

**SAN DIEGO IN-HOME SUPPORTIVE
SERVICES PUBLIC AUTHORITY
FINANCIAL STATEMENTS**

JUNE 30, 2010

**SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
TABLE OF CONTENTS**

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis	3
Government-wide Financial Statements	
Statement of Net Assets	5
Statement of Activities.....	6
Fund Financial Statements	
Balance Sheet.....	8
Statement of Revenues, Expenditures, and Changes in Fund Balance	9
Statement of Revenues, Expenditures, and Changes in Fund Balance – IHSS Public Authority Special Revenue Fund – Budget and Actual	10
Notes to Basic Financial Statements	11
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 <i>Government Auditing Standards</i>	16



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

9107 WILSHIRE BLVD., SUITE 400
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.273.1689
www.mlhcpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
San Diego In-Home Supportive Services Public Authority
San Diego, California

We have audited the accompanying financial statements of the governmental activities and the major fund of the San Diego In-Home Supportive Services Public Authority ("Authority"), a component unit of the County of San Diego, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Authority as of June 30, 2010, and the respective change in financial position, thereof, and the budgetary comparison of the IHSS Public Authority Special Revenue Fund for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to the basic financial statements effective July 1, 2009, the Authority adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective July 1, 2009; GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*; GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*; GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*; and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2010, on our consideration of the Authority'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, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3 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.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
November 8, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The San Diego County Board of Supervisors adopted the County ordinance creating the San Diego County In-Home Supportive Services Public Authority on June 19, 2001. In response to a July 1999 State mandate requiring the establishment of an employer of record for the In-Home Supportive Services program. The Ordinance also established the Board of Supervisors as the Public Authority Governing Body. Health and Human Services Agency provides administrative oversight for the Authority, pursuant to an Interagency Agreement between the County of San Diego and Public Authority.

The Authority was established to serve as the formal employer of record for the In-Home Supportive Services Program (IHSS) home care providers. IHSS provides in-home assistance to low-income aged, blind, and disabled individuals enabling them to remain safely in their homes. The Public Authority serves as the employer of record for more than 21,300 IHSS individual providers who provide in-home care to the more than 22,000 IHSS recipients.

For Fiscal Year 01-02, pursuant to Government Code section 53891, the Authority was required to submit a Special Districts Financial Transactions Report to the State Controller's Office (SCO). Government Code section 26909 requires that a copy of the audit of the District's financial statements also be filed with the State Controller. On March 2, 2004, an email from the State Controller's Office confirmed that IHSS Public Authority is not part of the Special Districts Annual Report. Public Authority is an "Authority" and not considered a "Special District".

Governmental Accounting Standard Board (GASB) Statement No. 31, mandates "Fair Value" accounting for investments by External Investment Pools. The Management Discussion and Analysis (MD&A), this section, is also a requirement of the component unit audit.

FINANCIAL HIGHLIGHTS

- In August 2009, an appropriation for \$13,799,180 was established in the IHSS Public Authority for the Authority's operating expenses based on an operating transfer from the County General Fund. There was no adjustment in the budget for the fiscal year.
- Expenditures for the fiscal year totaled \$12,149,108 of which \$2,541,560 was spent on the Authority's payroll and benefits, \$821,679 on operating expenditures, and \$8,785,869 on special consulting services, which includes health benefits for IHSS Individual Providers.
- The operating transfer from the County General Fund of \$11,917,344 plus interest and miscellaneous income of \$16,670 less total expenditures of \$12,149,108 plus a beginning fund balance of \$121,500 resulted in ending fund balance of negative \$93,594.
- Equity in cash and pooled investments includes a positive adjustment of approximately \$5,903 to comply with GASB Statement No. 31 requirements.

THIS PAGE INTENTIONALLY LEFT BLANK

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2010
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2009

	2010	2009
<u>ASSETS</u>		
Equity in cash and pooled investments	\$ 230,000	\$ 366,758
Interest receivable	2,340	3,952
Accounts receivable	140,418	197,659
<u>TOTAL ASSETS</u>	372,758	568,369
<u>LIABILITIES</u>		
Accounts payable	\$ 141,025	62,087
Accrued payroll	69,409	53,918
Due to County of San Diego	143,535	220,631
Compensated absences	112,383	110,233
<u>TOTAL LIABILITIES</u>	466,352	446,869
<u>NET ASSETS (DEFICIT)</u>		
Unrestricted	(93,594)	121,500
<u>TOTAL NET ASSETS (DEFICIT)</u>	\$ (93,594)	\$ 121,500

SEE NOTES TO BASIC FINANCIAL STATEMENTS

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
In-Home Supportive Services	\$ 12,149,108	\$ -	\$ -	\$ -
Total governmental activities	\$ 12,149,108	\$ -	\$ -	\$ -

General Revenues:
Unrestricted investment earnings
Transfers from County of San Diego

Total general revenues and transfers

Change in net assets

Net assets at beginning of fiscal year

Net assets at end of fiscal year

SEE NOTES TO BASIC FINANCIAL STATEMENTS

Net (Expenses) Revenues and Changes in Net Assets	<u>2009</u>
<u>\$ (12,149,108)</u>	<u>\$ (12,116,674)</u>
<u>(12,149,108)</u>	<u>(12,116,674)</u>
16,670	41,041
<u>11,917,344</u>	<u>12,123,918</u>
<u>11,934,014</u>	<u>12,164,959</u>
(215,094)	48,285
<u>121,500</u>	<u>73,215</u>
<u><u>\$ (93,594)</u></u>	<u><u>\$ 121,500</u></u>

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
BALANCE SHEET
JUNE 30, 2010
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2009

	<u>IHSS Public Authority Special Revenue Fund</u>	
	2010	2009
<u>ASSETS</u>		
Equity in cash and pooled investments	\$ 230,000	\$ 366,758
Interest receivable	2,340	3,952
Accounts receivable	140,418	197,659
<u>TOTAL ASSETS</u>	<u>\$ 372,758</u>	<u>\$ 568,369</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 141,025	\$ 62,087
Accrued payroll	69,409	53,918
Due to County of San Diego	143,535	220,631
Compensated absences	112,383	110,233
<u>TOTAL LIABILITIES</u>	466,352	446,869
<u>FUND BALANCE</u>		
Unreserved, undesignated	(93,594)	121,500
<u>TOTAL FUND BALANCE</u>	(93,594)	121,500
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 372,758</u>	<u>\$ 568,369</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>IHSS Public Authority Special Revenue Fund</u>	
	<u>2010</u>	<u>2009</u>
<u>REVENUES</u>		
Investment income	\$ 16,670	\$ 41,041
<u>TOTAL REVENUES</u>	<u>16,670</u>	<u>41,041</u>
<u>EXPENDITURES</u>		
Administrative costs	2,541,560	2,025,282
Operating costs	821,679	1,413,823
Consulting services	8,785,869	8,677,569
<u>TOTAL EXPENDITURES</u>	<u>12,149,108</u>	<u>12,116,674</u>
<u>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</u>	<u>(12,132,438)</u>	<u>(12,075,633)</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers in from County of San Diego	11,917,344	12,123,918
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>11,917,344</u>	<u>12,123,918</u>
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	<u>(215,094)</u>	<u>48,285</u>
Fund Balance, Beginning of Fiscal Year	121,500	73,215
Fund Balance, End of Fiscal Year	<u>\$ (93,594)</u>	<u>\$ 121,500</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – IHSS PUBLIC AUTHORITY SPECIAL REVENUE
FUND – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>IHSS Public Authority Special Revenue Fund</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<u>REVENUES</u>				
Investment income	\$ -	\$ -	\$ 16,670	\$ 16,670
<u>TOTAL REVENUES</u>			<u>16,670</u>	<u>16,670</u>
<u>EXPENDITURES</u>				
In-Home Supportive Services	13,799,180	13,799,180	12,149,108	1,650,072
<u>TOTAL EXPENDITURES</u>	<u>13,799,180</u>	<u>13,799,180</u>	<u>12,149,108</u>	<u>1,650,072</u>
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	(13,799,180)	(13,799,180)	(12,132,438)	1,666,742
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in from County of San Diego	13,799,180	13,799,180	11,917,344	(1,881,836)
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>			(215,094)	(215,094)
Fund Balance, Beginning of Fiscal Year	121,500	121,500	121,500	
Fund Balance, End of Fiscal Year	<u>\$ 121,500</u>	<u>\$ 121,500</u>	<u>\$ (93,594)</u>	<u>\$ (215,094)</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies:

A. Financial Reporting Entity

The accompanying financial statements report on the financial activities of the San Diego In-Home Supportive Services Public Authority ("Authority"). In response to a 1999 State mandate requiring the establishment of an employer of record for the In-Home Supportive Services program, the Board of Supervisors approved appropriations and established an operating fund for the Public Authority for the implementation activities and operating expenses. The Authority is a public entity separate from the County of San Diego ("County"). The Authority is a corporate public body exercising public and essential governmental functions, and it has all powers necessary and convenient to carry out its required responsibilities. The Authority's financial statements are also included in the County's Comprehensive Annual Financial Report ("CAFR"). The reason for including the Authority in the CAFR is the exercise of oversight responsibility over the Authority's activities by the County Board of Supervisors who also acts as the Authority's Governing Body.

B. Basis of Presentation

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34. The implementation of GASB Statement No. 34 required the Authority to present a Management Discussion and Analysis (MD&A) and two additional statements: Statement of Net Assets and Statement of Activities. An analysis of activities of the Authority is discussed in the MD&A. The Statement of Net Assets and Statement of Activities are government-wide statements that present the Authority's assets, liabilities, revenues, and expenses using the economic resources focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows.

The governmental fund financial statement is presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual i.e. both measurable and available. "Available" means collectible within the current period or within 30 days after the year-end. Expenditures are recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Related Party Transactions

The majority of the Authority's transactions are between the Authority and the related party, the County of San Diego. The County of San Diego, by agreement, operates the Authority. The Board of Supervisors of the County is also the governing body of the Authority.

D. Budgetary Accounting

Budgets are adopted on a basis consistent with the accounting principles generally accepted in the United States of America (USGAAP). Formal budgetary integration is employed as a management control device.

E. Comparative Date

Comparative total data for the prior fiscal year has been presented in certain statements of the accompanying financial statements, in order to provide an understanding of changes in the Authority's financial position and operations.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the related reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

G. New Accounting Pronouncements

GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions

For the fiscal year ended June 30, 2010, the Authority implemented GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*". This Statement is effective for periods beginning July 1, 2009. This Statement establishes standards for accounting and financial reporting for state and local government employees that offer "Other Postemployment Benefits" (OPEB) and requires accrual basis measurement and recognition of OPEB expenses and liabilities that will result in recognition of expenses over periods that approximate employees' years of service. The implementation of this Statement did not have an effect on these financial statements.

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. New Accounting Pronouncements (Continued)

GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets

For the fiscal year ended June 30, 2010, the Authority implemented GASB Statement No. 51, “*Accounting and Financial Reporting for Intangible Assets*”. This Statement is effective for financial statements for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments

For the fiscal year ended June 30, 2010, the Authority implemented GASB Statement No. 53, “*Accounting and Financial Reporting for Derivative Instruments*”. This Statement is effective for financial statements for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans

For the fiscal year ended June 30, 2010, the Authority implemented GASB Statement No. 57, “*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*”. This Statement establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies

For the fiscal year ended June 30, 2010, the Authority implemented GASB Statement No. 58, “*Accounting and Financial Reporting for Chapter 9 Bankruptcies*”. This Statement is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The implementation of this Statement did not have an effect on these financial statements.

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 EQUITY IN CASH AND POOLED INVESTMENTS

The San Diego In-Home Supportive Services Public Authority's cash is included in the County's balance sheet as "Equity in Cash and Pooled Investments". The County maintains a cash and investment pool for all funds of the County and other agencies for which the County treasury is the depository. Interest earned on the pooled funds is allocated and credited to these funds quarterly. Further disclosures regarding the County's cash and investments are included in the Notes of the County's fiscal year ended June 30, 2010 Comprehensive Annual Financial Report.

NOTE 3 COMPENSATED ABSENCES

The San Diego In-Home Supportive Services Public Authority accrues accumulated vacation due to its employees and upon termination of employment; employees will be paid for unused vacation time that has been earned through the last day of work. The total amount due at June 30, 2010 is \$112,383.

NOTE 4 PUBLIC AUTHORITY EMPLOYEES RETIREMENT PLAN (DEFINED CONTRIBUTION PENSION PLAN)

The County of San Diego In-Home Supportive Services Public Authority Money Purchase Plan began on July 1, 2002.

Plan Description

General – The San Diego In-Home Supportive Services Public Authority Employee Retirement Plan ("Plan") is administered by a private administrator. The Authority's Plan is a defined contribution plan covering all qualified employees of the Authority. Entry into the Plan is made on the first day of employment after meeting the eligibility requirements. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings.

Contributions – Each year the Authority contributes to the Plan, for qualified enrolled employees, 8.0% of those employees' gross wages. For the fiscal year ended June 30, 2010 the Authority contributed \$143,515.

Participant Accounts – Each participant's account is credited with the Authority's contribution, and an allocation of Plan earnings. The benefit to which a participant is entitled to is the benefit that can be provided from the participant's account.

Vesting – Vesting is based on years of service. A participant is 20% vested after one year but less than two years of credited service and vests an additional 20% for every year of service thereafter. A participant is fully vested after five years of service.

Payment of Benefits – Upon termination of service, a participant may elect to receive either a lump sum distribution equal to the value of his or her account or an annuity.

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 ACCOUNTS RECEIVABLE DUE FROM PROVIDERS AND FORMER PROVIDERS

The Health Benefit department has been successful at collecting \$22,762 to date towards the original balance of \$154,002. Also included in the balance is what the Authority categorized as overpayment to the Sharp Healthplan. \$7,357 was received from Sharp as a credit to the March 2006 coverage. The Authority has not included a receivable on its financial statements as most of the balance is considered uncollectible. Any payments received are recorded as an offset to operating costs.

NOTE 6 MEMORANDUM OF UNDERSTANDING WITH THE UNITED DOMESTIC WORKERS OF AMERICA, AFSCME, AFL-CIO

On July 7, 2009, the Authority signed a Memorandum of Understanding (MOU) with the United Domestic Workers of America (Union) with terms and conditions of employment for the IHSS Individual Providers. The Union is responsible for administration of health benefits, which includes the formation of a Union Health Care Trust Fund. The Authority is required to provide up to \$8,784,000 annually to the Union Health Care Trust Fund. This amount is included in the consulting services expenditure line item on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

NOTE 7 DEFERRED COMPENSATION PLAN

457 Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is available to full-time employees. The Internal Revenue Service regulations allow an employer to designate a 457(b) Deferred Compensation Plan as an alternative to social security. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by a third party administrator (MetLife) for the exclusive benefit of the plan participants and their beneficiaries as prescribed by Internal Revenue Code Section 457(g). Accordingly, these assets have been excluded from the Authority's Comprehensive Annual Financial Report.

NOTE 8 FINANCIAL CONDITION

The Authority has a deficit in net assets of \$93,594, at June 30, 2010. The Authority projects that future contribution from the County of San Diego's General Fund will be sufficient to support the Authority's operations.



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

9107 WILSHIRE BLVD., SUITE 400
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.273.1689
www.mlhcpas.com

**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 Board of Supervisors
San Diego In-Home Supportive Services Public Authority
San Diego, California

We have audited the accompanying financial statements of the governmental activities and the major fund of the San Diego In-Home Supportive Services Public Authority as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated November 8, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain other matters that we reported to management of the Authority in a separate letter dated November 8, 2010.

Compliance and Other Matters

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

This report is intended for the information and use of the Board of Supervisors, management, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
November 8, 2010