | 1,831,930 | |
| Total capital assets | | <u>5,641,422</u> |
| TOTAL ASSETS | | <u>6,224,679</u> |
| LIABILITIES | | |
| Accounts payable | | 9,065 |
| Advances payable (Note 1) | | 66,046 |
| Noncurrent liabilities: (Notes 6, 8 and 12) | | |
| Due within one year | | 1,969 |
| Due in more than one year | | 6,164 |
| TOTAL LIABILITIES | | <u>83,244</u> |
| NET POSITION | | |
| Net investment in capital assets | | 5,641,422 |
| Restricted for: | | |
| Capital projects | | 341,751 |
| Public protection | | 158,163 |
| Unrestricted | | 99 |
| TOTAL NET POSITION | | <u>\$ 6,141,435</u> |

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

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (in thousands)

| | Expenses | Program Revenue | | | Net (Expense) |
|---|-------------------|----------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position |
| | | | | | Total Governmental Activities |
| Governmental activities: | | | | | |
| Public protection | \$ 269,018 | \$ 111,997 | \$ 12,048 | \$ - | \$ (144,973) |
| Total | <u>\$ 269,018</u> | <u>\$ 111,997</u> | <u>\$ 12,048</u> | <u>\$ -</u> | <u>\$ (144,973)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | 145,222 |
| Grants and contributions not restricted to special programs | | | | | 1,373 |
| Investment earnings | | | | | 3,679 |
| Miscellaneous | | | | | 1,447 |
| Total general revenues | | | | | <u>151,721</u> |
| | | | | | |
| Change in net position | | | | | 6,748 |
| Net position - July 1, 2017 | | | | | <u>6,134,687</u> |
| Net position - June 30, 2018 | | | | | <u>\$ 6,141,435</u> |

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

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018 (in thousands)

| | GENERAL | TOTAL GOVERNMENTAL FUNDS |
|--|-------------------|--------------------------------|
| ASSETS: | | |
| Pooled cash and investments (Notes 1 and 4) | \$ 560,613 | \$ 560,613 |
| Advances to the County of Los Angeles | 6,466 | 6,466 |
| Taxes receivable | 6,626 | 6,626 |
| Interest receivable | 1,423 | 1,423 |
| Assessments receivable | 5,188 | 5,188 |
| Other receivables | 2,941 | 2,941 |
| TOTAL ASSETS | \$ 583,257 | \$ 583,257 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | |
| LIABILITIES: | | |
| Accounts payable | \$ 9,065 | \$ 9,065 |
| Advances payable (Note 1) | 66,046 | 66,046 |
| TOTAL LIABILITIES | 75,111 | 75,111 |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Unavailable revenue - property taxes & other revenues (Note 13) | 8,177 | 8,177 |
| FUND BALANCES: | | |
| Restricted: | | |
| Capital projects | 341,751 | 341,751 |
| Public protection | 158,119 | 158,119 |
| Assigned | 99 | 99 |
| TOTAL FUND BALANCES | 499,969 | 499,969 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 583,257 | \$ 583,257 |

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

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018 (in thousands)

Fund balance of total governmental funds (page 18) \$ 499,969

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

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

| | | | |
|----------------------------------|----|------------------|-----------|
| Land and easements | \$ | 3,690,761 | |
| Construction-in-progress | | 118,731 | |
| Buildings and improvements - net | | 58,584 | |
| Equipment - net | | 955 | |
| Intangible Software - net | | 1,331 | |
| Infrastructure - net | | <u>1,771,060</u> | 5,641,422 |

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

| | | | |
|---|--|--|-------|
| Deferred inflows from property taxes and other revenues | | | 8,177 |
|---|--|--|-------|

The following long-term liabilities are not due and payable in the
current period and therefore are not reported in the governmental funds:

| | | | |
|---------------------------|--|--|----------------|
| Litigation/self insurance | | | <u>(8,133)</u> |
|---------------------------|--|--|----------------|

Net position of governmental activities (page 16) \$ 6,141,435

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

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (in thousands)

| | GENERAL | TOTAL GOVERNMENTAL FUNDS |
|--|----------------|--------------------------------|
| REVENUES: | | |
| Taxes | \$ 144,823 | \$ 144,823 |
| Licenses and permits | 1,042 | 1,042 |
| Fines, forfeitures, and penalties | 849 | 849 |
| Interest | 3,679 | 3,679 |
| Rents and royalties | 6,155 | 6,155 |
| Intergovernmental revenues: | | |
| Federal | 6,987 | 6,987 |
| State | 5,812 | 5,812 |
| Other | 622 | 622 |
| Charges for services | 104,036 | 104,036 |
| Miscellaneous | 1,452 | 1,452 |
| TOTAL REVENUES | 275,457 | 275,457 |
| EXPENDITURES: | | |
| Current public protection: | | |
| Services and supplies | 229,139 | 229,139 |
| Capital outlay | 14,857 | 14,857 |
| TOTAL EXPENDITURES | 243,996 | 243,996 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 31,461 | 31,461 |

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

Continued...

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS-Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (in thousands)

| | GENERAL | TOTAL GOVERNMENTAL FUNDS |
|---|-------------------|--------------------------------|
| OTHER FINANCING SOURCES (USES): | | |
| Sales of capital assets | \$ 1,157 | \$ 1,157 |
| OTHER FINANCING SOURCES (USES) - NET | <u>1,157</u> | <u>1,157</u> |
| NET CHANGE IN FUND BALANCES | 32,618 | 32,618 |
| FUND BALANCES - BEGINNING | <u>467,351</u> | <u>467,351</u> |
| FUND BALANCES - ENDING | <u>\$ 499,969</u> | <u>\$ 499,969</u> |

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

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (in thousands)**

Net change in fund balances - total governmental funds (page 21) \$ 32,618

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

| | | | |
|---|---------------|-----------------|----------|
| Expenditures for general capital assets, infrastructure and other related capital asset adjustments | | | |
| Capital outlay | \$ 14,857 | | |
| Capital outlay reported as Services & Supplies | <u>25,215</u> | \$ 40,072 | |
| Less - current year depreciation expense | | <u>(68,771)</u> | (28,699) |

In the Statement of Activities, only the gain/(loss) on the sale/disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increases financial resources, thus, the change in net position differs from the change in fund balance (923)

Revenue timing differences result in more/(less) revenue in Government-wide Statements 314

Change in litigation/self insurance 3,438

Change in net position of governmental activities (page 17) \$ 6,748

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

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2018 (in thousands)

| | <u>AGENCY FUND</u> |
|---|------------------------|
| ASSETS | |
| Pooled cash and investments (Notes 1 and 4) | <u>\$ 750</u> |
| TOTAL ASSETS | <u><u>\$ 750</u></u> |
| LIABILITIES | |
| Deposits payable | <u>\$ 750</u> |
| TOTAL LIABILITIES | <u><u>\$ 750</u></u> |

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

Notes to the Basic Financial Statements

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

Reporting Entity

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

A blended component unit is an entity that, because of a close relationship with a primary government, should be blended in the basic financial statements as though it were part of the primary government. The District does not have any other component units that should be discretely presented. For additional information on PWFA, please contact the District's Financial Management Branch at the Los Angeles County Public Works, 900 South Fremont Avenue, 7th Floor, Alhambra, California 91803.

The District is included as a blended component unit of the County of Los Angeles financial reporting entity and is included in the County's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018. The financial resources and operations of the District are accounted for in the fund types discussed below.

Basic Financial Statements

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

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

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Financial reporting incorporates all GASB pronouncements.

Government-wide Financial Statements

Government-wide financial statements display information about the District as a whole. The Statement of Net Position and Statement of Activities display information about the District with the exclusion of fiduciary activities.

Basis of Accounting

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

Proceeds of long-term debt are recorded as liabilities rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of related liabilities rather than as expenditures.

Net position is classified into the following three categories: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. Net position is reported as restricted when its use has been constrained by externally imposed conditions. Such conditions include limitations imposed by creditors (such as through debt covenants), grantors, or laws and regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2018, there were no restricted assets impacted by enabling legislation.

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

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

At June 30, 2018, the District had recorded restricted net position in the Governmental Activities as follows (in thousands):

| Restricted for: | Governmental Activities |
|-------------------|----------------------------|
| Capital Projects | \$ 341,751 |
| Public Protection | 158,163 |
| Total Restricted | \$ 499,914 |

Fund Financial Statements

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

Fund Balance

In the fund financial statements, the governmental funds report the classification of fund balance in accordance with GASB Statement No. 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 District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (District ordinances).

Enabling legislation authorizes the District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the District

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the County’s highest level of decision-making authority, the County’s Board. Those committed amounts cannot be used for any other

purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. The underlying action that imposed the limitation needs to occur no later than the close of the fiscal year. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

As mentioned, the Board establishes, modifies, or rescinds fund balance commitments by passage of an ordinance or resolution. The District reviewed the GASB Statement No. 54 criteria and determined that an ordinance and a resolution are 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. Once the budget is adopted, the limitations imposed by the budget remain in place until a similar action is taken.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. Authorization to assign fund balance rests with the County’s Board through the budget process. The Board has also delegated authority to the Chief Executive Officer and the Head of the Los Angeles County Public Works for contracts and purchasing authority. The assigned fund balance at June 30, 2018

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

is assigned for the control and conservation of flood, storm, and other waste water, to conserve such waters for beneficial and useful purposes, and to protect the harbors, waterways, public highways, and properties within the District from damage from flood or storm waters.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2018 are as follows (in thousands):

| | <u>General</u> <u>Fund</u> |
|---------------------|-------------------------------|
| Fund Balances | |
| Restricted for: | |
| Capital Projects | \$ 341,751 |
| Public Protection | <u>158,119</u> |
| Total Restricted | 499,870 |
| Assigned | <u>99</u> |
| Total Fund Balances | <u>\$ 499,969</u> |

Fund balances restricted for public protection are 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.

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

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

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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

The District reports the following major governmental funds:

- General Fund

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

The District also reports on the following fund:

- Fiduciary Fund (Agency Fund)

The Agency Fund is used to account for assets held by the District in an agency capacity pending transfer or distribution to individuals, private organizations, other governmental entities, or other funds. Such funds have no equity accounts since all assets are primarily made up of deposits due to individuals or entities at some future time. The Agency Fund consists of funding for the acquisition of rights-of-way for flood control projects and deposits received from other governmental entities, private companies, and individuals, as part of an agreement, permit, contractual obligation, or other pre-payment requirement stemming from flood control construction projects or maintenance work.

Basis of Accounting

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

Interest income and charges for current services are accrued when earned and determined available. Changes in the fair value of investments are recognized as revenues at the end of each year. Federal and State grants are recorded as revenue when determined to be available, entitlement occurs, and relevant expenditures are incurred. Revenues not accrued include licenses, permits, and miscellaneous revenues. Expenses are generally recognized under the modified accrual basis of

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

accounting when the related liability is incurred, with the exception of interest on long-term debt, which is recognized when payment is due.

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

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

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

Property Taxes

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

Property taxes are levied on both real and personal property. Secured property taxes are levied in September of each year. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. Tax payments can be made in two equal installments: the first is due November 1 and is delinquent with penalties after December 10; the second is due February 1 and is delinquent with penalties after April 10. Secured property taxes delinquent and unpaid as of June 30, are declared to be tax defaulted and subject to redemption penalties, costs, and

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

interest. Properties with delinquent taxes, unpaid after five years, are subject to being sold at public auction, and having the proceeds used to pay the delinquent amounts. Any excess is remitted to the taxpayer, if claimed.

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

Legislation Dissolving Redevelopment Agencies and Effect 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. As a result, property taxes have shifted from redevelopment agencies to local government agencies, including the District.

Benefit Assessments

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

Deposits and Investments

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

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

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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

Capital Assets

Capital assets, which include land and easements, buildings and improvements, equipment, software, and infrastructure, are reported in the government-wide financial statements. Capital assets are recorded at historical cost if purchased, or estimated historical cost if constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value.

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

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

The District'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 that significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations. Specific disclosures related to capital assets appear in Note 5.

Capital assets are depreciated 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 |

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Unearned Revenue

Under the accrual basis and the modified accrual basis of accounting, revenues are recognized only when earned. Thus, the government-wide statement of net position and governmental funds defer revenue recognition for resources that have been received at fiscal year-end, but not yet earned. Assets recognized before the earning process is complete are offset by a corresponding liability as unearned revenue. Under the modified accrual basis of accounting, revenues are recognized when earned and susceptible to accrual. Revenues are considered susceptible to accrual if they are measurable and available to finance expenditures of the current period.

Thus, governmental funds also defer revenue recognition for revenues not considered available to liquidate liabilities of the current period.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows of resources and/or deferred inflows of resources in the government-wide statement of net position and governmental fund balance sheets.

In addition to assets, the financial statements will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the financial statements will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

Previous financial reporting standards do not include guidance for reporting these financial statement elements, which are distinct from assets and liabilities. Refer to Note 13 for a listing of the deferred inflows of resources the District recognized.

Advances Payable

Advances Payable of \$66,046,000 as of June 30, 2018, represents deposits received from customers for future projects.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Use of Estimates

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

2. NEW ACCOUNTING PRONOUNCEMENTS

The District implemented the requirements of GASB Statements No. 75, 81, 85 and 86 during the fiscal year ended June 30, 2018.

Governmental Accounting Standards Board Statement No. 75

Improves accounting and financial reporting by state and local governments for postemployment benefits (OPEB) other than pensions and improves the information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2018.

Governmental Accounting Standards Board Statement No. 81

Improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2018.

Governmental Accounting Standards Board Statement No. 85

Addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). The implementation of GASB Statement No. 85 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2018.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2018

2. NEW ACCOUNTING PRONOUNCEMENTS-Continued

Governmental Accounting Standards Board Statement No. 86

Improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2018.

3. TRANSACTIONS WITH THE COUNTY

Pursuant to an agreement between the District and the County, the County is responsible for providing all necessary employees to the District for purposes of performing District functions. Costs related to these employees are billed to the District based on actual time spent providing services to the District. Supply and equipment costs are also billed based on actual usage by the District. Accordingly, the District has no supplies inventory or employee-related liabilities (e.g., pension, compensated absences, and workers' compensation). For the fiscal year ended June 30, 2018, the County's billings to the District's General Fund approximated \$135,560,203. Costs associated with shared equipment and inventory funded through the Los Angeles County Public Works' Internal Service Fund are recorded in the District's financial statements as expenses under "Public Protection." For the fiscal year ended June 30, 2018, this expense from the District's General Fund was \$2,807,000.

The District has numerous transactions with the other funds of the County to finance operations, provide services, purchase assets, and apportion property taxes.

The District issued certificates of participation in 1987 to acquire its headquarters building. These certificates were defeased and replaced with refunding bonds in August 1993. The 1993 refunding bonds were refunded in January 2003 (see Note 6). The District redeemed the remaining outstanding principal of \$12,630,000 on September 1, 2016. The District's management has no intention of selling the headquarters building. However, in the event the headquarters were to be sold, the proceeds of the sale would be shared by the District and the County in proportion to each entity's share of the headquarters' cost.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2018

3. TRANSACTIONS WITH THE COUNTY-Continued

On April 16, 1990, the District entered into a cost-sharing agreement with the County, relative to the Public Works headquarters building. Still in effect, the agreement provides for the County to make rental payments to the District in exchange for its occupancy of the building. Furthermore, the County agreed to pay for its proportionate share of the headquarters operating costs. For the fiscal year ended June 30, 2018, County rental payments to the District totaled \$2,446,000.

4. CASH AND INVESTMENTS

Pooled Cash and Investments

As provided for by the Government Code, some cash balances of the District are pooled and invested by the County Treasurer but are subject to withdrawal from the pool upon demand. As of June 30, 2018, the District's share of the total pooled cash and investments included in the Statement of Net Position and Balance Sheet under "pooled cash and investments" was \$560,613,000. which represents approximately 1.77% of the total pool. The "pooled cash and investments" reported on the Statement of Fiduciary Assets and Liabilities was \$750,000.

Interest earned on pooled investments is deposited monthly and is based upon the average daily deposit balance during the allocation period. Investment gains and losses are proportionately shared by the entities participating in the pool as an increase or reduction in interest earnings. The net unrealized gain on the District's proportionate share of investments held in the Treasurer's Pool was \$7,709,000 as of June 30, 2018. Statutes authorize the pool to invest in obligations of the United States Treasury, federal agencies, municipalities, commercial paper rated A-1 by Standard & Poor's Global Rating Services (S&P) or P-1 by Moody's Investors Service (Moody's), bankers' acceptances, negotiable certificates of deposit, floating rate notes, repurchase agreements, and reverse repurchase agreements.

Investments are managed by the County Treasurer, who provides status reports on a monthly basis to the Board. In addition, Treasury investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial reviews, and annual financial reporting.

GASB Statement No. 3 exempts participating entities from classifying their pool investments in categories of credit risk; however, GASB Statement No. 40 requires disclosures of common deposit and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk. Information on common deposit and investment risks for the entire County Treasurer's Pool is presented in Note 5 to the County of Los Angeles Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018. Investments in the County's cash

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2018

4. CASH AND INVESTMENTS-Continued

and investment pool, other cash and investments, and Pension and OPEB Trust Funds investments, are stated at fair value.

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, is as follows (in thousands):

| | <u>Balance July 1, 2017</u> | <u>Transfers</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2018</u> |
|--|---------------------------------|------------------------|---------------------------|------------------------|----------------------------------|
| <u>Governmental Activities</u> | | | | | |
| Capital assets, not depreciated: | | | | | |
| Land and easements | \$ 3,688,313 | \$ - | \$ 2,448 | \$ - | \$ 3,690,761 |
| Construction-in-progress – Buildings and Improvements | 899 | | | (899) | |
| Construction-in-progress – Infrastructure | <u>106,904</u> | <u>(21,739)</u> | <u>33,566</u> | | <u>118,731</u> |
| Subtotal | <u>3,796,116</u> | <u>(21,739)</u> | <u>36,014</u> | <u>(899)</u> | <u>3,809,492</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 102,249 | | 898 | | 103,147 |
| Equipment | 2,475 | | 200 | (38) | 2,637 |
| Intangible – Software | 1,786 | | | | 1,786 |
| Infrastructure | <u>3,834,047</u> | <u>21,739</u> | <u>2,960</u> | | <u>3,858,746</u> |
| Subtotal | <u>3,940,557</u> | <u>21,739</u> | <u>4,058</u> | <u>(38)</u> | <u>3,966,316</u> |
| Less accumulated depreciation: | | | | | |
| Buildings and improvements | 42,511 | | 2,052 | | 44,563 |
| Equipment | 1,527 | | 169 | (14) | 1,682 |
| Intangible – Software | 384 | | 71 | | 455 |
| Infrastructure | <u>2,021,207</u> | | <u>66,479</u> | | <u>2,087,686</u> |
| Subtotal | <u>2,065,629</u> | <u>-</u> | <u>68,771</u> | <u>(14)</u> | <u>2,134,386</u> |
| Total capital assets, being depreciated, net | <u>1,874,928</u> | <u>21,739</u> | <u>(64,713)</u> | <u>(24)</u> | <u>1,831,930</u> |
| Total capital assets, net | <u>\$ 5,671,044</u> | <u>\$ -</u> | <u>\$ (28,699)</u> | <u>\$ (923)</u> | <u>\$ 5,641,422</u> |

Depreciation Expense

Governmental activities:

Public protection

\$ 68,771

**Total depreciation expense,
governmental activities**

\$ 68,771

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2018

5. CAPITAL ASSETS-Continued

The District records construction-in-progress–infrastructure costs as services and supplies expenditures in the General Fund and capitalizes them as assets once the infrastructure asset is completed and meets the capitalization threshold. If the capitalization threshold of \$25,000 for infrastructure assets is not met, the expenditures are deleted from construction-in-progress-infrastructure. The transfer from construction-in-progress-infrastructure to infrastructure represents assets that have been completed in the fiscal year.

The capital asset adjustment of \$40,072,000 shown in the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the fiscal year ended June 30, 2018 (see page 22), is detailed as follows (in thousands):

Capital Asset Adjustments

| | |
|--|------------------|
| Addition of Capital Assets, not depreciated: | |
| Land and Easements | \$ 2,448 |
| Construction in progress-Infrastructure | 33,566 |
| Addition of Capital Assets, being depreciated: | |
| Buildings and Improvements | 898 |
| Equipment | 200 |
| Infrastructure | <u>2,960</u> |
| Total Capital Assets Adjustments | <u>\$ 40,072</u> |

6. LONG-TERM OBLIGATIONS

Long-term obligations of the District Pollution Remediation Liability, Litigation Liability and Auto and General Liability (see Note 8 and 12).

Changes in Long-Term Obligations

The following is a summary of long-term obligations for the fiscal year ended June 30, 2018 (in thousands):

| | Balance July 1, 2017 | Claims & Change in Estimates | Deletions/ Maturities | Balance June 30, 2018 | Due Within One Year |
|--|-------------------------|------------------------------------|--------------------------|--------------------------|------------------------|
| Pollution Remediation (Note 8 & 12) | \$ 2,126 | \$ (388) | \$ - | \$ 1,738 | \$ 1,390 |
| Litigation (Note 6 & 8) | 9,351 | (2,528) | (439) | 6,384 | 579 |
| Auto & General (Note 6 & 8) | <u>94</u> | <u>(83)</u> | <u>-</u> | <u>11</u> | <u>-</u> |
| Total | <u>\$ 11,571</u> | <u>\$ (2,999)</u> | <u>\$ (439)</u> | <u>\$ 8,133</u> | <u>\$ 1,969</u> |

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2018

7. INTERFUND TRANSACTIONS

There were no Interfund transfers during the fiscal year ended June 30, 2018.

8. RISK MANAGEMENT

The District is self-insured and has programs to address general liability. The District's properties are insured under the County's Consolidated Property Insurance Program, which has coverage of up to \$800 million for all risk including earthquakes, \$300 million for flood damages, and \$1 million for pollution cleanup. There were no settlements related to these programs that exceeded insurance coverage in the past three years. The District bears the risk for all loss exposure in excess of insurance coverage. Liabilities for claims are reported when it is probable that a loss has been incurred and the amount of the loss, including amounts incurred but not reported, can be reasonably estimated. The District utilizes actuarial studies, historical data, and individual claim reviews to estimate these liabilities.

As of June 30, 2018, the District's best estimate of these probable judgment liabilities is \$8,133,000. The changes in reported liability since July 1, 2015, were as follows (in thousands):

| | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimate | Claim Payments | Balance at Fiscal Year-End |
|---------|--|--|-------------------|----------------------------------|
| 2015-16 | \$ 9,634 | \$ 993 | \$ (282) | \$10,345 |
| 2016-17 | \$ 10,345 | \$ 5,493 | \$ (4,267) | \$11,571 |
| 2017-18 | \$ 11,571 | \$ (2,999) | \$ (439) | \$ 8,133 |

9. PROPOSITION 218

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

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2018

10. FEDERAL CLEAN WATER ACT

The Federal Clean Water Act continues to have a significant impact on the District. As a discharger under the Clean Water Act, the District is required to obtain coverage under a permit to operate its flood control system and discharge runoff into the waters of the United States. The Los Angeles County Municipal Separate Storm Sewer System NPDES Permit, or MS4 Permit, is issued by the Regional Water Quality Control Board, Los Angeles Region, to the District, the unincorporated County of Los Angeles, and 84 of the 88 cities within the County.

As a permittee, the District is required to implement a stormwater program to address urban and stormwater runoff pollution from its discharges and meet increasingly stringent water quality standards. The program includes the following major elements:

- Institutional and engineered control measures to improve water quality,
- Water quality monitoring within its drainage system to characterize discharges and assess compliance with the permit, and
- Scientific studies to better understand pollutant sources.

Since 2000, the Regional Board and United States Environmental Protection Agency established over 30 Total Maximum Daily Load (TMDL) regulations in Los Angeles County. TMDLs are very expensive to implement and are required by the Clean Water Act when existing pollution control programs are insufficient to attain water quality standards. Specifically, a TMDL establishes the amount of a pollutant that a water body can receive while meeting water quality standards, and allocates that amount to various sources including municipal dischargers.

Current California regulatory trend is to view stormwater as a valuable resource instead of as waste. The District is actively pursuing multi-benefit solutions to improve water quality while also increasing stormwater capture for local water supply augmentation and reduce reliance on imported water.

11. COMMITMENTS AND CONTINGENCIES

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

On November 7, 2006, voters approved infrastructure ballot measures for California State Propositions 1E and 84 which provide for the State to sell bonds to finance projects relating to enhancing flood protection and improving stormwater runoff quality. Both of these measures have potential to provide considerable funding to the District.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2018

11. COMMITMENTS AND CONTINGENCIES-Continued

To date, the District has won \$20 million in grant funding from Proposition 1E for the Santa Anita Dam Seismic Remediation and Spillway Project and \$28 million for its Devil's Gate and Eaton Stormwater Flood Management Project. The District has also been awarded approximately \$18 million in grant funding from Proposition 84 for several projects including Dominguez Gap Spreading Grounds – West Basin Percolation Enhancements Project, Oxford Retention Basin Multi-Use Enhancement Project, Pacoima Spreading Grounds Improvement Project, Peck Water Conservation Improvement Project, Big Dalton Spreading Grounds Improvement Project, Lopez Spreading Grounds Improvement Project, West Coast Basin Barrier Project Injection Wells, and the Walnut Creek Spreading Basin Improvements Project.

Proposition 1 – The Water Quality, Supply, and Infrastructure Improvement Act of 2014

On November 4, 2014, voters authorized \$510M in Integrated Regional Water Management (IRWM) Funding. To date, the District (on behalf of the LA-Ventura Funding Area) has been awarded \$9.8M to conduct a Disadvantaged Community Program (DAC) that includes engagement, needs assessment, and technical assistance to improve DAC participation in IRWM and prepare for potential implementation projects within DACs.

12. POLLUTION REMEDIATION

The District implemented GASB Statement No. 49 in the fiscal year ended June 30, 2009. GASB Statement No. 49 establishes accounting and reporting guidelines for the recognition and measurement of pollution remediation obligations (liabilities). The District is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the District's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., California Regional Water Quality Control Board) notify the District of the need for remedial action. However, the District also conducts its own environmental monitoring to identify pollution sites and matters requiring further investigation and possible remediation. Once the District is aware of a condition, it begins monitoring, assessment, testing and/or cleanup activities, and recognizes pollution remediation obligations when estimates can reasonably be determined.

Previously identified types of pollution include leaking underground storage tanks, and contamination of water, groundwater and soil. Remediation efforts include remediation and feasibility studies, source identification studies, site testing, sampling and analysis, groundwater cleanup, and removal of underground storage tanks.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2018

12. POLLUTION REMEDIATION-Continued

As of June 30, 2018, the District's estimated pollution remediation obligations total \$1.7 million. These obligations were all associated with the District's government-wide activities. The estimated liabilities were determined by project managers, based on historical cost information for projects of similar sizes, types and complexity, measured at current value. In subsequent periods, the District will adjust estimated obligations when new information indicates such changes are required. At this time, the District has determined there are no estimated recoveries that would increase obligations.

13. DEFERRED INFLOWS OF RESOURCES

Under the modified accrual basis of accounting, earning revenues during the current period is not sufficient for revenue recognition in the current period. Revenue must also be susceptible to accrual (i.e., measurable and available to finance expenditures of the current period). Governmental funds report revenue not susceptible to accrual as deferred inflows of resources. The District reported property tax revenues to be collected beyond the 60 day accrual period of \$8,177,000. These were previously reported as deferred revenues.

14. SUBSEQUENT EVENTS

Los Angeles County Flood Control District Parcel Tax (Measure W)

On November 6, 2018, Los Angeles County voters approved the Los Angeles County Flood Control District Parcel Tax (Measure W). Proceeds from the Tax will be used to fund projects and programs consistent with the expenditure plan in an ordinance ("Ordinance") amending the District Code establishing the Los Angeles Region, Safe, Clean Water Program. Projects include, but are not limited to; increasing stormwater capture and reducing urban runoff pollution which may increase water supply; improve water quality; and provide community investment benefits as defined in the Ordinance. The financial impact is not yet determinable.

Woolsey Wildfire

In November 2018, a wind-driven wildfire known as the Woolsey Fire burned acreage located in both Ventura and Los Angeles Counties. According to the most recent CAL FIRE incident information reports, the Woolsey Fire burned 96,949 acres, destroyed an estimated 1,500 structures, and damaged an estimated 341 structures. The Federal Emergency Management Agency (FEMA) issued a Disaster Declaration for this fire on November 9, 2018. The financial impact in future years to the District has yet to be quantified with respect to this matter.

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (in thousands)

| | GENERAL FUND | | | VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE) |
|--|-----------------|-----------------|--------------------|---|
| | ORIGINAL | FINAL | ACTUAL ON | |
| | BUDGET | BUDGET | BUDGETARY BASIS | |
| REVENUES: | | | | |
| Taxes | \$ 141,645 | \$ 146,871 | \$ 147,994 | \$ 1,123 |
| Licenses, permits and franchises | 1,110 | 1,110 | 1,042 | (68) |
| Fines, forfeitures, and penalties | 940 | 940 | 850 | (90) |
| Revenue from use of money and property: | | | | |
| Investment income | 4,319 | 4,717 | 8,338 | 3,621 |
| Rents and concessions | 6,231 | 6,231 | 5,439 | (792) |
| Royalties | 541 | 541 | 716 | 175 |
| Intergovernmental revenues: | | | | |
| Federal | | | 6,987 | 6,987 |
| State | 1,489 | 1,489 | 5,812 | 4,323 |
| Other | 1,592 | 1,592 | 622 | (970) |
| Charges for services | 111,714 | 111,714 | 104,047 | (7,667) |
| Miscellaneous | 123 | 123 | 1,806 | 1,683 |
| TOTAL REVENUES | 269,704 | 275,328 | 283,653 | 8,325 |
| EXPENDITURES: | | | | |
| Current - Public protection: | | | | |
| Services and supplies | 227,088 | 254,688 | 254,592 | 96 |
| Other charges | 8,606 | 25,106 | 18,448 | 6,658 |
| Capital assets | 505 | 505 | 486 | 19 |
| Capital outlay | 117,671 | 72,798 | 37,782 | 35,016 |
| TOTAL EXPENDITURES | 353,870 | 353,097 | 311,308 | 41,789 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (84,166) | (77,769) | (27,655) | 50,114 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sales of capital assets | 45 | 45 | 1,157 | 1,112 |
| Transfers out | (4,925) | (5,698) | (2,807) | 2,891 |
| Appropriation for contingencies | | (5,624) | | 5,624 |
| Changes in fund balance | | | 6,934 | 6,934 |
| OTHER FINANCING SOURCES (USES)-NET | (4,880) | (11,277) | 5,284 | 16,561 |
| NET CHANGE IN FUND BALANCE | (89,046) | (89,046) | (22,371) | 66,675 |
| FUND BALANCE, JULY 1, 2017 | 89,046 | 89,046 | 89,046 | |
| FUND BALANCE, JUNE 30, 2018 | \$ - | \$ - | \$ 66,675 | \$ 66,675 |

See accompanying notes to required supplementary information.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETARY DATA

In accordance with the provisions of Section 29000-29144 of the State's Government Code, commonly known as the County Budget Act, District budgets are adopted on or before October 2 of each year. Budgets are adopted for the General Fund and the Debt Service Fund on a basis of accounting which is different from generally accepted accounting principles (GAAP). For the fiscal year ended June 30, 2018, the District's Capital Project Funds were closed. Note 2 describes the differences between the budgetary basis of accounting and GAAP. A reconciling schedule is also presented for the General Fund.

The District budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board. Each individual fund constitutes a budget unit. Expenditures are controlled at the object level for all District budgets, except for capital asset expenditures, which are controlled on the sub-object level. Expenditures did not exceed the related appropriations within any fund as of June 30, 2018. The District is a blended component unit of the County of Los Angeles (County). 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. Transfer of appropriation 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 District's Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on Budgetary Basis for the General Fund. Any excess of budgeted expenditures and other financing uses over revenue and other financing sources is financed by beginning available fund balance as provided for in the County Budget Act.

2. RECONCILIATION BETWEEN BUDGETARY BASIS AND U.S. GAAP

The District's Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on Budgetary Basis for the General Fund has been prepared on the budgetary basis of accounting which is different from U.S. GAAP. The major areas of difference are as follows:

- Under the budgetary basis, designations are recorded as other financing uses at the time they are established. Although designations are not legal commitments, the District recognizes them as uses of budgetary fund balance. Designations subsequently cancelled or otherwise made available for appropriation are recorded as other financing sources.

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

2. RECONCILIATION BETWEEN BUDGETARY BASIS AND U.S. GAAP-Continued

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

The amounts presented for the governmental fund statements are based on the modified accrual basis of accounting and differ from the amounts presented on the budgetary basis of accounting. The following schedule is a reconciliation of the budgetary U.S. GAAP basis fund balances as of June 30, 2018 (in thousands):

| | General Fund |
|--|------------------|
| Fund Balance – Budgetary Basis (page 43) | \$ 66,675 |
| Reserves and Designations | <u>448,180</u> |
| Subtotal | 514,855 |
| Adjustments: | |
| Change in Accounts Payable Accruals | (2,422) |
| Change in Revenue Accruals | <u>(12,464)</u> |
| Fund Balance – U.S. GAAP Basis (page 21) | <u>\$499,969</u> |

Other Supplementary Information

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (in thousands)

| | <u>Balance</u> <u>July 1, 2017</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2018</u> |
|-----------------------------|---------------------------------------|--------------------------|--------------------------|--|
| <u>AGENCY FUND</u> | | | | |
| ASSETS | | | | |
| Pooled cash and investments | \$ 3,304 | \$ 6,037 | \$ (8,591) | \$ 750 |
| TOTAL ASSETS | <u>\$ 3,304</u> | <u>\$ 6,037</u> | <u>\$ (8,591)</u> | <u>\$ 750</u> |
| LIABILITIES | | | | |
| Deposits payable | \$ (3,304) | \$ (6,037) | \$ 8,591 | \$ (750) |
| TOTAL LIABILITIES | <u>\$ (3,304)</u> | <u>\$ (6,037)</u> | <u>\$ 8,591</u> | <u>\$ (750)</u> |

Statistical Section

STATISTICAL SECTION

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

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

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

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

| | (1) 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Governmental activities ⁽²⁾ | | | | | | | | | | |
| Net investment in capital assets ⁽⁵⁾ | \$ 5,632,733 | \$ 5,749,224 | \$ 5,793,007 | \$ 5,795,397 | \$ 5,769,841 | \$ 5,730,254 | \$ 5,702,905 | \$ 5,664,725 | \$ 5,671,044 | \$ 5,641,422 |
| Restricted ⁽³⁾ | 433 | 453 | 142,703 | 183,593 | 229,821 | 292,658 | 370,757 | 417,649 | 463,544 | 499,914 |
| Unrestricted ⁽⁴⁾ | 184,559 | 156,374 | 99 | 99 | 99 | 99 | 99 | 99 | 99 | 99 |
| Total governmental activities net position | 5,817,725 | 5,906,051 | 5,935,809 | 5,979,089 | 5,999,761 | 6,023,011 | 6,073,761 | 6,082,473 | 6,134,687 | 6,141,435 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets ⁽⁵⁾ | 5,632,733 | 5,749,224 | 5,793,007 | 5,795,397 | 5,769,841 | 5,730,254 | 5,702,905 | 5,664,725 | 5,671,044 | 5,641,422 |
| Restricted ⁽³⁾ | 433 | 453 | 142,703 | 183,593 | 229,821 | 292,658 | 370,757 | 417,649 | 463,544 | 499,914 |
| Unrestricted ⁽⁴⁾ | 184,559 | 156,374 | 99 | 99 | 99 | 99 | 99 | 99 | 99 | 99 |
| Total primary government net position | \$ 5,817,725 | \$ 5,906,051 | \$ 5,935,809 | \$ 5,979,089 | \$ 5,999,761 | \$ 6,023,011 | \$ 6,073,761 | \$ 6,082,473 | \$ 6,134,687 | \$ 6,141,435 |

Notes:

- (1) Fiscal Year 2008-09 and subsequent years reflect retroactive reporting of capital assets in accordance with GASB Statement No. 34.
(2) This schedule reports on one category, governmental activities, as the District has no business-type activities to be reported.
(3) Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants.
(4) Fiscal Year 2010-11 and subsequent years reflect a change to restricted and unrestricted net position as a result of implementing GASB Statement No. 54 and the closer scrutiny that followed.
FY: The County adopted GASB Statement No. 63 in FY 2012-13. For FY 2008-09 through 2011-12, the amounts were reported as Invested in capital assets, net of related debt (deficit).
Net assets were also renamed as net position.

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

| | <u>2008-09</u> | <u>2009-10</u> | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Expenses | | | | | | | | | | |
| Governmental activities ⁽¹⁾ | | | | | | | | | | |
| General government | | | | | | | | | | |
| Public protection | \$ 149,882 | \$ 150,866 | \$ 201,156 | \$ 199,282 | \$ 232,787 | \$ 230,581 | \$ 212,461 | \$ 260,841 | \$ 245,401 | \$ 269,018 |
| Contribution to Los Angeles County | | | 1,159 | 1,018 | | | | | | |
| Interest on long-term debt | 4,379 | 3,744 | 3,006 | 2,210 | 1,376 | 770 | 678 | 580 | 94 | - |
| Total governmental activities expenses | 154,261 | 154,610 | 205,321 | 202,510 | 234,163 | 231,351 | 213,139 | 261,421 | 245,495 | 269,018 |
| Total primary government expenses | 154,261 | 154,610 | 205,321 | 202,510 | 234,163 | 231,351 | 213,139 | 261,421 | 245,495 | 269,018 |
| Program Revenues | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Benefit Assessments | 110,653 | 107,295 | 109,430 | 109,666 | 109,631 | 109,597 | 108,474 | 107,690 | 108,431 | 109,930 |
| Other charges for services | 26,632 | 20,297 | 13,641 | 18,006 | 18,124 | 16,956 | 19,802 | 18,008 | 38,030 | 2,067 |
| Subtotal governmental activities charges for services | 137,285 | 127,592 | 123,071 | 127,672 | 127,755 | 126,553 | 128,276 | 125,698 | 146,461 | 111,997 |
| Operating grants and contributions | 9,757 | 11,218 | 4,929 | 4,439 | 4,372 | 4,528 | 3,897 | 2,935 | 5,006 | 12,048 |
| Capital grants and contributions | | | | | | | | | | |
| Total governmental activities program revenue | 147,042 | 138,810 | 128,000 | 132,111 | 132,127 | 131,081 | 132,173 | 128,633 | 151,467 | 124,045 |
| Total primary government revenues | 147,042 | 138,810 | 128,000 | 132,111 | 132,127 | 131,081 | 132,173 | 128,633 | 151,467 | 124,045 |
| Net (expense)/revenue: | | | | | | | | | | |
| FYs 2010-11 through 2017-18 provided by Los Angeles County | (7,219) | (15,800) | (77,321) | (70,399) | (102,036) | (100,270) | (80,966) | (132,788) | (94,028) | (144,973) |
| Total primary government net expenses | \$ (7,219) | \$ (15,800) | \$ (77,321) | \$ (70,399) | \$ (102,036) | \$ (100,270) | \$ (80,966) | \$ (132,788) | \$ (94,028) | \$ (144,973) |

Continued...

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

| | <u>2008-09</u> | <u>2009-10</u> | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities ⁽¹⁾ | | | | | | | | | | |
| Property taxes | \$ 100,136 | \$ 96,514 | \$ 96,214 | \$ 100,991 | \$ 112,118 | \$ 115,613 | \$ 125,131 | \$ 129,302 | \$ 139,405 | \$ 145,222 |
| Unrestricted grants and contributions | 6,978 | 7,390 | 7,205 | 6,362 | 5,176 | 2,534 | 2,585 | 1,738 | 2,510 | 1,373 |
| Investment earnings | 4,762 | 2,444 | 1,008 | 1,911 | 513 | 2,371 | 3,508 | 4,465 | 1,687 | 3,679 |
| Miscellaneous | 1,597 | 1,773 | 2,652 | 4,415 | 4,901 | 3,002 | 492 | 5,995 | 2,640 | 1,447 |
| Subtotal governmental activities | 113,473 | 108,121 | 107,079 | 113,679 | 122,708 | 123,520 | 131,716 | 141,500 | 146,242 | 151,721 |
| Total primary government | 113,473 | 108,121 | 107,079 | 113,679 | 122,708 | 123,520 | 131,716 | 141,500 | 146,242 | 151,721 |
| Changes in Net Position | | | | | | | | | | |
| Governmental activities | 106,254 | 92,321 | 29,758 | 43,280 | 20,672 | 23,250 | 50,750 | 8,712 | 52,214 | 6,748 |
| Total primary government | \$ 106,254 | \$ 92,321 | \$ 29,758 | \$ 43,280 | \$ 20,672 | \$ 23,250 | \$ 50,750 | \$ 8,712 | \$ 52,214 | \$ 6,748 |

Notes:

(1) This schedule reports on one category, governmental activities, as the District has no business-type activities to be reported.

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

| | 2008-09 | 2009-10 | 2010-11 ⁽³⁾ | 2011-12 ⁽³⁾ | 2012-13 ⁽³⁾ | 2013-14 ⁽³⁾ | 2014-15 ⁽³⁾ | 2015-16 ⁽³⁾ | 2016-17 ⁽³⁾ | 2017-18 ⁽³⁾ |
|--|------------|------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| General Fund | | | | | | | | | | |
| Reserved for: | | | | | | | | | | |
| Encumbrances | \$ 116,125 | \$ 98,980 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Special purposes | 3,010 | 3,011 | | | | | | | | |
| Unreserved, designated for: | | | | | | | | | | |
| Flood control projects | 49,789 | 49,789 | | | | | | | | |
| Unreserved, undesignated, reported in: | | | | | | | | | | |
| General Fund | 15,759 | 6,814 | | | | | | | | |
| Restricted | | | | | | | | | | |
| Capital projects | | | 65,314 | 91,270 | 125,426 | 104,963 | 212,938 | 337,890 | 341,751 | 341,751 |
| Public protection | | | 85,964 | 101,761 | 115,359 | 198,721 | 159,260 | 82,406 | 125,501 | 158,119 |
| Assigned | | | | 99 | 99 | 99 | 99 | 99 | 99 | 99 |
| Subtotal General Fund | 184,683 | 158,594 | 151,278 | 193,130 | 240,884 | 303,783 | 372,297 | 420,395 | 467,351 | 499,969 |
| All Other Governmental Funds^{(1), (2)} | | | | | | | | | | |
| FY: Reserved for: | | | | | | | | | | |
| Debt service | 59 | 353 | | | | | | | | |
| Unreserved, undesignated, reported in: | | | | | | | | | | |
| Capital projects funds | 374 | 100 | | | | | | | | |
| Restricted | | | 344 | | | | | | | |
| Committed | | | 99 | | | | | | | |
| Subtotal all other government funds | 433 | 453 | 443 | - | - | - | - | - | - | - |
| Total governmental fund balance | \$ 185,116 | \$ 159,047 | \$ 151,721 | \$ 193,130 | \$ 240,884 | \$ 303,783 | \$ 372,297 | \$ 420,395 | \$ 467,351 | \$ 499,969 |

Notes:

- (1) FY 2008-09 through FY 2009-10 have not been restated for the implementation of the GASB Statement No. 54.
- (2) "All Other Governmental Funds" consist of the Debt Service and Capital Projects Funds.
- (3) The County implemented GASB Statement No. 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned and unassigned. The governmental funds are reported in the new required format beginning FY 2010-11.

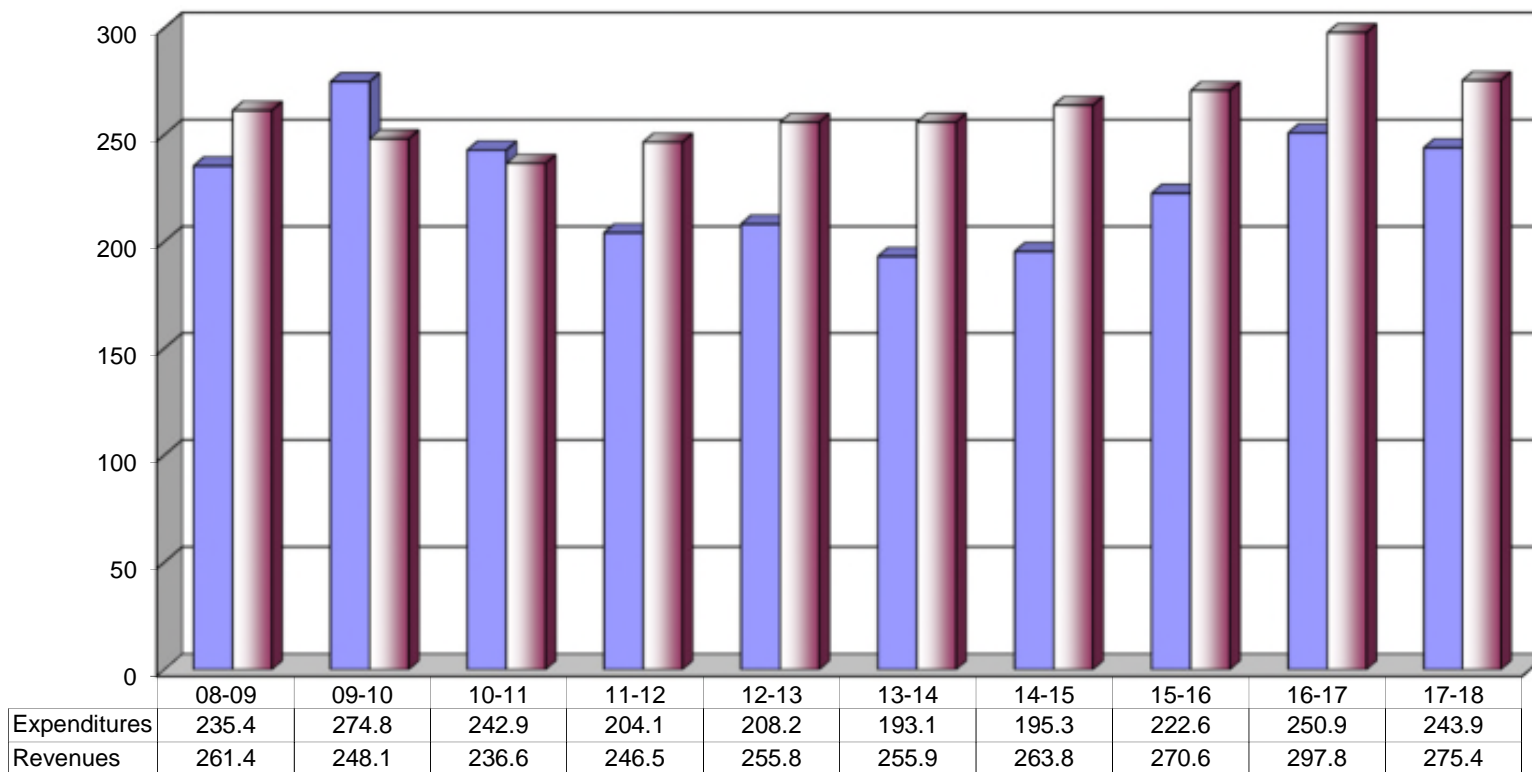
LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)
(modified accrual basis of accounting)

| | <u>2008-09</u> | <u>2009-10</u> | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> |
|--|------------------|--------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Revenues (by source) | | | | | | | | | | |
| Taxes | \$ 100,611 | \$ 97,690 | \$ 97,232 | \$ 101,735 | \$ 112,453 | \$ 116,408 | \$ 124,862 | \$ 129,698 | \$ 139,246 | \$ 144,823 |
| Licenses, permits, and franchises | 606 | 593 | 595 | 705 | 769 | 788 | 848 | 1,124 | 1,167 | 1,042 |
| Fines, forfeitures, and penalties | 1,913 | 2,215 | 1,824 | 1,500 | 1,696 | 1,412 | 1,024 | 940 | 951 | 849 |
| Revenues from use of money and property | | | | | | | | | | |
| Interest | 4,762 | 2,444 | 1,008 | 1,911 | 513 | 2,371 | 3,508 | 4,465 | 1,687 | 3,679 |
| Rents and royalties | 8,281 | 8,425 | 7,175 | 8,719 | 8,196 | 9,346 | 10,914 | 9,191 | 15,353 | 6,155 |
| Intergovernmental revenues: | | | | | | | | | | |
| Federal | 2,086 | 11,108 | 3,642 | 769 | 1,421 | 281 | 925 | 815 | | 6,987 |
| State | 8,515 | 960 | 2,125 | 4,502 | 3,770 | 5,013 | 3,762 | 2,894 | 5,771 | 5,812 |
| Other | 6,134 | 6,539 | 6,366 | 5,529 | 4,356 | 1,768 | 1,796 | 964 | 1,745 | 622 |
| Charges for services | 126,963 | 116,615 | 113,999 | 116,758 | 117,399 | 115,560 | 115,431 | 114,575 | 129,155 | 104,036 |
| Miscellaneous | 1,566 | 1,482 | 2,620 | 4,383 | 5,252 | 2,924 | 684 | 5,979 | 2,798 | 1,452 |
| Total Revenues | 261,437 | 248,071 | 236,586 | 246,511 | 255,825 | 255,871 | 263,754 | 270,645 | 297,873 | 275,457 |
| Expenditures (by function) | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Public protection | 215,492 | 245,303 | 210,730 | 179,223 | 178,227 | 178,202 | 179,212 | 199,832 | 214,947 | 229,139 |
| Debt Services | | | | | | | | | | |
| Principal | 14,505 | 15,095 | 15,815 | 16,600 | 17,425 | 2,290 | 2,375 | 2,475 | 12,630 | |
| FYs 2) Interest | 4,576 | 3,983 | 3,267 | 2,484 | 1,663 | 801 | 709 | 614 | 265 | |
| Capital outlay | 861 | 10,456 | 13,051 | 5,798 | 10,884 | 11,766 | 13,051 | 19,670 | 23,155 | 14,857 |
| Total Expenditures | 235,434 | 274,837 | 242,863 | 204,105 | 208,199 | 193,059 | 195,347 | 222,591 | 250,997 | 243,996 |
| Excess of Revenues over (under) Expenditures | 26,003 | (26,766) | (6,277) | 42,406 | 47,626 | 62,812 | 68,407 | 48,054 | 46,876 | 31,461 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Sales of capital assets | 281 | 368 | 70 | 21 | 128 | 87 | 107 | 44 | 80 | 1,157 |
| Transfers in from County of Los Angeles | 32 | 328 | 40 | | | | | | | |
| Transfers in | 19,078 | 19,353 | 19,069 | 19,093 | 19,088 | 3,091 | 3,084 | 3,089 | 12,895 | |
| Transfers out | (19,078) | (19,353) | (19,069) | (19,093) | (19,088) | (3,091) | (3,084) | (3,089) | (12,895) | |
| Proceeds of long-term debt | | | | | | | | | | |
| Contribution to Los Angeles County | | | (1,159) | (1,018) | | | | | | |
| Total other financing sources (uses) | 313 | 696 | (1,049) | (997) | 128 | 87 | 107 | 44 | 80 | 1,157 |
| Net Change in fund balance | \$ 26,316 | \$ (26,070) | \$ (7,326) | \$ 41,409 | \$ 47,754 | \$ 62,899 | \$ 68,514 | \$ 48,098 | \$ 46,956 | \$ 32,618 |
| Debt service as a percentage of noncapital expenditures ⁽¹⁾ | 18.25% | 18.42% | 12.75% | 12.63% | 10.61% | 1.87% | 1.99% | 1.66% | 6.96% | 0.00% |

Notes:

(1) The debt service calculations make use of the capital outlay expenditure balances as presented on the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT Governmental Funds Expenditures and Revenues Last 10 Fiscal Years



In Millions of Dollars



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

| Fiscal Year | Secured ⁽³⁾ | Unsecured ⁽⁴⁾ | Unitary ⁽⁵⁾ | Exempt ⁽⁶⁾ | Total Taxable Assessed Value | Total Direct Tax Rate |
|----------------------------|-------------------------------|---------------------------------|-------------------------------|------------------------------|---|----------------------------------|
| 2008 - 2009 | \$ 1,057,718,427 | \$ 52,279,248 | \$ 12,298,465 | \$ (41,418,999) | \$ 1,080,877,141 | 1.00000% |
| 2009 - 2010 | 1,055,807,331 | 53,193,853 | 11,891,981 | (45,881,461) | 1,075,011,704 | 1.00000% |
| 2010 - 2011 | 1,040,789,623 | 49,744,044 | 12,120,596 | (47,184,173) | 1,055,470,090 | 1.00000% |
| 2011 - 2012 | 1,058,615,951 | 48,214,334 | 12,950,932 | (49,248,993) | 1,070,532,224 | 1.00000% |
| 2012 - 2013 ⁽⁷⁾ | 1,082,301,717 | 49,215,524 | 13,244,954 | (50,875,260) | 1,093,886,935 | 1.00000% |
| 2013 - 2014 | 1,134,707,829 | 49,662,548 | 13,989,870 | (53,103,768) | 1,145,256,479 | 1.00000% |
| 2014 - 2015 | 1,197,665,178 | 50,777,030 | 14,325,069 | (54,911,046) | 1,207,856,231 | 1.00000% |
| 2015 - 2016 | 1,270,136,487 | 52,284,478 | 15,846,612 | (55,760,332) | 1,282,507,245 | 1.00000% |
| 2016 - 2017 | 1,337,673,405 | 54,868,734 | 17,308,742 | (55,392,206) | 1,354,458,675 | 1.00000% |
| 2017 - 2018 | 1,417,559,668 | 57,596,412 | 17,864,439 | (57,634,568) | 1,435,385,951 | 1.00000% |

Notes:

- (1) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) Due to the 1978 passage of the property tax initiative Proposition 13 (Prop. 13), the County does not track the estimated actual value of FYs all County properties. Under Prop. 13 property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the CPI on property not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value of a parcel. As a result, similar properties can have substantially different assessed values based on the date of purchase. Additionally, Prop. 13 limits the property tax rate to 1% of assessed value plus the rate necessary to fund local voter-approved bonds and special assessments.
- (3) Secured property is generally real property and is defined as land, mines, minerals, timber, and improvements such as buildings, structures, crops, trees, and vines.
- (4) Unsecured property is generally personal property including machinery, equipment, office tools, and supplies.
- (5) Unitary properties are railroads, utilities and pipelines crossing the County and are assessed by the State Board of Equalization and the County Assessor. Effective FY 2012-13, Unitary pipelines previously reported under Secured, are now reported under Unitary.
- (6) Exempt properties include numerous full and partial exclusions/exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.
- (7) Effective FY 2012-13, Secured property does not include the Unitary pipelines assessed by the County Assessor.

Source:

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

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

| <u>Fiscal Year</u> | <u>County Direct Rates</u> | <u>Overlapping Rates</u> ^{(2) (3) (5)} | | | | | <u>Total Rates</u> |
|--------------------|---|---|---|--|-------------------------|------------------------------------|--------------------|
| | <u>Los Angeles General</u> ⁽⁴⁾ | <u>Los Angeles County Detention Facilities</u> ⁽¹⁾ | <u>Flood Control Districts</u> ⁽¹⁾ | <u>Los Angeles City Tax District No. 1</u> | <u>School Districts</u> | <u>Metropolitan Water District</u> | |
| 2008 - 2009 | 1.00000 | 0.000000 | 0.000000 | 0.038541 | 0.146897 | 0.004300 | 1.189738 |
| 2009 - 2010 | 1.00000 | 0.000000 | 0.000000 | 0.041220 | 0.174921 | 0.004300 | 1.220441 |
| 2010 - 2011 | 1.00000 | 0.000000 | 0.000000 | 0.038895 | 0.227264 | 0.003700 | 1.269859 |
| 2011 - 2012 | 1.00000 | 0.000000 | 0.000000 | 0.038666 | 0.203483 | 0.003700 | 1.245849 |
| 2012 - 2013 | 1.00000 | 0.000000 | 0.000000 | 0.037694 | 0.224356 | 0.003500 | 1.265550 |
| 2013 - 2014 | 1.00000 | 0.000000 | 0.000000 | 0.029754 | 0.190980 | 0.003500 | 1.224234 |
| 2014 - 2015 | 1.00000 | 0.000000 | 0.000000 | 0.028096 | 0.187055 | 0.003500 | 1.218651 |
| 2015 - 2016 | 1.00000 | 0.000000 | 0.000000 | 0.023030 | 0.165464 | 0.003500 | 1.191994 |
| 2016 - 2017 | 1.00000 | 0.000000 | 0.000000 | 0.021297 | 0.167052 | 0.003500 | 1.191849 |
| 2017 - 2018 | 1.00000 | 0.000000 | 0.000000 | 0.021345 | 0.168182 | 0.003500 | 1.193027 |

Notes:

- (1) The Secured Tax Rate and Ratios Report no longer includes the Detention Facilities & Flood Control Districts **FYs** rates, as these bonds have matured.
- (2) The tax rate for Tax Rate Area #4, which applies to most property within the City of Los Angeles, is used to illustrate the breakdown of a tax rate within the County.
- (3) The County is divided into 13,098 tax rate areas which are unique combinations of various jurisdictions servicing a specific geographic area.
- (4) Article XIII A (Proposition 13) limits the maximum ad valorem tax rate to 1% of "full cash value" except for indebtedness approved by the voters prior to July 1, 1978. All other rates are calculated per \$100 of assessed value.
- (5) An exception to the 1% limit was provided by Proposition 46 which was approved in June, 1986 re-establishing authority of local governments to issue general obligation bonds for certain purposes.

Source:

Secured Tax Rate and Ratios Report from the County of Los Angeles Auditor-Controller, Tax Division.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED) ⁽¹⁾
CURRENT YEAR AND NINE YEARS AGO
JUNE 30, 2018 AND JUNE 30, 2009 (in thousands)

| Taxpayer | 2018 | | | 2009 | | |
|---|----------------------|----------------------|---------------|----------------------|----------------------|---------------|
| | Net Assessed | Rank | Percentage of | Net Assessed | Rank | Percentage of |
| | Secured Property | | Total Net | Secured Property | | Total Net |
| Value | Value ⁽²⁾ | Value ⁽²⁾ | Value | Value ⁽²⁾ | Value ⁽²⁾ | |
| Southern California Edison Co. | \$ 8,152,039 | 1 | 0.59% | \$ 4,237,662 | 1 | 0.41% |
| Maguire Properties | 4,021,768 | 2 | 0.29% | 2,937,885 | 2 | 0.29% |
| Douglas Emmett Residential | 3,803,697 | 3 | 0.28% | 2,646,247 | 3 | 0.26% |
| Universal Studios, LLC | 2,434,727 | 4 | 0.17% | | | |
| Chevron USA Inc / Texaco / Unocal | 2,298,426 | 5 | 0.17% | 2,379,496 | 5 | 0.23% |
| Southern California Gas Co. | 2,296,268 | 6 | 0.17% | 1,494,078 | 10 | 0.14% |
| Tishman Speyer / Archstone Smith / ASN | 2,157,298 | 7 | 0.16% | | | |
| Tesoro Refining and Marketing Co. | 2,044,653 | 8 | 0.15% | | | |
| Prologis / AMB | 1,883,598 | 9 | 0.14% | | | |
| AT&T Communications | 1,854,511 | 10 | 0.13% | | | |
| BP West Coast Products | | | | 2,570,656 | 4 | 0.25% |
| Trizec LLC | | | | 1,841,309 | 6 | 0.18% |
| Participants in Long Beach Unit | | | | 1,738,449 | 7 | 0.17% |
| FYs 2010-11 through 2017-18 provided by Los Angeles County Public Works, Stormwater Maintenance D | | | | 1,645,689 | 8 | 0.16% |
| Verizon California Inc. | | | | 1,499,091 | 9 | 0.15% |
| Total | \$ 30,946,985 | | 2.25% | \$ 22,990,562 | | 2.24% |

Notes:

- (1) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) See schedule "Assessed Value & Actual Value of Taxable Property." Total assessed value, \$1,377,789,539 as of June 30, 2018 is based on Secured \$1,417,559,668 plus Unitary \$17,864,439 less exemptions of \$57,634,568. Total assessed value, \$1,028,597,893 as of June 30, 2009 is based on Secured \$1,057,718,427 plus Unitary \$12,298,465 less exemptions of \$41,418,999. (in thousands)

Source:

County of Los Angeles Treasurer and Tax Collector.

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED) ⁽¹⁾
LAST TEN FISCAL YEARS (in thousands)**

| <u>Fiscal Year</u> | <u>Taxes Levied</u> | <u>Collections Within the Fiscal Year of the Levy</u> | | <u>Collections in Subsequent Years</u> ⁽²⁾ | <u>Total Collections to Date</u> | |
|--------------------|---------------------|---|---------------------------|---|----------------------------------|---------------------------|
| | | <u>Amount</u> | <u>Percentage of Levy</u> | | <u>Amount</u> | <u>Percentage of Levy</u> |
| 2008 - 2009 | \$ 12,317,105 | \$ 11,751,840 | 95.4% | \$ 565,265 | \$ 12,317,105 | 100.0% |
| 2009 - 2010 | 12,457,417 | 12,047,862 | 96.7% | 409,555 | 12,457,417 | 100.0% |
| 2010 - 2011 | 12,651,611 | 12,344,040 | 97.6% | 307,571 | 12,651,611 | 100.0% |
| 2011 - 2012 | 12,822,884 | 12,556,003 | 97.9% | 263,549 | 12,819,552 | 100.0% |
| 2012 - 2013 | 13,286,464 | 13,044,463 | 98.2% | 212,606 | 13,257,069 | 99.8% |
| 2013 - 2014 | 13,673,951 | 13,452,687 | 98.4% | 189,998 | 13,642,685 | 99.8% |
| 2014 - 2015 | 14,394,534 | 14,167,462 | 98.4% | 163,542 | 14,331,004 | 99.6% |
| 2015 - 2016 | 14,906,832 | 14,704,346 | 98.6% | 146,817 | 14,851,163 | 99.6% |
| 2016 - 2017 | 15,750,769 | 15,563,458 | 98.8% | 119,949 | 15,683,407 | 99.6% |
| 2017 - 2018 | 16,910,307 | 16,685,415 | 98.7% | (3) | 16,685,415 | 98.7% |

Note:

(1) The Flood Control District is a component of the County of Los Angeles and covers most of the County area.

(2) Reflects property taxes levied in prior years but collected in the current year.

FYs: No amounts are shown in FY 2017-18 because the property taxes levied will be collected in the following fiscal year.

Source:

Auditor-Controller-Accounting Division-Property Tax Section

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
RATIO OF OUTSTANDING DEBT BY TYPE (UNAUDITED) ⁽¹⁾
LAST TEN FISCAL YEARS (in thousands, except per capita)

Governmental Activities

| Fiscal Year | General | Revenue | Accreted | Unamortized | Unamortized | Pension | Capital | Total | Percentage | Per | Percentage |
|-------------|------------|-----------|----------|-------------|-------------|---------|---------|----------------|----------------|----------------|----------------|
| | Obligation | Bonds | Interest | Bond | Loss on | Bonds | Leases | Primary | of Assessed | Capita | of Personal |
| | Bonds | Bonds | | Premiums | Advance | Payable | | Government | Value | Capita | Income |
| | | | | | Debt Refund | | | ⁽²⁾ | ⁽³⁾ | ⁽³⁾ | ⁽³⁾ |
| 2008 - 2009 | \$ - | \$ 84,705 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 84,705 | 0.008% | \$ 8.15 | 0.022% |
| 2009 - 2010 | - | 69,610 | - | - | - | - | - | 69,610 | 0.006% | 6.67 | 0.017% |
| 2010 - 2011 | - | 53,795 | - | - | - | - | - | 53,795 | 0.005% | 5.46 | 0.013% |
| 2011 - 2012 | - | 37,195 | - | - | - | - | - | 37,195 | 0.003% | 3.75 | 0.009% |
| 2012 - 2013 | - | 19,770 | - | - | - | - | - | 19,770 | 0.002% | 1.97 | 0.004% |
| 2013 - 2014 | - | 17,480 | - | - | - | - | - | 17,480 | 0.002% | 1.73 | 0.004% |
| 2014 - 2015 | - | 15,105 | - | - | - | - | - | 15,105 | 0.001% | 1.49 | 0.003% |
| 2015 - 2016 | - | 12,630 | - | - | - | - | - | 12,630 | 0.001% | 1.23 | 0.002% |
| 2016 - 2017 | - | - | - | - | - | - | - | - | 0.000% | - | 0.000% |
| 2017 - 2018 | - | - | - | - | - | - | - | - | 0.000% | - | 0.000% |

FYs 2010-11 through 2017-18 provided by Los Angeles County Public Works, Stormwater Maintenance Division.

- (1) This schedule reports on one category, governmental activities, as the District has no business-type activities to be reported.
(2) The District redeemed the remaining outstanding principal of its Capital Construction Bonds on September 1, 2016.
(3) See "Demographic and Economic Statistics" table for population and personal income, and "Assessed Value and Actual Value of Taxable Property" table for assessed value.

Source:

Los Angeles County Flood Control District Financial Statements from Fiscal Year 2008-09 to Fiscal Year 2017-18.

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

| Fiscal Year | Population ^{(1), (2)} | Assessed Value ^{(1), (2)} | General Bonded Debt ⁽³⁾ | Ratio of General Bonded Debt to Assessed Value | General Bonded Debt per Capita |
|------------------------|---------------------------------------|---|---|---|---|
| 2008-09 | 10,393 | \$ 1,080,877,141 | | | |
| 2009-10 | 10,441 | 1,075,011,704 | | | |
| 2010-11 | 9,858 | 1,055,470,090 | | | |
| 2011-12 | 9,912 | 1,070,532,224 | | | |
| 2012-13 | 10,019 | 1,093,886,935 | | | |
| 2013-14 | 10,069 | 1,145,256,479 | | | |
| 2014-15 | 10,192 | 1,207,856,231 | | | |
| 2015-16 | 10,240 | 1,282,507,245 | | | |
| 2016-17 | 10,278 | 1,354,458,675 | | | |
| 2017-18 | 10,328 ⁽⁴⁾ | 1,435,385,951 ⁽⁴⁾ | | | |

Notes:

(1) See "Demographic and Economic Statistics" table for population and "Assessed Value and Actual Value of Taxable Property" table for assessed value.

FYs This information represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.

(3) Long-term general bonded debt outstanding included Detention Facilities and Flood Control general obligation bonds. The Detention Facilities matured on June 1, 2007 and the Flood Control bonds matured on November 1, 2007.

(4) Amount is a projection as of February 2018.

Source:

Los Angeles Economic Development Corporation Economic Forecast: website:www.laedc.org

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED)
JUNE 30, 2018**

| | | |
|-------------------------------------|----|----------------------------------|
| 2017-18 Net Assessed Valuation | \$ | 1,435,385,951,002 |
| Redevelopment Incremental Valuation | | 198,208,366,398 |
| Full Cash Value (2017-18) | | 1,237,177,584,604 ⁽¹⁾ |
| Population - (2018) | | 10,328,000 ⁽²⁾ |

| | Percent Applicable | Debt June 30, 2018 |
|---|-------------------------------|-------------------------------|
| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | | |
| Metropolitan Water District | 48.418 | \$ 29,341,308 |
| Los Angeles Community College District | 100 | 4,165,830,000 |
| Other Community College Districts | Various ⁽³⁾ | 3,310,602,738 |
| Arcadia Unified School District | 100 | 219,448,560 |
| Beverly Hills Unified School District | 100 | 380,866,507 |
| Glendale Unified School District | 100 | 258,794,986 |
| Long Beach Unified School District | 100 | 1,137,920,702 |
| Los Angeles Unified School District | 100 | 10,604,150,000 |
| FYs 2010-11 through 2017-18 provided by Los Angeles County Public Works, Stormwater Maintenance Divis | 100 | 352,160,000 |
| Pomona Unified School District | 100 | 277,754,187 |
| Redondo Beach Unified School District | 100 | 216,200,712 |
| Santa Monica-Malibu Unified School District | 100 | 362,490,614 |
| Torrance Unified School District | 100 | 462,594,845 |
| Other Unified School Districts | Various ⁽³⁾ | 3,739,728,042 |
| High School and School Districts | Various ⁽³⁾ | 1,930,890,474 |
| City of Los Angeles | 100 | 700,210,000 |
| City of Industry | 100 | 82,730,000 |
| Other Cities | 100 | 50,200,000 |
| Community Facilities Districts | 100 | 707,367,747 |
| Los Angeles County Regional Park & Open Space Assessment District | 100 | 26,575,000 ⁽⁴⁾ |
| 1915 Act and Benefit Assessment Bonds - Estimate | 100 | 110,428,829 |
| Subtotal Overlapping Tax and Assessment Debt | | \$ 29,126,285,251 |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | \$ 29,126,285,251 |

| | | |
|--|-----|---------------------------------|
| <u>DIRECT GENERAL FUND OBLIGATION DEBT:</u> | | |
| Los Angeles County General Fund Obligations | 100 | \$ 1,781,818,000 ⁽⁵⁾ |
| Subtotal Direct General Fund Obligation Debt | | \$ 1,781,818,000 |

| | | |
|--|------------------------|--------------|
| <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u> | | |
| Los Angeles County Office of Education Certificates of Participation | 100 | \$ 6,500,306 |
| Community College District Certificates of Participation | Various ⁽⁶⁾ | 28,043,097 |
| Baldwin Park Unified School District Certificates of Participation | 100 | 28,680,000 |
| Compton Unified School District Certificates of Participation | 100 | 17,260,000 |
| Los Angeles Unified School District Certificates of Participation | 100 | 195,975,000 |
| Paramount Unified School District Certificates of Participation | 100 | 28,470,000 |
| Other Unified School District Certificates of Participation | Various ⁽⁶⁾ | 186,107,205 |

(Continued)

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED) - Continued
JUNE 30, 2018**

| | | |
|---|------------------------|---|
| High School and Elementary School District General Fund Obligations | Various ⁽⁶⁾ | \$ 143,447,018 |
| City of Beverly Hills General Fund Obligations | 100 | 122,980,000 |
| City of Los Angeles General Fund & Judgment Obligations | 100 | 1,575,490,524 |
| City of Long Beach General Fund Obligations | 100 | 137,720,000 |
| City of Long Beach Pension Obligation Bonds | 100 | 25,130,000 |
| City of Pasadena General Fund Obligations | 100 | 433,172,722 |
| City of Pasadena Pension Obligation Bonds | 100 | 119,460,000 |
| Other Cities' General Fund Obligations | 100 | 1,543,056,868 |
| Los Angeles County Sanitation Districts Financing Authority | 100 | 113,228,705 |
| Antelope Valley Hospital District General Fund Obligations | 100 | 16,235,609 |
| Subtotal Overlapping General Fund Obligation Debt | | <u>\$ 4,720,957,054</u> |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | \$ 6,502,775,054 |
| Less: Los Angeles Unified School District Qualified Zone Academy Bonds supported by investments funds and economically defeased certificates of participation | | (7,400,000) |
| Cities' supporting bonds | | <u>(459,644,520)</u> |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | <u>\$ 6,035,730,534</u> |
| OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCIES) | | \$ 3,597,402,759 |
| GROSS COMBINED TOTAL DEBT | | \$ 39,226,463,064 ⁽⁷⁾ |
| NET COMBINED TOTAL DEBT | | <u>\$ 38,759,418,544</u> |
| TOTAL GROSS DIRECT DEBT | | \$ 1,781,818,000 |
| TOTAL NET DIRECT DEBT | | \$ 1,781,818,000 |
| TOTAL GROSS OVERLAPPING DEBT | | \$ 37,444,645,064 |
| TOTAL NET OVERLAPPING DEBT | | \$ 36,977,600,544 |

RATIOS TO 2017-18 NET ASSESSED VALUATION

Total Overlapping Tax and Assessment Debt 2.03%

RATIOS TO FULL CASH VALUE

Gross Combined Direct Debt (\$1,781,818,000) 0.14%
 Net Combined Direct Debt (\$1,781,818,000) 0.14%
 Gross Combined Total Debt 3.17%
 Net Combined Total Debt 3.13%

RATIOS TO REDEVELOPMENT INCREMENTAL VALUATION

Total Overlapping Tax Increment Debt 1.81%

Notes:

- (1) This balance is reduced by homeowners exemptions of \$7,380,665,734
- (2) Yearly estimates from the California State Demographic Research Unit, California Department of Finance, and the U.S. Census Bureau as of January 1 of each year.
- (3) All 100%, or almost 100%, except for Antelope Valley Joint Union High School and Community College District, Fullerton Union High School District, Las Virgenes Joint Unified School District, North Orange County Joint Community College District, and the schools and special districts included in them.
- (4) Excludes refunding issue to be sold.
- (5) Includes Assessment Bonds, Certificates of Participation, Notes, Loans and Other Debt, and Capital Leases.
- (6) All 100%, or almost 100%, except for Fullerton Union High School District, Las Virgenes Joint Unified School District, Snowline Joint Unified School District, Victor Valley Joint Community College District, and the schools and special districts included in them.
- (7) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Except for Los Angeles Unified School District Qualified Zone Academy Bonds (QZABs) are included based on principal due at maturity.

Source:

California Municipal Statistics - for general information purposes only.

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

| Fiscal Year | Assessed | Legal | Total Net | Legal | Legal Debt | COMPUTATION OF LEGAL DEBT MARGIN | |
|-------------|----------------------|---------------------------|-----------------|----------------------------|-------------------|---|------------------|
| | Value ⁽¹⁾ | Debt Limit ⁽²⁾ | Applicable Debt | Debt Margin ⁽³⁾ | Margin/Debt Limit | June 30, 2018 | |
| 2008 - 2009 | \$ 1,080,877,141 | \$ 13,510,964 | | \$ 13,510,964 | 100.00% | Assessed valuation (net taxable) | \$ 1,435,385,951 |
| 2009 - 2010 | 1,075,011,704 | 13,437,646 | | 13,437,646 | 100.00% | Applicable percentage in computing capacity | 1.25% |
| 2010 - 2011 | 1,055,470,090 | 13,193,376 | | 13,193,376 | 100.00% | Total debt limit | \$ 17,942,324 |
| 2011 - 2012 | 1,070,532,224 | 13,381,653 | | 13,381,653 | 100.00% | Less: Total net applicable debt | - |
| 2012 - 2013 | 1,093,886,935 | 13,673,587 | | 13,673,587 | 100.00% | Legal debt margin, June 30, 2018 | \$ 17,942,324 |
| 2013 - 2014 | 1,145,256,479 | 14,315,706 | | 14,315,706 | 100.00% | | |
| 2014 - 2015 | 1,207,856,231 | 15,098,203 | | 15,098,203 | 100.00% | | |
| 2015 - 2016 | 1,282,507,245 | 16,031,341 | | 16,031,341 | 100.00% | | |
| 2016 - 2017 | 1,354,458,675 | 16,930,733 | | 16,930,733 | 100.00% | | |
| 2017 - 2018 | 1,435,385,951 | 17,942,324 | | 17,942,324 | 100.00% | | |

Notes:

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

Source:

County of Los Angeles Auditor-Controller.

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

Revenue Bonds

| <u>Fiscal Year</u> | <u>Revenue</u> | | <u>Debt Service</u> | | <u>Total</u> | | <u>Coverage</u> |
|---------------------------|-------------------------|----|----------------------------|------------------------|----------------------------|--|------------------------|
| | <u>Collected</u> | | <u>Principal</u> | <u>Interest</u> | <u>Debt Service</u> | | |
| 2008 - 2009 | \$ 126,963 | \$ | \$ 84,705 | \$ 15,962 | \$ 100,667 | | 1.26 |
| 2009 - 2010 | 116,615 | | 69,610 | 11,978 | 81,588 | | 1.43 |
| 2010 - 2011 | 113,999 | | 53,795 | 8,712 | 62,507 | | 1.82 |
| 2011 - 2012 | 116,758 | | 37,195 | 6,228 | 43,423 | | 2.69 |
| 2012 - 2013 | 117,399 | | 19,770 | 4,564 | 24,334 | | 4.82 |
| 2013 - 2014 | 115,560 | | 17,480 | 3,763 | 21,243 | | 5.44 |
| 2014 - 2015 | 115,431 | | 15,105 | 3,054 | 18,159 | | 6.36 |
| 2015 - 2016 | 114,575 | | 12,630 | 256 | 12,886 | | 8.89 |
| 2016 - 2017 | 129,155 | | - | - | - | | - |
| 2017 - 2018 | 104,036 | | - | - | - | | - |

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

| <u>Year</u> | <u>Population</u> <u>County of</u> <u>Los Angeles</u> * | <u>Personal</u> <u>Income</u> * | <u>Per Capita</u> <u>Personal</u> <u>Income</u> ⁽²⁾ | <u>School</u> <u>Enrollment</u> ^{(3) **} | <u>Unemployment</u> <u>Rate</u> * |
|-------------|---|------------------------------------|--|--|--------------------------------------|
| 2009 | 10,393 | \$ 392,000,000 | \$ 37,718 | 1,632 | 11.7% |
| 2010 | 10,441 | 405,000,000 | 38,789 | 1,575 | 12.3% |
| 2011 | 9,858 | 420,900,000 | 42,696 | 1,590 | 12.3% |
| 2012 | 9,912 | 435,300,000 | 43,916 | 1,578 | 11.1% |
| 2013 | 10,019 | 451,100,000 | 45,024 | 1,564 | 9.8% |
| 2014 | 10,069 | 487,900,000 | 48,456 | 1,553 | 8.2% |
| 2015 | 10,192 | 521,900,000 | 51,207 | 1,539 | 6.9% |
| 2016 | 10,240 | 557,382,000 | 54,432 | 1,523 | 5.1% |
| 2017 | 10,278 ⁽⁴⁾ | 585,515,000 ⁽⁴⁾ | 56,968 ⁽⁴⁾ | 1,511 | 4.6% ⁽⁴⁾ |
| 2018 | 10,328 ⁽⁵⁾ | 602,632,000 ⁽⁵⁾ | 58,349 | 1,493 | 4.3% ⁽⁵⁾ |

Notes:

(1) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.

FYs 20 Amounts shown are in actual dollars (not thousands).

(3) Public school enrollment.

(4) Prior year's report reflected projected amounts. As a result, amounts were revised from prior year to report actual amounts.

(5) Amount is a projection as of February 2018.

Sources:

* Los Angeles Economic Development Corporation Economic Forecast: website address: www.laedc.org

** California Department of Education website address: www.cde.ca.gov.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
TEN LARGEST INDUSTRIES (UNAUDITED) ^{(1), (2)}
CURRENT YEAR AND NINE YEARS AGO

| | JUNE 30, 2018 | | | JUNE 30, 2009 | | |
|-------------------------------------|----------------------------|-------------|----------------------------|----------------------------|-------------|----------------------------|
| | <u>Number of Employees</u> | <u>Rank</u> | <u>Percentage of Total</u> | <u>Number of Employees</u> | <u>Rank</u> | <u>Percentage of Total</u> |
| <u>Industry</u> | | | | | | |
| Trade, Transportation and Utilities | 828,400 | 1 | 16.93% | 738,500 | 1 | 17.02% |
| Educational & Health Services | 804,800 | 2 | 16.45% | 666,700 | 2 | 15.37% |
| Professional & Business Services | 629,100 | 3 | 12.86% | 515,400 | 4 | 11.88% |
| Government | 594,400 | 4 | 12.15% | 612,700 | 3 | 14.12% |
| Leisure & Hospitality | 552,200 | 5 | 11.29% | 390,700 | 6 | 9.01% |
| Manufacturing | 350,400 | 6 | 7.16% | 397,300 | 5 | 9.16% |
| Financial Activities | 222,200 | 7 | 4.54% | 218,400 | 7 | 5.03% |
| Information | 211,900 | 8 | 4.33% | 192,100 | 8 | 4.43% |
| Other Services | 155,300 | 9 | 3.17% | 139,700 | 9 | 3.22% |
| Construction | 144,300 | 10 | 2.95% | 117,600 | 10 | 2.71% |
| Ten largest industries | 4,493,000 | | 91.83% | 3,989,100 | | 91.95% |
| All other industries | 399,900 | | 8.17% | 349,200 | | 8.05% |
| Total industries | 4,892,900 | | 100.00% | 4,338,300 | | 100.00% |

FYs 2010-11 through 2017-18 provided by Los Angeles County Public Works, Stormwater Maintenance Division.

Note:

- (1) This schedule is based on the entire County of Los Angeles. The Flood Control District is a component of the county of Los Angeles and covers most of the county areas.
- (2) We are presenting employment by industry because we have been unable to obtain employment numbers for individual employers.

Sources:

State of California Employment Development Department website address: www.edd.ca.gov/labormarketinfo.

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

| <u>Function/Program</u> ^{(1), (2)} | <u>2008-09</u> | <u>2009-10</u> | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> (4) | <u>2013-14</u> (4) | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> |
|---|----------------|----------------|----------------|----------------|-----------------------|-----------------------|----------------|----------------|----------------|----------------|
| General Government | 11,605 | 11,100 | 10,831 | 10,680 | 10,578 | 10,528 | 10,571 | 10,764 | 10,902 | 11,093 |
| Public Protection ^{(3), (5)} | 42,583 | 36,378 | 35,428 | 35,433 | 33,702 | 33,556 | 33,537 | 33,664 | 33,694 | 32,877 |
| Health and Sanitation | 27,345 | 26,826 | 26,133 | 26,029 | 25,839 | 26,431 | 27,144 | 27,703 | 28,639 | 30,351 |
| Public Assistance | 20,940 | 20,665 | 20,280 | 20,043 | 19,963 | 20,346 | 20,808 | 21,376 | 21,913 | 21,963 |
| Education | 1,829 | 1,622 | 1,481 | 1,431 | 1,459 | 1,442 | 1,432 | 1,475 | 1,496 | 1,467 |
| Recreation and Cultural Services | 3,075 | 2,861 | 2,761 | 2,812 | 2,811 | 2,853 | 2,839 | 2,898 | 2,931 | 2,991 |
| Total | 107,377 | 99,452 | 96,914 | 96,428 | 94,352 | 95,156 | 96,331 | 97,880 | 99,575 | 100,742 |

Notes:

- (1) Full-time equivalent count is calculated by dividing the total number of man-months paid by 12. Full-time equivalent employees FYs include all employees on the County's payroll system.
- (2) Specific data for Public Ways and Facilities is not available.
- (3) Beginning with 2009-10, totals reflect the exclusion of Superior Court employees that are no longer on the County's payroll and are identified as State employees.
- (4) Restate FY 2012-13 and FY 2013-2014 due to migration from CWTAPPS to TIMEI which occurred in April 2012 to eliminate duplicate entries. Figures have been revised from previous publication.
- (5) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area. Full-time equivalent County employees in the Flood Control District are reflected under the Public Protection Function/Program.

Source:

Employee Count study performed by the County of Los Angeles Auditor-Controller, Accounting Division.

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

| <u>Function/Program</u> | <u>2008-09</u> | <u>2009-10</u> | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Public Protection | | | | | | | | | | |
| Flood Control | | | | | | | | | | |
| Operation and maintenance costs per mile of storm drain maintained | \$ 2,712 | \$ 2,753 | \$ 3,451 | \$ 2,545 | \$ 3,008 | \$ 2,395 | \$ 3,017 | \$ 3,645 | \$ 3,670 | \$ 3,670 |
| Operation and maintenance costs per mile of channel maintained | 50,413 | 44,375 | 54,852 | 60,661 | 61,806 | 67,635 | 72,015 | 79,604 | 88,571 | 93,815 |
| Operation and maintenance costs per thousand cubic yards of debris basin capacity | (1) 2,096 (1) | 2,365 (1) | 2,161 (1) | 1,668 (1) | 1,442 (1) | 1,595 (1) | 1,546 (1) | 1,457 | 1,872 | 2,180 |
| Operation and maintenance costs per acre-foot of dam capacity | (1) 139 (1) | 144 (1) | 149 (1) | 156 (1) | 146 (1) | 144 (1) | 148 (1) | 179 | 194 | 188 |

Notes:

(1) Excludes cost for sediment removal.

Sources:

FYs 2008-09, 2009-10 and 2010-11 Proposed County Budgets, Volume One.

FYs 2010-11 through 2017-18 provided by Los Angeles County Public Works, Stormwater Maintenance Division.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS

| <u>Function/Program</u> | <u>2008-09</u> | <u>2009-10</u> | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Public Protection | | | | | | | | | | |
| Linear Feet of Channel | 2,944,493 | 2,944,493 | 2,957,914 | 2,970,206 | 2,975,226 | 2,975,226 | 2,975,576 | 2,975,944 | 2,976,734 | 2,976,845 |
| Linear Feet of Storm Drain | 15,339,825 | 15,387,010 | 15,502,797 | 15,594,973 | 15,623,480 | 15,644,408 | 15,674,670 | 15,675,530 | 15,720,645 | 15,744,920 |
| CDS Units | 33 | 47 | 57 | 65 | 67 | 67 | 67 | 67 | 71 | 71 |
| Debris Basins | 132 | 135 | 136 | 142 | 142 | 142 | 142 | 142 | 145 | 146 |
| Debris Retaining Inlets | 270 | 277 | 286 | 14,728 | 311 | 311 | 312 | 312 | 317 | 319 |
| Detention/ Retention Basins | 21 | 21 | 22 | 24 | 25 | 25 | 25 | 25 | 26 | 26 |
| Crib Dams | 234 | 234 | 234 | 234 | 234 | 234 | 234 | 234 | 234 | 234 |
| Barriers | 6 | 6 | 9 | 9 | 9 | 17 | 17 | 17 | 24 | 24 |
| Pumping Plants | 53 | 53 | 53 | 53 | 53 | 48 | 48 | 48 | 48 | 48 |
| Spreading Grounds | 26 | 26 | 26 | 26 | 26 | 27 | 28 | 28 | 28 | 28 |
| Dams | 15 | 15 | 15 | 15 | 15 | 14 | 14 | 14 | 14 | 14 |
| Stream Gauging Stations | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| Wells | | | | | | | | | 23 | 23 |
| Inlets | | | | | | | | | | 6 |
| Outlets | | | | | | | | | | 4 |
| Catch Basins | 77,856 | 77,856 | 79,550 | 80,389 | 80,389 | 80,392 | 80,392 | 80,396 | 80,396 | 80,396 |

FYs 2010-11 through 2017-18 provided by Los Angeles County Public Works, Stormwater Maintenance Division.

Sources:

"Flood Network" for FY 2008-09 through FY 2017-18 provided by Los Angeles County Public Works, Fiscal Division, Expenditure Management Section, Property Unit.

Photo Gallery

Los Angeles County Flood Control District Fiscal Year 2017 – 2018 Photo Gallery



Eaton Wash Dam Spillway Access Ramp

At the Eaton Wash Dam Spillway, a ramp was constructed from the channel to the spillway invert to provide maintenance access to the spillway. Prior to construction, there was a five-foot drop from the spillway to the channel invert and no vehicular access point to the spillway.



Before construction



During construction



After construction



San Gabriel River Rubber Dam 4

The San Gabriel River Rubber Dam #4 is a 200-foot long, six-foot-high rubber dam with a storage capacity of 72 acre-feet located in the natural portion of San Gabriel River in the City of Pico Rivera. It can be inflated to capture stormwater runoff to increase groundwater recharge. The rubber dam was vandalized and damaged beyond repair in the summer of 2016. The damaged rubber dam was removed and a new rubber dam body was installed on the existing concrete foundation prior to the start of the 2017-18 storm season.



Delivery of the new rolled-up dam body to facility site.



Installation of new rubber dam body onto existing concrete foundation with foundation bolts aligned.

San Gabriel River Rubber Dam 4-Continued



Rubber dam body was damaged and vandalized.



Newly installed and inflated rubber dam.

La Tuna Fire – Sunset Upper Debris Basin

The project raised the height of the dam to increase the capacity, thus enhancing flood and debris protection for downstream residents and their homes. The dam crest was raised 5 feet (ft) by constructing a parapet wall on top of the existing dam. The dam spillway was also raised 5 ft and the trash rack was extended behind the spillway.



Before construction



During construction



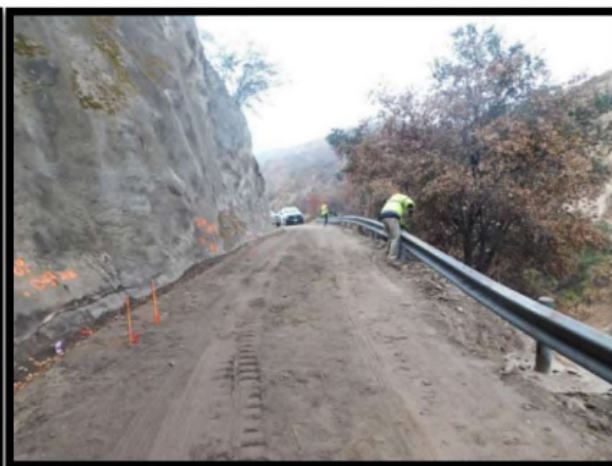
After construction

La Tuna Fire – Sunset Upper Debris Basin- Continued

Additionally, the access road was raised by varying heights (up to 4.8 ft over 104 linear ft) to match the new dam elevations and the protective fences north of the debris basin were removed and reinstalled after construction. Construction of the access road required the installation of a reinforced concrete retaining wall, compacted fill to raise the access road and concrete gutter along the edge of the road and the modification of the rail posts per Caltrans standards. The new access road was paved with asphalt and subbase material. Existing protective fences located north of the debris dam were removed and reinstalled after construction.



Before construction



During construction



After construction

Walnut Creek Spreading Basin Pump Station Project

The purpose of the project was to increase the Walnut Creek Spreading Basin's percolation rate and annual water conservation. A pump station was installed to allow optional conveyance of water to be diverted to downstream spreading ground facilities.

Bottom of the basin prior to construction.



Before construction

Bottom of the basin after 7,120 cubic yards of sediment removed.



After construction

Abandoned the 72-inch reinforced concrete pipe (RCP) and manhole. Removed the three yellow bollards around the manhole.



Before construction

Slurry fill was completed in the abandoned 72 inches RCP and 10 new bollards were installed around the flowmeter vault.



After construction

Walnut Creek Spreading Basin Pump Station Project-Continued

POST-PROJECT CONSTRUCTION



Intake structure at the bottom of the basin.



Inside the pump well contains 2 immersible screw impeller pumps, a submersible mixer, a pressure transducer, and a slide gate.



Flow meter vault and diversion box located at the top of the spreading basin.

Los Angeles County Flood Control District



Tom A. Tidemanson Building Public Works Headquarters



**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT**

**AUDITOR'S COMMUNICATION LETTER,
INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*,
CURRENT YEAR RECOMMENDATIONS, AND
STATUS OF PRIOR YEAR RECOMMENDATIONS**

June 30, 2018

LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
June 30, 2018

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December 24, 2018

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

We have audited the financial statements of the governmental activities, the major fund, and the fiduciary fund of the Los Angeles County Flood Control District (District), a component unit of the County of Los Angeles, California, as of and for the fiscal year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 15, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 of the notes to the basic financial statements. No new accounting policies were adopted that had a significant impact on the financial statements and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the District during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the claims liability and the estimated historical costs and useful lives of capital assets. Management's estimate of the claims liability is based on estimates from the District's legal department, while the estimated historical costs and useful lives of capital assets are based on historical data and industry guidelines. We evaluated the key factors and assumptions used to develop the estimates above in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We noted no such misstatements during our audit.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 24, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on Budgetary Basis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Statement of Changes in Assets & Liabilities – Fiduciary Fund, which accompany the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared

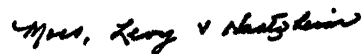
and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory, Statistical, or Photo Gallery Sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on them.

Restriction on Use

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

Very truly yours,



MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA



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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***

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the major fund, and the fiduciary fund of the Los Angeles County Flood Control District (District), a component unit of the County of Los Angeles, California, as of and for the fiscal year ended June 30, 2018, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 24, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 24, 2018

CURRENT YEAR RECOMMENDATIONS

No findings noted in the current fiscal year.

STATUS OF PRIOR YEAR RECOMMENDATIONS

No findings noted in the prior fiscal year.