NEW ISSUE – BOOK ENTRY ONLY

RATINGS:
Moody's: MIG 1
Standard & Poor's: SP-1+
Fitch: F1+
(See "RATINGS" herein.)

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, assuming the accuracy of certain representations and compliance by the County with certain tax covenants described herein, the interest on the Notes is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions and, in the opinion of Bond Counsel, the interest on the Notes is exempt from personal income taxes of the State of California under present State law. In addition, Bond Counsel is of the opinion that the Notes are not "private activity bonds" and, therefore, the interest on the Notes will not be treated as a specific item of tax preference for purpose of the federal alternative minimum tax on individuals and corporations. However, the interest on the Notes is included in the computation of certain federal taxes on corporations. See "TAX EXEMPTION" herein.

$500,000,000
COUNTY OF LOS ANGELES
2008-09 Tax and Revenue Anticipation Notes, Series A
3.00% Priced to Yield 1.58%
CUSIP No. 544657HA0

Dated: July 1, 2008 **Due: June 30, 2009**

The County of Los Angeles 2008-09 Tax and Revenue Anticipation Notes, Series A (the "Notes") will be issued as fixed rate notes in fully registered form. The Notes, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry only form, in denominations of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interests in the Notes purchased. The Notes will bear interest at a fixed rate per annum from their dated date and will be priced as set forth above. Principal of and interest on the Notes are payable on the maturity date thereof directly to DTC by the Paying Agent. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Notes. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM."

The Notes are being issued to provide moneys to help meet Fiscal Year 2008-09 County General Fund Expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County of Los Angeles (the "County"). The Notes are being issued pursuant to a resolution adopted by the Board of Supervisors of the County on May 13, 2008 (the "Resolution") and a Financing Certificate entitled, "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2008-09 Tax and Revenue Anticipation Notes" (the "Financing Certificate") to be delivered on the date of issuance of the Notes pursuant to the Resolution. In accordance with California law, the Notes are general obligations of the County, payable only from unrestricted taxes, income, revenue, cash receipts and other moneys of the County attributable to the Fiscal Year 2008-09 and lawfully available for the payment of the Notes. The Notes and the interest thereon are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys. The County is not authorized, however, to levy or collect any tax for the repayment of the Notes. See "THE NOTES – Security for Issue" herein.

The Notes are not subject to redemption prior to maturity.

This cover page contains information for quick reference only. It is not a summary of this issue. Investors should read this entire Official Statement to obtain information essential to the making of an informed investment decision.

The Notes will be offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Squire, Sanders & Dempsey L.L.P., Bond Counsel, and the approval of certain legal matters for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. Certain legal matters will be passed upon for the County by the County Counsel. It is expected that the Notes will be available for delivery through the facilities of DTC on or about July 1, 2008.

LEHMAN BROTHERS

Banc of America Securities LLC **JPMorgan**
Ramirez & Co., Inc. **SBK-Brooks Investment Corp.**

The date of this Official Statement is June 5, 2008.

COUNTY OF LOS ANGELES

CALIFORNIA

COUNTY OF LOS ANGELES

2008-09 TAX AND REVENUE
ANTICIPATION NOTES, SERIES A

No dealer, broker, salesperson or other person has been authorized by the County or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes, by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Notes. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES OFFERED HEREIN AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE NOTES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

CUSIP data set forth herein are for convenience of reference only. Neither the County nor the Underwriters assume any responsibility for the accuracy of such data.

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CALIFORNIA

OFFICIAL STATEMENT

$500,000,000

COUNTY OF LOS ANGELES
2008-09 TAX AND REVENUE ANTICIPATION NOTES, SERIES A

INTRODUCTION

General

The purpose of this Official Statement, which includes the front cover and the attached appendices, is to provide certain information concerning the sale and delivery of $500,000,000 in aggregate principal amount of 2008-09 Tax and Revenue Anticipation Notes, Series A (the "Notes") of the County of Los Angeles, California (the "County"). The Notes will be issued as fixed rate notes bearing interest as set forth on the cover page of this Official Statement. Issuance of the Notes will provide moneys to help meet Fiscal Year 2008-09 County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County.

The Notes are authorized by and are being issued in accordance with Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the Government Code of the State of California (the "Act"), and a resolution adopted by the Board of Supervisors of the County (the "Board of Supervisors") on May 13, 2008 and entitled "Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of 2008-09 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed $1,000,000,000" (the "Resolution"). The Notes will be issued subject to the terms and conditions of a Financing Certificate of the Treasurer and Tax Collector of the County (the "Treasurer") entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2008-09 Tax and Revenue Anticipation Notes" (the "Financing Certificate") to be delivered on the date of issuance of the Notes pursuant to the Resolution. Pursuant to California law, the Notes and the interest thereon will be general obligations of the County payable from the unrestricted taxes, income, revenue, cash receipts and other moneys of the County attributable to the Fiscal Year 2008-09 and lawfully available therefor ("Pledged Moneys") as specified in the Resolution and the Financing Certificate. See "THE NOTES – Security for Issue." The County is not authorized, however, to levy or collect any tax for the repayment of the Notes.

The County

The County is located in the southern coastal portion of the State of California (the "State") and covers 4,084 square miles. The County was established under an act of the State Legislature on February 18, 1850. It is the most populous county in the nation and, in terms of population, is larger than 43 states. The economy of the County is diversified and includes manufacturing, technology, world trade, financial services, motion picture and television production, agriculture and tourism. For additional economic and demographic information with respect to the County, see APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT" and APPENDIX B – "COUNTY OF LOS ANGELES FINANCIAL STATEMENTS."

COUNTY OF LOS ANGELES CASH MANAGEMENT PROGRAM

The County implemented a cash management program in 1977 to finance General Fund cash flow shortages occurring periodically during its fiscal year (July 1 through June 30). In each year since the program's inception, the County has sold either tax anticipation notes or tax and revenue anticipation notes (including commercial paper notes) in annual aggregate amounts up to $1,850,000,000. The Resolution authorizes the County to issue and sell up to $1,000,000,000 aggregate principal amount of 2008-09 Tax and Revenue Anticipation Notes in one or more series.

In addition to the 2008-09 Tax and Revenue Anticipation Notes and other obligations which may be issued pursuant to the Act, certain funds held in trust by the County until apportioned to the appropriate agency are available to the County for intrafund borrowings. In addition, while it does not expect to do so, the County may, under certain circumstances, undertake interfund borrowing to fund shortages in the General Fund. See "THE NOTES – Interfund Borrowing, Intrafund Borrowing and Cash Flow." The County reserves the right to undertake such a borrowing under the Resolution. See "THE NOTES – Security for Issue," "– Interfund Borrowing, Intrafund Borrowing and Cash Flow" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Cash Management Program."

THE NOTES

The Notes will be issued in the aggregate principal amount of $500,000,000. The Notes will be issued in book-entry only form and, when delivered, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers of the Notes will not receive certificates representing their ownership interest in the Notes purchased. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM." Beneficial ownership interests in the Notes may be transferred only in accordance with the rules and procedures of DTC.

The Notes will be dated July 1, 2008, will mature on June 30, 2009 and will be issued in fully registered form. The Notes are not subject to redemption prior to maturity.

The Notes will be issued in denominations of $5,000 and any integral multiple thereof ("Authorized Denominations") and will bear interest at the rate set forth on the cover page hereof. Interest on the Notes will be payable at maturity and will be computed on the basis of a 360-day year comprised of twelve 30-day months. Principal and interest will be payable in immediately available funds, upon presentation and surrender of the Notes at the office of the Treasurer, serving as the Paying Agent with respect to the Notes.

Authority for Issuance

The Notes are being issued under the authority of the Act and pursuant to the Resolution and are subject to the terms and conditions of the Financing Certificate.

Purpose of Issue

Issuance of the Notes will provide moneys to help meet Fiscal Year 2008-09 County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County. The proceeds of the Notes will be invested in the Pooled Surplus Investments Fund (the "Treasury Pool") until expended. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Financial Summary – *Los Angeles County Pooled Surplus Investments*".

Security for the Notes

The Notes will be issued under and pursuant to the Resolution and the Financing Certificate and will be ratably secured by a pledge of the first $155,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County on and after December 20, 2008; the first $135,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County on and after January 1, 2009; the first $50,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County on and after February 1, 2009; the first $40,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County on and after March 1, 2009; and the first $120,000,000 (plus an amount equal to the interest on the Notes that has accrued and will accrue to maturity) of unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County on and after April 20, 2009.

Pursuant to Section 53856 of the Act, the Notes, any Additional Notes (see "THE NOTES – Additional Notes") and the interest thereon will be a lien and charge against and will be payable from such Pledged Moneys. In addition to Pledged Moneys, pursuant to Section 53857 of the Act, the Notes and any Additional Notes will be general obligations of the County, and to the extent not payable from Pledged Moneys, shall be paid with interest thereon only from any other moneys of the County lawfully available therefor. The County is not authorized to levy or collect any tax for the repayment of the Notes or any Additional Notes.

In accordance with the terms of the Resolution, the County Auditor-Controller (the "Auditor-Controller") will deposit the Pledged Moneys with the Treasurer in the 2008-09 TRANs Repayment Fund (the "Repayment Fund"). There will be established a separate Repayment Fund subaccount for the Notes and each series of Additional Notes, if any. In connection with the Notes, there will be established the 2008-09 TRANs, Series A Repayment Fund Subaccount (the "Series A Repayment Fund Subaccount"). Pledged Moneys for the payment of the Notes will be deposited into the Series A Repayment Fund Subaccount in the amount and at the times described above. The Treasurer will hold such Pledged Moneys until the Notes are paid. The Resolution provides that such amounts may not be used for any other purpose and may be invested in Permitted Investments (herein defined). Interest on amounts in the Series A Repayment Fund Subaccount and in any Repayment Fund subaccount established in connection with the issuance of Additional Notes will be credited to the General Fund of the County. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE – Permitted Investments."

As more particularly described under the heading "THE NOTES - Interfund Borrowing, Intrafund Borrowing and Cash Flow," the County may, under certain circumstances, undertake interfund borrowing to fund shortages in the General Fund. While the County does not expect to resort to any such interfund borrowing, Section 6 of Article XVI of the California Constitution requires that any such borrowing be repaid from revenues before any other obligation of the County (including the Notes) is paid from such revenues.

Available Sources of Payment

The Notes, in accordance with California law, are general obligations of the County, and, to the extent not paid from the taxes, income, revenue, cash receipts and other moneys of the County pledged for the payment thereof shall be paid with interest thereon from any other moneys of the County lawfully available therefor. The County is not authorized, however, to levy or collect any tax for repayment of the Notes. Pursuant to the Act, no obligations, including the Notes, may be issued thereunder if the principal of and interest on such obligations is in excess of 85 percent of the estimated amount of the then uncollected taxes, income, revenue, cash receipts and other moneys which will be available for the payment of such principal and interest. See "THE NOTES – Security for Issue."

The County estimates that the total moneys to be available for payment of the principal of and interest on the 2008-09 Tax and Revenue Anticipation Notes, including the pledged amounts, will be in excess of $6.5 billion as indicated in the table below. Except for pledged amounts, these moneys will be expended during the course of the fiscal year, and no assurance can be given that any moneys, other than the pledged amounts, will be available to pay the 2008-09 Tax and Revenue Anticipation Notes and the interest thereon.

COUNTY OF LOS ANGELES
ESTIMATED GENERAL FUND UNRESTRICTED REVENUES
FISCAL YEAR 2008-09 (1)

Source	Amount
Property Taxes	$3,692,207,900
Sales and Other Taxes	192,064,000
Subvention and Grants	
In-Lieu Taxes	510,965,000
Homeowner's Exemptions	21,500,000
Fines, Forfeitures and Penalties	233,450,000
Licenses, Permits and Franchises	56,200,000
Charges for Services	1,382,000,000
Use of Money and Property	233,525,000
Other Revenues	260,352,000
Total	$6,582,263,900
Less amount pledged for payment of the Notes(2)	(514,958,333)
Net total in excess of pledged moneys	$6,067,305,567

(1) Reflects revenues set forth in the projected cash flow for Fiscal Year 2008-09. Information subject to change to reflect the impact of the 2008-09 State Budget and other matters. See "THE NOTES – State of California Finances" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT"

(2) Based on $500,000,000 aggregate principal amount of Notes, plus an amount equal to interest thereon.

Additional Notes

Pursuant to the Resolution and the Financing Certificate, the County may issue one or more series of 2008-09 Tax and Revenue Anticipation Notes in addition to the Notes (the "Additional Notes") in an aggregate amount not to exceed $500,000,000. Such Additional Notes will be secured by a pledge of and lien on Pledged Moneys and may be issued on a parity with the Notes (such Additional Notes together with the Notes, the "Senior Notes") or subordinate to the Senior Notes (such Additional Notes, the "Subordinate Notes"). Any series of Subordinate Notes shall have a lien on all amounts legally available for payment thereof on a basis junior and subordinate in all respects to the lien of the Senior Notes. Subordinate Notes may be subject to redemption by the County at any time; provided, that no payment or redemption on any Subordinate Note shall be made by the County on any date until all deposits scheduled to be made by the County up to and including such date with respect to the Repayment Fund subaccount for each series of Senior Notes have been so deposited. The Financing Certificate also provides that if in any month the County fails to make a scheduled deposit into a Repayment Fund subaccount with respect to any series of Senior Notes required pursuant to the Financing Certificate or a Supplemental Financing Certificate (as defined herein), as applicable, the Paying Agent shall transfer from any subaccount established for any series of Subordinate Notes to such Repayment Fund subaccount, such moneys as are necessary to effect the required deposit therein.

Pursuant to the Resolution, before any Additional Notes are issued, the Board of Supervisors shall covenant to set aside sufficient moneys to repay such series of Additional Notes. In establishing any such additional set-aside schedule, the Board of Supervisors shall provide that each monthly set-aside requirement for the Senior Notes shall be met before the County sets aside moneys in each such month to repay any such Additional Notes that constitute Subordinate Notes.

Pursuant to the Resolution and the Certificate, the Treasurer is authorized to establish the order of payments from the Repayment Fund as among the Notes and any Additional Notes; provided, that on any date, no deposit of unrestricted taxes, income, revenue, cash receipts and other moneys shall be made with respect to any Additional Notes that constitute Subordinate Notes prior to the making of each of the deposits required as of such date with respect to each series of Senior Notes.

State of California Finances

On May 14, 2008, the Governor released the May Revision to the 2008-09 Proposed State Budget (the "May Revision"). The May Revision projects a current budget deficit of $17.2 billion, approximately $3.0 billion in excess of the $14.5 billion budget gap reflected in the 2008-09 Proposed State Budget. The May Revision attributes the difference to a lower than expected gross domestic product growth, weaker California job growth, and smaller gains in California personal income in calendar years 2008 and 2009. The May Revision proposes a combination of spending reductions and revenue solutions to address the budget gap (and to provide for reserves of approximately $2.0 billion), including $12.6 billion in expenditure reductions across State government, $627 million in additional reductions to health and human services programs, loans and transfers from various special funds, withholding of the federal cost of living adjustment ("COLA"), elimination of the State COLA for Fiscal Year 2008-09, budget and policy proposals to reduce the Fiscal Year 2008-09 caseload projection, and additional changes to services and eligibility for the Medi-Cal program. The May Revision proposes to fully fund Proposition 42, which is estimated to be reduced from $1.49 billion to $1.43 billion, which will in turn cause a revision in allocation estimates for each county. The May Revision also proposes (1) a constitutional amendment that seeks to address the cyclical nature of the State's revenues by establishing a Revenue Stabilization Fund (the "RSF") in which revenues above a defined level of "reasonable, long-term average rate of growth" would be deposited, (2) subject to its approval by qualified voters, the sale of bonds backed by a securitization of a portion of State lottery revenues, with the expectation that such securitization will generate $5.1 billion for the RSF in Fiscal Year 2008-09 and a total of $15 billion by Fiscal Year 2010-11, (3) a temporary sales tax increase as a fail-safe mechanism in the event that the lottery securitization ballot measure is not approved, and (4) the creation of a Tax Modernization Commission to conduct a comprehensive examination of California's tax laws. The County estimates that there will be an overall net loss of $331.7 million to the County for Fiscal Year 2008-09 as a result of the 2008-09 Proposed State Budget and the May Revision.

On May 19, 2008, the State's Legislative Analyst's Office released an analysis of the May Revision entitled "Overview of the 2008-09 May Revision" (the "LAO Overview"). According to the LAO, the overall budget-year estimates set forth in the May Revision are reasonable, but the lottery bond size and assumptions are overly optimistic (creating the strong likelihood that distributions to public education from the lottery would fall short of their current levels) and the proposed budget reforms, among other things, include a revenue cap that may lead to counterproductive results and across-the-board reductions that fail to prioritize essential State programs while they undermine the State Legislature's constitutional authority over appropriations. The LAO projects that if the State Legislature adopted all of the Governor's proposals, and if such proposals were successfully implemented, the State's year-end reserve in Fiscal Year 2008-09 would be approximately $500 million less than the estimate set forth in the May Revision. Further, the LAO predicts multibillion dollar shortfalls would reemerge in Fiscal Year 2010-11. The LAO states that the approach reflected in the May Revision could result in unsustainable ongoing spending commitments using a limited-time revenue source and that the proposed future multibillion dollar across-the-board reductions do not resolve the mismatch between revenues and expenditures. The LAO also proposes alternative budget solutions for consideration, including a smaller lottery securitization proposal, modifications to the State's Budget Stabilization Account, and permitting the State Legislature to systematically review State funding formulas that no longer meet current priorities.

The Fiscal Year 2008-09 State Budget (the "2008-09 State Budget") is expected to be subject to significant negotiation and revision prior to its ultimate adoption. There can be no assurances that the final 2008-09 State Budget will not place additional burdens on local governments, including the County, or will not significantly reduce revenues to such local governments. The 2008-09 State Budget is subject to approval by the State Legislature, and the County cannot predict the ultimate impact of the final approved 2008-09 State Budget on the County's financial situation. In the event the final 2008-09 State Budget includes decreases in County revenues or increases in required County expenditures from the levels assumed by the County, the County will be required to generate additional revenues or curtail programs and/or services to ensure a balanced budget. See APPENDIX A - "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

Interfund Borrowing, Intrafund Borrowing and Cash Flow

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts have followed an uneven pattern primarily as a result of secured property tax installment payment dates in December and April and as a result of delays in payments from other governmental agencies, the two largest sources of County revenues. As a result, the General Fund cash balance prior to Fiscal Year 1977-78 had typically been negative for most of the year and had been covered by interfund borrowings pursuant to Section 6 of Article XVI of the California Constitution and intrafund borrowings. "Interfund borrowing" is borrowing from specific funds of other governmental entities whose funds are held in the County Treasury. "Intrafund borrowing" is borrowing for General Fund purposes against funds held in trust by the County. Because General Fund interfund borrowings caused disruptions in the County's management of the General Fund's pooled investments, beginning in 1977 the County has regulated its cash flow by issuing tax anticipation notes and tax and revenue anticipation notes for the General Fund and by using intrafund borrowing. All notes issued in connection with the County's cash management program, with the exception of $500,000,000 in aggregate principal amount of tax and revenue anticipation notes issued in Fiscal Year 2007-08 which are due June 30, 2008, have been repaid on their respective maturity dates. Sufficient revenues have been reserved in a repayment fund held by the County, separate from the General Fund, to repay the 2007-08 Tax and Revenue Anticipation Notes at maturity.

To the extent necessary, the County intends to use intrafund (and not interfund) borrowing to cover General Fund cash needs, including projected year-end cash requirements, if any. Should the County find it necessary to resort to interfund borrowing, then such borrowing, pursuant to the California Constitution, may not occur after the last Monday in April of each year and shall be repaid before any other obligation of the County. The County does not intend to engage in interfund borrowing for the General Fund nor has it done so since the implementation of the General Fund cash management program in Fiscal Year 1977-78.

GENERAL FUND CASH FLOW

The Auditor-Controller has prepared the following five-year summary of month-end cash balances in the General Fund. Also shown on the following pages is a detailed analysis of the Fiscal Year 2007-08 General Fund cash flow (which includes actual figures for the first ten months of such fiscal year and projections for the remainder of such fiscal year) and of the projected cash flow for Fiscal Year 2008-09. The cash flow projections are based on the 2008-09 Proposed Budget adopted by the Board of Supervisors on April 22, 2008 (the "2008-09 Proposed Budget"). Such cash flow projections could change based on the final form of the County's 2008-09 Budget, when adopted.

COUNTY OF LOS ANGELES
GENERAL FUND
MONTH-END CASH BALANCES(1)
FISCAL YEARS 2003-04 THROUGH 2007-08
(In Thousands)

	2003-04	2004-05	2005-06	2006-07	2007-08(2)
July	$1,078,529	$1,495,033	$1,261,166	$1,494,833	$1,310,827
August	667,423	1,033,691	1,032,306	1,238,335	1,039,992
September	308,176	720,170	763,434	885,254	693,820
October	302,740	436,387	340,692	476,851	366,482
November	192,258	184,646	(94,322)(3)	307,807	143,446
December	689,307	831,138	174,098	845,828	591,902
January	503,898	1,083,012	559,038	1,244,232	1,150,831
February	554,452	861,378	471,091	1,026,082	1,130,552
March	303,562	284,599	380,571	733,242	745,555
April	272,210	412,913	498,427	822,218	1,158,020
May	412,805	1,056,905	871,221	1,671,999	1,543,393(4)
June	986,202	1,241,153	1,617,756	1,882,518	1,377,953(4)

(1) Month-end balances include the effects of intrafund borrowing and short-term note issuance net of deposits to the repayment funds relating to the short-term notes. See "THE NOTES – Interfund Borrowing, Intrafund Borrowing and Cash Flow" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – FINANCIAL SUMMARY."

(2) Includes $400 million pre-payment of pension benefits from the County General Fund to the Los Angeles County Employees Retirement Association in July 2007.

(3) Certain monthly periods may reflect negative cash balances. The borrowable resources that were available to provide coverage for the deficits are set forth in APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – FINANCIAL SUMMARY."

(4) Estimated.

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2007-08
(in thousands)
ACTUALS THROUGH APRIL

	July 2007	August 2007	September 2007	October 2007	November 2007	December 2007
Beginning Balance	$1,882,518.4	$1,310,827.4	$1,039,992.4	$693,820.4	$366,482.4	$143,446.4
Receipts						
Property Taxes	$68,551.0	$88,141.0	$0.0	$0.0	$57,748.0	$924,312.0
Sales and Other Taxes	14,221.0	23,663.0	17,054.0	7,458.0	8,657.0	21,794.0
Licenses, Permits & Franchises	2,202.0	9,374.0	2,395.0	1,279.0	2,757.0	1,499.0
Fines, Forfeitures & Penalties	31,154.0	23,859.0	12,708.0	14,007.0	20,302.0	12,735.0
Revenue From Use of Money & Property	45,724.0	22,826.0	22,283.0	14,774.0	18,560.0	16,541.0
Intergovernmental Revenue	223,112.0	268,189.0	332,367.0	209,302.0	231,132.0	491,343.0
Charges for Current Services	130,349.0	104,891.0	101,687.0	87,422.0	96,261.0	147,889.0
Other Revenue	13,027.0	11,422.0	3,923.0	30,833.0	12,974.0	11,041.0
Expenditure Transfers & Reimbursements	8,640.0	1,734.0	89,405.0	99,336.0	182,644.0	15,117.0
Welfare Advances	268,902.0	229,277.0	253,860.0	436,169.0	318,482.0	219,172.0
Other Receipts	122,723.0	41,985.0	3,816.0	3,217.0	14,909.0	10,373.0
Intrafund Transfer	0.0	0.0	0.0	0.0	0.0	0.0
TRANs Sold	500,000.0	0.0	0.0	0.0	0.0	0.0
TRANs Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	$1,428,605.0	$825,361.0	$839,498.0	$903,797.0	$964,426.0	$1,871,816.0
Disbursements						
Welfare Warrants	$182,454.0	$183,122.0	$219,800.0	$223,722.0	$219,002.0	$191,419.0
Salaries & Employee Benefits	1,234,188.0	376,356.0	515,923.0	509,751.0	490,498.0	535,410.0
Services & Supplies and Fixed Assets	412,704.0	318,421.0	261,414.0	272,934.0	322,459.0	303,988.0
Interfund Billings	170,950.0	218,297.0	188,533.0	224,728.0	155,503.0	218,543.0
TRANs Pledge Transfer	0.0	0.0	0.0	0.0	0.0	174,000.0
TRANs Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Intrafund Transfer Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Total Disbursements	$2,000,296.0	$1,096,196.0	$1,185,670.0	$1,231,135.0	$1,187,462.0	$1,423,360.0
Ending Balance	$1,310,827.4	$1,039,992.4	$693,820.4	$366,482.4	$143,446.4	$591,902.4
TRANs Repayment Fund						
Beginning Balance	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Receipts	0.0	0.0	0.0	0.0	0.0	174,000.0
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0
Ending Balance	$0.0	$0.0	$0.0	$0.0	$0.0	$174,000.0

*Detail may not add due to rounding

January 2008	February 2008	March 2008	April 2008	May 2008	June 2008	Total
$591,902.4	$1,150,831.4	$1,130,552.4	$745,555.4	$1,158,020.4	$1,543,392.8	
$792,694.0	$161,522.0	$22,122.0	$700,992.0	$718,569.0	$30,027.3	$3,564,678.3
20,710.0	13,060.0	14,588.0	6,581.0	22,575.9	18,016.2	188,378.1
1,150.0	7,592.0	9,663.0	985.0	9,244.7	8,059.3	56,200.0
12,103.0	30,071.0	21,610.0	14,540.0	22,695.6	14,866.5	230,651.1
21,614.0	28,815.0	19,089.0	30,304.0	10,928.6	11,168.4	262,627.0
218,592.0	302,577.0	233,223.0	236,469.0	337,999.5	375,256.1	3,459,561.6
141,364.0	109,854.0	91,626.0	112,161.0	129,777.9	132,695.6	1,385,977.5
14,657.0	9,027.0	60,125.0	77,681.0	8,041.8	10,798.8	263,550.6
46,375.0	51,878.0	27,324.0	216,669.0	35,586.8	132,681.2	907,390.0
354,331.0	301,495.0	364,794.0	348,166.0	307,062.7	373,338.5	3,775,049.2
14,419.0	12,218.0	24,883.0	14,507.0	14,945.9	17,004.1	295,000.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	500,000.0
0.0	0.0	0.0	0.0	0.0	522,375.0	522,375.0
$1,638,009.0	$1,028,109.0	$889,047.0	$1,759,055.0	$1,617,428.3	$1,646,287.0	$15,411,438.4
$205,132.0	$210,622.0	$197,612.0	$212,040.0	$215,662.2	$211,478.2	$2,472,065.4
442,531.0	475,064.0	439,296.0	497,883.0	501,267.5	465,363.4	6,483,530.9
279,647.0	218,243.0	345,768.0	274,303.0	312,909.7	309,217.6	3,632,008.3
61,770.0	87,459.0	230,368.0	221,989.0	202,216.5	303,292.9	2,283,649.4
90,000.0	57,000.0	61,000.0	140,375.0	0.0	0.0	522,375.0
0.0	0.0	0.0	0.0	0.0	522,375.0	522,375.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
$1,079,080.0	$1,048,388.0	$1,274,044.0	$1,346,590.0	$1,232,055.9	$1,811,727.1	$15,916,004.0
$1,150,831.4	$1,130,552.4	$745,555.4	$1,158,020.4	$1,543,392.8	$1,377,952.8	
$174,000.0	$264,000.0	$321,000.0	$382,000.0	$522,375.0	$522,375.0	$0.0
90,000.0	57,000.0	61,000.0	140,375.0	0.0	0.0	522,375.0
0.0	0.0	0.0	0.0	0.0	522,375.0	522,375.0
$264,000.0	$321,000.0	$382,000.0	$522,375.0	$522,375.0	$0.0	$0.0

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2008-09
(in thousands)
12-MONTHS PROJECTION

	July 2008	August 2008	September 2008	October 2008	November 2008	December 2008
Beginning Balance	$1,377,952.8	$966,706.9	$449,676.9	$200,508.1	($44,064.0)	($366,288.7)
Receipts						
Property Taxes	$68,662.1	$94,713.2	$0.0	$0.0	$46,759.4	$956,302.0
Sales and Other Taxes	14,221.0	23,663.0	17,073.3	7,477.3	8,682.8	21,819.8
Licenses, Permits & Franchises	2,202.0	9,374.0	2,395.0	1,279.0	2,757.0	1,499.0
Fines, Forfeitures & Penalties	31,621.3	24,216.9	12,898.6	14,217.1	20,606.5	12,926.0
Revenue From Use of Money & Property	40,710.9	20,621.8	20,420.6	13,439.2	16,969.4	14,847.3
Intergovernmental Revenue	199,040.4	211,407.4	248,564.9	328,122.3	243,637.1	479,650.1
Charges for Current Services	127,868.0	105,118.6	111,634.8	87,515.8	95,865.2	150,190.8
Other Revenue	13,061.9	11,452.6	3,933.5	30,915.5	13,008.7	11,070.5
Expenditure Transfers & Reimbursements	10,039.2	91,023.0	49,001.2	23,824.2	176,026.5	4,255.8
Welfare Advances	175,224.6	134,652.1	459,996.9	446,535.8	326,018.7	224,220.2
Other Receipts	280,204.6	40,044.9	5,821.0	4,307.3	13,742.5	7,823.2
Intrafund Transfer	0.0	0.0	0.0	0.0	0.0	0.0
TRANs Sold	500,000.0	0.0	0.0	0.0	0.0	0.0
TRANs Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	$1,462,855.9	$766,287.4	$931,739.8	$957,633.5	$964,073.8	$1,884,604.8
Disbursements						
Welfare Warrants	$185,368.6	$186,346.9	$223,488.5	$227,788.0	$222,633.6	$194,704.9
Salaries & Employee Benefits	1,073,184.9	546,739.4	539,443.5	533,068.8	513,708.0	559,786.0
Services & Supplies and Fixed Assets	432,856.6	333,969.7	274,179.0	286,261.5	338,204.8	318,831.9
Interfund Billings	182,691.8	216,261.5	143,797.5	155,087.4	211,752.1	149,906.2
TRANs Pledge Transfer	0.0	0.0	0.0	0.0	0.0	155,000.0
TRANs Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Intrafund Transfer Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Total Disbursements	$1,874,101.8	$1,283,317.4	$1,180,908.5	$1,202,205.7	$1,286,298.5	$1,378,228.9
Ending Balance	$966,706.9	$449,676.9	$200,508.1	($44,064.0)	($366,288.7)	$140,087.2
TRANs Repayment Fund						
Beginning Balance	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Receipts	0.0	0.0	0.0	0.0	0.0	155,000.0
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0
Ending Balance	$0.0	$0.0	$0.0	$0.0	$0.0	$155,000.0

*Detail may not add due to rounding

January 2009	February 2009	March 2009	April 2009	May 2009	June 2009	Total
$140,087.2	$627,354.2	$521,400.7	$189,256.7	$524,302.5	$996,815.1	
$812,532.3	$161,728.3	$21,543.2	$724,050.9	$800,312.2	$5,604.3	$3,692,207.9
20,728.3	13,081.9	14,614.9	10,148.1	22,556.5	17,997.0	192,064.0
1,150.0	7,592.0	9,663.0	7,725.2	5,643.7	4,920.0	56,200.0
12,284.5	30,522.1	21,934.2	14,097.2	23,036.0	15,089.5	233,450.0
19,793.3	25,888.1	17,549.9	13,981.3	14,271.4	15,031.8	233,525.0
222,206.3	276,851.3	246,585.6	272,828.0	338,412.7	361,026.4	3,428,332.4
141,191.8	99,708.0	91,035.4	78,826.8	145,032.4	148,012.4	1,382,000.0
14,696.2	9,051.2	24,285.9	109,985.0	8,063.3	10,827.7	260,352.0
177,406.8	81,618.8	51,784.2	183,140.8	47,592.0	132,696.5	1,028,409.0
362,647.5	308,560.5	373,606.7	315,925.4	312,886.9	321,724.6	3,762,000.0
11,995.1	13,637.6	7,957.1	7,250.6	25,270.4	34,438.7	452,493.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	500,000.0
0.0	0.0	0.0	0.0	0.0	514,958.3	514,958.3
$1,796,632.2	$1,028,239.8	$880,560.0	$1,737,959.4	$1,743,077.5	$1,582,327.4	$15,735,991.6
$208,515.3	$214,244.6	$201,010.7	$213,379.2	$220,452.2	$216,067.7	$2,514,000.0
465,293.9	498,808.7	462,171.6	527,799.9	514,558.5	481,500.8	6,716,064.0
293,302.3	228,899.9	362,652.0	291,336.1	328,189.2	324,316.9	3,813,000.0
207,253.8	142,240.1	146,869.6	235,440.1	207,365.0	339,391.2	2,338,056.2
135,000.0	50,000.0	40,000.0	134,958.3	0.0	0.0	514,958.3
0.0	0.0	0.0	0.0	0.0	514,958.3	514,958.3
0.0	0.0	0.0	0.0	0.0	0.0	0.0
$1,309,365.2	$1,134,193.3	$1,212,704.0	$1,402,913.6	$1,270,564.9	$1,876,234.9	$16,411,036.8
$627,354.2	$521,400.7	$189,256.7	$524,302.5	$996,815.1	$702,907.6	
$155,000.0	$290,000.0	$340,000.0	$380,000.0	$514,958.3	$514,958.3	$0.0
135,000.0	50,000.0	40,000.0	134,958.3	0.0	0.0	514,958.3
0.0	0.0	0.0	0.0	0.0	514,958.3	514,958.3
$290,000.0	$340,000.0	$380,000.0	$514,958.3	$514,958.3	$0.0	$0.0

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE

The following is a summary of certain provisions of the Resolution and the Financing Certificate. This summary is not to be considered a full statement of the terms of the Resolution or the Financing Certificate and accordingly is qualified by reference thereto and is subject to the full text thereof. Except as otherwise defined herein, capitalized terms used in this Official Statement without definition have the respective meanings set forth in the Financing Certificate.

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Notes and Additional Notes (collectively, the "2008-09 Notes") authorized to be issued under the Resolution by those who will own the 2008-09 Notes from time to time, the Resolution constitutes a contract between the County and the Holders of the 2008-09 Notes; and the pledge made in the Resolution and the Financing Certificate and the covenants and agreements contained in the Resolution and the Financing Certificate to be performed by and on behalf of the County will be for the equal benefit, protection and security of the Holders of any and all of the 2008-09 Notes, all of which, regardless of the time or times of their issuance, will be of equal rank without preference, priority or distinction of any of the 2008-09 Notes over any other thereof, except as expressly provided in or permitted by the Financing Certificate, including, without limitation, the provision in the Financing Certificate permitting the issuance of 2008-09 Notes that constitute Subordinate Notes.

Covenants of the County

The County covenants under the Financing Certificate that it will not issue any notes, or otherwise incur any indebtedness, pursuant to the Act with respect to its Fiscal Year 2008-09 in an amount which, when added to the interest payable thereon, shall exceed 85 percent of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts, and other moneys of the County which will be available for the payment of said notes or other indebtedness and the interest thereon; provided, however, that to the extent that any principal of or interest on such notes or other indebtedness is secured by a pledge of the amount in any inactive or term deposit of the County, the term of which will terminate during said fiscal year, such principal and interest may be disregarded in computing said limit.

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes, the County covenants to comply with each applicable requirement of the Internal Revenue Code of 1986, as amended, necessary to maintain the exclusion of interest on the Notes from gross income for federal income tax purposes in that the County agrees to comply with the covenants contained in, and the instructions given pursuant to, the Tax Certificate prepared for the County by Bond Counsel, as such Tax Certificate may be amended from time to time. The County further covenants that it will make all calculations relating to any rebate of excess investment earnings on the Note proceeds due to the United States Department of the Treasury in a reasonable and prudent fashion and will segregate and set aside the amounts such calculations indicate may be required to be paid to the United States Department of the Treasury.

Notwithstanding any other provision of the Financing Certificate to the contrary, upon the County's failure to observe, or refusal to comply with, the foregoing tax covenants, the Holders of the Notes, and any adversely affected former Holders of the Notes, will be entitled to exercise any right or remedy provided to the Holders under the Financing Certificate.

Paying Agent and Note Registrar

The Treasurer will act as Paying Agent and as Note Registrar for the Notes. The Paying Agent may at any time resign and be discharged of the duties and obligations created by the Financing Certificate by giving at least 60 days' written notice to the County. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by the County. In the event of the resignation or removal of a Paying Agent, the County may appoint a successor Paying Agent in accordance with the terms of the Financing Certificate. A successor Paying Agent will be a commercial bank with trust powers or a trust company organized under the laws of any state of the United States or a national banking association, having capital and surplus aggregating at least $100,000,000. Resignation or removal of a Paying Agent will be effective upon appointment and acceptance of a successor Paying Agent. In no event shall the resignation or removal of the Paying Agent become effective prior to the assumption of such resigning or removed Paying Agent's duties and obligations by a successor Paying Agent.

Negotiability, Transfer and Exchange of the Notes

The Holders of the Notes evidenced by registered certificates may transfer or exchange such Notes upon the books maintained by the Note Registrar, in accordance with the Financing Certificate.

The County and any Paying Agent may deem and treat the Holder of any Note as the absolute owner of such Note, regardless of whether such Note is overdue, for the purpose of receiving payment thereof and for all other purposes, and all such payments so made to any such Holder or upon his or her order will satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid, and neither the County nor any Paying Agent will be affected by any notice to the contrary. Cede & Co., as nominee of DTC, or such other nominee of DTC or any successor securities depository or the nominee thereof, will be the Holder of the Notes as long as the beneficial ownership of the Notes is held in book-entry form in the records of such securities depository. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM."

Permitted Investments

Moneys on deposit in the Series A Repayment Fund Subaccount will be retained therein until applied to the payment of the principal of and interest on the Notes. Such amounts may not be used for any other purpose, although they may be invested in Permitted Investments ("Permitted Investments"). Permitted Investments are investments approved in writing by the Treasurer as prudent and appropriate for the funds to be invested and permitted by law and any policy guidelines promulgated by the County. In addition, the Financing Certificate specifically designates the following investments as Permitted Investments, subject to certain limitations more fully described in the Financing Certificate:

(1) Obligations of, or guaranteed as to principal and interest by, the United States of America, or by any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America.

(2) Obligations of instrumentalities or agencies of the United States of America limited to the following: (a) the Federal Home Loan Bank Board ("FHLB"); (b) the Federal Home Loan Mortgage Corporation ("FHLMC"); (c) the Federal National Mortgage Association (FNMA); (d) Federal Farm Credit Bank ("FFCB"); (e) Government National Mortgage Association ("GNMA"); (f) Student Loan Marketing Association ("SLMA"); and (g) guaranteed portions of Small Business Administration ("SBA") notes.

(3) Commercial Paper having original maturities of not more than 270 days, payable in the United States of America and issued by corporations that are organized and operating in the United States with total assets in excess of $500 million and having "A" or better rating for the issuer's long-term debt as provided by Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's ("S&P"), or Fitch Ratings ("Fitch") and "P-1", "A-1", "F1" or better rating for the issuer's short-term debt, as provided by Moody's, S&P, or Fitch, respectively. The maximum total par value may be up to 15% of the total amount held by the Treasurer in accordance with the Financing Certificate.

(4) The Los Angeles County Treasury Pool.

(5) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as "bankers' acceptances," having original maturities of not more than 180 days, with a maximum par value of 40% of the total amount held by the Treasurer in accordance with the Financing Certificate. The institution must have a minimum short-term debt rating of "A-1", "P-1", or "F1" by S&P, Moody's, or Fitch, respectively, and a long-term debt rating of no less than "A" by S&P, Moody's or Fitch.

(6) Shares of beneficial interest issued by diversified management companies, known as money market funds, registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et sq.) and whose fund has received the highest possible rating from S&P and at least one other nationally recognized securities rating agency. The maximum par value may be up to 15% of the total amount held by the Treasurer in accordance with the Financing Certificate.

(7) Negotiable certificates of deposit issued by a nationally- or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank, in each case which has, or which is a subsidiary of a parent company which has, obligations outstanding having a rating in the "A" category or better from S&P, Moody's or Fitch. The maximum par value may be up to 30% of the total amount held by the Treasurer in accordance with the Financing Certificate.

(8) Repurchase agreements which have a maximum maturity of 30 days and are fully secured at or greater than 102% of the market value plus accrued interest by obligations of the United States Government, its agencies and instrumentalities, in accordance with number (2) above. The maximum par value per issuer may not exceed $250,000,000 and the maximum total par value for all such agreements with funds held by the Treasurer under the Financing Certificate may not exceed $500,000,000.

(9) Investment agreements and guaranteed investment contracts with issuers having a long-term debt rating of at least "AA" or "Aa2" by S&P or Moody's, respectively.

Notwithstanding anything within this definition of Permitted Investments to the contrary, so long as S&P maintains a rating on the 2008-09 TRANs of any Series, to the extent Pledged Moneys are invested in Permitted Investments described in paragraphs (3), (5), (7) or (9), such investments must be rated by S&P at the respective S&P ratings described therein.

Supplemental Resolutions and Supplemental Financing Certificates

The Financing Certificate and certain of the rights and obligations of the County and of the Holders of the Notes may be amended or supplemented pursuant to a supplemental financing certificate executed by the Treasurer in accordance with the provisions of the Financing Certificate (a "Supplemental Financing Certificate"), with the written consent of the Holders of at least a majority in principal amount of the Notes outstanding at the time such consent is given; provided, however, that if such supplement or amendment will, by its terms, not take effect so long as any particular Notes remain outstanding, the consent of the Holders of such Notes will not be required. No such supplement or amendment may (i) permit a change in the terms of maturity of the principal of any Notes or of the interest rate thereon or a reduction in the principal amount thereof without the consent of the Holders of such Notes, or (ii) change the dates or amounts of the pledge set forth in the Resolution or the Financing Certificate, or (iii) reduce the percentage of the Holders of the Notes required to approve such Supplemental Financing Certificate without the consent of all of the Holders of the affected Notes, or (iv) change or modify any of the rights or obligations of the Paying Agent without its written consent thereto.

Additionally, a resolution amending the Resolution (a "Supplemental Resolution") may be adopted or a Supplemental Financing Certificate may be executed, without the consent of the Holders, (i) to add covenants and agreements to be observed by the County that are not contrary to or inconsistent with the Resolution or the Financing Certificate, (ii) to add limitations and restrictions to be observed by the County which are not contrary to or inconsistent with the Resolution or the Financing Certificate, (iii) to confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Resolution or the Financing Certificate, of any moneys, securities or funds or to establish any additional funds or accounts to be held under the Resolution or the Financing Certificate, (iv) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution or the Financing Certificate, (v) to supplement or amend the Resolution or the Financing Certificate as required to obtain a rating for the 2008-09 Notes, or any portion thereof, from any rating agency, provided that the County obtains an opinion of bond counsel to the effect that such Supplemental Resolution or Supplemental Financing Certificate does not adversely affect the interests of the Holders, (vi) to supplement or amend the Resolution or the Financing Certificate in order to provide security for the repayment of any Additional Notes, or (vii) to supplement or amend the Resolution or Financing Certificate in any other respect, provided that the County obtains an opinion of bond counsel to the effect that such Supplemental Resolution or Supplemental Financing Certificate does not adversely affect the interests of the Holders.

Events of Default

Any one or more of the following will constitute an "Event of Default" under the Resolution and the Financing Certificate:

(1) default in the due and punctual payment of the principal of or interest on any 2008-09 Notes except Subordinated Notes when and as the same become due and payable;

(2) default in the performance or observance by the County of any other of the covenants, agreements or conditions required to be performed or observed by the County pursuant to the Financing Certificate, the Resolution or any of the 2008-09 Notes except Subordinated Notes and the continuation of such default for a period of 60 days after written notice thereof to the County by the Holders of not less than 10 percent in aggregate principal amount of the outstanding 2008-09 Notes except Subordinated Notes; or

(3) filing by the County of a petition for relief under the federal bankruptcy laws.

Whenever any Event of Default shall have happened and be continuing, the Holders of the 2008-09 Notes except Subordinated Notes, and any adversely affected former Holders of the 2008-09 Notes except Subordinated Notes, and their legal representatives, will be entitled to take any and all actions available at law or in equity to enforce the performance of the covenants in the Financing Certificate and in the Act. Nothing in the Financing Certificate will preclude an individual Holder from enforcing such Holder's rights to payment of principal of and interest on such Holder's 2008-09 Notes, except Subordinated Notes.

Payment of Unclaimed Moneys to County

Anything in the Financing Certificate to the contrary notwithstanding, any moneys held in trust for the payment and discharge of any series of the 2008-09 Notes that remain unclaimed for a period of one year after the date when such 2008-09 Notes have become due and payable, if such moneys were so held at such date, or for one year after the date of deposit of such moneys if deposited after the date when such 2008-09 Notes became due and payable, will be repaid to the County, as its absolute property and free from trust, and the Holders may thereafter look only to the County for the payment of such 2008-09 Notes from legally available funds; provided, however, that before any such payment is made to the County, the County will create (and thereafter maintain until payment of all of the 2008-09 Notes) a record of the amount so repaid, and the County will cause to be published at least twice, at any interval of not less than seven days between publications, in *The Bond Buyer* and two other newspapers customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation, in Los Angeles, California and in the Borough of Manhattan, City and State of New York, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date may be not less than thirty days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the County.

TAX EXEMPTION

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law: (i) interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Notes is exempt from State of California personal income taxes. Bond Counsel expresses no opinion as to any other tax consequences regarding the Notes.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the County contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Notes are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the County's certifications and representations or the continuing compliance with the County's covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Notes from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations ("Regulations") under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the County may cause loss of such status and result in the interest on the

Notes being included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes. The County has covenanted to take the actions required of it for the interest on the Notes to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Notes, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Notes or the market prices of the Notes.

Under the Code and Regulations, if the County does not spend all of the proceeds of the Notes within six months after issuance (determined as provided in the Code and Regulations), the County must rebate to the federal government its arbitrage profits, if any, in order for interest on the Notes to be excluded from gross income for federal income tax purposes. The County expects to spend all of the proceeds of the Notes within six months of issuance. If, however, it fails to do so, the County has covenanted to provide for and to set aside any required rebate payment from moneys attributable to Fiscal Year 2008-09. The California Constitution generally prohibits the County from incurring obligations payable from moneys other than moneys attributable to the fiscal year in which such obligations are incurred. Accordingly, if, after the end of the Fiscal Year 2008-09, it is determined that the County's calculations of expenditures of Note proceeds or of rebatable arbitrage profits, if any, were incorrect and that the moneys attributable to Fiscal Year 2008-09 that were set aside were insufficient to meet the recalculated rebate requirement, it is unclear whether the County could be compelled to pay the difference from the moneys attributable to the then current fiscal year. If the amount required to be rebated to the federal government as recalculated is not paid, then it may be determined that, retroactive to the issuance of the Notes, the interest on the Notes is not excluded from gross income for federal income tax purposes. Bond Counsel has assumed that the representations and covenants of the County in the Resolution and in the County's Tax and Nonarbitrage Certificate concerning the investment and use of Note proceeds and the rebate to the federal government of certain earnings thereon, to the extent required, from legally available moneys, are true and correct and that the County will comply with such covenants (including the covenant that rebate payments due the federal government, if any, will be timely made).

A portion of the interest on the Notes earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Notes may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Notes. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Notes, are generally subject to IRS Form 1099-INT information reporting requirements. If a Note owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress, and legislation affecting the exemption of interest thereon for purposes of taxation by California may be considered by the California legislature. Court proceedings may also be filed the outcome of which could modify the tax treatment of obligations such as the Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Notes will not have an adverse effect on the tax status of interest on the Notes or the market value of the Notes.

Prospective purchasers of the Notes should consult their own tax advisers regarding pending or proposed federal and California tax legislation and any other court proceedings, and prospective purchasers of the Notes at other than their original issuance at the price indicated on the cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the beneficial owners regarding the tax status of interest on the Notes in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Notes, under current IRS procedures, the IRS will treat the County as the taxpayer and the beneficial owners of the Notes will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Notes for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for the Notes.

Original Issue Premium

Certain of the Notes ("Premium Notes") as indicated on the cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes note premium. For federal income tax purposes, note premium is amortized over the period to maturity of a Premium Note, based on the yield to maturity of that Premium Note (or, in the case of a Premium Note callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Note), compounded semiannually. No portion of that note premium is deductible by the owner of a Premium Note. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Note, the owner's tax basis in the Premium Note is reduced by the amount of note premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Note for an amount equal to or less than the amount paid by the owner for that Premium Note. A purchaser of a Premium Note in the initial public offering at the price for that Premium Note stated on the cover of this Official Statement who holds that Premium Note to maturity (or, in the case of a callable Premium Note, to its earlier call date that results in the lowest yield on that Premium Note) will realize no gain or loss upon the retirement of that Premium Note.

Owners of Premium Notes should consult their own tax advisers as to the determination for federal income tax purposes of the amount of note premium properly accruable in any period with respect to the Premium Notes and as to other federal tax consequences and the treatment of note premium for purposes of state and local taxes on, or based on, income.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters related to the authorization, issuance, sale and delivery of the Notes are subject to the approval of Squire, Sanders & Dempsey L.L.P., Bond Counsel. The approving opinion of Bond Counsel will be delivered with the Notes in substantially the form appearing in APPENDIX C hereto.

Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. Certain legal matters will be passed on for the County by the County Counsel.

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under the California Financial Code, the Notes are legal investments for commercial banks in California, and under the California Government Code, the Notes are eligible to secure deposits of public moneys in the State of California.

RATINGS

Moody's Investors Service, Standard & Poor's Ratings Service, a division of the McGraw-Hill Companies, Inc. and Fitch Ratings have given the Notes the ratings of "MIG 1," "SP-1+" and "F1+," respectively. Certain information was supplied by the County to the rating agencies to be considered in evaluating the Notes. Such ratings reflect only the views of the rating agencies, and are not a recommendation to buy, sell or hold any of the Notes. Any explanation of the significance of each such rating should be obtained from the rating agency furnishing the same. There can be no assurance that any such rating will remain in effect for any given period of time or that any such rating will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of ratings may have an adverse effect on the market price of the affected Notes.

LITIGATION

To the best knowledge of the County, no litigation is pending or threatened concerning the validity of the Notes, and an opinion of the County Counsel to that effect will be furnished at the time of issuance of the Notes.

There are a number of lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. The aggregate amount of the uninsured liabilities of the County which may result from all suits and claims will not, in the opinion of the County Counsel, materially impair the County's ability to repay the Notes. Note 16 of "Notes to the Basic Financial Statements" included in APPENDIX B discusses this liability as of June 30, 2007. See also APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

UNDERWRITING

The Notes are being purchased for reoffering by Lehman Brothers Inc., as representative of the Underwriters of the Notes (the "Underwriters"). The Underwriters have agreed to purchase the Notes at a purchase price of $506,786,499.95 (representing the principal amount of the Notes of $500,000,000.00, plus original issue premium of $6,970,000.00, less Underwriters' discount of $183,500.05). The Contract of Purchase provides that the Underwriters will purchase all of the Notes if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase.

The Underwriters may offer and sell the Notes to certain dealers and others at prices lower than the public offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriters.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Notes. Quotations from and summaries and explanations of the Notes, the Resolution, the Financing Certificate and the statutes and documents contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

Appropriate County officials, acting in their official capacity, have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. An appropriate County official will execute a certificate to such effect upon delivery of the Notes. This Official Statement and its distribution have been duly authorized and approved by the Board of Supervisors of the County.

CONTINUING DISCLOSURE

The County has agreed in a Disclosure Certificate to provide, in a timely manner, notice of the occurrence of the events set forth in Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), if material, to each Nationally Recognized Municipal Securities Repository, as that term is defined in Rule l5c2-12, or to the Municipal Securities Rulemaking Board, and to the appropriate State Information Depository, as defined in Rule 15c2-12, if any. Such events include the following: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) adverse tax opinions or events affecting the tax-exempt status of the Notes; (4) modifications to rights of Note holders; and (5) rating changes. The County has not failed to comply with prior undertakings of the County under Rule 15c2-12.

In addition, the County regularly prepares a variety of reports, including audits, budgets, and related documents, as well as certain monthly activity reports. Any owner of a Note may obtain a copy of any such report, as available, from the County.

Additional information regarding this Official Statement and copies of the Resolution and the Financing Certificate may be obtained by contacting:

GLENN BYERS
DIRECTOR OF PUBLIC FINANCE
COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR
500 WEST TEMPLE STREET, ROOM 432
LOS ANGELES, CALIFORNIA 90012
(213) 974-7175

APPENDIX A

COUNTY OF LOS ANGELES INFORMATION STATEMENT

COUNTY OF LOS ANGELES
CALIFORNIA

THE COUNTY OF LOS ANGELES
Information Statement

GENERAL INFORMATION

The County of Los Angeles was established by an act of the California State Legislature on February 18, 1850, as one of California's original 27 counties. Located in the southern coastal portion of the State, the County covers 4,084 square miles and includes 88 incorporated cities as well as many unincorporated communities. With an estimated population of 10.3 million in 2007, the County is the most populous of the 58 counties in California and has a larger population than 43 states. As required by the County Charter, County ordinances, and State or federal mandate, the County is responsible for providing government services at the local level for activities including public welfare, health and justice, the maintenance of public records, and administration of ad valorem taxes.

The County provides services such as law enforcement and public works to cities within the County on a cost-recovery contract basis. The County also provides municipal services to unincorporated areas of the County and operates recreational and cultural facilities in these locations.

COUNTY GOVERNMENT

The County of Los Angeles is governed by a five-member Board of Supervisors, each of whom is elected by residents from their respective supervisorial districts. Supervisors serve four-year alternating terms with elections held every two years. The other elected officials of the County are the Assessor, District Attorney and Sheriff. On March 5, 2002, County voters approved two charter amendments that introduced mandatory term limits for the elected officials of the County. As a result, each Supervisor is now limited to serving three consecutive terms commencing as of December 2002.

On March 27, 2007, the Board of Supervisors amended the County Code by adopting the Interim Governance Structure Ordinance. This new governance structure delegates to the Chief Executive Office (the "CEO") additional responsibilities for the administration of the County, including the oversight, evaluation and recommendation for appointment and removal of specific Department Heads and County Officers. The five departments that continue to report directly to the Board of Supervisors (rather than to the CEO) are the Fire Department, Auditor-Controller, County Counsel, Executive Officer of the Board of Supervisors, and the CEO. The change in administrative structure was designed to improve the operational efficiency of County governance. The Board of Supervisors has retained the exclusive responsibility for establishing County policy, regulations, and organizational directions.

County Services

The vast majority of the County population resides in the 88 incorporated cities located within its boundaries. The County provides some municipal services to these cities on a contract basis under the Contract Services Plan. Established in 1954, this plan is designed to allow cities to contract for municipal services without incurring the cost of creating numerous city departments and facilities. Under the Contract Services Plan, the County will provide any or all such municipal services to a city at the same level as provided in unincorporated areas, or at any higher level the city may choose. Services are provided at cost.

Over one million people live in the unincorporated areas of the County of Los Angeles. For the residents of these areas, the County Board of Supervisors is their "City Council," and County departments provide all of their municipal services, including law enforcement, fire protection, land use and zoning, building and business permits, road maintenance, animal care and control, and public libraries. Beyond the unincorporated areas, the County of Los Angeles provides a wide range of services to all citizens who live within its boundaries.

Many of the County's core service functions are required by the County Charter, County ordinances, or by State or federal mandate. State and federal mandated programs, primarily in the social services and health care areas, are required to be maintained at certain minimum levels, which can limit the County's flexibility in these areas.

Health and Welfare

Under State Law, the County is required to administer federal and State health and welfare programs, and to fund a portion of the program costs with local revenues, such as sales and property taxes. Over 700,000 residents of the County receive benefits and services from these programs. Health care services are provided through a network of County hospitals and comprehensive health centers.

The County has the responsibility to provide and partially fund mental health, drug and alcohol prevention, and various other treatment programs. These services are provided through County facilities and a network of contracted providers. In addition, the County provides public health, immunization, environmental and paramedic services, and is responsible for the design and establishment of the county-wide emergency trauma network, which includes two medical centers operated by the County.

While many of the patients receiving services at County facilities are indigent or covered by Medi-Cal (a State health insurance program), the County health care delivery system is designed to provide quality care to the entire population. Through its affiliation with two medical schools and by operating its own school of nursing, the County Department of Health Services is a major supplier of health care professionals throughout California.

Disaster Services

The County operates and coordinates an entire disaster recovery network that is responsible for providing critical services in response to floods, fires, storms, earthquakes, and other emergency events. Centralized command centers can be established at any Sheriff station or in mobile trailers throughout the County. To prevent floods and conserve water, the County maintains and operates a system of 15 major dams, 131 debris basins, 86,500 catch basins, 42 sediment placement sites, and over 2,825 miles of storm drains and channels. County lifeguards monitor 31 miles of beachfront and County rescue boats patrol 75 miles of coastline, including the Catalina Channel.

Public Safety

The County criminal justice network is primarily supported by local County revenue sources, State Public Safety sales tax revenue and fees from contracting cities. The Sheriff provides county-wide law enforcement services and will perform specific functions requested by local police departments, including the training of thousands of police officers employed by the incorporated cities of the County. Specifically, the County provides training for narcotics, vice, homicide, consumer fraud, and arson investigations, as well as assistance in locating and analyzing crime scene evidence. The County also operates and maintains one of the largest jail systems in the United States, with an average daily population of over 17,000 inmates.

General Government

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes, and distribution of property tax revenue to cities, community redevelopment agencies, special districts, and local school districts. A second major general government service is the County's voter registration and election system, which provides services to more than 500 political districts and 3.8 million registered voters.

Culture and Recreation

Through a partnership with community leaders, volunteers and the private sector, the County operates the Music Center complex, which includes the Dorothy Chandler Pavilion, Mark Taper Forum, Ahmanson Theater, and the Walt Disney Concert Hall. The County also functions as the operator of the Hollywood Bowl, the John Anson Ford Theater, the Los Angeles County Museum of Art, the Museum of Natural History, and the George C. Page Museum.

The County's botanical centers, including the Arboretum, the South Coast Botanic Garden, Descanso Gardens, and the Virginia Robinson Estate, provide County residents with a valuable recreational and educational resource. The County also manages over 63,000 acres of parks and operates a network of regional recreational facilities, including Marina del Rey (a small craft harbor), 7 major regional parks, 90 local and community regional parks and 19 golf courses.

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

Approximately 85% of the County workforce is represented by certified employee organizations. These organizations include fifty-two (52) collective bargaining units, which are represented either by the Services Employees International Union (SEIU) Local 721 (formerly known as Local 660), the Coalition of County Unions (consisting of 10 unions) or by one of five independent unions. Under labor relations policy direction from the Board of Supervisors and Chief Executive Officer, the CEO/Employee Relations Division negotiates fifty-two (52) individual Collective Bargaining Agreements and two Fringe Benefit Agreements. The Fringe Benefit Agreements reached with the Coalition of County Unions (CCU) and Local 721 have a term of three years and will expire on September 30, 2009.

In October 2006, the County announced a 3-year contract with SEIU Local 721 that covers nearly 50,000 County employees. Under the terms of the agreement, Local 721 members will receive a 10% salary increase between October 1, 2006 and January 1, 2009, with the salary range for most employees being extended by an additional 5.5% increase. The County reached similar agreements with most of the Coalition of County Unions and the independent unions. One Local 721 group, the Registered Nurses, has been given a new classification and salary structure that will result in some of these employees receiving raises substantially higher than 15.5%.

Earlier in 2006, the County reached agreement under re-opener provisions with the Association for Los Angeles Deputy Sheriffs and the Professional Peace Officers Association for new contracts that will extend through January 2009. These contracts resulted in salary increases totaling up to 18.5% over three years. A similar agreement was reached with the Los Angeles County Fire Fighters and the Los Angeles County Lifeguard Association. Deputy Probation Officers also settled in early 2006, receiving 10% salary increases as well as longevity pay for employees with 20 or more years of County service.

RETIREMENT PROGRAM

General

All permanent County employees of three-quarter time or more are eligible for membership in the Los Angeles County Employees Retirement Association ("LACERA"). LACERA was established in accordance with the County Employees Retirement Law of 1937 (the "Retirement Law") to administer the County's Employee Retirement Trust Fund (the "Retirement Fund"). LACERA operates as a cost-sharing multi-employer defined benefit plan for the County of Los Angeles and four minor participating agencies. Combined, these four non-County agencies account for less than one percent (1%) of LACERA's membership. Through the Retirement Fund and various benefit plans, LACERA provides retirement benefits to all general and safety (sheriff, fire and lifeguard) members.

The LACERA plans are structured as "defined benefit" plans in which benefit allowances are provided based on salary, length of service and age. County employees may participate in contribution based plans, or for those who began employment after January 4, 1982, in a non-contribution based plan. With respect to the contribution based plans, employee contributions to the retirement system are based on rates determined by LACERA's actuary. Such contributions depend upon age, the date of entry into the plan and the type of membership (general or safety).

LACERA's membership total as of June 30, 2007 was 151,399. This membership consisted of 63,980 active vested members, 28,116 nonvested active members, 51,392 retired members and 7,911 terminated vested (deferred) members.

Actuarial Valuation

The Retirement Law provides that the County contribute to the Retirement Fund on behalf of employees using rates determined by the plan's actuary (currently Milliman Consultants and Actuaries). Such rates are required under the Retirement Law to be calculated at least once every three years. LACERA presently conducts annual valuations to assess changes in the Retirement Fund's portfolio.

In June 2002, the County and LACERA entered into the Retirement Benefits Enhancement Agreement ("2002 Agreement") to enhance certain retirement benefits in a manner that is consistent with changes to State programs enacted in 2001 and fringe benefit changes negotiated in 2000. The 2002 Agreement, which expires in July 2010, provides for a 30-year rolling amortization period for any unfunded actuarial accrued liability ("UAAL"). UAAL is defined as the actuarial accrued liability minus the actuarial value of the assets of LACERA at a particular valuation date. Each year, contributions to fund the UAAL are amortized as a level percentage of the projected salaries of present and future members of LACERA over a 30-year period from the valuation date. Utilizing a level percentage of projected salaries methodology, this rolling 30-year amortization may cause the UAAL amount to increase over time. The amortization method, however, is only one of multiple factors that affect the UAAL, and other factors such as investment returns, changes in actuarial assumptions and benefit increases may cause an increase or decrease in the UAAL.

Beginning with the fiscal year ending June 30, 2007, the Board of Investments adopted a new series of economic and demographic assumptions to be used in LACERA's actuarial valuations. Economic assumptions for the Investment Return Rate and Price Inflation will remain unchanged at 7.75% and 3.50%, respectively. The assumed Wage Growth rate, however, will increase from 3.75% to 4.00%. Changes to the demographic assumptions included higher merit salary increases for safety members with 20 or more years of service, an increase in retirement rates and lower mortality rates for disabled retirees. The net effect of these new actuarial assumptions will be to increase both the Actuarial Accrued Liability ("AAL") for the Plan and the total County contribution rate.

When measuring assets for determining the UAAL, the County has elected to "smooth" gains and losses to reduce volatility. If in any year, the actual investment return on the Retirement Fund's assets is lower or higher than the actuarial assumed rate of return (7.75%), then the shortfall or excess is smoothed, or spread, over a 3-year period. The impact of this will result in "smoothed" assets that are lower or higher than the market value of assets depending on whether the remaining amount to be smoothed is either a net gain or a net loss.

UAAL and Deferred Investment Returns

The most recent annual actuarial valuation by Milliman Consultants and Actuaries was completed on February 4, 2008 for the fiscal year ending June 30, 2007. In Fiscal Year 2006-07, Retirement Fund assets achieved a rate of return of 19.1%. This rate of return, combined with the recognition of a portion of the deferred gains from 2005 and 2006 caused a $2.19 billion gain in actuarial assets in 2007. As a result of the strong investment performance of fund assets over the last three years, well in excess of the 7.75% assumed rate of return, the funded ratio increased from 90.5% on June 30, 2006 to 93.8% on June 30, 2007.

The June 30, 2007 Actuarial Valuation reported that the actuarial accrued liability had increased by 8.9% to $39.503 billion. Despite the increase in actuarial liabilities, the UAAL decreased by $978 million from $3.439 billion on June 30, 2006 to $2.461 billion on June 30, 2007. The significant decrease (28.4%) in UAAL was the direct result of higher than assumed investment returns over the last three years. Had LACERA not adopted new actuarial assumptions for the June 30, 2007 valuation, the UAAL would have been even lower and the County's funded ratio would have increased to approximately 95.2%. A six-year history of the County's UAAL is provided in Table 1 ("Retirement Plan UAAL and Funded Ratio") on page A-7.

As a result of the strong investment performance and increased funded ratio, the County's required contribution rate decreased from 12.91% of covered payroll in Fiscal Year 2007-08 to 12.40% for 2008-09. Specifically, the County's required contribution rate to finance its UAAL over 30 years decreased from 3.49% to 2.24%, while its normal cost contribution rate increased from 9.42% to 10.16% of covered payroll. The year-over-year increase in the normal cost rate was due to salary increases and changes to actuarial assumptions.

In addition to the investment gains recognized for the June 30, 2007 valuation, the actuarial study also identified $3.0 billion in deferred investment gains that will be "smoothed" into the UAAL calculation over the next two actuarial years. These gains are attributable to a 13.0% return on Plan investments for the fiscal year ended June 30, 2006 and 19.1% return on Plan investments for Fiscal Year 2006-07. A summary of investment returns for the prior six years is presented in Table 2 ("Investment Return on Retirement Plan Assets") on page A-7.

For the first nine months of Fiscal Year 2007-08, LACERA has recognized a loss of 0.40% on Retirement Plan assets. While this return is considerably lower than the prior two fiscal years, it is consistent with the performance of LACERA's fund benchmarks, which also averaged a loss of 0.40%. As of March 31, 2008, the asset allocation percentages for the Retirement Plan are 29.5% domestic equity, 21.1% international equity, 28.1% fixed income, 10.3% real estate, 7.6% private equity, 2.1% cash and 1.3% commodities.

Investment Policy

The Board of Investments has exclusive control of all Retirement Fund investments and has adopted an Investment Policy Statement (the "Statement"). The Board of Investments is comprised of four active and retired members and four public directors appointed by the Board of Supervisors. The County Treasurer and Tax Collector serves as an ex-officio member. The Statement establishes LACERA's investment policies and objectives and defines the principal duties of the Board of Investments, investment staff, investment managers, master custodian, and consultants.

Contributions

Employers and members contribute to LACERA based on unisex rates recommended by an independent actuary (using the Entry Age Normal Cost Funding Method) and adopted by the Board of Investments and the County's Board of Supervisors. Contributory plan members are required to contribute between 5% and 15% of their annual covered salary. Employers and participating agencies are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual pre-funded contributions at actuarially determined rates.

The County has funded 100% or more of its employer contributions to LACERA in each of the last ten years. In Fiscal Year 2006-07, the County's total contribution to the Retirement Fund was $863.5 million. Of this amount, approximately $111.8 million was funded from the County's excess earnings reserve ("Excess Earnings"). Total payments by the County for Fiscal Year 2007-08 are estimated to be approximately $828 million and do not include any contribution from Excess Earnings. This amount is expected to remain constant for Fiscal Year 2008-09 and is currently budgeted at $848 million. A summary of employer contributions for the seven years ending on June 30, 2008 is presented in Table 3 ("County Pension Related Payments") on page A-7.

During the early and mid-1990's, the County relied heavily upon the use of Excess Earnings to meet its retirement contribution requirements. The County's Excess Earnings were generated as a result of an agreement between the County and LACERA, which allowed the County to share in Retirement Plan earnings (through June 30, 1998) in excess of the actuarial assumed rate of return. Beginning in 1996, however, the County embarked on a multi-year plan to lessen its reliance on Excess Earnings by systematically increasing its net County cost to the Retirement Plan. The $111.8 million in Excess Earnings applied in Fiscal Year 2006-07 represents the final use of these monies to fund employer contributions. Beginning with the current fiscal year 2007-08, retirement costs are no longer being subsidized with Excess Earnings from the pension system.

In Fiscal Year 2007-08, the County prepaid $400 million of its annual required contribution to LACERA. This payment was made in July 2007 and served to greatly reduce monthly transfers during the second half of the fiscal year. The County intends to once again make a $400 million prepayment in July 2008, while continuing to make monthly contributions during the first six months of the fiscal year. As with the prior year's prepayment, this will have the effect of satisfying nearly all of the annual required contribution within the first half of the fiscal year. The County will forego its monthly contributions during the second half of Fiscal Year 2008-09 and perform a reconciliation in June 2009 to ensure that LACERA receives the full amount of the annual required contribution. As referenced earlier, the County's total expected contribution to LACERA for Fiscal Year 2008-09 is estimated at $848 million. It is the County's intention to continue the practice of pre-paying a portion of its pension obligation early in each fiscal year.

Pension Obligations

In California, the obligation to fund the UAAL by making actuarially required contributions is an obligation imposed by State Law. The County has issued pension obligation bonds and certificates and transferred the proceeds to LACERA to reduce its UAAL. As of May 1, 2008, the County had outstanding pension obligations in the aggregate principal amount of approximately $547 million. The final payment on these pension obligations will be in Fiscal Year 2010-11. A complete description of the County's pension obligations is included in the "Debt Summary" portion of this Appendix. A six-year history of the County's debt service payments on its pension obligations is also presented in Table 3 on page A-7.

STAR Program

The Supplemental Targeted Adjustment for Retirees program ("STAR Program") is a discretionary program that provides a supplemental cost-of-living increase from excess earnings to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. The STAR Program funded approximately $305 million for the vesting of the 2001 STAR Program benefits and approximately $5 million for the vesting of 2002-2005 STAR Program benefits. As of June 30, 2007, $634 million was available in the STAR Program Reserve to fund future benefits. Future *ad hoc* increases to the current STAR Program Reserve will be subject to approval by the Board of Retirement on an annual basis, provided sufficient excess earnings are available as determined by the Board of Investments. Of the $634 million in STAR Program reserves, $622 million were included as valuation assets and used in the determination of the June 30, 2007 UAAL. Were this $622 million not included among the Retirement Plan's valuation assets, the recommended County contribution rate would have increased by 0.60% to 13.00%, and the funded ratio of the Retirement Program would have decreased to 92.2%.

Post Retirement Health Care Benefits

The Governmental Accounting Standards Board ("GASB") has issued two statements that address other postemployment benefits ("OPEB"), which are defined to include many post retirement benefits other than pension-related benefits. Health care and disability benefits are the most significant of these benefits provided by the County.

LACERA administers a Health Care Benefits Program ("HBP") under an agreement with the County. The HBP includes medical, dental, vision and life insurance benefit plans for over 88,000 retirees or survivors and their eligible dependents. Retirement plan net assets are not held in trust for such postemployment benefits and LACERA's Board of Retirement reserves the right to amend or revise the medical plans and programs under the HBP at any time. County HBP-related payments are calculated based on the employment service credit of retirees, survivors, and dependents. For eligible members with 10 years of service credit, the County pays 40% of the health care plan premium. For each year of service credit beyond 10 years, the County pays an additional 4% of the plan premium, up to a maximum of 100% for a member with 25 years of service credit.

In Fiscal Year 2005-06, total HBP-related payments from the County to LACERA were $307.1 million. This amount included $66.2 million in contributions from the County's Excess Earnings. For Fiscal Year 2006-07, the County had HBP-related payment of $317.3 million, of which $40.5 million were funded by Excess Earnings. This growth in post employment benefit payments has continued in Fiscal Year 2007-08, with a projected County contribution of $343.6 million plus an offset from Excess Earnings of $9.0 million. Total HBP-related payments for Fiscal Year 2007-08 are forecasted to be $352.6 million.

GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, established financial reporting standards for OPEBs in a manner similar to those currently in effect for pension benefits. GASB 43 is focused on the entity that administers such benefits (which, in the case of the County, is LACERA) and requires an actuarial valuation to determine the funded status of benefits accrued. LACERA has complied with GASB 43 requirements for the annual reporting period ending June 30, 2007.

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, establishes financial reporting standards designed to measure, recognize, and disclose OPEB costs. GASB 45 is focused on the County's financial statements, and related note disclosures, and is intended to associate the costs of the OPEB with the periods in which employee services are rendered in exchange for the OPEB. The provisions of GASB 45 will become effective for the County's fiscal year ending June 30, 2008 and OPEB costs will be measured on an accrual basis of accounting for financial reporting purposes.

The core requirement of GASB 45 is that at least biennially an actuarial analysis must be prepared with respect to projected benefits ("Plan Liabilities"), which would be measured against the actuarially determined value of the related assets (the "Plan Assets"). To the extent that Plan Liabilities exceeded Plan Assets, the difference would be amortized over a period which could be up to 30 years. The method of financial reporting for OPEB costs would be similar to that used for pension plan normal costs and the UAAL thereof.

In order to comply with the requirements of GASB 43, LACERA engaged Milliman Consultants and Actuaries to complete an actuarial valuation of OPEB liabilities for the LACERA pension plan as of July 1, 2006. In a report dated May 25, 2007 (the "Milliman Report"), Milliman presented the first actuarial calculation of the County's unfunded accrued liability for post retirement health care and life insurance benefits paid to its employees.

The Milliman Report provides a determination of the UAAL for LACERA's health, dental, vision and life insurance benefits plan. The County's members comprise approximately 95% of LACERA's retiree population and the County is responsible for such percentage of OPEB costs. The 5% of LACERA retirees who do not contribute to the County's OPEB liability are predominantly members of the Los Angeles Superior Court. The Milliman Report's demographic and economic assumptions are modeled on the assumptions used by LACERA for its pension program in Fiscal Year 2007-08. The Milliman Report assumed a 3.75% general wage increase for County employees and a 3.5% implied inflation rate. Further, the Milliman Report's health cost assumptions were based on discussions with other consultants and actuaries used by the County, LACERA and labor groups. The Milliman Report assumes increases in annual medical costs for County employees and retirees presently under 65 of 11% in 2007-08 and gradually declining to 5% by Fiscal Year 2016-17 and thereafter; and increases in annual medical costs for County employees and retirees presently over 65 of 13.5% in Fiscal Year 2007-08 and gradually declining to 5.25% by Fiscal Year 2016-17 and thereafter.

The Milliman Report determined the UAAL for LACERA's health care and life insurance benefits using a 5% discount rate and the Projected Unit Credit actuarial cost method. Using this methodology, the UAAL for LACERA's OPEB program (including employees of the Los Angeles Superior Court) as of July 1, 2006 is $21.21 billion, of which approximately $20.30 billion is the County's share of the liability. The total annual required contribution for the County, referred to in GASB 45 as the "ARC", as of June 30, 2006 is estimated to be $1.55 billion, which is approximately 31.2% of the County's payroll costs. These actuarial findings have been included in the June 30, 2007 financial statements for LACERA. The County will report its OPEB liability for June 30, 2008 using the same actuarial results and 5.0% discount rate.

The standards set forth under GASB 45 affect the County's financial statements. However, GASB 45 does not impose requirements on the funding of any OPEB and there is no mandatory payment associated with the implementation of this standard. GASB 45 provides that OPEB costs, if not funded on an actuarial accrual basis, will be recognized as a liability in the County's financial statements. Accordingly, for Fiscal Year 2007-08 the County's ARC of $1.55 billion, when compared to the estimated "pay-as-you-go" amount of $351 million, would result in an OPEB liability of approximately $1.2 billion for retiree health care benefits.

The County is considering several funding options to reduce its OPEB UAAL. In Fiscal Year 2006-07, the County set aside $17 million in one-time monies to pre-fund retiree health costs. In addition to this initial step, the County anticipates using the approximately $400 million of remaining Excess Earnings to fund a trust for the payment of future OPEB costs. Beyond these measures, the County may consider applying general fund revenues, including those amounts that will become available following the final maturity of the County's outstanding Pension Obligation Bonds in Fiscal Year 2010-11, to supplement its initial trust deposit.

The authority to establish a tax-exempt trust to pre-fund the County's OPEB liability is provided by California Government Code Sections 31694.3 and 31694.4. Under the provisions contained therein, the County will seek to create either a Section 115 Trust or an Integral Part Entity Trust. With each of these options, it is the intention of the County to contract with LACERA for the administrative and investment services related to the trust. On October 16, 2007, the County Board of Supervisors gave its support to this process and approved the development of a specific fiscal policy to pre-fund retiree health benefits. It is anticipated that initial funding of a trust will occur in Fiscal Year 2008-09. Prior to the actual funding, however, the County must secure the support of its union membership and incorporate the trust agreement into the provisions of a ratified collective bargaining agreement, as required by Government Code Section 31694.4.

The amount of LACERA's OPEB liability has been disclosed in both LACERA's and the County's Comprehensive Annual Financial Report for the fiscal year ending June 30, 2007. The County's ability to fund its heath care, life insurance, disability and other post employment benefits on an accrual basis in the future is presently unknown.

Long-Term Disability Benefits

In addition to its Retirement Plan, the County administers a Disability Benefits Plan ("DBP") that is separate from LACERA. The DBP covers employees who become disabled as a direct result of an injury or disease while performing assigned duties. Generally, the long term disability plans included in the DBP provide to such employees a basic monthly benefit of between 40% and 60% of such employee's monthly compensation commencing after 6 months of disability. Benefits under these plans normally terminate when the employee is no longer totally disabled or turns age 65, whichever occurs first. The health plans included in the DBP generally cover qualified employees who are sick or disabled and provide for payment of a portion of these individuals medical premiums. For Fiscal Year 2006-07, the long-term disability portion of the County's DBP-related payment was approximately $30.85 million.

Following completion of the Milliman Report, the County also received an actuarial assessment of the long-term disability portion of its DBP in a report prepared by Buck Consultants. This report provides a determination that, as of July 1, 2007, and based on the assumptions set forth in the report, the UAAL of the County's long-term DBP is $929 million. The County has determined that this liability is an additional OPEB obligation and will include the effects of long-term DBP for purposes of implementing GASB 45 for the fiscal year ending June 30, 2008.

LITIGATION

The County is a party to numerous cases. The following are summaries of the most significant pending proceedings, as reported by the Office of the County Counsel.

Litigation Regarding Health Services

In March 2003, two lawsuits were filed in Federal District Court against the County challenging health care reductions approved by the Board. Specifically, *Rodde, et al. v. Bonta, et al. ("Rodde")* challenged the closure of Rancho Los Amigos National Rehabilitation Center (*"Rancho"*). *Harris, et al. v. County of Los Angeles, et al. ("Harris")* challenged the closure of Rancho as well as the reduction of the 100 beds at LAC+USC Medical Center ("LAC+USC").

Negotiated settlements in the *Harris* and *Rodde* cases were approved by the Board of Supervisors in August 2005 and became final in December 2005 and March 2006, respectively. Pursuant to the settlement agreements, the County has agreed to keep Rancho open through March 9, 2009 at a specified level of service, during which time the County will seek to identify and negotiate with an organization to assume the future operation of Rancho. With respect to LAC+USC, the settlement allows for the graduated reduction of beds contingent upon the County providing additional outpatient care on the facility's campus and the facility reaching certain targets showing the efficiency of, and decreased demand on, the hospital.

In April 2007, the case of *Charles R. Drew University v. County of Los Angeles* was filed in the Los Angeles Superior Court. The University is seeking damages it alleges it has suffered and will suffer as a result of the determination by the County to not renew its annual $12 million Affiliation Agreement, which expired on June 30, 2007. Drew University asserts that its damages are approximately $125 million, based on the assumption of an ongoing relationship. The County has thus far been successful in convincing the Court to limit the breadth of Drew University's complaint and alleged damages through demurrers and motions to strike. The case is currently in the discovery stage.

Litigation Regarding the Taxing Authority of the County

A lawsuit entitled *Oronoz v. County of Los Angeles* was filed against the County in May 2005 contending that the County's utility taxes do not meet the provisions of Proposition 62 and are therefore invalid. Proposition 62 requires that all new or increased local taxes must be approved by the voters and the County's utility taxes have been challenged in this regard. The Court of Appeal denied the County's writ to set aside the trial court's class certification ruling. The County's petition to the California Supreme Court was denied on April 30, 2008. A more detailed discussion of the Oronoz lawsuit and its potential impact on the County's financial condition can be found on page A-8 of the Budgetary Information Section.

Litigation by Contract Workers

In November 2000, three employees of contractors providing technical services to the County's Internal Services Department filed litigation (*Holmgren et al v. County of Los Angeles*) as a class action, alleging that they were improperly hired and treated as non-County employees even though the County directed and controlled their services. The plaintiffs seek County employee status and damages for alleged differentials in compensation and benefits. Two lawsuits (*Hall et al v. County of Los Angeles and Shiell et al v. County of Los Angeles*) filed prior to 2000 by employees of a contractor providing legal services to County Counsel make similar claims and seek similar remedies. In the *Hall* case, summary judgment was granted in favor of the County. Plaintiffs filed an appeal, which was unsuccessful as the appellate court affirmed the trial court's decision in favor of the County. The California Supreme Court then denied plaintiff's petition for review. In the *Holmgren* and *Shiell* cases, judgment in favor of the County was entered in October 2006. On January 20, 2008, the Court of Appeals then affirmed the decision in these two cases in favor of the County. Petitions for review have been filed by plaintiffs and are pending with the California Supreme Court.

Litigation by County Safety Police Officers

On June 6, 2002, a jury found the County liable in the class action lawsuit *Frank, et al. v. County of Los Angeles, et al*. The case had been filed on behalf of approximately 500 past and current members of the County's Safety Police, alleging among other things that County Safety Police officers had been denied equal pay and benefits in comparison to County deputy sheriffs due to racial discrimination.

The final judgment, which was entered on June 6, 2003, awarded back-pay to the plaintiffs of $42,760,559, plus $4,677,513 in attorneys' fees and a costs award of $60,843. Both the County and the plaintiffs filed notices of appeal in or about August 2003. The plaintiffs' appeal claims that they are entitled to prospective relief, which was not specifically awarded by the court in its judgment. On April 12, 2007, the Court of Appeals, in a published opinion, reversed the summary judgment against the County in its entirety and remanded the case back to the Superior Court with directions to enter judgment for the County. Plaintiffs then filed a petition for review with the California Supreme Court. However, in the Court's final decision, which was reached on October 30, 2007, the County prevailed on all issues related to the class action. Individual claims were also dismissed in early 2008.

Retirement System Litigation

There are currently no litigation matters pending against the County's retirement program.

Other Litigation

In 1999, a lawsuit entitled *Roger E. Bacon v. Alan T. Sasaki* was filed against the County challenging the Auditor-Controller's method of calculating interest on property tax refunds. A bench trial was held on January 9, 2006 regarding two test claims, and the trial court only partially sustained the Auditor-Controller's position. The case is now in the post-mediation stage and parties are currently in settlement discussions. In the event that the parties are not able to settle, plaintiffs will seek certification of a class action, and for entry of judgment. The potential liability is estimated to be $20 to $30 million.

In July 2004 and February 2007, two related cases, *Ricketts v. McCormack, et al*. (*"Ricketts"*) and *Conner, et al., v. McCormack, et al.* (*"Conner"*), respectively, were filed against the County Recorder. In the *Ricketts* case, the plaintiff has alleged that the County Recorder did not timely record reconveyances of deeds of trust as required by statute. The County obtained dismissal of the monetary claims in April 2006. In February 2007, the plaintiff prevailed on summary judgment and obtained a writ of mandate compelling the Recorder to timely record reconveyances. The County's motion for a new trial was granted in May 2007 and the trial was held in December 2007. In May 2008, the Court overturned the prior summary judgment and ruled in favor of the County. It is anticipated that the plaintiff will appeal this decision. In the *Conner* case, a class action lawsuit, the plaintiffs are seeking statutory forfeitures of five hundred dollars per violation against the County and its Recorder for alleged late recording of reconveyances of deeds of trust. This litigation is in the discovery stage.

Pending Litigation

There are a number of other lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. In the opinion of the County Counsel, such suits and claims as are presently pending will not impair the ability of the County to make debt service payments or otherwise meet its outstanding lease or debt obligations.

TABLE 1: RETIREMENT PLAN UAAL AND FUNDED RATIO
(in thousands)

Actuarial Valuation Date	Market Value of Plan Assets	Actuarial Value of Plan Assets	Actuarial Accrued Liability	UAAL	Funded Ratio
06/30/2002	$26,047,240	$28,262,129	$28,437,493	$175,364	99.38%
06/30/2003	26,247,806	26,564,328	30,474,025	3,909,697	87.17%
06/30/2004	29,481,183	27,089,440	32,700,505	5,611,065	82.84%
06/30/2005	32,026,105	29,497,485	34,375,949	4,878,464	85.81%
06/30/2006	35,185,589	32,819,725	36,258,929	3,439,204	90.51%
06/30/2007	40,908,106	37,041,832	39,502,456	2,460,624	93.77%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2007 and LACERA 2007 Comprehensive Annual Financial Report.

TABLE 2: INVESTMENT RETURN ON RETIREMENT PLAN ASSETS
(in thousands)

Fiscal Year	Market Value of Plan Assets	Market Rate of Return
2001-2002	$26,047,240	-5.6%
2002-2003	26,247,806	3.6%
2003-2004	29,481,183	16.5%
2004-2005	32,026,105	11.0%
2005-2006	35,185,589	13.0%
2006-2007	40,908,106	19.1%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2007.

TABLE 3: COUNTY PENSION RELATED PAYMENTS
(in thousands)

Fiscal Year	Cash Payment to LACERA	Transfer From Excess Earnings to LACERA	Pension Bonds Debt Service	Total Pension Related Payments	Percent Change Year to Year
2001-02	$258,884	$155,824	$281,326	$696,034	6.2%
2002-03	324,709	194,213	298,704	817,626	17.5%
2003-04	395,062	126,916	316,115	838,093	2.5%
2004-05	527,810	222,542	336,329	1,086,681	29.7%
2005-06	676,667	179,368	356,883	1,212,918	11.6%
2006-07	751,726	111,775	381,235	1,244,737	2.6%
2007-08*	827,973	0	381,603	1,209,576	-2.8%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2007 and County of Los Angeles Chief Executive Office.

* Estimated

BUDGETARY INFORMATION

COUNTY BUDGET PROCESS

The County is required by California State Law to adopt a balanced budget by August 30. Upon release of the Governor's Proposed State Budget in January, the CEO of the County prepares a preliminary forecast of the County's budget based on the current year's budget, the Governor's Budget, and other projected revenue and expenditure trends. Expanding on this forecast, a target County budget for the ensuing fiscal year, beginning July 1, is developed, and projected resources are tentatively allocated to the various County programs.

The CEO normally presents the Proposed County Budget to the Board of Supervisors in April. The Board of Supervisors is required by County Code to adopt a Proposed Budget no later than June 30. Absent the adoption of the Final County Budget by June 30, the appropriations approved in the Proposed Budget, with certain exceptions, become effective for the new fiscal year until a final budget is adopted.

The CEO recommends revisions to the County Budget after adoption of the final State budget to align County expenditures with approved State funding. After conducting public hearings and deliberating on the details of the budget, the Board of Supervisors adopts the Final County Budget by August 30.

Throughout the balance of the fiscal year, the Board of Supervisors approves various adjustments to the Final County Budget to reflect changes in appropriation requirements and funding levels. The levels of annual revenues from the State and federal governments are generally allocated pursuant to formulas specified in State and federal statutes. For budgetary or other reasons, such statutes can be amended, which could affect the level of County revenues and budgetary appropriations.

CONSTITUTIONAL PROVISIONS AFFECTING TAXES AND APPROPRIATIONS

Proposition 13

Article XIIIA of the California Constitution limits the taxing powers of California public agencies. Article XIIIA provides that the maximum ad valorem tax on real property cannot exceed one percent of the "full cash value" of the property, and effectively prohibits the levying of any other ad valorem property tax except for taxes required to pay debt service on voter-approved general obligation bonds. "Full cash value" is defined as "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment."

The "full cash value" is subject to annual adjustment to reflect inflation at a rate not to exceed two percent, a reduction in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors. The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters before July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of the votes cast on the proposition.

Article XIIIB of the California Constitution limits the amount of appropriations of local governments for "proceeds of taxes." The County's appropriation limit for "proceeds of taxes" for 2007-08 is $14,165,053,370. The 2007-08 County Budget reflects proceeds of taxes at $6,433,315,000, which is well below the allowable limit.

Proposition 62

Proposition 62, a 1986 initiative that amended the California Constitution, requires voter approval of all new or increased local taxes. A challenge to taxes subject to Proposition 62 may only be made for those taxes collected within three years of the date the action is brought.

In May 2005, a lawsuit entitled *Oronoz v. County of Los Angeles* was filed against the County that contends the County's utility taxes do not meet the requirements of Proposition 62 and are therefore invalid. In November 2006, the trial court certified the matter as a class action. However, in March 2007 the trial court stayed the action to allow the County to pursue the matter by appellate review. In January 2008 the Court of Appeal affirmed class certification in the case. In March 2008, the County filed a petition to the California Supreme Court seeking to invalidate the appellate decision. On April 30, 2008 the California Supreme Court denied the County's petition to review the Appellate Court's decision to grant class action status in the *Oronoz* case. The case will be remanded back to the trial court for further proceedings. The trial court has not yet determined how class certification will proceed. It is estimated that the County collected approximately $234.6 million in such utility taxes during the course of the last three years. The taxes collected have been placed in a reserve and could be applied to a court-ordered refund should the tax be determined invalid. Accordingly, the County does not believe that the impoundment of existing taxes or a judicial order to refund such previously collected taxes would adversely affect its ability to pay the principal of, and interest on, its debt obligations as and when they become due.

Proposition 218

Proposition 218, a 1996 initiative that added Articles XIIIC and XIIID to the California Constitution, established the following requirements on all taxes and property-related assessments, fees, and charges:

- precluded special purpose districts or agencies, including school districts, from levying general taxes;
- precluded any local government from imposing, extending or increasing any general tax unless such tax is approved by a majority of the electorate;
- precluded any local government from imposing, extending or increasing any special purpose tax unless such tax is approved by two-thirds of the electorate; and
- ensured that voters may reduce or repeal any local taxes, assessments, fees or changes through the initiative process.

An appellate court decision ruled that Proposition 218 did not supersede Proposition 62. Consequently, voter approval alone may not be sufficient to validate the imposition of general taxes adopted, increased or extended after January 1, 1995.

Proposition 218 also expressly extends to voters the power to reduce or repeal local taxes, assessments, fees, and charges through the initiative process, regardless of the date such taxes, assessments, fees or charges were imposed. SB 919, the Proposition Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Proposition 218, states that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. Furthermore, in the 2006 case of *Bighorn-Desert View Water Agency v. Virjil (Kelley)*, the State Supreme Court suggested that the initiative power under Proposition 218 is not free of all limitations, and could be subject to restrictions imposed by the contract clause of the United States Constitution. No assurance can be given, however, that voters in the County will not, in the future, approve an initiative that reduces or repeals local taxes, assessments, fees or charges that are deposited into the County's General Fund. In addition, "fees" and "charges" are not defined by Article XIIIC or SB 919, and the scope of the initiative power under Article XIIIC could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

In a June 3, 1997 election, voters approved special tax measures to maintain the Fire Protection District's benefit assessment and the Public Library's benefit charge by the required two-thirds majority.

Proposition 1A

Proposition 1A, proposed by the State Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. In general, any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature.

Future Initiatives

Propositions 13, 62, 218 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting revenues of the County or the County's ability to expend revenues. The nature and impact of these measures cannot be predicted by the County.

PROGRAM FUNDING BY FEDERAL AND STATE GOVERNMENTS

A significant portion of the County budget is comprised of revenues received from the federal and State governments. As indicated in the table "Historical Funding Requirements and Revenue Sources" on page A-13 of this Appendix, $3.9 billion of the $17.8 billion Final 2007-08 General County Budget is received from the federal government and $5.0 billion is funded by the State. The balance of $8.9 billion in County financing is generated from property taxes and a variety of other sources. The fact that 50% of General County financing is provided by the federal and State governments underscores the County's reliance on those outside funding sources.

On February 8, 2008, the President released his proposed budget for Federal Fiscal Year (FFY) 2009, which begins on October 1, 2008. Similar to prior years, it would reduce overall federal aid to state and local governments. For example, the President proposed to eliminate the State Criminal Alien Assistance Program ("SCAAP"), which partially reimburses the County's costs of incarcerating undocumented criminal aliens, and cap Medicaid payments to government providers, such as the County, to no more than the cost of providing services to Medicaid recipients. This latter proposal, if implemented, could potentially cost the County approximately $200 million annually. Last year, Congress ultimately rejected the President's proposed cuts in Federal aid to state and local governments. Instead of eliminating SCAAP, Congress, increased SCAAP funding to the County by $10 million for FFY 2008. In addition, on May 25, 2007, H.R. 2206 was signed into law and blocked the implementation of a final rule published in the Federal Register on May, 29, 2007, which would have capped Medicaid payments to government providers. On April 23, 2008, the House passed H.R. 5613, a bill that would extend the moratorium on this rule and seven other pending Medicaid regulations until April 1, 2009. If H.R. 5613 or similar legislation blocking the final rule's implementation is not enacted, the rule is likely to be challenged in the courts on the grounds that the federal Centers for Medicaid and Medicare Services ("CMS") lack the authority to limit Medicaid payments by regulation. In addition, the published preamble to the final rule included a statement indicating that California's Hospital Waiver "should not be impacted" by the final rule, which would delay the impact of the rule on the County's public hospitals until after this waiver expires on August 31, 2010. The FFY 2009 proposed budget also includes a proposal to eliminate Medicaid payments for interns and residents in those hospitals that train physicians. If implemented, this proposed rule would cost the County approximately $40.0 million annually.

Many events will affect the amount the County actually receives from the federal and State governments in the future. As a result, the information in this Official Statement (including this Appendix A) relating to the funding the County expects to receive from federal and State governments is based upon the County's current expectations and is subject to change due to the occurrence of future events.

Realignment Program

In Fiscal Year 1991-92, the State and county governments collectively developed a program realignment system that removed State funding for certain health and welfare programs, and provided counties with additional flexibility in the administration of such programs. Under this plan, these programs were funded through a one-half percent increase in sales taxes and increased vehicle license fees. Counties receive these funds under a fixed formula under State law and the flow of these funds is no longer subject to the State budget process. If sales tax and vehicle license fee revenues are not realized as expected, county governments will maintain responsibility for the management and cost of these health and welfare programs.

Tobacco Settlement

On November 23, 1998, the attorneys general of 46 states (including the State of California), the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, and the Commonwealth of the Northern Mariana Islands reached agreement with the then four largest United States tobacco manufacturers to settle more than forty pending lawsuits brought by these public entities.

The Master Settlement Agreement (the "MSA") requires the tobacco companies to make payments to the states in perpetuity, with the payments totaling an estimated $206.0 billion through the year 2025. California will receive 12.76%, or approximately $25.0 billion of the total settlement. While the County's share of the State settlement is expected to average an estimated $105.0 million each year, the amount of funding may fluctuate significantly from year to year. Factors that could impact the amount actually paid each year to the State include actions of the federal government, declines in cigarette sales, lawsuits, tobacco company bankruptcies, and various adjustments under the terms of the MSA. To date there have been multiple legal challenges to the MSA under a variety of claims, including claims on anti-trust and Commerce Clause grounds. None of these lawsuits has been successful or resulted in the termination of the original agreement. Recent actions by certain participating manufacturers, however, have reduced amounts received by the State and may adversely impact projected payments. Specifically, a portion of settlement payments have been withheld (or made under protest) until the courts decide whether California has diligently enforced the provisions relative to the financial obligations of non-participating manufacturers to make certain escrow payments. Annual payments received by the states were reduced in both April 2007 and April 2008, and the County received $98.8 million and $105.2 million, respectively, in these two years.

It has been reported that 38 of the settling states have commenced enforcement proceedings under the MSA to compel the participating manufacturers to make the payments, without reduction for any non-participating manufacturer's adjustment, until the courts have reached a final non-appealable resolution to the issue. The California Attorney General initiated such proceedings on April 18, 2006 claiming that the State had diligently enforced its MSA responsibilities.

Neither the MSA nor the Memorandum of Understanding restricts the use of the County's settlement monies for any specific purpose. Proceeds received by the County from the settlement have been deposited in the County's General Fund and reserved in a designation for health services. Through April 2008, the County has received $1.021 billion in tobacco settlement revenues ("TSRs") and accrued interest with approximately $801 million of the collected proceeds expected to be disbursed by June 30, 2008.

The difference between TSRs received and TSRs expended of approximately $220 million has resulted primarily because of initial delays in developing a spending plan for the funds. In addition, the Department of Health Services ("DHS") has not expended each year's appropriation of TSRs, which increases the amount maintained in reserve. While DHS has identified programmatic uses for projected ongoing TSRs, it continues to develop plans to use the amounts presently in reserve, primarily for one-time uses that help decrease its projected deficit.

On February 8, 2006, the County issued $319,827,107 in tax-exempt Tobacco Settlement Asset-Backed Bonds (the "Tobacco Bonds"). The Tobacco Bonds are secured and payable from 25.9% of the County's TSRs beginning in 2011, which is also the year in which debt service on the Tobacco Bonds commences. The sale of the Tobacco Bonds was undertaken to finance construction costs related to the LAC+USC Medical Center Replacement Facility, as well as insure against the risk of a substantial loss of a portion of the County's allocated tobacco revenues. The use of this fixed percentage of TSRs to secure and repay the Tobacco Bonds is not expected to materially impact the DHS programs that rely on such revenues for funding.

STATE BUDGET

Recent State budgets have reflected the State's efforts to stabilize its fiscal position in response to an uncertain and volatile economy. Over the past ten years, the State budget has experienced broad fluctuations as the State has responded to the economic recession of the early 1990's, the economic recovery later in that decade, and the 2001 recession and recovery. The State's budgetary decisions during this period have had significant financial and programmatic impacts on counties, cities, and other local jurisdictions.

Property Tax Shift

In response to the State's 1993-94 budgetary recession, the State shifted $2.1 billion in property taxes from counties and $500 million from cities, special districts and redevelopment agencies to school and community college districts. This action reduced the County's primary source of discretionary revenue. The reduction has been partially offset by revenues from the County's share of the Proposition 172 one-half cent public safety sales tax.

Trial Courts

In 1998, the State enacted the Trial Court Funding Act, which provided a major restructuring of Trial Court Funding to stabilize court funding and provide long-term fiscal relief to counties. Under the restructuring, the State assumed responsibility for funding trial court operations, including any increases in operational costs. Counties retained responsibility for facility costs and local judicial benefits and make an annual contribution to the Trial Court Trust Fund. The level of each county's contribution is based on each county's funding for court operations in 1994-95.

In November 2002, the State enacted SB1732, which establishes a governance structure and procedures for the transfer of court facilities from counties to the State. The legislation became effective January 1, 2003 and required a phased approach during a three-year transfer period that commenced in 2004. Legislation is currently pending to extend the transfer period. Any facility transfer requires county payment for operations and maintenance costs. The county payment level will remain fixed under a maintenance-of-effort agreement to be negotiated between the State and the affected county for each courthouse transferred. On June 19, 2007, the Board of Supervisors approved the transfer of the Long Beach Courthouse. As of April 2008, no other County of Los Angeles facility transfers have occurred.

STATE-LOCAL GOVERNMENT FINANCES

Local Government Agreement

The 2004-05 Final State Budget included an agreement with local governments to limit the proposed shift in property tax revenues to $1.3 billion for the two years ending with Fiscal Year 2005-06. After this period, local governments would relinquish $4.1 billion of Vehicle License Fee (VLF) backfill revenue in return for an equal amount of property taxes. The State would be constitutionally precluded from implementing future property tax shifts and the State will begin repayment for unreimbursed State mandates over a five-year period commencing in 2006-07. This agreement was codified by the passage of Proposition 1A in the November 2, 2004 election.

Proposition 1A

On November 2, 2004, California voters approved the passage of Proposition 1A. As discussed earlier, this proposition provided for an amendment to the State Constitution that limits the State's authority to reduce local sales tax rates or alter their method of allocation, shift property taxes from local governments to schools or community colleges, or decrease VLF revenues without providing replacement funding.

Proposition 1A further amended the State Constitution to require the State to suspend State laws that create unfunded mandates in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

2008-09 STATE BUDGET

The Governor's 2008-09 Proposed State Budget was released on January 10, 2008. Although the Proposed Budget significantly impacts the County, it did not recommend exercising the State's option to borrow local government's tax revenues pursuant to Proposition 1A, the Protection of Local Government Revenues Act.

The overall fiscal impact to the County of the Governor's proposed reductions for 2007-08 and his Proposed Budget for 2008-09 was projected to be $18.4 million and $276.3 million, respectively. For 2007-08, the most significant impacts to the County included Cal/WORKS Program Reforms ($11.3 million), Federal Safety Net Care Pool Payments/South LA Preservation Fund ($2.0 million) and various payments deferrals from the State. However, recent actions taken by the Legislature and approved by the Governor, in Special Session, effectively eliminated $17.8 million of the original $18.4 million in proposed reductions for 2007-08.

For 2008-09, the following County programs would realize negative financial impacts due to the Governor's January 2008 Proposed State Budget ($3.0 million or more):

- CalWORKs Program Reforms ($113.0 million)
- Medi-Cal Administration ($50.1 million)
- Child Welfare Services Administration ($25.6 million)
- Federal Safety Net Care Pool Payments/South L.A. Preservation Fund ($24.4 million)
- Early and Periodic, Screening, Diagnosis and Treatment – EPSDT ($23.1 million)
- February 2008 Presidential Primary Election ($20.0 million)
- Medi-Cal Provider and Managed Care Rates ($12.7 million)
- In-Home Supportive Services Administration ($8.5 million)
- Juvenile Probation Camp Funding ($8.0 million)
- Mental Health Managed Care Program ($7.1 million)
- Alcohol and Other Drug Programs ($6.6 million)
- Children's Medical Services ($4.5 million)
- Juvenile Justice Crime Prevention Act Program ($3.3 million)
- Proposition 36 Substance Abuse Crime Prevention Program ($3.0 million)

In addition to the program cuts referenced above, the Governor's Proposed Budget also proposes to address the State's cash flow shortfall by deferring over $2.1 billion in payments to counties and Medi-Cal providers for various health and human services programs and $500 million from the excise tax revenues from the Highway Users Tax Account. The net impact to the County from these proposals is $453.5 million in deferred payments. The ability of the County to maintain programs within this environment will be determined based on the timing of the deferrals and the corresponding cash position of the general fund (see pages A-30 through A-33 for the County's 2006-07 and 2007-08 general fund cash flows).

On May 14, 2008, the Governor released his May revisions to the Proposed 2008-09 State Budget. Based on an initial review, it is estimated that the negative financial impact to the County will increase by an estimated $55.4 million to a total of $331.7 million. The increase is primarily attributable to new proposals to reduce funding and eligibility for social services programs including the following:

- $48.6 million from reduced State participation in In-Home Supportive Services (IHSS) wages if the County maintains the existing IHSS wage rate. However, the current agreement between the Personal Assistance Services Council and the County stipulates that in the event the State's share of the IHSS wage is unavailable, the County's obligation for any amount above minimum wage could be terminated.

- $13.7 million for increased costs to the County General Relief Program due to the elimination of the Cash Assistance Program for Immigrants.

- $14.0 million from the delayed payment for deferred State mandate costs incurred prior to Fiscal Year 2003-04.

These reductions are partially offset by an $18.4 million cost reimbursement of the 2008 Presidential Primary Election. Historically, the County generally does not include the impact of the Governor's proposals until adoption of the State Budget. At that time the County will likely align State budget actions with the County Budget.

THE COUNTY BUDGET

The County Budget is comprised of seven (7) fund groups through which the County's resources are allocated and controlled. These groups include the General and Hospital Enterprise (that represent the General County Budget), Special, Special District, Other Enterprise, Other Proprietary, and Other Funds.

The General County Budget accounts for approximately 79.4% of the 2008-09 Proposed County Budget and funds programs that are provided on a mostly county-wide basis (e.g., health care, welfare, and detention facilities), municipal services to the unincorporated areas not otherwise included in a special district, and certain municipal services to various cities on a contract fee-for-service basis (e.g., law enforcement, planning and engineering).

Special Funds represent approximately 8.7% of the 2008-09 Proposed County Budget and are used to account for the allocation of revenues that are restricted to specific purposes, such as public library operations, courthouse construction programs and operations, and specified automation projects.

Special District Funds account for approximately 8.6% of the 2008-09 Proposed County Budget and are separate legal entities funded by specific taxes and assessments. These districts provide public improvements and/or services benefiting targeted properties and residents. They are governed by the Board of Supervisors and include, among others, the Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts.

Other Enterprises and Other Proprietary Funds represent only 1.4% of the 2008-09 Proposed County Budget and are distinct fiscal entities that fund the operations of certain governmental units that, like private businesses, provide specific services to the general public and are primarily funded by user fees. Included in this fund group are the Waterworks Districts, the Transit Fund and the Internal Services Fund.

Other Funds account for approximately 1.9% of the 2008-09 Proposed County Budget and go towards a number of separate legal entities such as the Community Development Commission and Housing Authority, which are not special districts but are controlled by the Board of Supervisors.

The following table details historical General County appropriations.

County of Los Angeles: General County Budget
Historical Appropriations by Fund
(in thousands)

Fund	Final 2004-05	Final 2005-06	Final 2006-07	Final 2007-08	Proposed 2008-09
General Fund	$ 12,616,794	$ 13,723,601	$ 14,837,253	$ 15,981,000	$ 15,588,625
Hospital Enterprise Fund	1,745,137	1,963,466	1,773,047	1,818,990	1,824,890
Debt Service Fund	44,362	10,290	9,554	-	-
Total General County Budget	$ 14,406,293	$ 15,697,357	$ 16,619,854	$ 17,799,990	$ 17,413,515

County of Los Angeles: General County Budget
Historical Funding Requirements and Revenue Sources
(in thousands)

	Final 2004-05	Final 2005-06	Final 2006-07	Final 2007-08	Proposed 2008-09
Requirements					
Social Services	$ 4,711,572	$ 4,651,813	$ 4,749,055	$ 4,991,495	$ 5,061,172
Health	4,318,251	4,638,706	4,930,299	5,307,606	5,163,260
Justice	3,550,049	3,826,565	4,177,707	4,499,905	4,612,976
Other	1,826,421	2,580,273	2,762,793	3,000,984	2,576,107
Total	**$ 14,406,293**	**$ 15,697,357**	**$ 16,619,854**	**$ 17,799,990**	**$ 17,413,515**
Revenue Sources					
Property Taxes	$ 2,532,415	$ 2,744,055	$ 3,246,500	$ 3,628,517	$ 3,810,441
State Assistance	4,252,927	4,417,274	4,716,625	4,963,934	4,824,813
Federal Assistance	4,070,743	3,986,571	4,091,431	3,963,490	4,072,393
Other	3,550,208	4,549,457	4,565,298	5,244,049	4,705,868
Total	**$ 14,406,293**	**$ 15,697,357**	**$ 16,619,854**	**$ 17,799,990**	**$ 17,413,515**

County of Los Angeles: General County Budget
Historical Summary of Funding Requirements by Budgetary Object and Available Financing
(in thousands)

	Final 2004-05	Final 2005-06	Final 2006-07	Final 2007-08	Proposed 2008-09
Financing Requirements					
Salaries & Employee Benefits	$ 6,607,111	$ 7,101,154	$ 7,701,124	$ 8,437,462	$ 8,796,961
Services & Supplies	4,619,687	4,993,336	5,480,217	5,859,213	5,637,816
Other Charges	3,782,145	3,607,279	3,031,605	3,127,968	3,122,733
Fixed Assets	490,517	812,222	1,269,445	1,510,033	1,304,162
Other Financing Uses	1,129,523	1,406,675	1,130,994	1,155,780	989,268
Residual Equity Transfers Out	299	291	379	278	181
Appropriation for Contingencies	16,221	-	-	-	-
Interbudget Transfers[1]	(1,728,744)	(2,099,672)	(1,547,962)	(1,643,528)	(1,569,895)
Gross Appropriation	$ 14,916,759	$ 15,821,285	$ 17,065,802	$ 18,447,206	$ 18,281,226
Less: Intrafund Transfers	708,686	769,845	791,309	888,376	881,447
Net Appropriation	$ 14,208,073	$ 15,051,440	$ 16,274,493	$ 17,558,830	$ 17,399,779
Reserves					
General Reserve	$ 4,007	$ 3,747	$ 3,439	$ 3,000	$ 3,000
Designations/Other Reserves	194,034	641,722	341,871	238,160	10,736
Estimated Delinquencies	179	448	51	-	-
Total Financing Requirements	**$ 14,406,293**	**$ 15,697,357**	**$ 16,619,854**	**$ 17,799,990**	**$ 17,413,515**
Available Financing					
Fund Balance	$ 874,846	$ 911,894	$ 1,073,017	$ 1,706,356	$ 1,307,694
Cancellation of Reserve/Designation	222,101	944,318	823,328	478,323	305,152
Property Taxes: Regular Roll	2,452,682	2,638,633	3,132,117	3,439,292	3,611,756
Supplemental Roll	79,733	105,422	114,383	189,225	198,685
Revenue	10,776,931	11,097,090	11,477,009	11,986,794	11,990,228
Total Available Financing	**$ 14,406,293**	**$ 15,697,357**	**$ 16,619,854**	**$ 17,799,990**	**$ 17,413,515**

[1] This amount includes certain non-program expenditures and revenues that are included in the budget for accounting purposes. Failure to exclude such amounts, totaling $1.6 billion, from the above table would give the impression that there are more resources than are actually available and artificially inflate General County appropriations to $19.0 billion.

Source: Chief Executive Office

RECENT COUNTY BUDGETS

Recent General County Budgets have reflected a conservative approach and sought to maintain a stable budgetary outlook in an uncertain fiscal environment.

The stability of the County's budget over the past ten years has been highlighted by:

- the County's initiation of a multi-year plan to lessen its reliance on surplus investment earnings from LACERA to fund ongoing costs of the retirement program. By substantially increasing the net County cost contribution over the prior ten (10) fiscal years, the County eliminated its use of the surplus investment credit. 2007-08 marked the end of the County's reliance on pension excess earnings;

- the allocation of $803.0 million in local one-time discretionary funding on deferred maintenance and capital improvement needs;

- increased federal and State revenues for mental health and probation programs;

- the amendment of County ordinances that brought the County's general purpose taxes into conformance with Proposition 218 restrictions and requirements;

- a decrease in welfare assistance payments due to the enactment of the State's Welfare-to-Work Act of 1997 and creation of the California Work Opportunity and Responsibility to Kids Program (CalWORKs) with the intent of assisting recipients in the transition from welfare to employment through increased administrative flexibility and access to certain support services, such as child care, that diminish barriers to employment;

- the approval of a $110.3 million Security Action Plan for the County, to be funded from State and federal revenue, to augment specialized firefighting, health and law enforcement activities in response to the September 11, 2001 terrorist attacks and the subsequent threat of further terrorist acts;

- an increase in outpatient primary care services through the implementation of public-private partnerships with community based health organizations in accordance with the requirements of the federal Medicaid 1115 Waiver;

- the gradual elimination of 1115 Waiver funding over the five-year extension period ending on June 30, 2005;

- an increase in funding to reopen jail facilities throughout the Sheriff's custody system and to add deputies to increase patrols in the unincorporated areas of the County; and

- an increase in funding for the Probation Department to implement plans to comply with the Department of Justice settlement agreements, redesign camps, restructure camp management and increase administrative and support staff throughout the department. Since 2005-06 the County has committed a total of $75.1 million in new ongoing funding to address the Probation Department's comprehensive improvement strategy.

County budgets have been stabilized due to the passage of Proposition 1A in November 2004, which secured long-term financial protection from a State reallocation of property tax revenues during times of State fiscal crisis. The State can no longer reallocate local property taxes to reduce the costs for funding schools. While Proposition 1A guarantees more predictable funding and relief from unfunded mandates, the County was required to contribute $103.2 million to the State in both 2004-05 and 2005-06 as part of the Local Government Agreement. This agreement also provides for the substitution of vehicle license fee funds with property tax revenues, which gives the County increased reliability as property taxes have historically been one of the least volatile forms of revenue.

The dependability of property tax revenues is due in large part to Proposition 13, which helps to insulate the County from the cyclical nature of the real estate market. As discussed earlier, Proposition 13 limits the growth of assessed valuations and allows for reassessments only when a property is sold. As a result, there is a significant amount of “stored” home value appreciation that is not reflected on the property tax rolls and which would help to offset any future reduction in assessed valuations. Changes to ownership requiring a reassessment under Proposition 13 are forecasted to add approximately $43 billion to the Assessment Roll in 2008-09, representing over 57% of all increases from 2007-08. By comparison, the re-assessment of property values is expected to decrease the 2008-09 Assessment Roll by approximately $10.5 billion.

Health Services

The expiration of a federal Medicaid 1115 Waiver on June 30, 2005, combined with the structural deficit in the DHS budget, represents the County's most difficult budgetary challenge. This annual structural deficit of approximately $300 to $400 million has resulted in the need to use one-time funding to address ongoing commitments.

DHS has been planning for anticipated budget deficits for several years. In 2002, it released a System Redesign proposal to provide a comprehensive approach to consolidating and reducing services as well as obtaining additional federal and State financial support. The Board of Supervisors approved this plan in June 2002. DHS successfully implemented some of the plan's recommendations; however, legal action resulting in a Federal Court injunction has until recently prevented the transition or closure of Rancho Los Amigos National Rehabilitation Center (“Rancho”) and the reduction of 100 inpatient beds at LAC+USC Medical Center, each of which would have resulted in substantial savings.

On August 9, 2005, the Board of Supervisors approved a negotiated settlement with the plaintiffs in the above-referenced legal action (the “Harris-Rodde Settlement Agreements”). The Federal District Court approved the *Harris* settlement on December 19, 2005, and the *Rodde* settlement on March 10, 2006. These settlement agreements allow for the phased reduction of beds at LAC+USC contingent upon meeting established milestone reductions in patients' average length of stay. Specifically, DHS was able to reduce 25 beds immediately, with additional decreases tied to achieving and maintaining milestone reductions for prescribed periods of time. The settlement also calls for DHS to continue to operate Rancho, although at a reduced size with only core rehabilitation services, for a three-year period through March 9, 2009 while the County simultaneously seeks an entity to take-over hospital operations. DHS estimates that it will be able to achieve cumulative net savings of approximately $61.4 million as a result of implementing settlement-related efforts through Fiscal Year 2008-09. (See "General Litigation" in the Information Statement section of this Appendix A for additional information). However, the County will be looking at several options for Rancho, including the possibility of retaining Rancho as a County hospital.

In the 2007-08 Final County Budget, DHS was projected to achieve a budget surplus of $4.0 million in Fiscal Year 2007-08. This forecast has since improved and the most recent Fiscal Outlook presented to the Board of Supervisors on April 22, 2008 reflected a projected surplus of $125.9 million as of June 30, 2008. The improved near-term prospects of the department are due to a combination of several cost savings measures and revenue enhancements identified during the current fiscal year. The Fiscal Year 2007-08 budget included $129.5 million in revenue related to the Managed Care Supplemental Rate and this funding source was approved by CMS on April 11, 2008. Although the amount was already factored into the previous forecast, the approval is important for keeping the shortfall from growing. Excluded from the Final Adopted County Budget is the potential annual Medi-Cal revenue loss of approximately $40.0 million as a result of the Graduate Medical Education cost exclusion requirements.

In spite of the projected surplus, on April 22, 2008, DHS presented to the Board of Supervisors an anticipated funding shortfall of $197.8 million for Fiscal Year 2008-09. This represents an improvement of $93.1 million from the previous update of February 19, 2008. The estimated cumulative two-year shortfall through Fiscal Year 2009-10 is now estimated at $574.9 million. Although the projection represents an improvement of $150.5 million from the previous update, a sizeable projected deficit remains. The improvements are as a result of DHS' cost savings efforts under their Financial Stabilization Plan. Part of such efforts include better than anticipated results with the implementation of their enhanced pharmaceutical purchasing process.

To address its budgetary shortfall, DHS is currently working with the CEO on a deficit mitigation plan, which is scheduled to be presented to the Board of Supervisors in June 2008. The 2008-09 Proposed Budget provided for a balanced budget for DHS, primarily as a result of improvements to be addressed within this deficit mitigation plan. The focus of the plan will include the preservation of County services in the following priority order: trauma and emergency services; acute inpatient care; tertiary care and specialty services; and primary care. The County is committed to continuing its work with the State and other stakeholders to identify legislative solutions to address its funding shortfall, as well as to redesign its service models to ensure a balanced health care delivery system.

Martin Luther King/Drew Medical Center

On August 10, 2007, CMS notified the County that Martin Luther King, Jr. - Harbor ("MLK-H") had lost its Medicare and Medicaid certification. To remedy this situation, MLK-H was converted into a Multi-Service Ambulatory Care Center, while additional inpatient beds were opened at other County hospitals and purchased from the private sector. Further, on October 12, 2007, Governor Schwarzenegger signed into law Senate Bill 474 to establish a $100 million annual fund, named the South Los Angeles Medical Services Preservation Fund, to stabilize the health services for low-income, under-served residents of South Los Angeles. This fund is limited to a period of three years, or until the hospital re-opens, whichever comes sooner. The prorated amount of this fund for Fiscal Year 2007-08 is $87.7 million, which reflects 10.5 months of funding based on the August 15, 2007 implementation date. The County currently plans to have a private operator re-open the hospital and has been engaged in discussions with potential private partners since the Fall of 2007.

Property Tax for Emergency Services

The Board of Supervisors approved the placement of Measure B on the County's November 5, 2002 ballot, which proposed a property tax increase of three cents per square foot of structural improvements to fund trauma and emergency medical services at public and private medical facilities throughout the County.

The County's voters approved Measure B on November 5, 2002 with a 73% majority vote. DHS has developed plans to maximize the benefit of the Measure B funds. The 2007-08 Final County Budget includes $197.2 million in Measure B funds to support trauma and emergency medical services at public and private medical facilities in the County and to fund the DHS bioterrorism preparedness activities.

2008-09 PROPOSED BUDGET

The 2008-09 Proposed Budget, which was approved by the Board of Supervisors on April 22, 2008, appropriates $21.9 billion, a 2.6% decrease from the prior year. For General County purposes (General Fund and Hospital Enterprise Fund), the Proposed Budget appropriates $17.4 billion, which represents a 2.2% decrease from the 2007-08 Final Adopted Budget. The Proposed Budget subtracts 35.0 budgeted positions for Fiscal Year 2008-09.

During the prior three years of budget restoration and growth, the County was able to significantly increase funding for public protection, children and family programs, health services, homeless services, unincorporated services and capital improvements. These investments in County programs were bolstered by the strong real estate market and a healthy local economy. At present, the County faces uncertainties driven by the economy and the State budget deficit. Although 2008-09 will be a challenging year for the County, the County is in a good position due in large part to its conservative approach to the budget in past years. Due to the uncertainty surrounding the extent and duration of the current economic downturn, the County expects to continue to exercise this same conservative approach in the management of the budget.

The 2008-09 Proposed Budget includes a 5% growth assumption for property taxes, down from the 9% growth factor in fiscal year 2007-08. This is 1% below the Assessor's 2008-09 Roll Forecast. While prior fiscal years saw double-digit growth in taxable sales, the 2008-09 Proposed Budget reflects sales tax growth assumptions ranging from 1% to only 3.5% increases, depending upon the program.

As a consequence of the slowing economy and the resulting impact to revenue growth, each County Department was asked to develop plans for a net County cost budget reduction. After reviewing the results of the proposed plans and weighing the potential impact on public services, the CEO approved budgetary adjustments resulting in an overall net County cost budget decrease of $36.1 million. These reductions are attributable primarily to the elimination of long-term vacancies or other historical savings and are not expected to impact services currently being provided.

The 2008-09 Proposed Budget is supported by $3.8 billion in property taxes, $4.1 billion in federal contributions, $4.8 billion in State contributions, $0.3 billion in cancelled reserves and designations, $1.3 billion in fund balance and approximately $3.1 billion in other funding.

The tables on the following pages summarize and compare the 2007-08 Final Adopted General County Budget with the 2008-09 Proposed General County Budget.

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF FINAL ADOPTED 2007-08 BUDGET TO PROPOSED 2008-09 BUDGET
Net Appropriation: By Function
(In thousands)

Function	2007-08 Final Budget (1)	2008-09 Proposed Budget (2)	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 920,067.0	$ 863,651.0	$ (56,416.0)	-6.13%
General Services	256,039.0	258,532.0	2,493.0	0.97%
Public Buildings	1,307,733.0	1,156,791.0	(150,942.0)	-11.54%
Total General	$ 2,483,839.0	$ 2,278,974.0	$ (204,865.0)	-8.25%
Public Protection				
Justice	$ 4,291,636.0	$ 4,408,805.0	$ 117,169.0	2.73%
Other Public Protection	158,269.0	154,171.0	(4,098.0)	-2.59%
Total Public Protection	$ 4,449,905.0	$ 4,562,976.0	$ 113,071.0	2.54%
Health and Sanitation	5,307,606.0	5,163,260.0	(144,346.0)	-2.72%
Public Assistance	4,991,495.0	5,061,172.0	69,677.0	1.40%
Recreation and Cultural Services	252,088.0	259,500.0	7,412.0	2.94%
Insurance and Loss Reserve	73,897.0	73,897.0	-	0.00%
Reserves/Designations	241,160.0	13,736.0	(227,424.0)	-94.30%
Appropriation for Contingency	-	-	-	0.00%
Total Requirements	**$ 17,799,990.0**	**$ 17,413,515.0**	**$ (386,475.0)**	**-2.17%**
AVAILABLE FUNDS				
Property Taxes	$ 3,628,517.0	$ 3,810,441.0	$ 181,924.0	5.01%
Fund Balance	1,706,356.0	1,307,694.0	(398,662.0)	-23.36%
Cancelled Prior-Year Reserves	478,323.0	305,152.0	(173,171.0)	-36.20%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 500,934.0	$ 510,965.0	$ 10,031.0	2.00%
Homeowners' Exemption	20,500.0	20,500.0	-	0.00%
Public Assistance Subventions	1,612,354.0	1,551,829.0	(60,525.0)	-3.75%
Other Public Assistance	546,203.0	563,958.0	17,755.0	3.25%
Public Protection	872,890.0	853,045.0	(19,845.0)	-2.27%
Health and Mental Health	944,334.0	926,483.0	(17,851.0)	-1.89%
Capital Projects	58,956.0	23,862.0	(35,094.0)	-59.53%
Other State Revenues	63,428.0	41,228.0	(22,200.0)	-35.00%
Total State Revenues	$ 4,619,599.0	$ 4,491,870.0	$ (127,729.0)	-2.76%
Federal Revenues				
Public Assistance Subventions	$ 2,091,978.0	$ 2,207,026.0	$ 115,048.0	5.50%
Other Public Assistance	201,316.0	210,112.0	8,796.0	4.37%
Public Protection	153,181.0	146,994.0	(6,187.0)	-4.04%
Health and Mental Health	686,471.0	683,901.0	(2,570.0)	-0.37%
Capital Projects	2,555.0	175.0	(2,380.0)	-93.15%
Other Federal Revenues	2,340.0	2,556.0	216.0	9.23%
Total Federal Revenues	$ 3,137,841.0	$ 3,250,764.0	$ 112,923.0	3.60%
Other Governmental Agencies	92,302.0	102,690.0	10,388.0	11.25%
Total Intergovenmental Revenues	$ 7,849,742.0	$ 7,845,324.0	$ (4,418.0)	
Fines, Forfeitures and Penalties	206,047.0	212,813.0	6,766.0	3.28%
Licenses, Permits and Franchises	56,880.0	56,555.0	(325.0)	-0.57%
Charges for Services	2,156,523.0	2,273,562.0	117,039.0	5.43%
Other Taxes	199,577.0	185,229.0	(14,348.0)	-7.19%
Use of Money and Property	152,657.0	157,273.0	4,616.0	3.02%
Miscellaneous Revenues	418,678.0	439,298.0	20,620.0	4.93%
Operating Contribution from General Fund	946,690.0	820,174.0	(126,516.0)	-13.36%
Total Available Funds	**$ 17,799,990.0**	**$ 17,413,515.0**	**$ (386,475.0)**	**-2.17%**

(1) Reflects the Final Adopted 2007-08 General County Budget approved by the Board of Supervisors on October 16, 2007.
(2) Reflects the 2008-09 Proposed General County Budget approved by the Board of Supervisors on April 22, 2008.

COUNTY OF LOS ANGELES
FINAL ADOPTED 2007-08 GENERAL COUNTY BUDGET (1)
Net Appropriation: By Fund and Function
(In thousands)

Function	General Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS			
General			
General Government	$ 920,067.0	$ -	$ 920,067.0
General Services	256,039.0	-	256,039.0
Public Buildings	1,307,733.0	-	1,307,733.0
Total General	$ 2,483,839.0	$ -	$ 2,483,839.0
Public Protection			
Justice	$ 4,291,636.0	$ -	$ 4,291,636.0
Other Public Protection	158,269.0	-	158,269.0
Total Public Protection	$ 4,449,905.0	$ -	$ 4,449,905.0
Health and Sanitation	$ 3,488,616.0	$ 1,818,990.0	$ 5,307,606.0
Public Assistance	4,991,495.0	-	4,991,495.0
Recreation and Cultural Services	252,088.0	-	252,088.0
Insurance and Loss Reserve	73,897.0	-	73,897.0
Reserves/Designations	241,160.0	-	241,160.0
Appropriation for Contingency	-	-	-
Total Requirements	**$ 15,981,000.0**	**$ 1,818,990.0**	**$ 17,799,990.0**
AVAILABLE FUNDS			
Property Taxes	$ 3,628,517.0	$ -	$ 3,628,517.0
Fund Balance	1,706,356.0	-	1,706,356.0
Cancelled Prior-Year Reserves	347,014.0	131,309.0	478,323.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 500,934.0	$ -	$ 500,934.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	1,612,354.0	-	1,612,354.0
Other Public Assistance	546,203.0	-	546,203.0
Public Protection	872,890.0	-	872,890.0
Health and Mental Health	893,662.0	50,672.0	944,334.0
Capital Projects	58,956.0	-	58,956.0
Other State Revenues	63,428.0	-	63,428.0
Total State Revenues	4,568,927.0	50,672.0	$ 4,619,599.0
Federal Revenues			
Public Assistance Subventions	$ 2,091,978.0	$ -	$ 2,091,978.0
Other Public Assistance	201,316.0	-	201,316.0
Public Protection	153,181.0	-	153,181.0
Health and Mental Health	677,143.0	9,328.0	686,471.0
Capital Projects	2,555.0	-	2,555.0
Other Federal Revenues	2,340.0	-	2,340.0
Total Federal Revenues	$ 3,128,513.0	$ 9,328.0	$ 3,137,841.0
Other Governmental Agencies	92,302.0	-	92,302.0
Total Intergovenmental Revenues	$ 7,789,742.0	$ 60,000.0	$ 7,849,742.0
Fines, Forfeitures and Penalties	206,047.0	-	206,047.0
Licenses, Permits and Franchises	56,880.0	-	56,880.0
Charges for Services	1,744,459.0	412,064.0	2,156,523.0
Other Taxes	199,577.0	-	199,577.0
Use of Money and Property	152,474.0	183.0	152,657.0
Miscellaneous Revenues	149,934.0	268,744.0	418,678.0
Operating Contribution from General Fund	-	946,690.0	946,690.0
Total Available Funds	**$ 15,981,000.0**	**$ 1,818,990.0**	**$ 17,799,990.0**

(1) Reflects the Final Adopted 2007-08 General County Budget approved by the Board of Supervisors on October 16, 2007.

COUNTY OF LOS ANGELES
PROPOSED 2008-09 GENERAL COUNTY BUDGET (1)
Net Appropriation: By Fund and Function
(In thousands)

Function	General Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS			
General			
General Government	$ 863,651.0	$ -	$ 863,651.0
General Services	258,532.0	-	258,532.0
Public Buildings	1,156,791.0	-	1,156,791.0
Total General	$ 2,278,974.0	$ -	$ 2,278,974.0
Public Protection			
Justice	$ 4,408,805.0	$ -	$ 4,408,805.0
Other Public Protection	154,171.0	-	154,171.0
Total Public Protection	$ 4,562,976.0	$ -	$ 4,562,976.0
Health and Sanitation	$ 3,338,370.0	$ 1,824,890.0	$ 5,163,260.0
Public Assistance	5,061,172.0	-	5,061,172.0
Recreation and Cultural Services	259,500.0	-	259,500.0
Insurance and Loss Reserve	73,897.0	-	73,897.0
Reserves/Designations	13,736.0	-	13,736.0
Appropriation for Contingency	-	-	-
Total Requirements	**$ 15,588,625.0**	**$ 1,824,890.0**	**$ 17,413,515.0**
AVAILABLE FUNDS			
Property Taxes	$ 3,810,441.0	$ -	$ 3,810,441.0
Fund Balance	1,307,694.0	-	1,307,694.0
Cancelled Prior-Year Reserves	182,238.0	122,914.0	305,152.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 510,965.0	$ -	$ 510,965.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	1,551,829.0	-	1,551,829.0
Other Public Assistance	563,958.0	-	563,958.0
Public Protection	853,045.0	-	853,045.0
Health and Mental Health	875,676.0	50,807.0	926,483.0
Capital Projects	23,862.0	-	23,862.0
Other State Revenues	41,228.0	-	41,228.0
Total State Revenues	4,441,063.0	50,807.0	4,491,870.0
Federal Revenues			
Public Assistance Subventions	$ 2,207,026.0	$ -	$ 2,207,026.0
Other Public Assistance	210,112.0	-	210,112.0
Public Protection	146,994.0	-	146,994.0
Health and Mental Health	676,333.0	7,568.0	683,901.0
Capital Projects	175.0	-	175.0
Other Federal Revenues	2,556.0	-	2,556.0
Total Federal Revenues	$ 3,243,196.0	$ 7,568.0	$ 3,250,764.0
Other Governmental Agencies	102,690.0	-	102,690.0
Total Intergovenmental Revenues	$ 7,786,949.0	$ 58,375.0	$ 7,845,324.0
Fines, Forfeitures and Penalties	212,813.0	-	212,813.0
Licenses, Permits and Franchises	56,429.0	126.0	56,555.0
Charges for Services	1,768,171.0	505,391.0	2,273,562.0
Other Taxes	185,229.0	-	185,229.0
Use of Money and Property	156,990.0	283.0	157,273.0
Miscellaneous Revenues	121,671.0	317,627.0	439,298.0
Operating Contribution from General Fund	-	820,174.0	820,174.0
Total Available Funds	**$ 15,588,625.0**	**$ 1,824,890.0**	**$ 17,413,515.0**

(1) Reflects the 2008-09 Proposed General County Budget approved by the Board of Supervisors on April 22, 2008.

PROPERTY TAX RATE, VALUATION AND LEVY

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured", and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County of Los Angeles levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, and inflation) prorated among the jurisdictions which serve the tax areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

PAYMENT DATES AND LIENS

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax-defaulted on July 1. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer and Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

LARGEST TAXPAYERS

The twenty largest taxpayers in the County as shown on the Fiscal Year 2007-08 secured tax roll and the approximate amounts of their aggregate levies for all taxing jurisdictions within the County are shown below. Property owned by these twenty largest taxpayers had a full cash value of $30,816,150,417 which constitutes only 3.2% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2007-08
Southern California Edison Co.	$ 46,359,919
Maguire Thomas Partners	30,891,994
Douglas Emmett Realty Fund	29,914,916
Chevron USA Inc.	25,221,334
BP West Coast Products	24,351,548
Trizec LLC	21,133,764
AT&T California	20,812,533
Exxon Mobil Corporation	17,901,179
Southern California Gas Company	16,293,919
Verizon California Inc.	15,915,832
Universal Studios Inc.	15,888,754
Conocophillips Company	15,289,776
Arden Realty LTD Partnership	15,160,600
Anheuser Busch Inc.	11,408,834
Valero Energy Corporation	11,105,528
McDonnell Douglas Corporation	10,866,043
Archstone Smith Operating Trust	9,923,595
Participants in Long Beach Unit	9,853,409
Equilon Enterprises LLC	9,412,777
Macerich LLC	9,038,443
	$ 366,744,696

Total may not add due to rounding.
Source: Los Angeles County Treasurer and Tax Collector

PROPERTY TAXATION AND COLLECTIONS

The table on the following page compares the assessed cash values, property tax levies and collections since 2003-04. For the Fiscal Year 2007-08, secured property tax collections are projected to be greater than $2.22 billion. As of April 20, 2008, the County had collected approximately 91.05% of its secured property tax levies, or $2.13 billion in total collections.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2003-04 THROUGH 2007-08

Fiscal Year	Full Cash Value (1)	General Fund Secured Property Tax Levies	General Fund Secured Property Tax Collections (2)	Current Collection As a Percent of Levies %
2003-04	$ 656,073,063,881	$ 1,617,943,519	$ 1,582,529,914	97.81%
2004-05	709,671,759,735	1,738,123,054	1,697,194,166	97.65%
2005-06	783,342,364,874	1,901,915,833	1,852,878,570	97.42%
2006-07	872,103,795,877	2,139,425,148	2,059,971,381	96.29%
2007-08	953,468,123,997	2,346,098,926 (3)	2,227,865,221 (3)	94.96%

(1) Full cash values reflect the equalized assessment roll as reported in August of each year; mid-year adjustments are reflected in the following year's values. Incremental full cash values of properties within project areas designated by community redevelopment agencies are excluded. See "Redevelopment Agencies".
(2) Reflects collection within the fiscal year originally levied.
(3) Preliminary estimate. Subject to change.

Source: Los Angeles County Auditor-Controller, Tax Division

REDEVELOPMENT AGENCIES

The California Community Redevelopment Law authorizes the redevelopment agency of any city or county to issue bonds payable from their allocation of tax revenues resulting from increases in full cash values of properties within designated project areas. This allocation reduces the tax revenues the County and all other taxing agencies would otherwise receive.

The rate of growth in full cash values of these project areas, on an aggregate basis, is greater than the rate of growth in the balance of the County. Since these project areas are primarily in commercial and industrial areas, they have provided a significant impetus to the development and revitalization of the County's economic base. In addition, under State law, redevelopment projects must contribute a portion of the property tax funds they receive to increase the availability of housing for families with low and moderate income.

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for the Fiscal Years 2003-04 through 2007-08.

COMMUNITY REDEVELOPMENT AGENCY (CRA)
PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE INCREMENTS AND TAX ALLOCATIONS
FISCAL YEARS 2003-04 THROUGH 2007-08

Fiscal Year	Full Cash Value Increments (1)	Total Tax Allocations (2)
2003-04	$ 74,089,202,480	$ 678,254,140
2004-05	79,019,105,066	801,448,742
2005-06	94,983,553,733	909,975,540
2006-07	111,226,063,567	1,039,226,436
2007-08	127,113,321,984	1,180,823,964 (3)

(1) Equals the full cash value for all redevelopment project areas above their base year valuations. This data represents growth in full cash values which generates tax revenues for use by community redevelopment agencies.
(2) Includes actual cash revenues collected by the County and subsequently paid to redevelopment agencies, which includes incremental growth allocation, debt service, mid year changes and Supplemental Roll.
(3) Preliminary estimate of the Los Angeles County Treasurer and Tax Collector.

Source: Los Angeles County Auditor-Controller, Tax Division.

CASH MANAGEMENT PROGRAM

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts from the two largest sources of County revenues have followed an uneven pattern, primarily as a result of secured property tax installment payment dates in December and April and delays in payments from other governmental agencies.

As a result, the General Fund cash balance prior to Fiscal Year 1977-78 had typically been negative for most of the year and had been covered in part by interfund borrowings pursuant to Section 6 of Article XVI of the California Constitution. "Interfund borrowing" is borrowing from specific funds of other governmental entities whose funds are held in the County Treasury. Because such borrowings caused disruptions in the General Fund's management of pooled investments, beginning in 1977 the County eliminated the practice of interfund borrowing and instead managed its cash flow needs by issuing tax and revenue anticipation notes for the General Fund and by using intrafund borrowing.

The use of "intrafund borrowing" for General Fund purposes represents borrowing against funds that are held in trust by the County. Such funds, with the exception of the Hospital Enterprise Funds, are held by the County on a pre-apportionment basis until they are eventually distributed to County operating funds (such as the General Fund) or other governmental agencies.

All intrafund borrowings used for General Fund purposes have been repaid by the County in a timely manner. Furthermore, all notes issued in connection with the County's cash management program, with the exception of $500,000,000 in aggregate principal amount of 2007-08 Tax and Revenue Anticipation Notes (2007-08 Notes) issued on July 2, 2007 and due June 30, 2008, have been repaid on their respective maturity dates.

2007-08 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 16, 2007, the $500.0 million in 2007-08 Notes are general obligations of the County attributable to the 2007-08 fiscal year and are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys of the County.

The County pledged to deposit sufficient revenues during the 2007-08 fiscal year into a Repayment Fund to repay the 2007-08 Notes at maturity. Under the Resolution and Financing Certificate executed by the County Treasurer and Tax Collector, such deposits have been made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2007-08 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*

Deposit Date		Deposit Amount
December, 2007	$	174,000,000
January, 2008		90,000,000
February, 2008		57,000,000
March, 2008		61,000,000
April, 2008		140,375,000
Total	$	522,375,000

* Reflects a 4.5% coupon and $500 million in 2007-08 Notes.

The County has always fully satisfied its deposit obligations with respect to tax and revenue anticipation notes. The following table illustrates the Unrestricted General Fund Receipts collected on a cash flow basis since Fiscal Year 2002-03.

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COUNTY OF LOS ANGELES
GENERAL FUND
UNRESTRICTED GENERAL FUND RECEIPTS (in thousands)

	2002-03	2003-04	2004-05	2005-06	2006-07	Estimated 2007-08
Property Taxes	$1,652,678.0	$1,797,267.0	$2,599,369.0	$2,933,232.0	3,426,681.0	$3,564,678.3
Sales and Other Taxes	158,010.0	178,277.0	181,614.0	204,889.0	208,530.0	188,378.1
Licenses, Permits and Franchises	57,727.0	56,164.0	56,801.0	56,194.0	55,523.0	56,200.0
Fines, Forfeitures and Penalties	193,734.0	200,901.0	214,316.0	227,104.0	215,122.0	230,651.1
Use of Money and Property	80,675.0	66,362.0	81,391.0	180,511.0	273,149.0	262,627.0
State In-Lieu Taxes	1,111,455.0	997,003.0	507,114.0	465,913.0	471,401.0	476,912.0
State Homeowner Exemptions	20,726.0	20,514.0	21,558.0	21,528.0	21,468.0	21,500.0
Charges for Current Services	1,192,279.0	1,245,540.0	1,243,492.0	1,314,525.0	1,474,540.0	1,385,977.5
Other Revenues	227,380.0	190,564.0	245,851.0	251,722.0	257,391.0	263,550.6
TOTAL UNRESTRICTED RECEIPTS	$4,694,664.0	$4,752,592.0	$5,151,506.0	$5,655,618.0	$6,403,805.0	$6,450,474.6

Detail may not add due to rounding.
Source: Los Angeles County Auditor-Controller.

Intrafund and Interfund Borrowing

To the extent necessary, the County intends to use intrafund (and not interfund) borrowing to cover its General Fund cash needs, including projected year-end cash requirements. Should the County find it necessary to resort to interfund borrowing, then such borrowing may not occur after the last Monday in April of each year and must be repaid before any other obligation of the County.

The County does not intend to engage in interfund borrowing for the General Fund nor has it done so since the implementation of the General Fund cash management program in Fiscal Year 1977-78.

Funds Available for Intrafund Borrowing

After the tax and revenue anticipation note proceeds are utilized, the General Fund may borrow from three fund groups to meet its cash flow needs. The most significant group is the Property Tax Group, which consists of collected property taxes that are awaiting apportionment. The great majority of these amounts will be distributed to other governmental agencies such as school districts.

The second most significant borrowing source includes the various trust group funds. The largest of these funds is the Departmental Trust Fund, which consists of various collections, such as court fines and other revenues, awaiting distribution. The majority of these funds will eventually be distributed to entities outside the County. Also in this group is the Payroll Revolving Fund, which is used as a clearing account for County payroll operations and shows a cash balance that consists exclusively (except for a small portion related to the County Superior Court) of monies advanced from budgeted County funds.

The last fund group consists of the Hospital Enterprise Funds. The balances in these funds differ from those in the Property Tax Group and Trust Group in that the Hospital Enterprise Funds are included in the General County Budget. Furthermore, these funds are considered as part of the General Fund for purposes of sizing the County's annual tax and revenue anticipation note financing.

The Hospital Enterprise Funds generally represent working capital advances from the General Fund and cash generated from the County hospitals. At year-end, remaining balances are transferred back to the General Fund. The one exception in this group is the ACO - Equipment Fund, which was established for the purpose of financing hospital equipment purchases at the LAC+USC Medical Center Replacement Facility. It is expected that this fund will be depleted by Fiscal Year 2009-2010 as the LAC+USC Medical Center becomes fully operational.

It must be noted that the average daily balances shown for these sources are not necessarily indicative of the balances on any given day. The balances in certain funds, such as those in the Property Tax Group, can fluctuate greatly during the month. Likewise, the General Fund cash balance fluctuates during the month with the third week being the lowest and month-end the highest due to the timing of State receipts and receipt of welfare advances on the last day of the month. The tables on the following four pages indicate the average daily balances in each of the funds available for intrafund borrowing.

The legality of the County's practice of intrafund borrowing was decided and affirmed by the California Court of Appeal in May 1999, in the case entitled *Stanley G. Auerbach et al v. Board of Supervisors of the County of Los Angeles et al*.

General Fund Cash Flow Statements

Set forth on the following pages are the final 2006-07 General Fund cash flow statement and the General Fund Cash Flow for 2007-08, with actual amounts through April 2008. The County forecasts/projects that the General Fund ending balance will be $1.378 billion for the Fiscal Year 2007-08. These statements are shown on the pages immediately following the average daily balance tables.

COUNTY OF LOS ANGELES
FUNDS AVAILABLE FOR INTRAFUND BORROWING

2006-07: 12 MONTHS ACTUAL
2007-08: 10 MONTHS ACTUAL

COUNTY OF LOS ANGELES
AVERAGE DAILY BALANCES: 2006-07
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2006	August 2006	September 2006	October 2006	November 2006	December 2006
PROPERTY TAX GROUP						
Tax Collector's Trust Fund	$ 158,423.0	$ 111,254.0	$ 95,119.0	$ 272,652.0	$ 1,100,836.0	$ 2,474,865.0
Auditor Unapportioned Money	488,936.0	152,248.0	120,388.0	220,576.0	447,063.0	11,982.0
Unsecured Property Tax Fund	130,303.0	(21,275.0)	57,540.0	99,552.0	127,526.0	118,754.0
Miscellaneous Fees & Taxes	8,074.0	6,044.0	12,949.0	33,216.0	38,289.0	40,290.0
State Redemption Fund - TTC	43,233.0	67,305.0	68,648.0	54,934.0	50,488.0	47,151.0
Educ Rev Augmentation Fund	20,580.0	30,537.0	0.0	0.0	7,641.0	191,629.0
State Reimbursement Fund	0.0	0.0	0.0	0.0	463.0	11,807.0
Sales Tax Replacement Fund	0.0	1,009.0	10,428.0	10,428.0	10,430.0	27,418.0
VLF Replacement Fund	0.0	5,502.0	56,851.0	56,851.0	56,862.0	133,741.0
Rebate Fund	3,259.0	(21,360.0)	(50,772.0)	(68,564.0)	(11,287.0)	3,618.0
Subtotal	$ 852,808.0	$ 331,264.0	$ 371,151.0	$ 679,645.0	$ 1,828,311.0	$ 3,061,255.0
VARIOUS TRUST GROUP						
Departmental Trust Fund	$ 452,300.0	$ 499,668.0	$ 494,419.0	$ 503,325.0	$ 490,246.0	$ 494,476.0
Payroll Revolving Fund	104,094.0	104,560.0	104,001.0	121,570.0	102,703.0	97,412.0
Asset Dev't Implementation FD	35,074.0	34,702.0	33,047.0	33,346.0	33,384.0	33,390.0
Productivity Investment Fund	8,800.0	8,946.0	8,933.0	8,863.0	8,900.0	8,908.0
ACO Fund-Motor Vehicle/ISD	1,906.0	1,909.0	1,775.0	1,720.0	1,806.0	4,223.0
Civic Center Parking	(16.0)	47.0	120.0	158.0	315.0	282.0
Reporters Salary Fund	935.0	373.0	141.0	530.0	975.0	748.0
Cable TV Franchise Fund	5,435.0	4,998.0	4,993.0	5,244.0	5,457.0	5,452.0
Megaflex-Various	23,860.0	24,060.0	24,307.0	24,678.0	24,876.0	25,195.0
Subtotal	$ 632,388.0	$ 679,263.0	$ 671,736.0	$ 699,434.0	$ 668,662.0	$ 670,086.0
HOSPITAL GROUP						
Harbor/UCLA Medical Center	$ 297.0	$ 2,976.0	$ 2,677.0	$ (10.0)	$ 2,157.0	$ 714.0
Olive View Medical Center	(2,832.0)	(2,582.0)	1,256.0	1,084.0	349.0	(622.0)
LAC+USC Medical Center	(6,344.0)	(3,065.0)	869.0	(100.0)	(17.0)	(2,661.0)
Martin Luther King Jr., Hospital	(3,968.0)	975.0	918.0	855.0	458.0	542.0
High Desert Hospital	0.0	0.0	0.0	0.0	0.0	0.0
South/West Network Hospital	554.0	(284.0)	958.0	893.0	1,012.0	697.0
ACO-LAC+USC Med Equip Fund	112,234.0	112,593.0	113,148.0	114.0	114,056.0	114,433.0
Subtotal	$ 99,941.0	$ 110,613.0	$ 119,826.0	$ 2,836.0	$ 118,015.0	$ 113,103.0
GRAND TOTAL	**$ 1,585,137.0**	**$ 1,121,140.0**	**$ 1,162,713.0**	**$ 1,381,915.0**	**$ 2,614,988.0**	**$ 3,844,444.0**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

	January 2007	February 2007	March 2007	April 2007	May 2007	June 2007	
							PROPERTY TAX GROUP
	$ 633,818.0	$ 459,949.0	$ 515,809.0	$ 1,094,109.0	$ 693,081.0	$ 178,482.0	Tax Collector's Trust Fund
	523,825.0	462,721.0	471,105.0	1,210,195.0	313,478.0	250,632.0	Auditor Unapportioned Money
	128,638.0	128,695.0	79,064.0	52,509.0	62,042.0	89,807.0	Unsecured Property Tax Fund
	42,269.0	43,566.0	44,367.0	11,924.0	6,921.0	7,103.0	Miscellaneous Fees & Taxes
	39,547.0	39,097.0	35,656.0	29,805.0	30,068.0	28,560.0	State Redemption Fund - TTC
	31,271.0	19,916.0	1,405.0	95,409.0	(21,076.0)	90.0	Educ Rev Augmentation Fund
	19,658.0	1,442.0	1,442.0	2,521.0	20,103.0	10,150.0	State Reimbursement Fund
	76,646.0	463.0	11,485.0	34,084.0	64,168.0	0.0	Sales Tax Replacement Fund
	356,367.0	11,840.0	61,688.0	163,884.0	295,534.0	0.0	VLF Replacement Fund
	1,806.0	(3,612.0)	7,731.0	(18,514.0)	(14,566.0)	(4,287.0)	Rebate Fund
	$ 1,853,845.0	$ 1,164,077.0	$ 1,229,752.0	$ 2,675,926.0	$ 1,449,753.0	$ 560,537.0	Subtotal
							VARIOUS TRUST GROUP
	$ 490,074.0	$ 480,117.0	$ 499,888.0	$ 454,996.0	$ 521,828.0	$ 460,411.0	Departmental Trust Fund
	128,399.0	95,860.0	104,194.0	106,113.0	104,610.0	119,441.0	Payroll Revolving Fund
	33,394.0	33,409.0	33,416.0	33,000.0	34,567.0	35,185.0	Asset Dev't Implementation FD
	8,502.0	8,909.0	8,906.0	8,996.0	9,276.0	9,011.0	Productivity Investment Fund
	4,178.0	4,032.0	3,747.0	2,071.0	3,685.0	3,685.0	ACO Fund-Motor Vehicle/ISD
	157.0	40.0	199.0	335.0	193.0	174.0	Civic Center Parking
	740.0	1,149.0	866.0	670.0	1,047.0	870.0	Reporters Salary Fund
	5,500.0	5,847.0	5,938.0	4,914.0	6,308.0	6,671.0	Cable TV Franchise Fund
	25,639.0	25,936.0	26,390.0	25,253.0	27,227.0	27,608.0	Megaflex-Various
	$ 696,583.0	$ 655,299.0	$ 683,544.0	$ 636,349.0	$ 708,741.0	$ 663,056.0	Subtotal
							HOSPITAL GROUP
	$ 1,026.0	$ (1,299.0)	$ 508.0	$ 727.0	$ 1,273.0	$ (1,506.0)	Harbor/UCLA Medical Center
	161.0	763.0	335.0	2,211.0	732.0	(1,194.0)	Olive View Medical Center
	1,658.0	1,657.0	(305.0)	744.0	1,819.0	(4,019.0)	LAC + USC Medical Center
	1,408.0	1,755.0	3,429.0	(281.0)	186.0	(1,271.0)	Martin Luther King Jr., Hospital
	0.0	0.0	0.0	0.0	0.0	0.0	High Desert Hospital
	929.0	812.0	(221.0)	386.0	438.0	1,904.0	South/West Network Hospital
	114,831.0	115,311.0	115,977.0	116,177.0	114,929.0	112,951.0	ACO-LAC+USC Med Equip Fund
	$ 120,013.0	$ 118,999.0	$ 119,723.0	$ 119,964.0	$ 119,377.0	$ 106,865.0	Subtotal
	$ 2,670,441.0	**$ 1,938,375.0**	**$ 2,033,019.0**	**$ 3,432,239.0**	**$ 2,277,871.0**	**$ 1,330,458.0**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
AVERAGE DAILY BALANCES: 2007-08
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2007	August 2007	September 2007	October 2007	November 2007	December 2007
PROPERTY TAX GROUP						
Tax Collector's Trust Fund	$ 168,159.0	$ 151,430.0	$ 141,849.0	$ 452,072.0	$ 1,254,437.0	$ 1,992,142.0
Auditor Unapportioned Money	214,570.0	106,057.0	64,251.0	121,634.0	385,589.0	798,197.0
Unsecured Property Tax Fund	158,235.0	76,631.0	144,693.0	170,502.0	158,431.0	104,131.0
Miscellaneous Fees & Taxes	7,297.0	6,779.0	18,070.0	37,873.0	41,854.0	43,029.0
State Redemption Fund - TTC	44,149.0	69,219.0	64,458.0	66,165.0	76,435.0	63,838.0
Educ Rev Augmentation Fund	19,170.0	75,479.0	58,503.0	0.0	10,546.0	207,593.0
State Reimbursement Fund	0.0	0.0	0.0	0.0	469.0	9,849.0
Sales Tax Replacement Fund	0.0	1,631.0	14,759.0	25,353.0	26,039.0	49,806.0
VLF Replacement Fund	0.0	7,376.0	66,745.0	114,655.0	117,924.0	231,223.0
Rebate Fund	2,248.0	(8,596.0)	(15,494.0)	(13,789.0)	(14,325.0)	(13,671.0)
Subtotal	$ 613,828.0	$ 486,006.0	$ 557,834.0	$ 974,465.0	$ 2,057,399.0	$ 3,486,137.0
VARIOUS TRUST GROUP						
Departmental Trust Fund	$ 476,194.0	$ 492,246.0	$ 452,828.0	$ 467,907.0	$ 467,320.0	402,289.0
Payroll Revolving Fund	123,329.0	104,305.0	105,104.0	103,550.0	103,530.0	107,525.0
Asset Dev't Implementation FD	36,084.0	24,772.0	24,672.0	24,814.0	25,219.0	25,246.0
Productivity Investment Fund	8,485.0	8,337.0	8,298.0	8,293.0	8,277.0	8,184.0
ACO Fund-Motor Vehicle/ISD	3,657.0	3,733.0	3,729.0	3,718.0	3,664.0	3,176.0
Civic Center Parking	(30.0)	34.0	132.0	124.0	225.0	113.0
Reporters Salary Fund	647.0	875.0	408.0	684.0	601.0	812.0
Cable TV Franchise Fund	6,752.0	6,893.0	7,114.0	7,139.0	7,433.0	7,558.0
Megaflex-Various	28,176.0	28,618.0	29,071.0	29,558.0	29,978.0	30,370.0
Subtotal	$ 683,294.0	$ 669,813.0	$ 631,356.0	$ 645,787.0	$ 646,247.0	$ 585,273.0
HOSPITAL GROUP						
Harbor/UCLA Medical Center	$ 1,228.0	$ 8,705.0	$ 1,761.0	$ 2,854.0	$ 649.0	$ (837.0)
Olive View Medical Center	(2,941.0)	(3,690.0)	2,222.0	1,573.0	(679.0)	703.0
LAC+USC Medical Center	(1,962.0)	6,416.0	351.0	2,045.0	(1,184.0)	(1,492.0)
Martin Luther King Jr., Hospital	1,458.0	245.0	778.0	4,256.0	(205.0)	760.0
High Desert Hospital	0.0	0.0	0.0	0.0	0.0	0.0
South/West Network Hospital	(190.0)	320.0	844.0	1,359.0	135.0	604.0
ACO-LAC+USC Med Equip Fund	113,394.0	113,631.0	112,249.0	112,413.0	112,929.0	112,658.0
Subtotal	$ 110,987.0	$ 125,627.0	$ 118,205.0	$ 124,500.0	$ 111,645.0	$ 112,396.0
GRAND TOTAL	**$1,408,109.0**	**$ 1,281,446.0**	**$ 1,307,395.0**	**$1,744,752.0**	**$ 2,815,291.0**	**$ 4,183,806.0**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2008	February 2008	March 2008	April 2008	Estimated May 2008	Estimated June 2008	
						PROPERTY TAX GROUP
$ 950,084.0	$ 500,354.0	$ 513,216.0	$ 1,215,200.0	$ 621,489.0	$ 175,127.0	**Tax Collector's Trust Fund**
352,649.0	381,979.0	363,832.0	699,410.0	281,097.0	245,921.0	**Auditor Unapportioned Money**
111,173.0	89,591.0	82,446.0	63,203.0	55,633.0	88,119.0	**Unsecured Property Tax Fund**
43,506.0	35,452.0	8,962.0	8,127.0	6,206.0	6,969.0	**Miscellaneous Fees & Taxes**
46,030.0	51,284.0	37,541.0	36,616.0	26,962.0	28,023.0	**State Redemption Fund - TTC**
33,848.0	6,110.0	2,297.0	230,498.0	(18,899.0)	88.0	**Educ Rev Augmentation Fund**
18,858.0	1,363.0	1,363.0	2,458.0	18,026.0	9,959.0	**State Reimbursement Fund**
96,369.0	25,923.0	37,446.0	46,374.0	57,540.0	0.0	**Sales Tax Replacement Fund**
453,189.0	117,373.0	172,304.0	214,862.0	265,007.0	0.0	**VLF Replacement Fund**
(12,693.0)	(12,662.0)	(10,653.0)	(12,211.0)	(13,061.0)	(4,206.0)	**Rebate Fund**
$ 2,093,013.0	$ 1,196,767.0	$ 1,208,754.0	$ 2,504,537.0	$ 1,300,000.0	$ 550,000.0	**Subtotal**
						VARIOUS TRUST GROUP
$ 418,889.0	$ 433,144.0	$ 437,943.0	$ 442,725.0	$ 441,765.0	$ 416,626.0	**Departmental Trust Fund**
114,890.0	116,475.0	109,041.0	106,607.0	88,560.0	108,082.0	**Payroll Revolving Fund**
25,260.0	25,439.0	25,543.0	30,281.0	29,263.0	31,839.0	**Asset Dev't Implementation FD**
8,087.0	10,879.0	10,266.0	10,169.0	7,853.0	8,154.0	**Productivity Investment Fund**
2,920.0	2,865.0	2,861.0	2,823.0	3,120.0	3,335.0	**ACO Fund-Motor Vehicle/ISD**
142.0	150.0	157.0	239.0	163.0	157.0	**Civic Center Parking**
861.0	902.0	840.0	892.0	886.0	787.0	**Reporters Salary Fund**
7,563.0	7,568.0	7,550.0	7,528.0	5,340.0	6,037.0	**Cable TV Franchise Fund**
30,810.0	31,262.0	31,805.0	32,281.0	23,049.0	24,982.0	**Megaflex-Various**
$ 609,422.0	$ 628,684.0	$ 626,006.0	$ 633,545.0	$ 600,000.0	$ 600,000.0	**Subtotal**
						HOSPITAL GROUP
$ (1,861.0)	$ 1,281.0	$ (1,556.0)	$ 1,858.0	$ 1,000.0	0.0	**Harbor/UCLA Medical Center**
(1,020.0)	582.0	(913.0)	2,499.0	1,000.0	0.0	**Olive View Medical Center**
(1,107.0)	226.0	(613.0)	482.0	1,000.0	0.0	**LAC + USC Medical Center**
(527.0)	(1,936.0)	(1,265.0)	146.0	0.0	0.0	**Martin Luther King Jr., Hospital**
0.0	0.0	0.0	0.0	0.0	0.0	**High Desert Hospital**
(1,581.0)	232.0	14.0	(81.0)	1,000.0	0.0	**South/West Network Hospital**
112,053.0	111,921.0	106,100.0	103,777.0	104,000.0	104,000.0	**ACO-LAC+USC Med Equip Fund**
$ 105,957.0	$ 112,306.0	$ 101,767.0	$ 108,681.0	$ 108,000.0	$ 104,000.0	**Subtotal**
$ 2,808,392.0	**$ 1,937,757.0**	**$ 1,936,527.0**	**$ 3,246,763.0**	**$ 2,008,000.0**	**$ 1,254,000.0**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2006-07: 12 MONTHS ACTUAL
2007-08: 10 MONTHS ACTUAL

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2006-07
(in thousands of $)

	July 2006	August 2006	September 2006	October 2006	November 2006	December 2006
BEGINNING BALANCE	$ 1,617,756.0	$ 1,494,833.0	$ 1,238,335.0	$ 885,254.4	$ 476,851.4	$ 307,807.4
RECEIPTS						
Property Taxes	$ 168,832.0	$ 86,300.0	$ (21.0)	$ -	$ 44,607.0	$ 854,464.0
Sales and Other Taxes	13,547.0	22,186.0	21,203.0	5,429.0	12,092.0	25,388.0
Licenses, Permits & Franchises	1,855.0	6,952.0	3,124.0	3,487.0	398.0	2,264.0
Fines, Forfeitures & Penalties	14,371.0	20,796.0	13,315.0	13,530.0	19,133.0	13,045.0
Use of Money & Property	42,247.0	17,478.0	23,841.0	17,843.0	13,694.0	18,459.0
Intergovernmental Revenue	255,158.0	179,501.0	207,505.0	293,019.0	313,482.0	329,431.0
Charges for Current Services	109,678.0	122,896.0	65,233.0	96,431.0	66,676.0	149,150.0
Other Revenue	14,312.0	11,316.0	6,289.0	11,671.0	6,797.0	33,836.0
Reimbursements	5,236.0	26,903.0	65,914.0	7,915.0	224,555.0	7,050.0
Welfare Advances	224,925.0	209,508.0	202,426.0	402,969.0	261,442.0	341,840.0
Other Receipts	28,157.0	33,402.0	24,044.0	(19,109.0)	9,164.0	39,860.0
Intrafund Transfers	0.0	0.0	0.0	0.0	0.0	0.0
TRANs Sold	500,000.0	0.0	0.0	0.0	0.0	0.0
TRANs Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	$ 1,378,318.0	$ 737,238.0	$ 632,873.0	$ 833,185.0	$ 972,040.0	$ 1,814,787.0
DISBURSEMENTS						
Welfare Warrants	$ 178,996.0	$ 173,823.0	$ 183,570.0	$ 277,564.0	$ 190,212.0	$ 194,735.0
Salaries & Employee Benefits	784,859.0	322,574.0	466,436.0	437,786.0	471,178.0	476,961.0
Services & Supplies and Fixed Assets	383,281.0	262,123.0	230,525.0	297,194.0	325,588.0	244,610.0
Interfund Billings	154,105.0	235,216.0	105,422.6	229,044.0	154,106.0	186,460.0
TRANs Pledge Transfer	0.0	0.0	0.0	0.0	0.0	174,000.0
TRANs Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Intrafund Transfer Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Total Disbursements	$ 1,501,241.0	$ 993,736.0	$ 985,953.6	$ 1,241,588.0	$ 1,141,084.0	$ 1,276,766.0
ENDING BALANCE	$ 1,494,833.0	$ 1,238,335.0	$ 885,254.4	$ 476,851.4	$ 307,807.4	$ 845,828.4
TRANS Repayment Fund						
Beginning Balance	0.0	0.0	0.0	0.0	0.0	0.0
Receipts	0.0	0.0	0.0	0.0	0.0	174,000.0
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0
Ending Balance	0.0	0.0	0.0	0.0	0.0	174,000.0

*Detail may not add due to rounding.

January 2007	February 2007	March 2007	April 2007	May 2007	June 2007	Total 2006-07
$ 845,828.4	$ 1,244,232.4	$ 1,026,082.4	$ 733,242.4	$ 822,218.4	$ 1,671,999.4	
$ 733,442.0	$ 132,852.0	$ 21,095.0	$ 639,829.0	$ 738,957.0	$ 6,324.0	$ 3,426,681.0
16,101.0	22,527.0	15,938.0	9,774.0	25,372.0	18,973.0	208,530.0
1,761.0	1,731.0	16,041.0	2,370.0	12,191.0	3,349.0	55,523.0
12,596.0	24,664.0	19,194.0	14,361.0	35,528.0	14,589.0	215,122.0
17,888.0	19,663.0	30,721.0	18,839.0	26,191.0	26,285.0	273,149.0
266,928.0	308,603.0	315,151.0	255,547.0	388,384.0	400,188.0	3,512,897.0
106,052.0	80,865.0	146,898.0	91,016.0	117,052.0	322,593.0	1,474,540.0
20,798.0	9,750.0	6,145.0	106,852.0	20,479.0	9,146.0	257,391.0
239,004.0	50,512.0	33,326.0	7,012.0	293,925.0	170,669.0	1,132,021.0
339,605.0	227,158.0	277,132.0	296,446.0	366,023.0	363,336.0	3,512,810.0
(4,258.0)	15,761.0	7,202.0	4,782.0	26,612.0	34,586.0	200,203.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	500,000.0
0.0	0.0	0.0	0.0	0.0	522,250.0	522,250.0
$ 1,749,917.0	$ 894,086.0	$ 888,843.0	$ 1,446,828.0	$ 2,050,714.0	$ 1,892,288.0	$ 15,291,117.0
$ 191,932.0	$ 202,489.0	$ 186,830.0	$ 194,378.0	$ 197,778.0	$ 179,695.0	$ 2,352,002.0
494,324.0	508,597.0	463,181.0	494,877.0	498,071.0	453,263.0	5,872,107.0
277,258.0	249,656.0	249,324.0	266,821.0	299,941.0	266,800.0	3,353,121.0
297,999.0	94,494.0	221,348.0	261,526.0	205,143.0	259,761.0	2,404,624.6
90,000.0	57,000.0	61,000.0	140,250.0	0.0	0.0	522,250.0
0.0	0.0	0.0	0.0	0.0	522,250.0	522,250.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
$ 1,351,513.0	$ 1,112,236.0	$ 1,181,683.0	$ 1,357,852.0	$ 1,200,933.0	$ 1,681,769.0	$ 15,026,354.6
$ 1,244,232.4	$ 1,026,082.4	$ 733,242.4	$ 822,218.4	$ 1,671,999.4	$ 1,882,518.4	
174,000.0	264,000.0	321,000.0	382,000.0	522,250.0	522,250.0	0.0
90,000.0	57,000.0	61,000.0	140,250.0	0.0	0.0	522,250.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
264,000.0	321,000.0	382,000.0	522,250.0	522,250.0	522,250.0	522,250.0

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2007-08
(in thousands of $)

	July 2007	August 2007	September 2007	October 2007	November 2007	December 2007
BEGINNING BALANCE	$ 1,882,518.4	$ 1,310,827.4	$ 1,039,992.4	$ 693,820.4	$ 366,482.4	$ 143,446.4
RECEIPTS						
Property Taxes	$ 68,551.0	$ 88,141.0	$ -	$ -	$ 57,748.0	$ 924,312.0
Sales and Other Taxes	14,221.0	23,663.0	17,054.0	7,458.0	8,657.0	21,794.0
Licenses, Permits & Franchises	2,202.0	9,374.0	2,395.0	1,279.0	2,757.0	1,499.0
Fines, Forfeitures & Penalties	31,154.0	23,859.0	12,708.0	14,007.0	20,302.0	12,735.0
Use of Money & Property	45,724.0	22,826.0	22,283.0	14,774.0	18,560.0	16,541.0
Intergovernmental Revenue	223,112.0	268,189.0	332,367.0	209,302.0	231,132.0	491,343.0
Charges for Current Services	130,349.0	104,891.0	101,687.0	87,422.0	96,261.0	147,889.0
Other Revenue	13,027.0	11,422.0	3,923.0	30,833.0	12,974.0	11,041.0
Reimbursements	8,640.0	1,734.0	89,405.0	99,336.0	182,644.0	15,117.0
Welfare Advances	268,902.0	229,277.0	253,860.0	436,169.0	318,482.0	219,172.0
Other Receipts	122,723.0	41,985.0	3,816.0	3,217.0	14,909.0	10,373.0
Intrafund Transfers	0.0	0.0	0.0	0.0	0.0	0.0
TRANs Sold	500,000.0	0.0	0.0	0.0	0.0	0.0
TRANs Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	$ 1,428,605.0	$ 825,361.0	$ 839,498.0	$ 903,797.0	$ 964,426.0	$ 1,871,816.0
DISBURSEMENTS						
Welfare Warrants	$ 182,454.0	$ 183,122.0	$ 219,800.0	$ 223,722.0	$ 219,002.0	$ 191,419.0
Salaries & Employee Benefits	1,234,188.0	376,356.0	515,923.0	509,751.0	490,498.0	535,410.0
Services & Supplies and Fixed Assets	412,704.0	318,421.0	261,414.0	272,934.0	322,459.0	303,988.0
Interfund Billings	170,950.0	218,297.0	188,533.0	224,728.0	155,503.0	218,543.0
TRANs Pledge Transfer	0.0	0.0	0.0	0.0	0.0	174,000.0
TRANs Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Intrafund Transfer Repayment		0.0	0.0	0.0	0.0	0.0
Total Disbursements	$ 2,000,296.0	$ 1,096,196.0	$ 1,185,670.0	$ 1,231,135.0	$ 1,187,462.0	$ 1,423,360.0
ENDING BALANCE	$ 1,310,827.4	$ 1,039,992.4	$ 693,820.4	$ 366,482.4	$ 143,446.4	$ 591,902.4
TRANS Repayment Fund						
Beginning Balance	0.0	0.0	0.0	0.0	0.0	0.0
Receipts	0.0	0.0	0.0	0.0	0.0	174,000.0
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0
Ending Balance	0.0	0.0	0.0	0.0	0.0	174,000.0

*Detail may not add due to rounding.

January 2008	February 2008	March 2008	April 2008	Estimated May 2008	Estimated June 2008	Estimated Total 2007-08
$ 591,902.4	$ 1,150,831.4	$ 1,130,552.4	$ 745,555.4	$ 1,158,020.4	$ 1,543,392.8	
$ 792,694.0	$ 161,522.0	$ 22,122.0	$ 700,992.0	$ 718,569.0	$ 30,027.3	$ 3,564,678.3
20,710.0	13,060.0	14,588.0	6,581.0	22,575.9	18,016.2	188,378.1
1,150.0	7,592.0	9,663.0	985.0	9,244.7	8,059.3	56,200.0
12,103.0	30,071.0	21,610.0	14,540.0	22,695.6	14,866.5	230,651.1
21,614.0	28,815.0	19,089.0	30,304.0	10,928.6	11,168.4	262,627.0
218,592.0	302,577.0	233,223.0	236,469.0	337,999.5	375,256.1	3,459,561.1
141,364.0	109,854.0	91,626.0	112,161.0	129,777.9	132,695.6	1,385,977.5
14,657.0	9,027.0	60,125.0	77,681.0	8,041.8	10,798.8	263,550.6
46,375.0	51,878.0	27,324.0	216,669.0	35,586.8	132,681.2	907,390.0
354,331.0	301,495.0	364,794.0	348,166.0	307,062.7	373,338.5	3,775,049.2
14,419.0	12,218.0	24,883.0	14,507.0	14,945.9	17,004.1	295,000.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	500,000.0
0.0	0.0	0.0	0.0	0.0	522,375.0	522,375.0
$ 1,638,009.0	$ 1,028,109.0	$ 889,047.0	$ 1,759,055.0	$ 1,617,428.3	$ 1,646,287.0	$ 15,411,438.4
$ 205,132.0	$ 210,622.0	$ 197,612.0	$ 212,040.0	$ 215,662.2	$ 211,478.2	$ 2,472,065.4
442,531.0	475,064.0	439,296.0	497,883.0	501,267.5	465,363.4	6,483,530.9
279,647.0	218,243.0	345,768.0	274,303.0	312,909.7	309,217.6	3,632,008.3
61,770.0	87,459.0	230,368.0	221,989.0	202,216.5	303,292.9	2,283,649.4
90,000.0	57,000.0	61,000.0	140,375.0	0.0	0.0	522,375.0
0.0	0.0	0.0	0.0	0.0	522,375.0	522,375.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
$ 1,079,080.0	$ 1,048,388.0	$ 1,274,044.0	$ 1,346,590.0	$ 1,232,055.9	$ 1,811,727.1	$ 15,916,004.0
$ 1,150,831.4	$ 1,130,552.4	$ 745,555.4	$ 1,158,020.4	$ 1,543,392.8	$ 1,377,952.8	
174,000.0	264,000.0	321,000.0	382,000.0	522,375.0	522,375.0	0.0
90,000.0	57,000.0	61,000.0	140,375.0	0.0	0.0	522,375.0
0.0	0.0	0.0	0.0	0.0	522,375.0	522,375.0
264,000.0	321,000.0	382,000.0	522,375.0	522,375.0	0.0	0.0

THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of April 30, 2008, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in Billions)
County of Los Angeles and Special Districts	$9.927
Schools and Community Colleges	12.054
Independent Public Agencies	2.171
Total	$24.152

Of these entities, the involuntary participants accounted for approximately 91.01%, and all discretionary participants accounted for 8.99% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 11, 2008, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated May 27, 2008, the April 30, 2008 book value of the Treasury Pool was approximately $24.152 billion and the corresponding market value was approximately $24.211 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. The County Auditor-Controller's Office performs similar cash and investment reconciliation on a quarterly basis and regularly reviews investment transactions for conformance with the approved policies. Additionally, the County's outside independent auditor annually accounts for all investments.

The Treasury Pool is highly liquid. As of April 30, 2008, approximately 55.47% of the investments mature within 60 days, with an average of 538.90 days to maturity for the entire portfolio. The following table identifies the types of securities held by the Treasury Pool as of April 30, 2008:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	34.57
Certificates of Deposit	21.88
Commercial Paper	36.49
Bankers Acceptances	0.00
Municipal Obligations	0.77
Corporate Notes & Deposit Notes	6.29
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00

Pursuant to Section 27131(a) of the Government Code, all counties investing surplus funds may establish a county treasury oversight committee. On January 16, 1996, the Board of Supervisors approved the establishment of the County Treasury Oversight Committee and subsequently confirmed the five Committee members nominated by the Treasurer in accordance with that Section. The Committee meets quarterly to review and monitor for compliance the investment policies prepared by the Treasurer.

FINANCIAL STATEMENTS-GAAP BASIS

Since Fiscal Year 1980-81, the County has prepared its general purpose financial statements in conformity with generally accepted accounting principles (GAAP) for State and local governments and they have been audited by independent certified public accountants.

The basic financial statements for the fiscal year ended June 30, 2007, and the unqualified opinion of Macias Gini & O'Connell LLP are attached hereto as Appendix B. The County's Comprehensive Annual Financial Reports (CAFRs) since the fiscal year ended June 30, 1982 have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

Fiscal Year 2006-07 is the sixth year that the County has applied Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain reclassifications and adjustments have been made to the prior year balances to conform to the current year's presentation format.

The County's budget is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements. The 2007-08 County Budget has been adopted and included an available (unreserved and undesignated) fund balance of $1,706,357,000 as of June 30, 2007 for the General Fund.

The amounts presented for the General Fund in accordance with GAAP are based on the modified accrual basis of accounting and differ from the amounts presented on a budgetary basis of accounting. The major areas of difference are as follows:

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

- Under the budgetary basis, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the GAAP basis, revenues are not recognized until the qualifying expenditures are incurred.

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

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

- In conjunction with the sale of Tobacco Bonds, the County sold a portion of its future tobacco settlement revenues. Under the budgetary basis, the bond proceeds are recognized as revenues. Under the modified accrual basis, the bond proceeds are recorded as a sale of future revenues and are being recognized over the duration of the sale agreement, in accordance with GASB Statement No. 48. This matter is also discussed in Note 9 to the 2006-07 CAFR, under the caption, “Tobacco Settlement Asset-Backed Bonds.”

- In conjunction with the sale of pension obligation bonds in 1994-1995, the County sold the right to future investment income on debt service deposits. Under the budgetary basis, the proceeds were included in 1994-1995 revenues. Under the GAAP basis, the proceeds were recorded as deferred revenue and are being amortized over the life of the bonds.

The following table provides a reconciliation of the General Fund’s June 30, 2007 fund balance (unreserved and undesignated) on a budgetary and GAAP basis.

The tables on the following pages summarize the audited balance sheet for the General Fund since 2002-03 and provide a history of revenue and expenditure statement for the General Fund over the same period.

COUNTY OF LOS ANGELES
GENERAL FUND
RECONCILIATION OF FUND BALANCE FROM BUDGETARY TO GAAP BASIS
JUNE 30, 2007 (in thousands of $)

Actual Available (Unreserved and Undesignated) Fund Balance - Budgetary Basis	$	1,706,357
Adjustments:		
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP		51,619
Accrual of liabilities for accrued vacation and sick leave not required by GAAP		36,916
Change in revenue accruals related to encumbrances		(30,468)
Deferral of property tax receivables		(105,085)
Deferral of unearned investment income		(10,936)
Deferral of sale of tobacco settlement revenue		(278,260)
Change in fair value of Investments		(3,304)
Available (Unreserved and Undesignated) Fund Balance - GAAP Basis	$	1,366,839

Source: Los Angeles County Auditor-Controller

COUNTY OF LOS ANGELES
BALANCE SHEET AT JUNE 30, 2003, 2004, 2005, 2006 and 2007.
GENERAL FUND-GAAP BASIS (in thousands of $)

	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007
ASSETS					
Pooled Cash and Investments	$ 1,566,544	$ 1,767,764	$ 2,134,177	$ 2,506,016	$ 2,668,854
Other Investments	7,490	7,116	6,594	6,502	6,400
Taxes Receivable	165,472	169,996	187,441	208,279	248,095
Other Receivables	922,382	979,784	1,102,712	1,285,684	1,357,683
Due from Other Funds	447,456	454,899	556,210	219,448	370,124
Advances to Other Funds	304,528	272,228	445,337	541,699	400,280
Inventories	33,230	29,843	39,713	42,562	42,561
Total Assets	$ 3,447,102	$ 3,681,630	$ 4,472,184	$ 4,810,190	$ 5,093,997
LIABILITIES					
Accounts Payable	$ 304,857	$ 238,415	$ 241,753	$ 272,245	$ 300,087
Accrued Payroll	310,698	314,676	328,578	350,421	392,779
Other Payables	188,952	218,132	62,092	67,912	86,055
Due to Other Funds	524,204	615,635	1,001,456	800,615	602,358
Deferred Revenue	231,357	216,796	259,897	275,198	338,714
Advances Payable	162,673	167,613	235,029	286,860	278,023
Third-Party Payor liability	26,631	22,636	16,650	18,661	15,537
Total Liabilities	$ 1,749,372	$ 1,793,903	$ 2,145,455	$ 2,071,912	$ 2,013,553
EQUITY					
Fund Balance (Deficit)					
Reserved	$ 382,758	$ 350,565	$ 400,627	$ 422,055	$ 478,280
Unreserved					
Designated	668,807	659,006	1,017,026	1,522,411	1,235,325
Undesignated	646,165	878,156	909,076	793,812	1,366,839
Total Unreserved	1,314,972	1,537,162	1,926,102	2,316,223	2,602,164
Total Equity	1,697,730	1,887,727	2,326,729	2,738,278	3,080,444
Total Liabilities and Equity	$ 3,447,102	$ 3,681,630	$ 4,472,184	$ 4,810,190	$ 5,093,997

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2003, 2004, 2005, 2006 and 2007.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND-GAAP BASIS FISCAL YEARS 2002-03 THROUGH 2006-07 (in thousands of $)

	2002-03	2003-04	2004-05	2005-06	2006-07
REVENUES:					
Taxes	$ 1,813,882	$ 1,987,861	$ 2,816,095	$ 3,217,726	$ 3,572,932
Licenses, Permits & Franchises	53,915	57,236	58,422	61,080	61,138
Fines, Forfeitures and Penalties	189,982	202,648	220,622	232,762	234,747
Use of Money and Property	77,518	62,919	103,863	226,005	294,511
Aid from Other Government	7,268,697	7,218,003	6,818,550	7,025,205	7,050,121
Charges for Services	1,206,260	1,221,951	1,272,536	1,357,380	1,467,608
Miscellaneous Revenues	233,379	255,183	207,201	211,059	189,636
TOTAL	$ 10,843,633	$ 11,005,801	$ 11,497,289	$ 12,331,217	$ 12,870,693
EXPENDITURES					
General	$ 633,292	$ 657,184	$ 634,113	$ 751,214	$ 854,052
Public Protection	2,956,753	3,095,417	3,239,152	3,473,835	3,855,819
Health and Sanitation	1,743,716	1,813,290	1,844,546	2,004,361	2,126,233
Public Assistance	4,328,436	4,203,618	4,257,038	4,333,920	4,410,224
Recreation and Cultural Services	162,201	170,171	172,338	197,749	217,221
Debt Service	234,982	239,648	256,826	285,640	294,301
Capital Outlay	21,480	28,312	7,329	22,533	818
Total	$ 10,080,860	$ 10,207,640	$ 10,411,342	$ 11,069,252	$ 11,758,668
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		$ 635,993	$ 1,085,947	$ 1,261,965	$ 1,112,025
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to) Other Funds-Net	$ (600,548)	$ (639,110)	$ (657,058)	$ (874,946)	$ (771,788)
Sales of Capital Assets	1,671	2,634	2,784	1,997	1,111
Capital Leases	21,480	28,312	7,329	22,533	818
OTHER FINANCING SOURCES (USES)-Net	$ (577,397)	$ (608,164)	$ (646,945)	$ (850,416)	$ (769,859)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	$ 185,376	$ 189,997	$ 439,002	$ 411,549	$ 342,166
Beginning Fund Balance	1,512,354	1,697,730	1,887,727	2,326,729	2,738,278
Residual Equity Transfers from (to) Other Funds-Net	0	0	0	0	0
Ending Fund Balance	$ 1,697,730	$ 1,887,727	$ 2,326,729	$ 2,738,278	$ 3,080,444

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2003, 2004, 2005, 2006 and 2007.

DEBT SUMMARY

INTRODUCTION

The County has issued various types of notes, bonds, and certificates to finance and refinance its cash management requirements, the replacement of essential equipment, and the acquisition, construction and/or improvement of governmental buildings and public facilities.

OUTSTANDING OBLIGATIONS

As of July 1, 2007, approximately $1.44 billion in intermediate and long-term obligations were outstanding. The General Fund is responsible for $540.8 million of the outstanding debt. State and federal subventions secured $147.9 million in outstanding obligations. Revenues from special districts, special funds, enterprise funds, and trust funds secured the remaining $753.1 million in outstanding obligations.

Of the $518.6 million in payments due in 2007-08 for intermediate and long-term obligations outstanding as of July 1, 2007, only $188.9 million are funded by the General Fund. The table below identifies the funding sources for the debt payments due in 2007-08.

COUNTY OF LOS ANGELES
ADDITIONAL FUNDING SOURCES FOR REPAYMENT OF COUNTY INTERMEDIATE AND LONG-TERM OBLIGATIONS

2007-08 Payments (As of July 1, 2007)

Funding Source	2007-08 Payment
Total 2006-07 Payment Obligation	$518,563,096
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	134,812,633
Courthouse Construction Funds	32,316,471
Special Districts/Special Funds	39,725,924
Trial Court Trust Fund	19,615,534
State & Federal Subventions	103,232,361
Net 2007-08 General Fund Obligation	$188,860,174

Source: Los Angeles County Chief Executive Office

The County's outstanding General County intermediate and long-term debt declined to approximately $1.2 billion in principal as of May 1, 2008 reflecting debt issuance and payment activity during the fiscal year. An additional $500.0 million in Tax and Revenue Anticipation Notes, $5.0 million in Bond Anticipation Notes, and $77.5 million in Tax-Exempt Commercial Paper were also outstanding as of May 1, 2008. The table below summarizes the outstanding General County debt and note obligations.

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING PRINCIPAL

As of May 1, 2008 (in thousands)

Type of Obligation		Outstanding Principal
Total County		
Short-Term Obligations:		
Tax and Revenue Anticipation Notes		$ 500,000.0
Bond Anticipation Notes		5,000.0
Tax-Exempt Commercial Paper	(1)	77,500.0
Intermediate & Long-Term Obligations		
Pension Obligations	(2)	352,255.4
Lease Obligations		836,137.8
Total Outstanding Principal		$ 1,770,893.2

(1) Does not include $128 million of additional Tax-Exempt Commercial Paper issued on May 6, 2008.
(2) Does not include $194.6 million in principal payments that were deposited with trustees in advance, but will not be disbursed to bondholders until June 30, 2008.

Source: Los Angeles County Chief Executive Office

The tables at the end of this section provide a detailed summary of the funding sources for the County's outstanding obligations and future debt service payments.

SHORT-TERM OBLIGATIONS

Tax and Revenue Anticipation Notes

In 1977, the County implemented a cash management program to finance its General Fund cash flow shortages, which occur periodically during the fiscal year. Since the program's inception, the County has annually sold tax anticipation notes and tax and revenue anticipation notes (including commercial paper) in varying amounts.

Pursuant to a resolution adopted by the Board of Supervisors on May 15, 2007, the County, on July 2, 2007, issued its 2007-08 Tax and Revenue Anticipation Notes in the principal amount of $500.0 million, and with a maturity date of June 30, 2008. The 2007-08 Notes are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during the 2007-08 fiscal year in amounts, and on dates specified in the Cash Management Section of this Appendix. Under the authorization for the 2007-08 Notes, the County retains the ability to issue up to an additional $200.0 million in 2007-08 Notes. The County does not intend to issue any additional 2007-08 Notes. Deposit obligations to the Repayment Fund for the 2007-08 Notes were satisfied in full as of April 21, 2008.

Bond Anticipation Notes

The County is currently utilizing the proceeds from the issuance of Bond Anticipation Notes ("BANs") to provide an interim source of funding for the acquisition of equipment on behalf of the County General Fund. The BANs are issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") and are purchased by the County Treasury Pool under terms and conditions established by the Board of Supervisors. The BANs are payable within three years of their initial issuance from the proceeds of long-term bonds or other available funds. Repayment is secured by lease agreements between the County and LAC-CAL and a pledge of the acquired equipment. As of May 1, 2008, $5.0 million in BANs remained outstanding. The County expects to pay in full these outstanding BANs with the proceeds of intermediate-term bonds to be issued by LAC-CAL on or about June 2010.

Tax-Exempt Commercial Paper

The County has authorized a maximum of $335.0 million of tax-exempt commercial paper ("TECP") to finance and refinance construction costs on various capital projects. Repayment of the TECP is secured by an Irrevocable, Direct-Pay Letter of Credit issued by a consortium of three banks (WestLB AG, Bayerische Landesbank, and JPMorgan Chase Bank) and a sublease of nineteen County-owned properties. The subleased properties have useful lives ranging from ten to forty-seven years and have been appraised at an aggregate value in excess of the $335.0 million of TECP authorized by the Board of Supervisors. The Letter of Credit is scheduled to expire on December 15, 2015. As of May 1, 2008, $77.5 million in TECP Notes are outstanding. The County maintains its TECP capacity to provide both interim funding for capital projects pending construction and long-term financing.

LONG-TERM OBLIGATIONS

General Obligation Debt

On June 11, 1987, the County issued $96.0 million of direct, general obligation bonded indebtedness to fund the construction of adult and juvenile detention facilities. The bonds matured and were paid off on June 1, 2007. The County does not presently have any general obligation debt authorization.

Pension Obligations

The County has periodically issued bonds or certificates to fund its unfunded actuarial accrued liability for the retirement benefits of its employees. The obligation of the County to make payments with respect to these bonds and certificates represents an absolute and unconditional obligation imposed by law and is not limited to any special source of funds. As of May 1, 2008, the County had approximately $546.8 million in outstanding bonds and certificates that were issued to finance unfunded actuarial accrued liabilities to its retirement system. Payment of approximately $194.6 million of these bonds and certificates was provided for in July 2007 by the County for those obligations maturing on June 30, 2008. The stated final maturity on the County's pension bonds and certificates is June 2011.

Lease Obligations

Since 1962, the County has financed its capital project and equipment replacement program through various lease arrangements with joint powers authorities and nonprofit corporations, which have issued lease revenue bonds or certificates of participation. As of May 1, 2008, approximately $836.1 million in principal remained outstanding on such obligations. The County's lease obligations are secured by revenues from various funding sources, including the General Fund, and are subject to annual appropriation. The County's 2007-08 Budget contains sufficient appropriations to fund its 2007-08 payment obligations. The County's Board of Supervisors has never failed to appropriate funds for such obligations, nor has the County abated payments on any lease-financed facility to date.

DEBT RATIOS

The ratio of the General Fund's outstanding debt to total assessed valuations decreased from 0.180% in 2006 to 0.151% in 2007. The following table provides the ratio of the General Fund's outstanding debt to total assessed valuation over the past ten years.

COUNTY OF LOS ANGELES
DEBT RATIOS - Principal as a percent of total valuation on July 1
INTERMEDIATE AND LONG-TERM OBLIGATIONS

Year	Outstanding Principal	Total Assessed Valuation	% of Principal to Valuation
1998	$4,389,430,735	$468,476,629,007	0.937%
1999	4,147,139,371	497,014,083,986	0.834%
2000	4,006,333,171	531,023,420,236	0.754%
2001	3,703,638,147	567,296,327,872	0.653%
2002	3,404,067,514	605,942,874,836	0.562%
2003	3,093,060,550	656,073,063,881	0.471%
2004	2,785,149,946	709,671,759,735	0.392%
2005	2,387,949,433	783,342,364,874	0.305%
2006	1,570,958,212	872,103,795,877	0.180%
2007	1,441,826,104	953,468,123,997	0.151%

Source: Los Angeles County Chief Executive Office and Auditor-Controller

DEBT SUMMARY TABLES

The tables on the following pages provide:

1. A summary of the combined principal and interest payments due on General County obligations and the aggregate principal outstanding for each fiscal year by obligation type;

2. A summary of the combined principal and interest payments due on General County obligations and the aggregate principal outstanding for each fiscal year by funding source;

3. A detail of the 2007-08 payments on General County obligations by funding source and debt issue;

4. A detail of the principal outstanding in 2007-08 on General County debt issues by funding source and debt issue;

5. A summary of the outstanding principal, future payments and current year payments due on General County and Special Fund long and intermediate term debt obligations as of May 1, 2008 ; and

6. The County's overlapping debt statement as of May 1, 2008.

COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES

REPORTS AS OF JULY 1, 2007

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL BY FUNDING SOURCE

ENTIRE CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL BY FUNDING SOURCE

REPORTS AS OF MAY 1, 2008

SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

COUNTY OF LOS ANGELES COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AS OF JULY 1, 2007			
Fiscal Year	**Pension Obligation Certificates**	**Other Bonds**	**Total Annual Debt Service**
2007-08	$ 381,602,899	$ 136,960,197	$ 518,563,096
2008-09	320,338,646	121,208,171	441,546,817
2009-10	358,165,000	114,920,129	473,085,129
2010-11	372,130,000	101,650,195	473,780,195
2011-12	-	101,438,026	101,438,026
2012-13	-	91,339,582	91,339,582
2013-14	-	92,176,678	92,176,678
2014-15	-	88,130,823	88,130,823
2015-16	-	70,608,481	70,608,481
2016-17	-	51,908,479	51,908,479
2017-18	-	40,415,028	40,415,028
2018-19	-	41,297,796	41,297,796
2019-20	-	42,193,494	42,193,494
2020-21	-	43,125,344	43,125,344
2021-22	-	44,105,663	44,105,663
2022-23	-	41,123,113	41,123,113
2023-24	-	16,943,875	16,943,875
2024-25	-	16,933,500	16,933,500
2025-26	-	16,929,000	16,929,000
2026-27	-	16,918,875	16,918,875
2027-28	-	16,906,750	16,906,750
2028-29	-	16,905,750	16,905,750
2029-30	-	16,893,613	16,893,613
2030-31	-	9,432,600	9,432,600
2031-32	-	9,431,488	9,431,488
2032-33	-	6,918,000	6,918,000
2033-34	-	6,918,750	6,918,750
2034-35	-	-	-
Total	$ 1,432,236,545	$ 1,373,733,397	$ 2,805,969,941

COUNTY OF LOS ANGELES OUTSTANDING PRINCIPAL OBLIGATIONS AS OF JULY 1, 2007			
Fiscal Year	**Pension Obligation Certificates**	**Other Bonds**	**Total Outstanding Principal**
2007-08	$ 546,849,148	$ 894,976,956	$ 1,441,826,103
2008-09	352,255,398	804,862,785	1,157,118,184
2009-10	235,690,862	724,436,193	960,127,055
2010-11	118,486,192	647,725,838	766,212,030
2011-12	-	582,157,754	582,157,754
2012-13	-	514,567,758	514,567,758
2013-14	-	454,942,515	454,942,515
2014-15	-	392,542,430	392,542,430
2015-16	-	332,205,289	332,205,289
2016-17	-	287,863,098	287,863,098
2017-18	-	261,578,779	261,578,779
2018-19	-	246,838,152	246,838,152
2019-20	-	231,520,857	231,520,857
2020-21	-	215,603,886	215,603,886
2021-22	-	190,725,000	190,725,000
2022-23	-	155,450,000	155,450,000
2023-24	-	121,425,000	121,425,000
2024-25	-	110,200,000	110,200,000
2025-26	-	98,410,000	98,410,000
2026-27	-	86,020,000	86,020,000
2027-28	-	73,005,000	73,005,000
2028-29	-	59,335,000	59,335,000
2029-30	-	44,965,000	44,965,000
2030-31	-	29,895,000	29,895,000
2031-32	-	21,735,000	21,735,000
2032-33	-	13,170,000	13,170,000
2033-34	-	6,750,000	6,750,000
2034-35	-	-	-

Source: Los Angeles County Chief Executive Office

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2007

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State/Federal Subvention	Total Annual Debt Service
2007-08	$ 188,860,174	$ 134,812,633	$ 32,316,471	$ 39,725,924	$ 19,615,534	$ 103,232,361	$ 518,563,096
2008-09	166,912,211	106,049,798	31,972,782	33,486,687	16,466,368	86,658,972	441,546,817
2009-10	175,702,434	112,681,604	32,545,578	36,852,887	18,410,756	96,891,871	473,085,129
2010-11	170,050,624	114,862,326	30,988,833	38,080,087	19,128,599	100,669,724	473,780,195
2011-12	48,271,930	18,400,555	31,546,195	3,219,346	-	-	101,438,026
2012-13	45,246,913	17,098,045	25,708,978	3,285,646	-	-	91,339,582
2013-14	44,406,911	17,098,477	27,323,569	3,347,721	-	-	92,176,678
2014-15	42,083,109	16,118,727	26,513,278	3,415,709	-	-	88,130,823
2015-16	27,014,874	14,471,134	25,636,390	3,486,084	-	-	70,608,481
2016-17	20,801,284	5,684,932	21,867,431	3,554,834	-	-	51,908,479
2017-18	19,814,394	-	16,975,475	3,625,159	-	-	40,415,028
2018-19	20,624,681	-	16,976,475	3,696,640	-	-	41,297,796
2019-20	21,454,019	-	16,965,725	3,773,750	-	-	42,193,494
2020-21	22,321,744	-	16,957,350	3,846,250	-	-	43,125,344
2021-22	23,224,363	-	16,954,300	3,927,000	-	-	44,105,663
2022-23	24,171,488	-	16,951,625	-	-	-	41,123,113
2023-24	-	-	16,943,875	-	-	-	16,943,875
2024-25	-	-	16,933,500	-	-	-	16,933,500
2025-26	-	-	16,929,000	-	-	-	16,929,000
2026-27	-	-	16,918,875	-	-	-	16,918,875
2027-28	-	-	16,906,750	-	-	-	16,906,750
2028-29	-	-	16,905,750	-	-	-	16,905,750
2029-30	-	-	16,893,613	-	-	-	16,893,613
2030-31	-	-	9,432,600	-	-	-	9,432,600
2031-32	-	-	9,431,488	-	-	-	9,431,488
2032-33	-	-	6,918,000	-	-	-	6,918,000
2033-34	-	-	6,918,750	-	-	-	6,918,750
2034-35	-	-	-	-	-	-	-
Total	$ 1,060,961,150	$ 557,278,230	$ 539,332,657	$ 187,323,724	$ 73,621,256	$ 387,452,928	$ 2,805,969,941

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2007

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State/Federal Subvention	Total Outstanding Principal
2007-08	$ 540,809,411	$ 297,112,966	$ 339,022,443	$ 88,836,324	$ 28,109,687	$ 147,935,271	$ 1,441,826,103
2008-09	434,128,117	217,328,362	323,940,886	68,320,647	18,106,984	95,293,187	1,157,118,184
2009-10	352,041,065	169,540,332	307,153,411	55,517,230	12,115,217	63,759,799	960,127,055
2010-11	272,285,120	123,999,461	289,019,920	42,763,744	6,090,546	32,053,240	766,212,030
2011-12	201,756,861	78,874,248	271,616,645	29,910,000	-	-	582,157,754
2012-13	169,884,292	63,799,178	252,834,288	28,050,000	-	-	514,567,758
2013-14	140,450,877	49,377,538	239,074,099	26,040,000	-	-	454,942,515
2014-15	111,373,618	34,279,455	223,014,358	23,875,000	-	-	392,542,430
2015-16	84,203,277	19,440,996	207,011,017	21,550,000	-	-	332,205,289
2016-17	72,115,806	5,556,353	191,140,939	19,050,000	-	-	287,863,098
2017-18	66,818,779	-	178,385,000	16,375,000	-	-	261,578,779
2018-19	63,298,152	-	170,020,000	13,520,000	-	-	246,838,152
2019-20	59,820,857	-	161,225,000	10,475,000	-	-	231,520,857
2020-21	56,388,886	-	151,990,000	7,225,000	-	-	215,603,886
2021-22	44,695,000	-	142,290,000	3,740,000	-	-	190,725,000
2022-23	23,340,000	-	132,110,000	-	-	-	155,450,000
2023-24	-	-	121,425,000	-	-	-	121,425,000
2024-25	-	-	110,200,000	-	-	-	110,200,000
2025-26	-	-	98,410,000	-	-	-	98,410,000
2026-27	-	-	86,020,000	-	-	-	86,020,000
2027-28	-	-	73,005,000	-	-	-	73,005,000
2028-29	-	-	59,335,000	-	-	-	59,335,000
2029-30	-	-	44,965,000	-	-	-	44,965,000
2030-31	-	-	29,895,000	-	-	-	29,895,000
2031-32	-	-	21,735,000	-	-	-	21,735,000
2032-33	-	-	13,170,000	-	-	-	13,170,000
2033-34	-	-	6,750,000	-	-	-	6,750,000
2034-35	-	-	-	-	-	-	-

Source: Los Angeles County Chief Executive Office

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2007

Title	Total Debt Service	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State / Federal Subvention
Long-Term Obligations							
Pension Obligation Certificates							
1986 Pension Ob Certs, Ser A: LACERA Funding	86,311,060	28,054,547	22,371,309		8,099,430	4,436,647	23,349,127
1994 Pension Ob Certs, Ser C: LACERA Funding	250,790,000	81,516,782	65,003,263		23,534,133	12,891,359	67,844,463
1994 Pension Ob Certs, Ser D: LACERA Funding	44,501,839	14,464,878	11,534,610		4,176,053	2,287,528	12,038,771
Total Pension Obligation Certificates	$ 381,602,899	$ 124,036,207	$ 98,909,182	$ 0	$ 35,809,616	$ 19,615,534	$ 103,232,361
Long-Term Capital Projects							
1992 Lease Rev Refg Bonds, 1992 Master Refg Proj:							
Civic Center Heating & Refridgeration Plant	5,867,290	5,867,290					
Downey Courthouse	975,525			975,525			
LeSage Complex	746,569	746,569					
Olive View Medical Center	10,323,244		10,323,244				
Sheriffs Training Academy	820,587	820,587					
San Fernando Court	1,374,426			1,374,426			
Total 1992 Lease Rev Refg Bonds, 1992 Master Refg Proj	$ 20,107,641	$ 7,434,446	$ 10,323,244	$ 2,349,951	$ 0	$ 0	$ 0
1993 COPs: Disney Parking Project	9,060,000	9,060,000					
1998 Refg COPs: Disney Parking Project	3,075,990	3,075,990					
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	3,628,425			3,628,425			
2002 Lease Rev Bonds Ser B:							
Downey Courhouse	320,365			320,365			
Sheriffs Training Academy	264,469	264,469					
San Fernando Court	442,967			442,967			
Total 2002 Lease Rev Bonds Ser B	$ 1,027,800	$ 264,469	$ 0	$ 763,331	$ 0	$ 0	$ 0
2005 Lease Rev Refg Bonds Ser A:							
Music Center Improvements	772,839	772,839					
Alhambra Courthouse	583,261			583,261			
Burbank Courthouse	759,353			759,353			
Ameron Building (Sheriff Headquarters)	2,507,509	2,507,509					
Biscailuz Center	225,034	225,034					
Emergency Operations Center	1,967,422	1,967,422					
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	1,487,022		1,487,022				
Martin Luther King Medical Center - Trauma Center	6,228,981		6,228,981				
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	106,279		106,279				
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	4,399,545		4,399,545				
Rancho Los Amigos Medical Center - Parking Structure	1,642,645		1,642,645				
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	689,093		689,093				
San Fernando Valley Juvenile Hall	976,338	976,338					
LAC/USC Medical Center Marengo Street Parking Garage	2,599,913		2,599,913				
LAX Area Courthouse	6,949,040			6,949,040			
San Fernando Valley Courthouse (Chatsworth)	5,502,470			5,502,470			
Harbor Med Center E.P.S.	1,252,493		1,252,493				
Total 2005 Lease Rev Refg Bonds Ser A	$ 38,649,238	$ 6,449,142	$ 18,405,972	$ 13,794,124	$ 0	$ 0	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	2,973,359				2,973,359		
2006 Lease Rev Refg Bonds Ser A:							
East Los Angeles Courthouse	1,183,720			1,183,720			
Fire Command and Control System	540,050				540,050		
Los Hills Sheriffs Station	887,970	887,970					
Mira Loma Boy's Camp	2,701,282	2,701,282					
LAC/USC Intensive Care Unit	197,327		197,327				
Martin Luther King, Jr. Medical Center Parking Structure	432,862		432,862				
Mid Valley Health Center	778,184		778,184				
Lynwood Regional Justice Center	10,151,179	10,151,179					
Men's Central Jail - Twin Towers	9,577,204	9,577,204					
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning	687,649	687,649					
Pitchess Honor Rancho: Medium Security - N Facility Sewer System	207,939	207,939					
Pitchess Honor Rancho: Medium Security - N Facility Water Treatment	836,261	836,261					
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	195,250	195,250					
Pitchess Honor Rancho: Vehicle Maintenance Facility	492,399	492,399					
Men's Central Jail Parking Structure	2,211,863	2,211,863					
Hutton Building - Registrar / Recorder Headquarters	2,786,742	2,786,742					
Pomona Municipal Courthouse	446,554			446,554			
Pitchess Honor Rancho Laundry Expansion	216,803	216,803					
Pitchess Honor Rancho Visitors Center	535,624	535,624					
Mira Loma Men's Medium Security Facility	383,379	383,379					
Temple City Sheriff Station	918,228	918,228					
Van Nuys Courthouse	3,228,315			3,228,315			
Public Library Headquarters	402,899				402,899		
	$ 39,999,681	$ 32,789,771	$ 1,408,372	$ 4,858,589	$ 942,949	$ 0	$ 0
2006 Lease Rev Refg Bonds Ser B:	6,922,051			6,922,051			
Total Long-Term Capital Projects	$ 125,444,185	$ 59,073,818	$ 30,137,588	$ 32,316,471	$ 3,916,308	$ 0	$ 0
Total Long-Term Obligations	$ 507,047,084	$ 183,110,025	$ 129,046,770	$ 32,316,471	$ 39,725,924	$ 19,615,534	$ 103,232,361
Intermediate-Term Obligations							
Equipment							
2004 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	1,078,313	646,988	431,325				
2006 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	10,437,700	5,103,161	5,334,539				
Total Equipment	$ 11,516,013	$ 5,750,149	$ 5,765,864	$ 0	$ 0	$ 0	$ 0
Total Intermediate-Term Obligations	$ 11,516,013	$ 5,750,149	$ 5,765,864	$ 0	$ 0	$ 0	$ 0
Total Obligations	$ 518,563,096	$ 188,860,174	$ 134,812,633	$ 32,316,471	$ 39,725,924	$ 19,615,534	$ 103,232,361

Source: Los Angeles County Chief Executive Office

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL BY FUNDING SOURCE
AS OF JULY 1, 2007

Title	Total Outstanding Principal	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State / Federal Subvention
Long-Term Obligations							
Pension Obligation Certificates							
1986 Pension Ob Certs, Ser A: LACERA Funding	80,740,000	26,243,730	20,927,324		7,576,642	4,150,278	21,842,027
1994 Pension Ob Certs, Ser C: LACERA Funding	164,996,984	53,630,620	42,766,229		15,483,317	8,481,340	44,635,479
1994 Pension Ob Certs, Ser D: LACERA Funding	301,112,163	97,873,498	78,046,466		28,256,365	15,478,069	81,457,766
Total Pension Obligation Certificates	$ 546,849,148	$ 177,747,847	$ 141,740,018	$ 0	$ 51,316,324	$ 28,109,687	$ 147,935,271
Long-Term Capital Projects							
1992 Lease Rev Refg Bonds, 1992 Master Refg Proj:							
Civic Center Heating & Refridgeration Plant	16,120,000	16,120,000					
Downey Courthouse	3,475,000			3,475,000			
LeSage Complex	725,000	725,000					
Olive View Medical Center	10,025,000		10,025,000				
Sheriffs Training Academy	2,908,486	2,908,486					
San Fernando Court	4,871,514			4,871,514			
Total 1992 Lease Rev Refg Bonds, 1992 Master Refg Proj	$ 38,125,000	$ 19,753,486	$ 10,025,000	$ 8,346,514	$ 0	$ 0	$ 0
1993 COPs: Disney Parking Project	44,946,956	44,946,956					
1998 Refg COPs: Disney Parking Project	59,405,000	59,405,000					
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	15,925,000			15,925,000			
2002 Lease Rev Bonds Ser B:							
Downey Courhouse	5,339,414			5,339,414			
Sheriffs Training Academy	4,407,809	4,407,809					
San Fernando Court	7,382,777			7,382,777			
Total 2002 Lease Rev Bonds Ser B	$ 17,130,000	$ 4,407,809	$ 0	$ 12,722,191	$ 0	$ 0	$ 0
2005 Lease Rev Refg Bonds Ser A:							
Music Center Improvements	5,656,119	5,656,119					
Alhambra Courthouse	3,498,910			3,498,910			
Burbank Courthouse	5,563,602			5,563,602			
Ameron Building (Sheriff Headquarters)	15,024,953	15,024,953					
Biscailuz Center	1,338,602	1,338,602					
Emergency Operations Center	13,104,105	13,104,105					
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	9,926,189		9,926,189				
Martin Luther King Medical Center - Trauma Center	49,243,844		49,243,844				
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	632,351		632,351				
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	32,188,552		32,188,552				
Rancho Los Amigos Medical Center - Parking Structure	12,015,179		12,015,179				
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	4,122,039		4,122,039				
San Fernando Valley Juvenile Hall	7,717,258	7,717,258					
LAC/USC Medical Center Marengo Street Parking Garage	19,030,637		19,030,637				
LAX Area Courthouse	87,247,390			87,247,390			
San Fernando Valley Courthouse (Chatsworth)	71,153,836			71,153,836			
Harbor Med Center E.P.S.	5,611,433		5,611,433				
Total 2005 Lease Rev Refg Bonds Ser A	$ 343,074,999	$ 42,841,037	$ 132,770,224	$ 167,463,738	$ 0	$ 0	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	36,110,000				36,110,000		
2006 Lease Rev Refg Bonds Ser A:							
East Los Angeles Courthouse	9,335,000			9,335,000			
Fire Command and Control System	525,000				525,000		
Los Hills Sheriffs Station	1,800,000	1,800,000					
Mira Loma Boy's Camp	5,460,000	5,460,000					
LAC/USC Intensive Care Unit	400,000		400,000				
Martin Luther King, Jr. Medical Center Parking Structure	875,000		875,000				
Mid Valley Health Center	1,575,000		1,575,000				
Lynwood Regional Justice Center	71,145,000	71,145,000					
Men's Central Jail - Twin Towers	67,165,000	67,165,000					
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning	2,310,000	2,310,000					
Pitchess Honor Rancho: Medium Security - N Facility Sewer System	705,000	705,000					
Pitchess Honor Rancho: Medium Security - N Facility Water Treatment	2,815,000	2,815,000					
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	650,000	650,000					
Pitchess Honor Rancho: Vehicle Maintenance Facility	1,660,000	1,660,000					
Men's Central Jail Parking Structure	7,440,000	7,440,000					
Hutton Building - Registrar / Recorder Headquarters	12,095,000	12,095,000					
Pomona Municipal Courthouse	1,940,000			1,940,000			
Pitchess Honor Rancho Laundry Expansion	940,000	940,000					
Pitchess Honor Rancho Visitors Center	2,325,000	2,325,000					
Mira Loma Men's Medium Security Facility	1,675,000	1,675,000					
Temple City Sheriff Station	3,985,000	3,985,000					
Van Nuys Courthouse	19,880,000			19,880,000			
Public Library Headquarters	885,000				885,000		
	$ 217,585,000	$ 182,170,000	$ 2,850,000	$ 31,155,000	$ 1,410,000	$ 0	$ 0
2006 Lease Rev Refg Bonds Ser B:	103,410,000			103,410,000			
Total Long-Term Capital Projects	$ 875,711,955	$ 353,524,288	$ 145,645,224	$ 339,022,443	$ 37,520,000	$ 0	$ 0
Total Long-Term Obligations	$ 1,422,561,103	$ 531,272,135	$ 287,385,242	$ 339,022,443	$ 88,836,324	$ 28,109,687	$ 147,935,271
Intermediate-Term Obligations							
Equipment							
2004 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	1,065,000	639,000	426,000				
2006 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	18,200,000	8,898,276	9,301,724				
Total Equipment	$ 19,265,000	$ 9,537,276	$ 9,727,724	$ 0	$ 0	$ 0	$ 0
Total Intermediate-Term Obligations	$ 19,265,000	$ 9,537,276	$ 9,727,724	$ 0	$ 0	$ 0	$ 0
Total Obligations	$ 1,441,826,103	$ 540,809,411	$ 297,112,966	$ 339,022,443	$ 88,836,324	$ 28,109,687	$ 147,935,271

Source: Los Angeles County Chief Executive Office

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS
AS OF MAY 1, 2008

Title	Outstanding Principal		Total Future Payments		2007-08 FY Payment Remaining	
Long-Term Obligations						
Pension Obligation Certificates						
1986 Pension Obligation Certificates, Series A	$ 0	(1)	$ 0	(1)	$ 0	(1)
1994 Pension Obligation Bonds, Series C (Capital Appreciation Bonds)	89,998,235	(2)	337,295,000	(2)	0	(2)
1994 Pension Obligation Bonds, Series D (Variable Rate Bonds)	262,257,163	(3)	713,338,646	(3)	0	(3)
Total Pension Obligation Certificates	$ 352,255,398		$ 1,050,633,646		$ 0	
Long-Term Capital Projects						
1992 Lease Rev Refg Bonds, 1992 Master Refunding Project	$ 19,755,000		$ 21,837,298		$ 595,566	
1993 COPs: Disney Parking Project	41,532,785		180,255,000		0	
1998 Refg COPs: Disney Parking Project	59,140,000		96,973,950		0	
2002 Lease Rev Bonds Series A - Edmund D. Edelman Court Project Refunding	13,020,000		14,508,175		0	
2002 Lease Rev Bonds Series B - 2002 Master Refunding Project	17,130,000		23,983,500		513,900	
2005 Lease Rev Refg Bonds Series A - 2005 Master Refunding Project	319,980,000		451,660,264		7,557,882	
2005 Lease Rev Bonds Series A - 2005 Calabasas Landfill Project	36,110,000		50,638,444		2,169,179	
2006 Lease Rev Refg Bonds Series A - 2006 Master Refunding Project	188,880,000		219,149,631		0	
2006 Lease Rev Refg Bonds Series B - 2006 Master Refunding Project	102,295,000		179,877,166		0	
Total Long-Term Capital Projects	$ 797,842,785		$ 1,238,883,428		$ 10,836,528	
Total Long-Term Obligations	$ 1,150,098,184		$ 2,289,517,073		$ 10,836,528	
Intermediate-Term Obligations						
Equipment						
2004 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 0		$ 0		$ 0	
2006 Lease Rev Bonds Series A - LAC-CAL Equipment Program	12,935,000		13,535,000		4,808,700	
2008 Lease Rev Bonds Series A - LAC-CAL Equipment Program	25,360,000		26,659,773		2,535,985	
Total Equipment	$ 38,295,000		$ 40,194,773		$ 7,344,685	
Total Intermediate-Term Obligations	$ 38,295,000		$ 40,194,773		$ 7,344,685	
Total Obligations	$ 1,188,393,184		$ 2,329,711,846		$ 18,181,213	

COPs = Certificates of Participation

The Pension Obligation Certificates do not reflect principal and interest payment amounts remaining for FY 2007-08 that were deposited with the respective trustees in advance on July 15 or 30, 2007 as required by the individual Trust Agreements as follows:
(1) $80,740,000 in principal and $2,785,530 in interest
(2) $74,998,750 in principal and $175,791,251 in interest
(3) $38,855,000 in principal and $2,823,420 in interest

Source: Los Angeles County Chief Executive Office

COUNTY OF LOS ANGELES
ESTIMATED OVERLAPPING DEBT STATEMENT AS OF MAY 1, 2008
Full Cash Value (2007-08): $890,932,389,035 (after deducting $127,390,886,790 redevelopment incremental valuation; including unitary utility valuation)

	Applicable %		Debt as of 5/1/08	
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT				
Los Angeles County Flood Control District	100.000 %	$	99,210,000	
Metropolitan Water District	45.777		149,789,211	
Los Angeles Community College District	100.000		1,370,820,000	
Other Community College Districts	Various (1)		1,365,605,067	
Arcadia Unified School District	100.000		175,457,102	
Beverly Hills Unified School District	100.000		133,822,535	
Glendale Unified School District	100.000		142,870,000	
Inglewood Unified School District	100.000		121,095,000	
Long Beach Unified School District	100.000		241,765,000	
Los Angeles Unified School District	100.000		7,325,045,000	
Pasadena Unified School District	100.000		198,570,000	
Pomona Unified School District	100.000		148,324,159	
Other Unified School Districts	Various (1)		2,315,359,786	
High School and School Districts	Various (1)		1,048,294,308	
City of Los Angeles	100.000		1,303,035,000	
City of Los Angeles Special Tax Lease Revenue Bonds	100.000		80,260,000	
City of Industry	100.000		189,330,000	
Other Cities	100.000		87,025,000	
Special Districts	100.000		9,245,000	
Community Facilities Districts	100.000		886,939,334	
Los Angeles County Regional Park & Open Space Assessment District	100.000		269,995,000	
1915 Act and Benefit Assessment Bonds - Estimate	100.000		201,975,320	
Los Angeles County Metropolitan Transportation Authority Benefit Assessment District Bonds	100.000		43,535,000	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$	17,907,366,822	
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT				
Los Angeles County General Fund Obligations	**100.000 %**	**$**	**1,022,777,788**	
Los Angeles County Pension Obligations	**100.000**		**546,849,147**	
Los Angeles County Office of Education Certificates of Participation	100.000		17,861,064	
Community College District Certificates of Participation	Various (2)		100,837,457	
Azusa Unified School District Certificates of Participation	100.000		67,680,000	
Los Angeles Unified School District Certificates of Participation	100.000		491,691,710	
Norwalk-La Mirada Unified School District Certificates of Participation	100.000		67,978,721	
Pomona Unified School District Certificates of Participation	100.000		64,615,000	
Other Unified School District Certificates of Participation	100.000		325,686,176	
High School and School District General Fund Obligations	Various (2)		171,820,407	
City of Beverly Hills General Fund Obligations	100.000		209,280,000	
City of Los Angeles General Fund and Judgment Obligations	100.000		1,723,945,000	
City of Long Beach General Fund Obligations	100.000		290,290,000	
City of Long Beach Pension Obligations	100.000		83,540,000	
City of Pasadena General Fund Obligations	100.000		394,789,972	
City of Pasadena Pension Obligations	100.000		128,045,000	
Other Cities' General Fund Obligations	100.000		1,255,327,237	
Los Angeles County Sanitation Districts General Fund Obligations	100.000		375,594,995	
Walnut Valley Water District General Fund Obligations	100.000		13,055,000	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$	7,351,664,674	
Less: School District self-supporting bonds			(66,641,149)	
Cities' self-supporting bonds			(181,517,368)	
Walnut Valley Water District General Fund Obligations			(13,055,000)	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$	7,090,451,157	
GROSS COMBINED TOTAL DEBT		$	25,259,031,496	(3)
NET COMBINED TOTAL DEBT		$	24,997,817,979	

(1) 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.
(2) 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.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

RATIOS TO 2007-08 ASSESSED VALUATION	
Total Direct and Overlapping Tax and Assessment Debt	1.760 %

RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)	
Combined Gross Direct Debt ($1,569,626,935)	**0.180 %**
Net Combined Direct Debt ($1,569,626,935)	**0.180 %**
Gross Combined Total Debt	2.840 %
Net Combined Total Debt	2.810 %

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: $ 593,390

Source: California Municipal Statistics. The above report is included for general information purposes only. The County has not reviewed the debt report for completeness or accuracy and makes no representations in connection therewith.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Economic Overview

With a 2007 Gross Product of $461 billion, Los Angeles County's economy is larger than that of 42 states and all but 16 countries. Los Angeles County serves as the central trade district for the western United States and controls nearly three-quarters of the Pacific Coast trade with Asia. It is a leader in the communications industry, has established itself as a leading financial center, and serves as the western headquarters for many national firms. The County's economy expanded at a moderate pace in 2007, with an increase of 3.6% in Gross Product, but is expected to see lower growth in 2008 with a slow-down in the housing sector being the primary impediment.

Los Angeles County has experienced a steady recovery in the job market with three consecutive years of lower unemployment rates from 2003-2006. The 2006 unemployment rate of 4.7% was the lowest in the County since 1988. Despite the small increase in the unemployment rate in 2007 to 5.0%, the County's economy is expected to generate moderate job growth in 2008 in non-farm employment of approximately 0.7%, or 29,900 jobs. The continued growth in the job market is being supported by $33.8 billion in major construction projects, including the expansion of port facilities, light rail projects, hospital improvements, school construction programs, the "LA Live" entertainment complex and the Grand Avenue redevelopment project.

In terms of its industrial base, diversity continues to be Los Angeles County's greatest strength, with continued job growth projected for most major sectors of the economy in 2008. The continuing increase in international trade has made the ports of Los Angeles and Long Beach the busiest and most productive in the nation. As measured by the value of two-way trade, Los Angeles is the number one customs district in the nation for international trade. In 2006, the value of two-way trade continued to grow at a strong pace to a record level of $329.4 billion, or a 12% increase from 2005. In 2007, this number increased by 6.1% to $349.4 billion.

Quality of Life

Higher Education

Los Angeles County is home to an extensive education system including UCLA; five state university campuses; 21 community colleges; prestigious private universities such as USC, Occidental and Claremont Colleges; religious-affiliated universities such as Pepperdine and Azusa Pacific; renowned technology schools such as the California Institute of Technology and the affiliated Jet Propulsion Laboratory; and specialized institutions such as RAND, the Art Center College of Design, and the Otis Art Institute.

Culture

Los Angeles County is the cultural center of the western United States offering world-class museums, theaters, and music venues. The County is home to over 1,000 performing arts organizations and 150,000 working artists, creating one of the largest concentrations of arts activity in the United States.

Los Angeles County has among the largest number of museums per capita relative to other large metropolitan areas in the world. The area's museums showcase some of the world's finest collections of art, sculpture, manuscripts, and antiquities; as well as providing a historical overview of the area's ethnic heritage and experience. Major institutions include the acclaimed Los Angeles County Museum of Art, the Los Angeles County Museum of Natural History, the George C. Page Museum, the Anderson Gallery, the Norton Simon Museum, the J. Paul Getty Museum, the Museum of Contemporary Art, and the Huntington Library.

Los Angeles County features more annual theatrical productions and has more weekly openings than most major cities in the world. The County is home to the Los Angeles Philharmonic Orchestra, which is recognized as one of the finest symphony orchestras in the world. The area also supports numerous regional orchestras such as the Long Beach Symphony, Pasadena Symphony, and Santa Monica Symphony orchestras.

Recreation

Due to its geographic size, location, topography, and mild climate (an average of 329 days of sunshine per year), Los Angeles County offers a full spectrum of recreational activities that are enjoyed by residents and visitors on a year-round basis. The County owns and maintains the world's largest man-made recreational harbor at Marina del Rey, which is home to more than 5,000 pleasure boats, and manages 63,000 acres of parks, trails, natural habitat and the world's largest public golf course system. Each year, millions of people visit Los Angeles County's 31 miles of public beaches stretching along the County's 75-mile shoreline, and bike enthusiasts are able to enjoy the County's 22-mile beach bikeway.

Millions of visitors continue to enjoy the County's multitude of amusement parks, zoos, museums, theaters, motion picture and television studios, regional campgrounds and parklands, and world-renowned restaurants and retail centers. In addition, the County is the host to a number of major annual events such as the January 1st Rose Parade and Rose Bowl game, and the Academy Awards show. Los Angeles County has been a prior host to major sporting events such as the Summer Olympics, the World Cup, and the Super Bowl.

Population

The County of Los Angeles is the most populous county in the U.S. with over 10.3 million people estimated to be residing within its borders. The County's population makes it equivalent to the eighth largest state in the nation and accounts for approximately 27% of the total population of California. The demographic profile of the County indicates that 47% of the population is Hispanic; 31% White non-Hispanic; 11% Asian-Pacific Islander; 9% African American; and 2% Multi-Race. The County is also home to the greatest number of foreign–born residents in the nation (3.7 million) and has the largest population of persons of Filipino, Guatemalan, Korean, Mexican, Salvadoran and Thai descent outside their native countries. It is estimated that 70% of the adult population has a high school diploma or higher, while 25% has a bachelor's degree or higher. Table B illustrates the recent historical growth of the County's population.

Employment

After three years of rising unemployment rates from 2000-2003, the County experienced three consecutive years of an improving job market from 2003-2006. The unemployment rate decreased from 7.0% in 2003 to a cyclical low of 4.7% in 2006. The unemployment rate for 2007 increased to 5.0%, reflecting the slower rate of growth expected for the regional economy. Non-agricultural employment grew at a modest rate of 0.8% in 2007, reflecting an increase of 30,600 jobs from 2006. The moderate pace of job growth is projected to continue at a rate of 0.7% in 2008, representing an increase of 29,900 non-agricultural jobs from 2007. Due in part to the lower value of the U.S dollar relative to foreign currencies and its positive impact on tourism, the leisure & hospitality sector continued to experience strong job growth in 2007 (+7,000 jobs). Other sectors of the economy that experienced job growth in 2007 were health care & social assistance (+10,000 jobs), professional, scientific & technical services (+8,000 jobs), education services (+6000 jobs), and government (+7000 jobs). On the negative side of the employment picture, the construction sector saw a decrease of 5,000 jobs in 2007, reflecting the slow-down in the residential construction industry after 4 consecutive years of steady job growth. The manufacturing sector incurred a significant net loss of 8,900 jobs in 2007, reflecting the continued decline of this sector since 1997. However, the Manufacturing sector has made significant strides to improve efficiency, thus resulting in higher productivity despite the net loss of jobs. Table F details the County's non-agricultural employment numbers by sector since 2003.

Personal Income

Total personal income in Los Angeles County continued to grow at a solid pace in 2007, to $383.5 billion, or a 5.7% increase from 2006. The County's total personal income in 2007 represents an estimated 25.2% of the total personal income generated in California. The sustained growth in personal income represents a 24.0% increase since 2003, and reflects the solid growth and positive economic conditions of both the State and regional economies over the last several years. For 2008, the County's total personal income is expected to grow at a rate of approximately 5.6%. Table C provides a summary of the personal income levels in Los Angeles County since 2003.

Consumer Spending

Los Angeles County is a national leader in consumer spending. In 2007, the County generated $95 billion in retail sales. While this number reflects a slight decrease from the $95.5 billion number in 2006, it represents a significant increase of 19.6% from 2003 levels. Table D provides a summary of the recent growth of retail sales in Los Angeles County.

Industry

With a Gross Product of $461 billion in 2007, Los Angeles County is considered the leading center for business and commerce in the western United States. Its Gross Product represents approximately 26% of the total economic output in California and nearly 3.3% of the Gross Domestic Product of the United States. The County's business environment is distinguished by its diversity and balance, and is recognized as a world leader in the high-technology, electronic, energy, communication, and entertainment industries. Table A provides summary information on the Gross Product of Los Angeles County.

Los Angeles County is the largest major manufacturing center in the United States, with over 453,000 workers employed in this sector as of 2007. The largest components of the manufacturing sector include apparel, fabricated metal products, computer and electronics, and transportation equipment. The steady decline in industrial market vacancy rates (from 3.2% in 2003 to 1.5% by the end of 2007) is an indication of the continued strength of the Manufacturing sector, despite the loss of jobs.

International Trade

Due to its strategic location, broad transportation network and extensive cargo facilities, Los Angeles has positioned itself as the nation's busiest center of international commerce as measured by the dollar value of two-way trade. International trade has been a leading contributor to the solid economic growth of the region. The value of two-way trade through the Los Angeles Customs District has increased by over 48% since 2003 to a record level of $349.4 billion in 2007. Forecasts for 2008 indicate further growth in international trade, with a projected total value of two-way trade up by 4.7% from 2007 to $365.7 billion. In 2007, direct international trade created 14,700 additional jobs in the Los Angeles five-county area. The estimated 501,600 workers employed in sectors related to international trade accounted for 6.9% of total non-farm employment in the five-county region. Moderate employment growth of 0.4% is expected for this sector in 2008.

Transportation/Infrastructure

Los Angeles County is one of the world's largest transportation centers. The region's ports, airports, integrated rail and highway facilities are part of an extensive transportation infrastructure that provides valuable service to residents, visitors, and industry.

Airports and Harbors

All transcontinental airlines and many international carriers serve the Los Angeles area through major air terminals at the Los Angeles International Airport, Long Beach Airport and the Bob Hope Airport in Burbank. Los Angeles International Airport is the third busiest and one of the most modern air terminals in the nation.

The Ports of Los Angeles and Long Beach are adjacent ports that encompass the nation's largest port complex in terms of annual cargo tonnage and container volume. Together, they represent the fifth busiest port complex in the world after Singapore, Shanghai, Hong Kong, and Shenzen. Both ports are owned and operated by their respective cities. The combined Los Angeles/Long Beach port complex is also the fastest growing port facility in the United States. The primary trading partners are China, Japan, Taiwan, South Korea and Thailand. The combined port complex is a powerful economic force in the region, with a direct connection to hundreds of thousands of jobs in Southern California and billions of dollars in state and local tax revenue.

The Port of Los Angeles is one of the largest man-made harbors in the world. As measured by annual container volume, it ranks as the busiest container port in the United States, and the eighth busiest in the world. The port facilities cover over 7,500 acres and include 43 miles of waterfront. The port has 25 major cargo terminals, including facilities to handle automobiles, containers, dry bulk products and liquid bulk products. For the fiscal year ended June 30, 2007, the port handled nearly 190 million metric revenue tons of cargo, with an estimated value of over $238 billion; and processed 8.6 million equivalent cargo container units, representing a 10.2% increase in container volume from fiscal year ended 2006.

The Port of Long Beach is also among the world's busiest container ports, and ranks behind the Port of Los Angeles as the second busiest port in the nation, and the twelfth busiest in the world. The port covers over 3,200 acres, with 35 miles of waterfront and 8 major container terminals. In calendar year 2007, the port handled 174 million metric revenue tons of cargo and processed over 7.3 million twenty-foot equivalent cargo container units, representing increases of 2.5% and 0.3%, respectively from 2006.

Port Expansion

The Ports of Los Angeles and Long Beach are currently in the process of major ongoing expansion programs ($1.1 and $1.4 billion, respectively) that will facilitate further growth and expansion of trade activity. The expansion of port facilities will continue to have a positive economic impact on the region through the creation of new jobs in the trade-related sectors of the local economy. The various expansion related projects will enable the region to more effectively manage the growing volume of imports and exports and provide a faster and more efficient system for the transportation of cargo from the port complex to markets nationwide.

Metro System

The Metro System, a multi-modal and integrated passenger transportation system provides service to the greater Los Angeles area. The Metro System was designed to meet the travel needs of the area's diverse population centers through a variety of transportation alternatives that will be implemented over a 30-year period. The integrated Metro System is administered and operated by the Los Angeles County Metropolitan Transportation Authority (MTA). Formed in 1993 from the merger of the Southern California Rapid Transit District and the Los Angeles County Transportation Commission, the MTA is responsible for the planning, design, construction and operation of the public transportation system for Los Angeles County. The fiscal year 2007 operating budget for the MTA was $3.036 billion, which is primarily funded through voter approved State and local sales taxes, State gasoline taxes, and various Federal, State and local grants.

Visitor and Convention Business

Tens of millions of visitors travel to Southern California each year, providing a significant contribution to the County's economy. In 2006, the Los Angeles Convention and Visitors Bureau estimated that 25.4 million overnight visitors stayed in Los Angeles, with total visitor expenditures of $13.5 billion during this period. The total number of overnight visitors grew slightly in 2007 to 25.8 million, and is expected to reach 26.3 million in 2008. Los Angeles is the fourth most frequent destination for domestic travelers in the United States, according to the Travel Industry Association of America; and the second ranked destination for international visitors behind only New York, according to the International Trade Administration.

Real Estate and Construction

After peaking toward the end of 2005, the residential housing market in Los Angeles County experienced a noticeable slow-down in 2006 and 2007. With the exception of new and median home prices, all of the major indicators for the housing market in the County showed significant deterioration in 2007. Final numbers in 2007 indicate that new and existing home sales, residential building permits and residential purchase lending are down by 31%, 23% and 33%, respectively, compared to 2006. According to the most recent semi-annual home price survey conducted by the Real Estate Research Council of Southern California, average home prices in Los Angeles County decreased by 7.1% from October 2006 to October 2007. In 2008, the number of residential building permits is expected to fall by 4.6%.

As an indication that builders are having a more difficult time selling new homes, the inventory of unsold new housing increased to 4,273 in 2007, representing an 18% increase from the 3,630 new homes that were unsold in 2006. The inventory of resale homes has also grown significantly since 2006 and will continue to grow with the addition of foreclosed homes on the market, and the fact that it takes much longer to sell a house in the current environment. Rising interest rates and the resulting impact on adjustable rate mortgages has put a significant number of borrowers at greater risk of default on homes they can no longer afford as their mortgages "reset" at higher rates. At the close of 2007 notices of default recorded (foreclosures) increased by 104% from the same period in 2006.

Despite the significant slow-down in the residential housing market, the Los Angeles region is still considered to have a shortage of affordable housing. The reasons for insufficient housing include lengthy permitting processes and other regulations on new construction; neighborhood aversion to higher-density housing; and local government resistance to new housing projects. In addition, the shortage of undeveloped land in the County and rising construction costs have created incentives for developers to build more expensive housing (high-end homes and luxury apartments) instead of affordable housing units.

After a solid performance in 2006, the non-residential real estate market showed mixed results in 2007. Although non-residential building permits increased by 20% in 2007 compared to 2006, construction lending decreased by 18% over the same measurement period. Due to the relative strength and diversity of the regional economy, and as firms expand or relocate to bigger spaces to accommodate continued growth and improved productivity, the vacancy rates for the office and industrial markets have decreased steadily from the 2003 rate of 17.3% to a 2006 rate of 9.4%. The average office market vacancy rate slightly increased in 2007 by 0.3% to 9.7%, which is below the 10% level that is considered to reflect a 'balanced" market. With an industrial market vacancy rate that decreased from 4.5% at the end of 2001 to 1.5% at the end of the fourth quarter in 2007, the County is now the tightest industrial market in the nation. The decreasing supply of quality industrial space could have a negative impact on future business growth and expansion as this trend is expected to continue in 2008.

Notwithstanding the recent downturn in the housing market, the Los Angeles County Assessor released a $1.038 trillion gross assessment roll in July 2007. The historic trillion-dollar gross assessment roll represents an $88 billion, or 9.3% increase, from the previous fiscal year. The increase was primarily driven by residential housing sales and changes in ownership in 2006 that required a reassessment under Proposition 13. Residential housing transactions accounted for $58 billion of the increase, with each property that changed ownership resulting in an average increase of $356,000 in assessed value, compared to $332,000 in the previous year. The 2008-09 gross assessment roll for the County is expected to show continued, but more moderate, growth of approximately 6.1% over 2007-08.

COUNTY OF LOS ANGELES
ECONOMIC AND DEMOGRAPHIC STATISTICAL TABLES

TABLE A: GROSS PRODUCT OF LOS ANGELES COUNTY (in millions of $)

	2003	2004	2005	2006	2007
Los Angeles County	$371,000	$397,500	$418,700	$446,800	$460,900
State of California	1,417,100	1,524,900	1,628,000	1,727,400	1,798,300
United States	10,971,200	11,734,300	12,455,800	13,244,600	13,794,200
Los Angeles County as a % of California	26.18%	26.07%	25.72%	25.87%	25.63%

Source: Los Angeles Economic Development Corporation

TABLE B: POPULATION LEVELS

	2003	2004	2005	2006	2007
Los Angeles County	10,026,900	10,127,400	10,197,200	10,247,700	10,294,300
State of California	35,990,100	36,522,000	36,981,900	37,444,400	37,771,400
Los Angeles County as a % of California	27.86%	27.73%	27.57%	27.37%	27.25%

Source: Los Angeles Economic Development Corporation

TABLE C: TOTAL PERSONAL INCOME: HISTORICAL SUMMARY BY COUNTY (in millions of $)

	2003	2004	2005	2006	2007
Los Angeles County	$309,800	$327,400	$342,200	$362,800	$383,500
Orange County	117,700	125,700	133,000	142,400	146,400
Riverside and San Bernardino Counties	89,500	97,300	104,100	111,900	116,500
Ventura County	28,100	30,500	32,100	33,900	35,700
State of California	1,187,000	1,265,700	1,347,900	1,434,900	1,519,600
Los Angeles County as a % of California	26.10%	25.87%	25.39%	25.28%	25.24%

Source: Los Angeles Economic Development Corporation

TABLE D: TAXABLE RETAIL SALES IN LOS ANGELES COUNTY (in millions of $)

	2003	2004	2005	2006	2007
Los Angeles County	$79,427	$86,497	$92,271	$95,544	$94,981
State of California	320,217	350,173	375,808	389,067	387,121
Los Angeles County as a % of California	24.80%	24.70%	24.55%	24.56%	24.54%

Source: Los Angeles Economic Development Corporation

TABLE E: UNEMPLOYMENT RATES

	2003	2004	2005	2006	2007
Los Angeles County	7.0%	6.5%	5.3%	4.7%	5.0%
State of California	6.8%	6.2%	5.4%	4.9%	5.3%
United States	6.0%	5.5%	5.1%	4.6%	4.6%

Source: Los Angeles Economic Development Corporation

TABLE F: ESTIMATED AVERAGE ANNUAL EMPLOYMENT IN LOS ANGELES COUNTY BY SECTOR

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2003	2004	2005	2006	2007
Wholesale & Retail Trade	613.4	620.5	633.7	648.4	650.2
Government	599.3	587.1	583.7	588.6	595.7
Manufacturing	500.0	483.6	471.7	462.2	453.3
Leisure & Hospitality	362.6	372.8	377.8	387.5	395.3
Health Care & Social Assistance	365.6	371.6	373.9	380.2	390.5
Professional, Scientific & Technical Services	233.5	237.7	250.9	262.8	271.5
Administrative & Support Services	249.1	253.6	257.7	268.7	271.7
Information	202.3	211.9	207.6	209.7	210.7
Finance & Insurance	165.0	165.0	166.2	169.0	166.0
Transportation & Utilities	161.5	161.1	161.7	165.7	167.7
Construction	134.6	140.2	148.7	156.7	151.7
Educational Services	94.8	95.4	97.4	101.1	108.0
Real Estate	74.8	76.7	77.8	79.0	77.5
Management of Enterprises	77.4	71.2	67.6	63.2	61.2
Other	149.3	148.5	148.0	149.7	152.1
Total	3,982.9	3,996.5	4,024.2	4,092.4	4,123.1

Source: Los Angeles County Economic Development Corporation

TABLE G: SUMMARY OF AIRPORT AND PORT ACTIVITY (in thousands)

Type of Activity	2002	2003	2004	2005	2006
International Air Cargo (Tons)					
Los Angeles International Airport	955.3	963.5	1,048.4	1,098.8	1,088.0
As Percentage of Total Air Cargo	51.09%	50.05%	51.83%	53.63%	53.79%
Total Air Cargo (Tons)					
Los Angeles International Airport	1,869.9	1,924.9	2,022.9	2,048.8	2,022.7
Bob Hope Airport (Burbank)	43.1	47.6	49.6	52.9	57.6
Total	1,913.0	1,972.5	2,072.5	2,101.7	2,080.3
International Air Passengers					
Los Angeles International Airport	14,842.0	14,623.9	16,476.1	17,486.3	16,911.1
As Percentage of Total Passengers	26.40%	26.60%	27.14%	28.44%	27.70%
Total Air Passengers					
Los Angeles International Airport	56,220.2	54,982.8	60,704.6	61,489.5	61,041.1
Bob Hope Airport (Burbank)	4,620.7	4,729.9	4,916.8	5,512.6	5,689.3
Total	60,840.9	59,712.8	65,621.4	67,002.1	66,730.4
Container Volume (TEUs)					
Port of Los Angeles	6,105.9	7,178.9	7,321.4	7,484.6	8,469.9
Port of Long Beach	4,526.4	4,658.1	5,779.9	6,709.8	7,290.4
Total	10,632.2	11,837.1	13,101.3	14,194.4	15,760.2

Source: Los Angeles Economic Development Corporation

TABLE H: VALUE OF INTERNATIONAL TRADE AT MAJOR CUSTOMS DISTRICTS (in millions of $)

Customs District	2003	2004	2005	2006	2007
Los Angeles, CA	$234,900	$264,000	$293,900	$329,400	$349,400
New York, NY	219,600	245,100	267,600	295,000	323,900
Detroit, MI	186,800	207,300	229,900	239,600	247,100
Houston, TX	81,000	104,600	136,500	162,200	185,300
New Orleans, LA	94,400	115,600	130,400	152,800	175,300
Laredo, TX	115,400	130,800	139,300	157,300	167,800
Chicago, IL	79,400	95,000	108,600	120,700	132,700
Seattle, WA	75,300	86,900	100,600	119,600	132,300
San Francisco, CA	79,500	93,700	99,000	111,100	112,200
Savannah, GA	48,300	60,400	72,500	82,500	93,800

Source: Los Angeles Economic Development Corporation

TABLE I: TOTAL TONNAGE OF MAJOR WEST COAST PORTS (in thousands)

Port	2003	2004	2005	2006	2007
Los Angeles-Long Beach, CA	163,951	177,592	186,533	210,503	211,691
Tacoma, WA	27,595	30,739	34,193	32,516	33,753
Seattle, WA	19,817	23,977	29,515	28,692	29,514
Oakland, CA	22,478	24,683	27,831	28,597	29,449
Portland, OR	18,996	20,357	18,728	20,173	23,167
Kalama, WA	7,331	9,307	9,506	8,444	9,624
San Diego, CA	4,478	4,704	5,307	6,705	6,548
Vancouver, WA	3,991	5,021	4,101	5,441	6,173
Port Hueneme	3,586	3,413	4,042	4,603	4,571

Source: Los Angeles Economic Development Corporation

TABLE J: INTERNATIONAL CONTAINER TRAFFIC AT MAJOR U.S. PORTS (in thousands)

Port	2003	2004	2005	2006	2007
Los Angeles-Long Beach, CA	7,823	8,612	9,263	10,542	10,735
New York, NY	2,819	3,146	3,390	3,678	3,935
Savannah, GA	1,131	1,287	1,483	1,609	2,042
Norfolk, VA	1,096	1,200	1,319	1,425	1,573
Oakland, CA	1,070	1,192	1,372	1,415	1,451
Houston, TX	943	1,090	1,231	1,295	1,416
Charleston, SC	1,253	1,414	1,512	1,517	1,408
Seattle, WA	819	1,044	1,340	1,223	1,289
Tacoma, WA	937	937	1,154	1,096	1,151

Source: Los Angeles Economic Development Corporation

TABLE K: REAL ESTATE AND CONSTRUCTION INDICATORS IN LOS ANGELES COUNTY

Indicator	2003	2004	2005	2006	2007
1. Construction Lending (in millions)	$4,486	$6,237	$6,986	$8,435	$6,890
2. Residential Purchase Lending (in millions)	$42,987	$53,813	$62,485	$57,046	$38,412
3. New & Existing Median Home Prices	$317,890	$394,274	$467,714	$510,815	$528,853
4. New & Existing Home Sales	136,128	137,565	133,111	109,571	$75,481
5. Notices of Default Recorded	21,313	16,528	16,299	26,296	53,525
6. Unsold New Housing (at year-end)	528	628	1,115	3,630	4,273
7. Office Market Vacancy Rates	17.3%	14.8%	11.2%	9.4%	9.7%
8. Industrial Market Vacancy Rates	3.2%	2.4%	2.0%	1.5%	1.5%

Source: Real Estate Research Council of Southern California - 4th Quarter 2007 Report

TABLE L: BUILDING PERMITS AND VALUATIONS

	2003	2004	2005	2006	2007
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	10,217	11,752	11,911	10,097	7,408
b. Multi-Family	11,096	15,183	13,736	16,251	12,820
Total Residential Building Permits	21,313	26,935	25,647	26,348	20,228
Building Valuations					
2. Residential Building Valuations (in millions of $)					
a. Single Family	$2,585	$2,924	$2,916	$2,561	$2,024
b. Multi-Family	1,179	1,916	1,810	2,205	2,002
c. Alterations and Additions	1,390	1,728	1,962	1,982	1,896
Residential Building Valuations Subtotal	$5,154	$6,568	$6,688	$6,747	$5,922
3. Non-Residential Building Valuations (in millions of $)					
a. Office Buildings	$182	$307	$233	$241	$716
b. Retail Buildings	356	484	552	482	472
c. Hotels and Motels	27	63	93	119	343
d. Industrial Buildings	276	178	277	182	109
e. Alterations and Additions	1,366	1,404	1,669	1,694	1,969
f. Other	724	738	1,000	1,178	1,069
Non-Residential Building Valuations Subtotal	$2,931	$3,174	$3,824	$3,896	$4,678
Total Building Valuations (in millions)	$8,085	$9,741	$10,512	$10,643	$10,600

Source: Real Estate Research Council of Southern California

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY (2006)

			No. of Employees	
Company	**Industry**	**Headquarters**	**L.A. County**	**Total**
Kaiser Permanente	Health Care Provider	Oakland, CA	32,180	152,814
Northrop Grumman Corp.	Aerospace/Defense Contractor	Los Angeles, CA	21,000	123,600
Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	15,825	155,139
Kroger Co.	Supermarket Operator	Cincinnati, OH	14,000	290,000
University of Southern California	Education-Private University	Los Angeles, CA	12,379	12,379
Bank of America Corp.	Banking and Financial Services	Charlotte, NC	12,200	205,000
Vons	Supermarket Operator	Pleasanton, CA	12,116	31,827
Target Corp.	Retailer	Minneapolis, MN	12,066	338,000
AT&T Inc.	Telecommunications	San Antonio, TX	9,500	179,420
Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	8,817	8,817
Wells Fargo	Banking and Financial Services	San Francisco, CA	8,458	161,586
California Institute of Technology	Education-Private University	Pasadena, CA	8,453	8,453
Amgen Inc.	Biotechnology	Thousand Oaks, CA	8,000	18,000
Fedex Corp.	Delivery Services	Memphis, TN	7,976	260,000
Albertson's Inc.	Supermarket Operator	Eden Prairie, MN	7,431	230,000
ABM Industries, Inc.	Building Maint. & Engineering Srvs.	San Francisco, CA	7,221	73,000
Providence Health System	Health Care Provider	Seattle, WA	7,058	33,940
Edison International	Electric Utility	Rosemead, CA	6,768	16,978
Catholic Healthcare West	Health Care Provider	San Francisco, CA	6,338	42,636
UPS	Delivery Services	Atlanta, GA	6,295	407,200
Washington Mutual Inc.	Banking and Financial Services	Seattle, WA	6,000	52,800
Long Beach Memorial Medical Ctr.	Medical Center	Huntington Beach, CA	5,262	10,209
Sempra Energy	Energy Services/Electric Utility	San Diego, CA	4,151	14,084
Adventist Health	Health Care Provider	Roseville, CA	4,029	19,026
Children's Hospital Los Angeles	Medical Center	Los Angeles, CA	3,814	3,814

Source: Los Angeles Business Journal: "The Lists 2007"

COUNTY OF LOS ANGELES
CALIFORNIA

APPENDIX B

COUNTY OF LOS ANGELES FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
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COUNTY OF LOS ANGELES
CALIFORNIA

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Supervisors
County of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County), as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Community Development Commission (CDC) and the Los Angeles County Employees Retirement Association (LACERA), which represent the following percentages of the assets, net assets or fund balances, and revenues of the following opinion units:

Opinion Unit	Assets	Net assets or fund balance	Revenues
Governmental Activities	1%	1%	1%
Business-type Activities	5%	9%	10%
Aggregate Remaining Fund Information	75%	73%	16%

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Fire Protection District, the Flood Control District, the Public Library, and the Regional Park and Open Space District, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 21 and the schedule of funding progress on page 99 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we and the other auditors express no opinion on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
December 13, 2007

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of financial activities for the fiscal year ended June 30, 2007. We recommend that this information be used in conjunction with additional information contained in the letter of transmittal.

Financial Highlights

At the end of the current year, the net assets (total assets less total liabilities) of the County were positive $17.177 billion. However, net assets are classified into three categories and the unrestricted component is negative $836 million. See further discussion on page B-7.

During the current year, the County's net assets increased by a total of $1.523 billion. Net assets related to governmental activities increased by $1.335 billion, while net assets related to business-type activities increased by $188 million.

At the end of the current year, the County's General Fund reported a total fund balance of $3.08 billion. The amount of unreserved fund balance was $2.602 billion. Of the unreserved total, $1.235 billion was designated.

The County's capital asset balances were $17.258 billion at year-end and increased by $612 million during the year.

During the current year, the County's total long-term debt decreased by $373 million. Bond maturities of $757 million exceeded the $384 million of newly issued and accreted long-term debt.

Overview of the Basic Financial Statements

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The Statement of Activities presents information that indicates how the County's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that affect cash flows in future periods. For example, property tax revenues have been recorded that have been earned but not yet collected and workers' compensation expenses have been accrued but not yet paid.

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

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

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

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

FUND FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS-Continued

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $17.177 billion at the close of the most recent fiscal year.

Summary of Net Assets
As of June 30, 2007 and 2006
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	$ 7,517,376	$ 7,056,499	$ 854,182	$ 957,836	$ 8,371,558	$ 8,014,335
Capital assets	14,929,975	14,432,994	2,328,116	2,213,544	17,258,091	16,646,538
Total assets	22,447,351	21,489,493	3,182,298	3,171,380	25,629,649	24,660,873
Current and other liabilities	1,321,963	1,244,728	198,490	199,773	1,520,453	1,444,501
Long-term liabilities	5,684,764	6,139,202	1,247,234	1,423,405	6,931,998	7,562,607
Total liabilities	7,006,727	7,383,930	1,445,724	1,623,178	8,452,451	9,007,108
Net assets:						
Invested in capital assets, net of related debt	14,192,494	13,567,513	2,190,999	1,827,225	16,383,493	15,394,738
Restricted net assets	1,443,083	1,378,439	186,266	165,427	1,629,349	1,543,866
Unrestricted net assets (deficit)	(194,953)	(840,389)	(640,691)	(444,450)	(835,644)	(1,284,839)
Total net assets	15,440,624	14,105,563	1,736,574	1,548,202	17,177,198	15,653,765
Total liabilities and net assets	$ 22,447,351	$ 21,489,493	$ 3,182,298	$ 3,171,380	$ 25,629,649	$ 24,660,873

As indicated above, the County's total net assets consist of the following three components:

Capital Assets, Net of Related Debt

The largest portion of the County's net assets ($16.384 billion) represents its investment in capital assets (i.e., land, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Assets

The County's restricted net assets at year-end were $1.629 billion. Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. Net assets that pertain to the various separate legal entities included in the basic financial statements are also generally restricted because their funding sources require that funds be used for specific purposes.

Unrestricted Net Assets (Deficit)

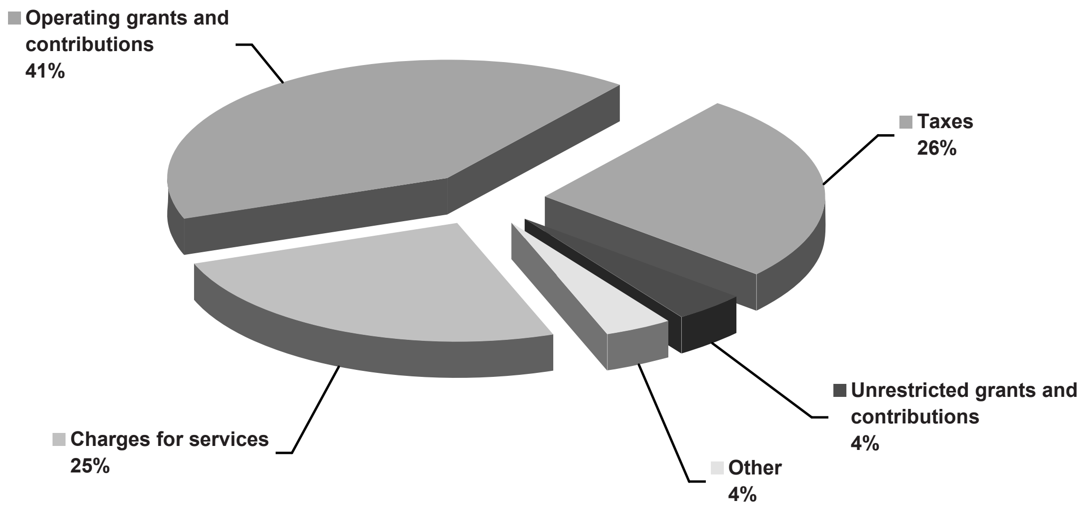
The County's unrestricted net assets are negative $836 million. Both governmental and business-type activities reported deficits in this category of $195 million and $641 million, respectively. The deficits are primarily due to unfunded liabilities related to workers' compensation, accrued vacation and sick leave, and litigation and self-insurance claims. For the business-type activities, medical malpractice liabilities and third party payor liabilities are additional factors. At June 30, 2007, there were $3.799 billion of liabilities recorded for all of the items noted above and for all activities. Of this amount, the County's budget had cumulatively funded approximately $171 million as of June 30, 2007, which consists of $89 million related to governmental activities and $82 million related to business-type activities. The $89 million represents the County's policy of funding the General Fund's share of liabilities that are payable within one year from the balance sheet date and is applied to accrued vacation and sick leave as well as litigation and self-insurance claims. The budgetary funding of $82 million that has been provided for the business-type activities pertains to estimated third party payor liabilities for the County's hospitals.

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

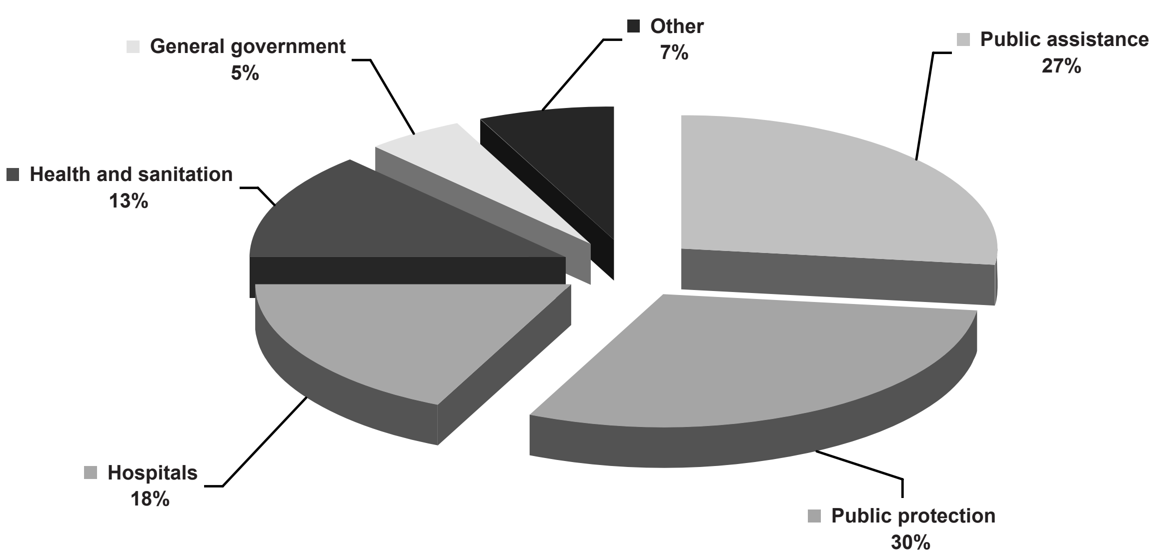
Summary of Changes in Net Assets
For the Years Ended June 30, 2007 and 2006
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	$ 2,396,868	$ 2,337,634	$ 1,957,979	$ 2,004,419	$ 4,354,847	$ 4,342,053
Operating grants and contributions	6,980,549	6,801,256	304,720	309,526	7,285,269	7,110,782
Capital grants and contributions	25,135	64,258	12,992	74,821	38,127	139,079
General revenues:						
Taxes	4,688,595	4,292,919	3,782	743	4,692,377	4,293,662
Unrestricted grants and contributions	761,705	730,516	35	34	761,740	730,550
Investment earnings	335,851	244,005	18,043	9,703	353,894	253,708
Miscellaneous	259,357	171,049	50,443	58,804	309,800	229,853
Total revenues	15,448,060	14,641,637	2,347,994	2,458,050	17,796,054	17,099,687
Expenses:						
General government	807,155	795,290			807,155	795,290
Public protection	4,872,413	4,443,432			4,872,413	4,443,432
Public ways and facilities	282,827	360,980			282,827	360,980
Health and sanitation	2,223,695	2,151,515			2,223,695	2,151,515
Public assistance	4,539,458	4,465,520			4,539,458	4,465,520
Education	99,136	92,867			99,136	92,867
Recreation and cultural services	266,967	240,274			266,967	240,274
Interest on long-term debt	239,608	221,838			239,608	221,838
Hospitals			2,894,493	2,778,251	2,894,493	2,778,251
Aviation			5,761	5,236	5,761	5,236
Waterworks			97,504	67,563	97,504	67,563
Community Development Commission			211,077	202,298	211,077	202,298
Total expenses	13,331,259	12,771,716	3,208,835	3,053,348	16,540,094	15,825,064
Excess (deficiency) before transfers and special item	2,116,801	1,869,921	(860,841)	(595,298)	1,255,960	1,274,623
Transfers	(1,049,213)	(989,117)	1,049,213	989,117		
Special item	267,473				267,473	
Changes in net assets	1,335,061	880,804	188,372	393,819	1,523,433	1,274,623
Net assets – beginning	14,105,563	13,224,759	1,548,202	1,154,383	15,653,765	14,379,142
Net assets – ending	$ 15,440,624	$ 14,105,563	$ 1,736,574	$ 1,548,202	$ 17,177,198	$ 15,653,765

REVENUES BY SOURCE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007



EXPENSES BY TYPE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007



The County's net assets increased by $1.523 billion overall during the current fiscal year. The increases for governmental and business-type activities were $1.335 billion and $188 million, respectively. Following are specific major factors that resulted in the net asset changes.

Governmental Activities

Revenues from governmental activities grew by $806 million (5.5%) over the prior year. The most significant changes in revenue were experienced in the following areas:

- Taxes, the County's largest general revenue source, were $396 million higher than the previous year. The additional growth in tax revenues was concentrated in property taxes ($369 million) and was consistent with the continued upward trend in the County's assessed property values, although the housing market began to slow down during the fiscal year.

- Operating grants and contributions are the County's largest source of program revenues and grew by $179 million. The growth in this revenue source was primarily associated with health and mental health programs, where revenues grew by $101 million. Federal and State funding for road and highway programs also increased by $40 million. The remaining growth of $38 million was associated with federal and State grant funding for public safety programs.

- Current year investment earnings increased by $92 million, or 37.6 %. The yield from the County's Treasury Pool improved from 3.95% in the prior year to 5.25% in the current year.

Expenses related to governmental activities increased by $560 million (4.4%) during the current year. The significant majority of the net increases in expenses were attributable to the public protection category, which grew by $429 million. Salaries and employee benefits expenses increased in the public protection area by $328 million. Significant factors that contributed to the increase were negotiated cost increases and expanded staffing in areas such as juvenile halls, probation camps, Sheriff's patrol programs, jail facilities and fire protection services.

As discussed in Note 5 to the basic financial statements, the County recognized a Special Item totaling $267 million in the current year. The County accepted title to the Walt Disney Concert Hall, which has been recorded as a $267 million addition to the County's capital assets. This transaction culminates a process which began 20 years ago with an initial donation of $50 million. The County subsequently entered into a series of public/private partnerships and real estate transactions that resulted in the construction of this cultural landmark and ownership by the County.

Business-type Activities

Revenues from business-type activities decreased in comparison to the prior year by $110 million (4.5%). The most significant change was in the area of capital grants and contributions, which decreased by $62 million. The decrease was attributable to capital contributions (primarily from the Federal Emergency Management Agency) associated with the building of the LAC+USC Medical Center. This funding is diminishing as the project is nearly completed. The remaining reduction in revenues is primarily associated with the Hospitals, which experienced an overall reduction in average daily census of approximately 5%.

Expenses related to business-type activities increased from the previous year by $155 million (5.1%). The increased expenses were principally related to the Hospitals, where expenses were higher by $116 million. Hospital costs for salaries and employee benefits increased by $76 million and were reflective of negotiated wage and benefit increases. There were also cost increases associated with pharmaceutical supplies and contracted services.

Financial Analysis of the County's Funds

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

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the County include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and the Permanent Funds.

As of the end of the current fiscal year, the County's governmental funds reported combined total fund balances of $5.556 billion, an increase of $362 million in comparison with the prior year. Of the total fund balance, $1.408 billion is reserved to indicate the extent that funds have been committed or are otherwise unavailable for spending. An additional $1.677 billion has been designated and set aside for intended spending purposes as indicated in the financial statements. The remaining $2.471 billion of the balances are unreserved and undesignated.

Revenues from all governmental funds for the current year were $15.238 billion, an increase of $623 million (4.3%) from the previous year. Expenditures for all governmental funds in the current year were $13.849 billion, an increase of $828 million (6.4%) from the previous year. In addition, other financing uses exceeded other financing sources by $1.028 billion as compared to $563 million in the prior year.

Governmental Funds-Continued

The General Fund is the County's principal operating fund. During the current year, the fund balance in the General Fund increased by $342 million (12.5%). At the end of the current fiscal year, the General Fund's total fund balance was $3.08 billion. Of this amount, $478 million was reserved and therefore unavailable for spending. Of the unreserved total of $2.602 billion, $1.235 billion has been designated (earmarked) and the remaining $1.367 billion is considered both unreserved and undesignated.

General Fund revenues during the current year were $12.871 billion, an increase of $539 million (4.4%) from the previous year. General Fund expenditures during the current year were $11.759 billion, an increase of $689 million (6.2%) from the previous year. Other financing sources/uses-net was negative $770 million in the current year as compared to negative $850 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by $355 million (11%), primarily from property taxes. The increase was attributable to ongoing growth in property values and their related tax levies as the housing market remained generally resilient throughout the fiscal year.

- Revenues from charges for services increased by $110 million. A large portion ($44 million) of this increase was concentrated in the Sheriff's Department and was related to recoveries of increased salaries and benefits from contracting agencies. The Assessor's Office realized a $28 million increase as a result of additional billable activity and higher cost recoveries associated with property tax administration. The remaining increase in this revenue category ($38 million) was recognized in several other areas, predominately Health Services Administration and Drug and Alcohol programs.

- Investment income increased by $57 million (33.7%), as current year revenues were $226 million in comparison with the prior year amount of $169 million. As previously mentioned, the yield on investments during the current year was considerably higher than the prior year's yield.

- Current expenditures increased by $702 million (6.5%), and there were increases in all functional areas. The most significant increase was in the area of public protection, where expenditures were higher by $382 million. There were additional funds allocated to the public protection area and expenditures were notably higher in the Sheriff's Department ($230 million) and Probation Department ($53 million). Expenditures also increased in the areas of health and sanitation ($122 million) and general government ($103 million).

Governmental Funds-Continued

The Fire Protection District reported a year-end fund balance of $142 million, which represented a decrease of $10 million from the previous year. Revenues increased by $81 million, of which $40 million was attributable to property taxes and the remaining increase was associated with a variety of other revenues. Expenditures and other financing uses were higher by $121 million and $18 million, respectively. Salaries and benefits increased by $52 million. Capital asset spending was also a factor as equipment expenditures were higher by $35 million, primarily due to helicopter and fire engine purchases. The increase in other financing uses was attributable to transfers that were made to capital projects funds for future facilities' needs.

The Flood Control District reported a year-end fund balance of $148 million, which was $12 million higher than the previous year. This increase was primarily attributable to a comparable increase in revenues from property taxes ($13 million).

The Public Library Fund reported a year-end fund balance of $20 million, which was $5 million higher than the previous year. The principal factors associated with the fund balance growth were higher property tax revenues and "transfers in," each of which increased by $5 million in comparison to the previous year.

The Regional Park and Open Space District reported a year-end fund balance of $261 million, which was $15 million higher than the previous year. Current year revenues ($91 million) were similar to the previous year ($90 million) while expenditures declined by $3 million and "transfers out" to reimburse County related expenditures were lower by $4 million.

Proprietary Funds

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

The County's principal proprietary funds are the five hospital enterprise funds, and each one has been reported as a major fund. Each hospital enterprise fund incurred a net loss prior to contributions and transfers. The County is legally required to provide local matching funds to the health care system in order to remain eligible for federal and State assistance. Such funds were provided to the hospitals as operating subsidies from the County General Fund during the year. The total subsidy amount was $883 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Assets as "transfers in." Additional "transfers in" of $147 million were recognized from the Health Services Measure B Special Revenue Fund ("Measure B Fund"), which provides funding for trauma and emergency services.

Proprietary Funds-Continued

The average daily census for the County's Hospitals declined from the previous year's average of 1,493 to the current year average of 1,415. This decrease coincided with the curtailment of services at Martin Luther King/Harbor Hospital (MLK/Harbor). As discussed in Notes 12 and 18 to the basic financial statements, MLK/Harbor continued to be confronted with quality control issues and regulatory sanctions. In the current year, MLK/Harbor's operating revenues and expenses were lower by $37 million (10.3%) and $51 million (11.8%), respectively. As discussed in Note 18, the federal Centers for Medicare & Medicaid Services notified the County in August 2007 that MLK/Harbor failed to meet several Conditions of Participation and terminated the County's contract for this facility. The County has instituted a contingency plan that seeks to preserve outpatient services at MLK/Harbor and facilitates replacement of inpatient services at other County and private facilities. The County is also evaluating the feasibility of contracting with a qualified private operator to re-open and resume services at MLK/Harbor.

The Waterworks Funds reported year-end net assets of $897 million, a $10 million reduction from the previous year. However, the District's cash and investment position improved in the current year by $20 million.

General Fund Budgetary Highlights

The accompanying basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Budgetary Basis for the County's General Fund. The County's budgetary basis of accounting is discussed in Notes 1 and 14 to the basic financial statements. There are approximately 100 separate budget units within the General Fund, excluding capital improvement projects, which are individually budgeted. The data presented below represents the net budgetary changes for the General Fund in a highly summarized format. Accordingly, in certain instances, budgets have been increased for programs within a category even though actual amounts have not been realized for the category in its entirety. Under the budgetary basis, there was a net increase of $637 million in the General Fund's available (unreserved and undesignated) fund balance from the previous year.

Budgetary Summary - Revenues/Financing Sources

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

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive (Negative)
Taxes	$ 92,576	$ 3,526,669	$ 3,563,294	$ 36,625
Intergovernmental revenues	133,868	7,638,263	7,120,437	(517,826)
Charges for services	(91,067)	1,553,172	1,503,659	(49,513)
All other revenues	185,502	681,406	823,688	142,282
Other sources and transfers	24,595	392,131	186,248	(205,883)
Total	$ 345,474	$13,791,641	$13,197,326	$ (594,315)

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources approximated $345 million. The most significant changes occurred in the following areas:

- The budget for tax revenues was increased by $93 million. This increase consisted of $83 million that was recognized in conjunction with year-end budgetary changes that are designed to demonstrate compliance with legal provisions related to the appropriation of revenues from property taxes and certain other tax related revenues. The remaining $10 million was appropriated for a variety of programs.

- Estimated revenues from intergovernmental sources were increased by $134 million. During the fiscal year, budgeted revenues for the Department of Children and Family Services were augmented by approximately $52 million. The increases were primarily associated with the Services Outcome Improvement Project and foster care services. Estimated revenues for mental health services were increased by $29 million and were used to augment appropriations. Estimated revenues from Homeland Security grant funds ($20 million) also increased during the fiscal year to fund the County's emergency preparedness and response operations. Various other changes comprised the remaining $33 million that was increased from the amounts originally budgeted for intergovernmental revenues.

- The net decrease of $91 million related to charges for services was primarily due to adjustments made to the General Fund's Office of Managed Care budget. Anticipated revenues related to a managed care supplemental reimbursement rate did not materialize during the current year and the budget was adjusted accordingly.

- The increase of $186 million related to "all other revenues" was mostly concentrated in two revenue categories, miscellaneous revenues and investment income. The budgeted amount of miscellaneous revenues was increased by $100 million, of which $99 million was attributable to tobacco settlement revenues. The County's policy is to budget tobacco settlement revenues after they have been received. Estimated revenues from investment income were increased by $82 million as a result of higher than anticipated yield on cash and investments throughout the year.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $594 million, or 4.3%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues and "other sources and transfers" and was partially offset by "all other revenues" which exceeded the amount budgeted.

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

- Actual intergovernmental revenues were $518 million lower than the amount budgeted. Social service programs, including children and family services, accounted for approximately $221 million of this variance, which was mostly attributable to lower than anticipated caseloads and reimbursable social service related expenditures. Under-realized State sales taxes that fund social services programs were also a factor. An additional $153 million pertained to anticipated reimbursement of capital improvement and disaster recovery projects that were not completed prior to year-end. Approximately $89 million (mostly federal assistance) was associated with mental health services, due to lower than expected reimbursable costs. The remaining variance of $55 million was related to a variety of other programs that received intergovernmental revenues.

- The actual amount of "other sources and transfers" was $206 million lower than the amount budgeted. Of this amount, "transfers in" totaling $136 million were assumed in the budget for capital improvements and extraordinary building maintenance projects which did not incur expected costs. The Community Services and Support Plan, a mental health related program which anticipated "transfers in" of $130 million, did not fully materialize at the budgeted level and "transfers in" were $58 million lower than budgeted. There were various other sources and transfers that comprised the remaining variance of $12 million.

- The amount budgeted for "all other revenues" was exceeded by $142 million. Investment income exceeded the amount budgeted by $60 million as the yield on investments was higher than anticipated. The remaining variance of $82 million was generated by diverse revenue sources including property tax penalties ($33 million), rents, concessions, and royalties ($18 million), miscellaneous revenues ($26 million) and licenses, permits and franchises ($5 million).

Budgetary Summary - Expenditures/Other Financing Uses

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

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive
General government	$ (100,605)	$ 1,146,202	$ 769,193	$ 377,009
Public protection	96,516	4,170,369	4,040,507	129,862
Health and sanitation	18,591	2,389,938	2,192,620	197,318
Public assistance	65,280	4,813,492	4,497,898	315,594
All other expenditures	36,184	1,458,596	395,642	1,062,954
Transfers out	(21,611)	968,146	957,820	10,326
Contingencies	130,337	130,337		130,337
Reserves/designations-net	120,782	(215,611)	(292,883)	77,272
Total	$ 345,474	$ 14,861,469	$ 12,560,797	$2,300,672

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations, reserves and designations were approximately $345 million. As discussed below, the most significant changes occurred in the following areas:

- After the original budget was established, appropriations for contingencies were increased by $130 million. The increase occurred at the end of the fiscal year and was financed by offsetting increases in budgeted revenues (primarily taxes) that were recognized to comply with statutory requirements.

- Provisions for net reserves and designations were increased during the year by $121 million. At the end of the fiscal year, a $78 million reserve was established for long-term receivables associated with State-funded mental health programs. There were additions of $66 million related to designations established for health services. Miscellaneous reductions of approximately $23 million were made to other designations.

- Appropriations were increased for the public protection category by approximately $97 million. Funding was added to the budgets of the Sheriff's Department ($56 million), the Probation Department ($29 million) and various other public protection operations ($12 million). The Sheriff and Probation Departments were allocated $23 million and $16 million, respectively, for negotiated salary and employee benefit increases approved by the Board after the adoption of the Original Budget. The remaining $46 million allocated to the two departments consisted of unanticipated revenues, designations, and other internal County funding sources.

- Overall appropriations were reduced for the general government category by $101 million. As previously mentioned, a $78 million reserve was established for long-term receivables. This reserve was funded by reductions in general government appropriations. General government appropriations were also reduced by $54 million and shifted to other functional areas (primarily public protection) to fund salary and employee benefit increases. There was a net increase of $31 million for various other general government programs, the most significant of which was a $26 million allocation for the County's financial enterprise reporting system.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were $2.301 billion lower (approximately 15.5%) than the final total budget of $14.861 billion. Although there were budgetary savings in all categories, following are the functional areas that recognized the largest variations from the final budget:

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

- The category referred to as "all other expenditures" reflected actual spending of $1.063 billion less than the budgeted amount. Nearly all ($1.051 billion) of this variance was related to the capital outlay category. The final budget for capital outlay in the current year was $350 million higher than the comparable amount in the previous year as the County continued to add resources to this area. There were many capital improvements anticipated in the budget that remained in the planning stages and did not incur expenditures during the year. Most of the unused balance has been reestablished in the following year's budget to ensure the continuity of the projects.

- The general government function reported actual expenditures that were $377 million less than the amount budgeted. Of this amount, $260 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations, extraordinary maintenance and repairs, and favorable adjustments to contingent liability cases. The remaining $117 million was spread across virtually every department comprising general government and was mostly related to savings in the areas of salaries and services and supplies.

- Actual public assistance expenditures were $316 million lower than the final budget. A large portion of this variance ($160 million) was concentrated in programs operated by the Department of Public Social Services. Administrative costs were lower than anticipated, and program caseload volume and cost per caseload were also less than the amounts budgeted. There were also budgetary savings ($75 million) associated with the Homeless and Housing Program. This is a relatively new Program, and there were delays in the contracting processes associated with the Program's initiatives. Programs operated by the Department of Children and Family Services recognized savings of $61 million that were reflective of vacant positions, hiring delays, and lower than anticipated information technology costs. The remaining variance amount of $20 million was related to other public assistance programs.

- Overall expenditures for the health and sanitation category were $197 million less than the budgeted amount. Appropriations related to mental health services exceeded actual expenditures by $137 million, primarily due to less than anticipated costs for services and supplies. The remaining variance of $60 million was associated with a variety of health care programs administered by the Departments of Health Services and Public Health Services.

Capital Assets

The County's capital assets for its governmental and business type activities as of June 30, 2007 were $17.258 billion (net of depreciation). Capital assets include land, easements, buildings and improvements, equipment, and infrastructure. The major infrastructure network elements are roads, sewers, water, flood control, and aviation.

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was $612 million, as shown in the following table.

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

	Current Year	Prior Year	Increase (Decrease)
Land and easements	$ 7,240,287	$ 7,080,469	$ 159,818
Buildings and improvements	3,044,116	2,892,361	151,755
Infrastructure	5,291,789	5,299,612	(7,823)
Equipment	370,197	317,449	52,748
Construction-in-progress	1,311,702	1,056,647	255,055
Total	$17,258,091	$16,646,538	$ 611,553

The County's most significant capital asset activity during the current year was the recognition of the Disney Concert Hall, which was recorded in the financial statements at $267 million. In addition, the rebuilding of the LAC+USC Medical Center remained the most significant active capital spending project and its capitalized costs during the current year approximated $151 million. The overall project cost is estimated at $899 million and the project is expected to be completed during FY 2007-2008. At June 30, 2007, there were outstanding capital commitments of $66 million related to the LAC+USC Medical Center.

Debt Administration

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

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

	Current Year	Prior Year	Decrease
Bonds and Notes Payable	$ 1,848,630	$ 1,998,099	$ 149,469
Pension Bonds Payable	1,185,197	1,408,441	223,244
Total	$ 3,033,827	$ 3,406,540	$ 372,713

During the current year, the County's liabilities for long-term debt decreased by $373 million, or 10.9%. Specific changes related to governmental and business-type activities are presented in Note 9 to the basic financial statements. During the current year, significant long-term debt transactions were as follows:

- Refunding bonds totaling $321 million were issued to advance refund outstanding bond principal of $382 million.

- New debt of $20 million was issued to finance the acquisition of equipment. Equipment debt totaling $15 million was redeemed during the year in accordance with maturity schedules.

- Pension bonds totaling $223 million were redeemed during the year.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling $500 million in tax and revenue anticipation notes which reached maturity on June 29, 2007, and by periodic borrowing from available trust funds.

Bond Ratings

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

	Moody's	Standard and Poor's	Fitch
General Obligation Bonds	Aa3	AA-	
Pension Bonds	A1	A+	
Facilities	A2	A+	A
Equipment/Non-Essential Leases	A3	A+	A
Short-Term	MIG1	SP-1+	F-1+
Commercial Paper	P-1	A-1+	
Flood Control District General Obligation Bonds	Aa1	AA	AA
Flood Control District Revenue Bonds	Aa1	AA-	AA
Regional Park and Open Space District Bonds	Aa2	AA	AA+

During the current year, the County's General Obligation Bonds were upgraded by Standard and Poor's from A+ to AA-. Standard and Poor's also upgraded the County's Pension Bonds, Facilities, and Equipment/Non-Essential Leases from A to A+. The Regional Park and Open Space District Bonds were upgraded by both Moody's and Fitch from Aa3 and AA, respectively, to Aa2 and AA+, respectively. All other bond ratings were maintained at the same level as the previous year.

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2007-2008 Budget on June 18, 2007. The Budget was adopted based on estimated fund balances that would be available at the end of 2006-2007. The Board updated the Budget on September 25, 2007 to reflect final 2006-2007 fund balances and other pertinent financial information. For the County's General Fund, the 2007-2008 Budget, as updated in September 2007, utilized $1.706 billion of available fund balance, which exceeded the previously estimated fund balance of $1.341 billion. The additional fund balance of $365 million was used to appropriate $75 million to carryover lapsed appropriations and $290 million was appropriated or designated for one-time needs which were predominately capital improvements.

The 2007-2008 Budget continues the County's conservative budgetary approach in response to the ongoing uncertainty at both the federal and State levels. The economic outlook for the County remains positive with slightly slower growth expected. The County is sensitive to predictions of a "bursting housing bubble" and although this has not materialized, the housing market continues to contract. The slowing resale housing market presents the biggest risk to the County, as it has a potential negative impact on property tax revenues, the County's most important source of local funding.

For 2007-2008, the County is in the process of implementing Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which establishes financial reporting standards designed to measure, recognize, and display postemployment benefit costs. The County has determined that its share of the actuarial accrued liability for retiree health programs is $20.302 billion. The actuarial required contribution (ARC) for 2007-2008 is $1.555 billion. Although there are no legal requirements to fund the ARC, the County has established a Joint Labor Management Retiree Health Committee and is examining the feasibility of creating a trust fund for purposes of pre-funding these benefits. At this time, the County's Budget has appropriated the "pay-as-you-go" amount of retiree health benefits for 2007-2008, which are estimated at $342 million.

Obtaining Additional Information

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

BASIC FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES
STATEMENT OF NET ASSETS
JUNE 30, 2007 (in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 LA
ASSETS				
Pooled cash and investments: (Notes 1 and 4)				
Operating (Note 1)	$ 3,965,791	$ 205,875	$ 4,171,666	$ 163,111
Other (Note 1)	905,740	57,965	963,705	
Total pooled cash and investments	4,871,531	263,840	5,135,371	163,111
Other investments (Note 4)	303,363	78,720	382,083	679,422
Taxes receivable	344,068	731	344,799	
Accounts receivable - net		584,767	584,767	
Interest receivable	48,115	1,853	49,968	12,237
Other receivables	1,514,618	29,610	1,544,228	21,839
Internal balances (Note 13)	200,022	(200,022)		
Inventories	95,447	25,459	120,906	
Restricted assets (Note 4)	9,268	23,728	32,996	
Net pension obligation (Note 6)	130,944	45,496	176,440	
Capital assets: (Notes 5 and 8)				
Capital assets, not being depreciated	7,433,679	1,118,310	8,551,989	2,039
Capital assets, net of accumulated depreciation	7,496,296	1,209,806	8,706,102	11,513
Total capital assets	14,929,975	2,328,116	17,258,091	13,552
TOTAL ASSETS	22,447,351	3,182,298	25,629,649	890,161
LIABILITIES				
Accounts payable	359,139	76,533	435,672	27,661
Accrued payroll	454,588	102,218	556,806	
Other payables	108,859	11,135	119,994	
Accrued interest payable	18,432	684	19,116	
Unearned revenue (Note 6)	93,365	7,920	101,285	1,782
Advances payable	287,580		287,580	
Noncurrent liabilities: (Notes 6, 8, 9, 12 and 16)				
Due within one year	847,541	224,367	1,071,908	72
Due in more than one year	4,837,223	1,022,867	5,860,090	159
TOTAL LIABILITIES	7,006,727	1,445,724	8,452,451	29,674
NET ASSETS				
Invested in capital assets, net of related debt (Notes 5 and 9)	14,192,494	2,190,999	16,383,493	13,552
Restricted for:				
Capital projects	150,980		150,980	
Debt service	1,143	107,139	108,282	
Permanent trust	3,380		3,380	
Special purpose	1,287,580	79,127	1,366,707	846,935
Unrestricted (deficit)	(194,953)	(640,691)	(835,644)	
TOTAL NET ASSETS	$ 15,440,624	$ 1,736,574	$ 17,177,198	$ 860,487

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

COUNTY OF LOS ANGELES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

		PROGRAM REVENUE		
FUNCTIONS PRIMARY GOVERNMENT:	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	$ 807,155	$ 451,050	$ 39,316	$ 7,697
Public protection	4,872,413	1,189,730	1,178,230	2,687
Public ways and facilities	282,827	31,390	217,637	
Health and sanitation	2,223,695	518,893	1,505,926	2,365
Public assistance	4,539,458	28,421	4,034,618	
Education	99,136	3,853	2,529	
Recreation and cultural services	266,967	173,531	2,293	12,386
Interest on long-term debt	239,608			
Total governmental activities	13,331,259	2,396,868	6,980,549	25,135
Business-type activities:				
Hospitals	2,894,493	1,864,209	71,636	12,911
Aviation	5,761	2,914	1,878	81
Waterworks	97,504	79,547	158	
Community Development Commission	211,077	11,309	231,048	
Total business-type activities	3,208,835	1,957,979	304,720	12,992
Total primary government	$ 16,540,094	$ 4,354,847	$ 7,285,269	$ 38,127
COMPONENT UNIT -				
First 5 LA	$ 137,489	$	$ 139,466	$

GENERAL REVENUES:
Taxes:
Property taxes
Utility users taxes
Voter approved taxes
Documentary transfer taxes
Other taxes
Sales and use taxes, levied by the State
Grants and contributions not restricted to special programs
Investment earnings
Miscellaneous
SPECIAL ITEM - Contribution of Disney Hall (Note 5)
TRANSFERS - NET
Total general revenues and transfers
CHANGE IN NET ASSETS
NET ASSETS, JULY 1, 2006
NET ASSETS, JUNE 30, 2007

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
PRIMARY GOVERNMENT			COMPONENT UNIT	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 LA	FUNCTIONS
				PRIMARY GOVERNMENT:
				Governmental activities:
$ (309,092)	$	$ (309,092)		General government
(2,501,766)		(2,501,766)		Public protection
(33,800)		(33,800)		Public ways and facilities
(196,511)		(196,511)		Health and sanitation
(476,419)		(476,419)		Public assistance
(92,754)		(92,754)		Education
(78,757)		(78,757)		Recreation and cultural services
(239,608)		(239,608)		Interest on long-term debt
(3,928,707)		(3,928,707)		Total governmental activities
				Business-type activities:
	(945,737)	(945,737)		Hospitals
	(888)	(888)		Aviation
	(17,799)	(17,799)		Waterworks
	31,280	31,280		Community Development Commission
	(933,144)	(933,144)		Total business-type activities
(3,928,707)	(933,144)	(4,861,851)		Total primary government
				COMPONENT UNIT -
			$ 1,977	Total - First 5 LA
				GENERAL REVENUES:
				Taxes:
4,142,889	3,782	4,146,671		Property taxes
65,457		65,457		Utility users taxes
253,690		253,690		Voter approved taxes
87,930		87,930		Documentary transfer taxes
55,038		55,038		Other taxes
83,591		83,591		Sales and use taxes, levied by the State
761,705	35	761,740		Grants and contributions not restricted to special programs
335,851	18,043	353,894	42,823	Investment earnings
259,357	50,443	309,800	291	Miscellaneous
267,473		267,473		SPECIAL ITEM - Contribution of Disney Hall (Note 5)
(1,049,213)	1,049,213			TRANSFERS - NET
5,263,768	1,121,516	6,385,284	43,114	Total general revenues and transfers
1,335,061	188,372	1,523,433	45,091	CHANGE IN NET ASSETS
14,105,563	1,548,202	15,653,765	815,396	NET ASSETS, JULY 1, 2006
$ 15,440,624	$ 1,736,574	$ 17,177,198	$ 860,487	NET ASSETS, JUNE 30, 2007

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
ASSETS:				
Pooled cash and investments: (Notes 1 and 4)				
Operating (Note 1)	$ 1,882,867	84,507	135,097	21,695
Other (Note 1)	785,987	55,626	8,781	3,556
Total pooled cash and investments	2,668,854	140,133	143,878	25,251
Other investments (Notes 3 and 4)	6,400			121
Taxes receivable	248,095	54,186	15,731	7,189
Interest receivable	33,096	697	990	210
Other receivables	1,324,587	27,006	10,863	248
Due from other funds (Note 13)	370,124	4,486	13,158	762
Advances to other funds (Note 13)	400,280		6,213	
Inventories	42,561	6,247		1,108
TOTAL ASSETS	$ 5,093,997	232,755	190,833	34,889
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 300,087	7,242	2,871	2,912
Accrued payroll	392,779	37,171		4,184
Other payables	86,055	1,996		340
Due to other funds (Note 13)	602,358	6,064	25,285	2,056
Deferred revenue (Note 6)	338,714	38,341	15,059	5,184
Advances payable	278,023			
Third party payor liability (Notes 9 and 12)	15,537			
TOTAL LIABILITIES	2,013,553	90,814	43,215	14,676
FUND BALANCES:				
Reserved for:				
Encumbrances	415,001	18,421	100,464	7,846
Inventories	42,561	6,247		1,108
Housing programs				
Debt service				
Endowments and annuities				
Assets unavailable for appropriation	20,718	25	3,011	15
Unreserved, designated for:				
Budget uncertainties	338,192	54,000		
Program expansion	328,795	29,824		3,399
Health services	326,849			
Capital projects	241,489		33,814	
Special revenue funds - program expansion				
Unreserved, undesignated, reported in:				
General fund	1,366,839			
Special revenue funds		33,424	10,329	7,845
Capital projects funds				
TOTAL FUND BALANCES	3,080,444	141,941	147,618	20,213
TOTAL LIABILITIES AND FUND BALANCES	$ 5,093,997	232,755	190,833	34,889

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

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 3)	TOTAL GOVERNMENTAL FUNDS	
				ASSETS:
				Pooled cash and investments: (Notes 1 and 4)
$ 263,441	1,540,768		$ 3,928,375	Operating (Note 1)
3,540	40,795		898,285	Other (Note 1)
266,981	1,581,563		4,826,660	Total pooled cash and investments
	592,884	(304,235)	295,170	Other investments (Notes 3 and 4)
3,335	15,532		344,068	Taxes receivable
2,222	10,558		47,773	Interest receivable
4,013	93,791		1,460,508	Other receivables
9	311,189		699,728	Due from other funds (Note 13)
	11,034		417,527	Advances to other funds (Note 13)
	37,581		87,497	Inventories
$ 276,560	2,654,132	(304,235)	$ 8,178,931	TOTAL ASSETS
				LIABILITIES AND FUND BALANCES
				LIABILITIES:
$ 1,022	48,270		$ 362,404	Accounts payable
	465		434,599	Accrued payroll
85	18,285		106,761	Other payables
9,007	293,863		938,633	Due to other funds (Note 13)
5,234	74,854		477,386	Deferred revenue (Note 6)
	8,169		286,192	Advances payable
	1,630		17,167	Third party payor liability (Notes 9 and 12)
15,348	445,536		2,623,142	TOTAL LIABILITIES
				FUND BALANCES:
				Reserved for:
78,400	174,425		794,557	Encumbrances
	37,581		87,497	Inventories
	1,662		1,662	Housing programs
	771,679	(304,235)	467,444	Debt service
	3,380		3,380	Endowments and annuities
	29,587		53,356	Assets unavailable for appropriation
				Unreserved, designated for:
	86,182		478,374	Budget uncertainties
64,873			426,891	Program expansion
			326,849	Health services
			275,303	Capital projects
	169,104		169,104	Special revenue funds - program expansion
				Unreserved, undesignated, reported in:
			1,366,839	General fund
117,939	666,461		835,998	Special revenue funds
	268,535		268,535	Capital projects funds
261,212	2,208,596	(304,235)	5,555,789	TOTAL FUND BALANCES
$ 276,560	2,654,132	(304,235)	$ 8,178,931	TOTAL LIABILITIES AND FUND BALANCES

COUNTY OF LOS ANGELES
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007 (in thousands)

Fund balances - total governmental funds (page B-29)			$ 5,555,789
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not reported in governmental funds:			
Land & Easements	$	6,994,837	
Construction-in-progress		438,842	
Buildings and improvements - net		2,633,854	
Equipment - net		253,579	
Infrastructure - net		4,540,240	14,861,352
Other long-term assets are not available to pay for current-period expenditures and are unearned, or not recognized, in governmental funds:			
Deferred revenue - taxes	$	244,587	
Long-term receivables		194,364	438,951
The net pension obligation (an asset) pertaining to governmental fund types is not recorded in governmental fund statements.			122,166
Accrued interest payable is not recognized in governmental funds.			(18,432)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:			
Bonds and notes payable (including accreted interest)	$	(1,659,220)	
Pension bonds payable		(820,621)	
Capital lease obligations		(98,245)	
Accrued vacation/sick leave		(662,360)	
Workers' compensation		(1,807,937)	
Litigation/self-insurance		(397,513)	
Third party payor liability		(400)	(5,446,296)
Assets and liabilities of the internal service funds are included in governmental activities in the accompanying statement of net assets.			(72,906)
Net assets of governmental activities (page B-25)			$ 15,440,624

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
REVENUES:				
Taxes	$ 3,572,932	580,763	88,011	66,822
Licenses, permits and franchises	61,138	9,228	514	
Fines, forfeitures and penalties	234,747	3,041	1,059	477
Revenue from use of money and property:				
Investment income (Note 4)	226,247	2,555	6,113	822
Rents and concessions (Note 8)	67,984	80	6,995	19
Royalties	280		306	
Intergovernmental revenues:				
Federal	2,695,498	14,383	5,375	107
State	4,251,149	16,317	9,324	2,952
Other	103,474	29,810	4,824	1,263
Charges for services	1,467,608	166,120	112,524	2,372
Miscellaneous	189,636	133	11,875	562
TOTAL REVENUES	12,870,693	822,430	246,920	75,396
EXPENDITURES:				
Current:				
General government	854,052			
Public protection	3,855,819	788,880	214,526	
Public ways and facilities				
Health and sanitation	2,126,233			
Public assistance	4,410,224			
Education				98,626
Recreation and cultural services	217,221			
Debt service:				
Principal	124,234	6,125		1,360
Interest and other charges	144,131	6,149		1,366
Capital leases	25,936			
Capital outlay	818			
TOTAL EXPENDITURES	11,758,668	801,154	214,526	101,352
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,112,025	21,276	32,394	(25,956)
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 13)	267,243			35,294
Transfers out (Note 13)	(1,039,031)	(31,487)	(21,065)	(3,844)
Issuance of debt (Note 9)				
Payment to refunded bonds escrow agent (Note 9)				
Bond premium proceeds (Note 9)				
Capital leases (Note 8)	818			
Sales of capital assets	1,111	287	599	3
TOTAL OTHER FINANCING SOURCES (USES)	(769,859)	(31,200)	(20,466)	31,453
NET CHANGE IN FUND BALANCES	342,166	(9,924)	11,928	5,497
FUND BALANCE, JULY 1, 2006	2,738,278	151,865	135,690	14,716
FUND BALANCE, JUNE 30, 2007	$ 3,080,444	141,941	147,618	20,213

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

	REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 3)	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	$	259,127		$ 4,567,655
Licenses, permits and franchises		6,810		77,690
Fines, forfeitures and penalties	792	76,058		316,174
Revenue from use of money and property:				
Investment income (Note 4)	12,749	102,400	(16,021)	334,865
Rents and concessions (Note 8)		5,796		80,874
Royalties		8		594
Intergovernmental revenues:				
Federal		120,569		2,835,932
State		333,450		4,613,192
Other		14,745		154,116
Charges for services	77,709	139,391		1,965,724
Miscellaneous		89,087		291,293
TOTAL REVENUES	91,250	1,147,441	(16,021)	15,238,109
EXPENDITURES:				
Current:				
General government		17,252		871,304
Public protection		96,113		4,955,338
Public ways and facilities		271,904		271,904
Health and sanitation		129,504		2,255,737
Public assistance		128,968		4,539,192
Education		489		99,115
Recreation and cultural services	42,417	5,391		265,029
Debt service:				
Principal		194,644	(21,475)	304,888
Interest and other charges		75,761	(16,021)	211,386
Capital leases				25,936
Capital outlay		48,079		48,897
TOTAL EXPENDITURES	42,417	968,105	(37,496)	13,848,726
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	48,833	179,336	21,475	1,389,383
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 13)		237,840		540,377
Transfers out (Note 13)	(33,710)	(463,204)		(1,592,341)
Issuance of debt (Note 9)		326,245		326,245
Payment to refunded bonds escrow agent (Note 9)		(320,995)		(320,995)
Bond premium proceeds (Note 9)		14,566		14,566
Capital leases (Note 8)				818
Sales of capital assets		1,816		3,816
TOTAL OTHER FINANCING SOURCES (USES)	(33,710)	(203,732)		(1,027,514)
NET CHANGE IN FUND BALANCES	15,123	(24,396)	21,475	361,869
FUND BALANCE, JULY 1, 2006	246,089	2,232,992	(325,710)	5,193,920
FUND BALANCE, JUNE 30, 2007	$ 261,212	2,208,596	(304,235)	$ 5,555,789

COUNTY OF LOS ANGELES

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

Net change in fund balances - total governmental funds (page B-33)		$ 361,869
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Expenditures for general capital assets, infrastructure and other related capital asset adjustments	$ 400,933	
Less - current year depreciation expense	(265,097)	135,836
In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported as an increase in financial resources. Thus, the change in net assets differs from the change in fund balance.		(7,171)
Contribution of capital assets is not recognized in the governmental funds.		374,704
Revenue timing differences result in more revenue in government-wide statements.		80,104
Issuance of long-term debt along with any bond premium provides revenue in the governmental funds, but increases long-term liabilities in the statement of net assets.		(19,816)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Pension bonds	$ 131,719	
General obligation bonds	9,105	
Certificates of participation	138,230	
Assessment bonds	21,475	
Other long term notes and loans	27,328	327,857
Some expenses reported in the accompanying statement of activities do not require (or provide) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in workers' compensation	$ 139,980	
Change in litigation/self-insurance	59,622	
Change in accrued vacation/sick leave	(66,268)	
Change in third party payor liability	577	
Change in accrued interest payable	(1,479)	
Accretion of tobacco settlement bonds	(18,495)	
Accretion of pension bonds	22,853	136,790
The change in the net pension obligation (an asset) is not recognized in governmental funds.		(63,039)
The portion of internal service funds that is reported with governmental activities.		7,927
Change in net assets of governmental activities (page B-27)		$ 1,335,061

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 3,434,093	3,526,669	3,563,294	36,625
Licenses, permits and franchises	54,364	55,954	61,138	5,184
Fines, forfeitures and penalties	200,190	201,696	234,748	33,052
Revenue from use of money and property:				
Investment income	78,412	160,653	220,977	60,324
Rents and concessions	50,559	50,559	67,984	17,425
Royalties	156	156	280	124
Intergovernmental revenues:				
Federal	3,027,325	3,047,620	2,690,846	(356,774)
State	4,377,133	4,489,944	4,333,052	(156,892)
Other	99,937	100,699	96,539	(4,160)
Charges for services	1,644,239	1,553,172	1,503,659	(49,513)
Miscellaneous	112,223	212,388	238,561	26,173
TOTAL REVENUES	13,078,631	13,399,510	13,011,078	(388,432)
EXPENDITURES:				
Current:				
General government	1,246,807	1,146,202	769,193	(377,009)
Public protection	4,073,853	4,170,369	4,040,507	(129,862)
Health and sanitation	2,371,347	2,389,938	2,192,620	(197,318)
Public assistance	4,748,212	4,813,492	4,497,898	(315,594)
Recreation and cultural services	232,983	236,272	223,823	(12,449)
Debt Service-				
Interest	17,682	17,682	17,682	
Capital Outlay	1,171,747	1,204,642	154,137	(1,050,505)
TOTAL EXPENDITURES	13,862,631	13,978,597	11,895,860	(2,082,737)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(784,000)	(579,087)	1,115,218	1,694,305
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	704	704	1,110	406
Transfers in	366,832	391,427	185,138	(206,289)
Transfers out	(989,757)	(968,146)	(957,820)	10,326
Appropriation for contingencies		(130,337)		130,337
Changes in reserves and designations	336,393	215,611	292,883	77,272
OTHER FINANCING SOURCES (USES) - NET	(285,828)	(490,741)	(478,689)	12,052
NET CHANGE IN FUND BALANCE	(1,069,828)	(1,069,828)	636,529	1,706,357
FUND BALANCE, JULY 1, 2006 (Note 14)	1,069,828	1,069,828	1,069,828	
FUND BALANCE, JUNE 30, 2007 (Note 14)	$		1,706,357	1,706,357

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FIRE PROTECTION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 584,453	584,453	580,299	(4,154)
Licenses, permits and franchises	8,279	8,279	9,228	949
Fines, forfeitures and penalties	2,878	2,878	3,041	163
Revenue from use of money				
and property				
Investment income	308	308	2,229	1,921
Rents and concessions	86	86	80	(6)
Intergovernmental revenues				
Federal	13,124	13,204	14,383	1,179
State	14,891	15,561	16,317	756
Other	20,291	20,291	29,810	9,519
Charges for services	146,661	155,657	166,120	10,463
Miscellaneous	293	293	133	(160)
TOTAL REVENUES	791,264	801,010	821,640	20,630
EXPENDITURES:				
Current-Public protection				
Salaries and employee benefits	647,095	654,622	644,851	(9,771)
Services and supplies	107,242	124,845	106,202	(18,643)
Other charges	1,093	1,093	865	(228)
Capital assets	19,390	26,461	24,191	(2,270)
TOTAL EXPENDITURES	774,820	807,021	776,109	(30,912)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	16,444	(6,011)	45,531	51,542
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	47	47	287	240
Transfers out	(30,823)	(30,823)	(30,823)	
Appropriation for contingencies	(5,490)	(2,090)		2,090
Changes in reserves and designations	(38,880)	(19,825)	(17,070)	2,755
OTHER FINANCING SOURCES (USES) - NET	(75,146)	(52,691)	(47,606)	5,085
NET CHANGE IN FUND BALANCE	(58,702)	(58,702)	(2,075)	56,627
FUND BALANCE, JULY 1, 2006 (Note 14)	58,702	58,702	58,702	
FUND BALANCE, JUNE 30, 2007 (Note 14)	$		56,627	56,627

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FLOOD CONTROL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 85,568	87,941	87,912	(29)
Licenses, permits and franchises	501	501	514	13
Fines, forfeitures and penalties	1,150	1,150	1,059	(91)
Revenue from use of money and property:				
Investment income	2,305	3,814	6,070	2,256
Rents and concessions	8,305	8,305	6,995	(1,310)
Royalties	170	170	306	136
Intergovernmental revenues:				
Federal	8,350	8,350	5,375	(2,975)
State	7,516	7,516	9,324	1,808
Other	2,772	2,772	4,824	2,052
Charges for services	112,963	112,963	112,993	30
Miscellaneous	1,802	1,802	187	(1,615)
TOTAL REVENUES	231,402	235,284	235,559	275
EXPENDITURES:				
Current-Public protection:				
Services and supplies	189,953	207,438	207,437	(1)
Other charges	20,066	19,398	19,397	(1)
Capital assets	17,460	15,243	11,851	(3,392)
TOTAL EXPENDITURES	227,479	242,079	238,685	(3,394)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,923	(6,795)	(3,126)	3,669
OTHER FINANCING SOURCES (USES):				
Sales of capital assets			600	600
Transfers in	14,130	14,130	11,688	(2,442)
Transfers out	(942)	(2,026)	(2,026)	
Appropriation for contingencies	(2,787)	(5,185)		5,185
Changes in reserves and designations	(21,966)	(7,766)	1,527	9,293
OTHER FINANCING SOURCES (USES) - NET	(11,565)	(847)	11,789	12,636
NET CHANGE IN FUND BALANCE	(7,642)	(7,642)	8,663	16,305
FUND BALANCE, JULY 1, 2006 (Note 14)	7,642	7,642	7,642	
FUND BALANCE, JUNE 30, 2007 (Note 14)	$		16,305	16,305

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
PUBLIC LIBRARY
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 66,545	66,897	66,868	(29)
Fines, forfeitures and penalties			477	477
Revenue from use of money				
and property				
Investment income	150	532	763	231
Rents and concessions	15	15	19	4
Intergovernmental revenues				
Federal	73	73	107	34
State	2,682	2,682	2,951	269
Other	876	876	1,263	387
Charges for services	2,400	2,400	2,372	(28)
Miscellaneous	1,291	1,291	562	(729)
TOTAL REVENUES	74,032	74,766	75,382	616
EXPENDITURES:				
Current-Education:				
Salaries and employee benefit	70,874	70,874	63,269	(7,605)
Services and supplies	50,283	48,874	39,179	(9,695)
Other charges	840	840	732	(108)
Capital assets	390	640	598	(42)
TOTAL EXPENDITURES	122,387	121,228	103,778	(17,450)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(48,355)	(46,462)	(28,396)	18,066
OTHER FINANCING SOURCES (USES):				
Sales of capital assets			4	4
Transfers in	45,332	44,173	35,294	(8,879)
Transfers out	(3,328)	(3,328)	(3,328)	
Appropriation for contingencies		(734)		734
Changes in reserves and designation	(1,691)	(1,691)	(821)	870
OTHER FINANCING SOURCES (USES) - NET	40,313	38,420	31,149	(7,271)
NET CHANGE IN FUND BALANCE	(8,042)	(8,042)	2,753	10,795
FUND BALANCE, JULY 1, 2006 (Note 14)	8,042	8,042	8,042	
FUND BALANCE, JUNE 30, 2007 (Note 14)	$		10,795	10,795

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
REGIONAL PARK AND OPEN SPACE DISTRICT
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Fines, forfeitures and penalties	$ 1,135	1,135	793	(342)
Revenue from use of money and property- Investment income	6,469	6,469	12,680	6,211
Charges for services	78,236	78,236	78,129	(107)
TOTAL REVENUES	85,840	85,840	91,602	5,762
EXPENDITURES:				
Current-Recreation and cultural services:				
Services and supplies	4,227	4,227	3,117	(1,110)
Other charges	145,163	129,755	39,954	(89,801)
TOTAL EXPENDITURES	149,390	133,982	43,071	(90,911)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(63,550)	(48,142)	48,531	96,673
OTHER FINANCING SOURCES (USES):				
Transfers in	61,530	61,530	65,453	3,923
Transfers out	(85,642)	(101,050)	(99,164)	1,886
Appropriation for contingencies	(12,374)	(12,374)		12,374
Changes in reserves and designations	(52,872)	(52,872)	(49,708)	3,164
OTHER FINANCING SOURCES (USES) - NET	(89,358)	(104,766)	(83,419)	21,347
NET CHANGE IN FUND BALANCE	(152,908)	(152,908)	(34,888)	118,020
FUND BALANCE, JULY 1, 2006 (Note 14)	154,588	154,588	154,588	
FUND BALANCE, JUNE 30, 2007 (Note 14)	$ 1,680	1,680	119,700	118,020

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

COUNTY OF LOS ANGELES
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. - Harbor Hospital	Rancho Los Amigos National Rehab Center
ASSETS					
Current assets:					
Pooled cash and investments: (Notes 1 and 4)					
Operating (Note 1)	$ 530	465	113,928	492	190
Other (Note 1)	9,808	12,620	23,632	7,428	2,772
Total pooled cash and investments	10,338	13,085	137,560	7,920	2,962
Other investments (Note 4)					
Taxes receivable					
Accounts receivable - net (Note 12)	114,933	76,515	184,363	118,391	76,860
Interest receivable	10	13	1,120	4	1
Other receivables	4,652	6,118	12,581	5,025	1,234
Due from other funds (Note 13)	69,682	71,520	275,053	24,407	19,899
Advances to other funds (Note 13)					
Inventories	3,860	4,086	13,039	3,281	1,193
Total current assets	203,475	171,337	623,716	159,028	102,149
Noncurrent assets:					
Restricted assets (Note 4)	3,325	6,892	6,322	160	589
Net pension obligation (Note 6)	7,190	6,238	18,880	8,012	5,176
Capital assets: (Notes 5 and 8)					
Land and easements	1,001	15,171	18,183	2,277	217
Buildings and improvements	77,672	152,939	164,112	195,357	187,179
Equipment	29,902	23,207	78,413	46,701	10,773
Infrastructure					
Construction in progress	21,313	69	827,697		6,550
Less accumulated depreciation	(68,113)	(95,933)	(192,019)	(135,088)	(97,187)
Total capital assets - net	61,775	95,453	896,386	109,247	107,532
Total noncurrent assets	72,290	108,583	921,588	117,419	113,297
TOTAL ASSETS	275,765	279,920	1,545,304	276,447	215,446
LIABILITIES					
Current liabilities:					
Accounts payable	10,361	10,490	39,209	9,733	2,363
Accrued payroll	22,543	17,140	41,982	13,195	7,358
Other payables	1,911	1,610	2,977	1,671	925
Accrued interest payable	94	50	90	218	232
Due to other funds (Note 13)	34,842	57,109	134,904	26,370	7,280
Advances from other funds (Note 13)	74,487	37,228	161,123	53,366	70,487
Unearned revenue (Note 6)	682	592	4,946	761	491
Current portion of long-term liabilities (Note 9)	34,421	34,654	82,473	41,657	21,475
Total current liabilities	179,341	158,873	467,704	146,971	110,611
Noncurrent liabilities:					
Accrued vacation and sick leave (Note 9)	25,086	23,665	44,764	12,942	2,841
Bonds and notes payable (Note 9)	11,487		15,939	42,976	40,105
Pension bonds payable (Notes 6 and 9)	32,675	28,349	85,798	36,412	23,521
Capital lease obligations (Notes 8 and 9)					273
Workers' compensation (Notes 9 and 16)	29,998	27,154	133,810	66,560	25,013
Litigation and self-insurance (Notes 9 and 16)	31,112	21,425	101,588	44,387	11,946
Third party payor liability (Notes 9 and 12)	14,040	7,759	43,784	18,557	2,528
Total noncurrent liabilities	144,398	108,352	425,683	221,834	106,227
TOTAL LIABILITIES	323,739	267,225	893,387	368,805	216,838
NET ASSETS					
Invested in capital assets, net of related debt (Notes 5 and 9)	47,682	90,162	880,736	65,429	65,703
Restricted:					
Debt service	3,231	6,842	6,232		357
Special purpose					
Unrestricted (deficit)	(98,887)	(84,309)	(235,051)	(157,787)	(67,452)
TOTAL NET ASSETS (DEFICIT) (Note 2)	$ (47,974)	12,695	651,917	(92,358)	(1,392)

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				ASSETS
				Current assets:
				Pooled cash and investments: (Notes 1 and 4)
$ 84,194	3,725	$ 203,524	$ 39,767	Operating (Note 1)
1,667	9	57,936	7,484	Other (Note 1)
85,861	3,734	261,460	47,251	Total pooled cash and investments
	78,720	78,720	8,193	Other investments (Note 4)
731		731		Taxes receivable
		571,062		Accounts receivable - net (Note 12)
643	10	1,801	394	Interest receivable
8,847	4,857	43,314	170	Other receivables
1,769	58	462,388	76,510	Due from other funds (Note 13)
1,164		1,164		Advances to other funds (Note 13)
		25,459	7,950	Inventories
99,015	87,379	1,446,099	140,468	Total current assets
				Noncurrent assets:
		17,288	15,708	Restricted assets (Note 4)
		45,496	8,778	Net pension obligation (Note 6)
				Capital assets: (Notes 5 and 8)
9,441	199,160	245,450		Land and easements
117,000	176,785	1,071,044	1,734	Buildings and improvements
225	2,992	192,213	196,163	Equipment
1,094,778	40,240	1,135,018		Infrastructure
16,853	378	872,860		Construction in progress
(432,472)	(182,794)	(1,203,606)	(114,137)	Less accumulated depreciation
805,825	236,761	2,312,979	83,760	Total capital assets - net
805,825	236,761	2,375,763	108,246	Total noncurrent assets
904,840	324,140	3,821,862	248,714	TOTAL ASSETS
				LIABILITIES
				Current liabilities:
1,040	2,671	75,867	4,537	Accounts payable
		102,218	19,989	Accrued payroll
	1,700	10,794	1,581	Other payables
		684	860	Accrued interest payable
6,081	304	266,890	33,103	Due to other funds (Note 13)
		396,691	22,000	Advances from other funds (Note 13)
140	308	7,920	990	Unearned revenue (Note 6)
17	1,109	215,806	51,572	Current portion of long-term liabilities (Note 9)
7,278	6,092	1,076,870	134,632	Total current liabilities
				Noncurrent liabilities:
	133	109,431	34,667	Accrued vacation and sick leave (Note 9)
104	4,498	115,109	28,385	Bonds and notes payable (Note 9)
		206,755	39,891	Pension bonds payable (Notes 6 and 9)
		273	60	Capital lease obligations (Notes 8 and 9)
		282,535	60,395	Workers' compensation (Notes 9 and 16)
		210,458	20,779	Litigation and self-insurance (Notes 9 and 16)
		86,668		Third party payor liability (Notes 9 and 12)
104	4,631	1,011,229	184,177	Total noncurrent liabilities
7,382	10,723	2,088,099	318,809	TOTAL LIABILITIES
				NET ASSETS
				Invested in capital assets, net of related debt
805,704	231,553	2,186,969	56,464	(Notes 5 and 9)
				Restricted:
91,754		108,416	2,380	Debt service
	79,127	79,127		Special purpose
	2,737	(640,749)	(128,939)	Unrestricted (deficit)
$ 897,458	313,417	1,733,763	$ (70,095)	TOTAL NET ASSETS (DEFICIT) (Note 2)
				Adjustment to reflect the consolidation of internal
		2,811		service fund activities related to enterprise funds
		$ 1,736,574		NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE B-25)

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. - Harbor Hospital	Rancho Los Amigos National Rehab Center
OPERATING REVENUES:					
Net patient service revenues (Note 12)	$ 413,089	343,464	701,964	308,494	123,827
Rentals					
Charges for services					
Other	17,463	15,195	45,977	11,970	3,923
TOTAL OPERATING REVENUES	430,552	358,659	747,941	320,464	127,750
OPERATING EXPENSES:					
Salaries and employee benefits	300,491	238,739	582,583	195,825	95,470
Services and supplies	82,816	85,672	205,177	58,882	23,724
Other professional services	103,352	100,868	283,396	124,693	29,576
Depreciation and amortization (Note 5)	2,692	2,975	2,136	3,398	2,342
Medical malpractice	1,700	1,339	7,851		
Rent	4,048	3,368	12,781	2,763	1,979
TOTAL OPERATING EXPENSES	495,099	432,961	1,093,924	385,561	153,091
OPERATING INCOME (LOSS)	(64,547)	(74,302)	(345,983)	(65,097)	(25,341)
NONOPERATING REVENUES (EXPENSES):					
Taxes					
Interest income	425	419	7,281	1,296	243
Interest expense	(10,508)	(8,817)	(23,238)	(11,482)	(9,170)
Intergovernmental transfers expense (Note 12)	(50,412)	(37,890)	(118,946)	(54,944)	(6,323)
Intergovernmental revenues:					
State					
Federal					
TOTAL NONOPERATING REVENUES (EXPENSES)	(60,495)	(46,288)	(134,903)	(65,130)	(15,250)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(125,042)	(120,590)	(480,886)	(130,227)	(40,591)
Capital contributions			12,911		
Transfers in (Note 13)	154,098	191,220	586,610	129,269	47,386
Transfers out (Note 13)	(36)	(464)	(54,642)	(16)	(1)
CHANGE IN NET ASSETS	29,020	70,166	63,993	(974)	6,794
TOTAL NET ASSETS (DEFICIT), JULY 1, 2006	(76,994)	(57,471)	587,924	(91,384)	(8,186)
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2007	$ (47,974)	12,695	651,917	(92,358)	(1,392)

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

	ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES:				
Net patient service revenues (Note 12)	$		$ 1,890,838	$
Rentals		13,769	13,769	23,081
Charges for services	79,547	452	79,999	373,662
Other	610	879	96,017	
TOTAL OPERATING REVENUES	80,157	15,100	2,080,623	396,743
OPERATING EXPENSES:				
Salaries and employee benefits			1,413,108	284,521
Services and supplies	73,492	212,701	742,464	54,982
Other professional services	1,518	237	643,640	11,316
Depreciation and amortization (Note 5)	22,482	2,943	38,968	34,726
Medical malpractice			10,890	
Rent			24,939	
TOTAL OPERATING EXPENSES	97,492	215,881	2,874,009	385,545
OPERATING INCOME (LOSS)	(17,335)	(200,781)	(793,386)	11,198
NONOPERATING REVENUES (EXPENSES):				
Taxes	3,782		3,782	
Interest income	4,217	4,196	18,077	1,266
Interest expense	(12)	(319)	(63,546)	(10,026)
Intergovernmental transfers expense (Note 12)			(268,515)	
Intergovernmental revenues:				
State	108	10	118	
Federal	85	232,120	232,205	251
TOTAL NONOPERATING REVENUES (EXPENSES)	8,180	236,007	(77,879)	(8,509)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(9,155)	35,226	(871,265)	2,689
Capital contributions			12,911	
Transfers in (Note 13)			1,108,583	3,384
Transfers out (Note 13)	(391)	(4,232)	(59,782)	(221)
CHANGE IN NET ASSETS	(9,546)	30,994	190,447	5,852
TOTAL NET ASSETS (DEFICIT), JULY 1, 2006	907,004	282,423		(75,947)
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2007	$ 897,458	313,417		$ (70,095)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(2,075)	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE B-27)			$ 188,372	

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. - Harbor Hospital	Rancho Los Amigos National Rehab Center
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from patient services	$ 391,451	311,920	841,230	365,642	113,891
Rentals received					
Cash received from charges for services					
Other operating revenues	17,468	15,201	45,981	11,970	3,929
Cash received for services provided to other funds	11,995	15,959	25,550	10,728	124
Cash paid for salaries and employee benefits	(299,081)	(234,599)	(590,733)	(211,055)	(104,981)
Cash paid for services and supplies	(34,557)	(23,794)	(157,188)	(21,564)	(24,427)
Other operating expenses	(110,987)	(105,329)	(306,462)	(132,546)	(32,499)
Cash paid for services from other funds	(36,274)	(30,817)	(98,429)	(40,707)	(17,316)
Net cash provided by (required for) operating activities	(59,985)	(51,459)	(240,051)	(17,532)	(61,279)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash advances received from other funds	155,252	65,832	373,280	143,583	105,691
Cash advances paid/returned to other funds	(180,362)	(141,017)	(415,112)	(178,143)	(71,094)
Interest paid on pension bonds	(6,437)	(5,585)	(16,904)	(7,174)	(4,635)
Interest paid on advances	(2,384)	(2,399)	(5,325)	(1,859)	(1,932)
Intergovernmental transfers	(50,412)	(37,890)	(118,946)	(54,944)	(6,323)
Intergovernmental receipts					
Transfers in	154,098	191,220	586,610	129,269	47,386
Transfers out	(36)	(464)	(54,642)	(16)	(1)
Net cash provided by (required for) noncapital financing activities	69,719	69,697	348,961	30,716	69,092
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from taxes					
Capital contributions			12,911		
Proceeds from bonds and notes					
Interest paid on capital borrowing	(1,806)	(880)	(1,149)	(2,784)	(2,891)
Principal payments on bonds and notes	(1,576)	(9,440)	(2,094)	(4,979)	(3,868)
Principal payments on capital leases	(148)	(16)			(114)
Acquisition and construction of capital assets	(5,681)	(3,851)	(148,644)	(4,660)	(369)
Net cash required for capital and related financing activities	(9,211)	(14,187)	(138,976)	(12,423)	(7,242)
CASH FLOWS FROM INVESTING ACTIVITIES - Interest income received	127	157	6,307	967	33
Net increase (decrease) in cash and cash equivalents	650	4,208	(23,759)	1,728	604
Cash and cash equivalents, July 1, 2006	13,013	15,769	167,641	6,352	2,947
Cash and cash equivalents, June 30, 2007	$ 13,663	19,977	143,882	8,080	3,551

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				CASH FLOWS FROM OPERATING ACTIVITIES:
$		$ 2,024,134	$	Cash received from patient services
	11,557	11,557	23,376	Rentals received
76,973	633	77,606	354,922	Cash received from charges for services
610	879	96,038		Other operating revenues
		64,356		Cash received for services provided to other funds
	(116)	(1,440,565)	(287,724)	Cash paid for salaries and employee benefits
(47,820)	(212,262)	(521,612)	(46,866)	Cash paid for services and supplies
(1,518)	(237)	(689,578)	(11,316)	Other operating expenses
		(223,543)		Cash paid for services from other funds
28,245	(199,546)	(601,607)	32,392	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:
		843,638		Cash advances received from other funds
		(985,728)		Cash advances paid/returned to other funds
		(40,735)	(7,860)	Interest paid on pension bonds
		(13,899)		Interest paid on advances
		(268,515)		Intergovernmental transfers
193	232,130	232,323	251	Intergovernmental receipts
		1,108,583	3,384	Transfers in
(391)	(4,232)	(59,782)	(221)	Transfers out
(198)	227,898	815,885	(4,446)	Net cash provided by (required for) noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:
3,768		3,768		Proceeds from taxes
		12,911		Capital contributions
	6	6	20,000	Proceeds from bonds and notes
(12)	(319)	(9,841)	(1,532)	Interest paid on capital borrowing
(15)	(660)	(22,632)	(14,520)	Principal payments on bonds and notes
		(278)	(108)	Principal payments on capital leases
(15,693)	(1,375)	(180,273)	(22,402)	Acquisition and construction of capital assets
(11,952)	(2,348)	(196,339)	(18,562)	Net cash required for capital and related financing activities
				CASH FLOWS FROM INVESTING ACTIVITIES -
3,963	4,186	15,740	956	Interest income received
20,058	30,190	33,679	10,340	Net increase (decrease) in cash and cash equivalents
65,803	52,264	323,789	60,812	Cash and cash equivalents, July 1, 2006
$ 85,861	82,454	$ 357,468	$ 71,152	Cash and cash equivalents, June 30, 2007

Continued…

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. - Harbor Hospital	Rancho Los Amigos National Rehab Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:					
Operating income (loss)	$ (64,547)	(74,302)	(345,983)	(65,097)	(25,341)
Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:					
Depreciation and amortization	2,692	2,975	2,136	3,398	2,342
Other charges - net	(5,293)	511	(842)	316	81
(Increase) decrease in:					
Accounts receivable - net	(23,027)	(436)	29,253	(2,853)	(7,358)
Interest receivable					
Other receivables	(873)	(1,447)	(1,858)	(1,287)	150
Due from other funds	43,683	73,791	100,243	68,656	(4,552)
Inventories	(420)	460	(555)	1,129	(237)
Net pension obligation	3,710	3,219	9,742	4,135	2,670
Increase (decrease) in:					
Accounts payable	(538)	3,251	(8,696)	(8,468)	190
Accrued payroll	4,183	2,707	5,235	(1,100)	1,063
Other payables	718	571	1,010	487	303
Accrued vacation and sick leave	3,393	8,295	5,830	(3,347)	(5,271)
Due to other funds	18,558	26,990	(39,827)	3,293	(18,013)
Unearned revenue			2,559		
Pension bonds payable	(9,098)	(7,893)	(23,888)	(10,139)	(6,547)
Workers' compensation liability	(3,883)	(2,752)	(9,932)	(6,764)	(845)
Litigation and self-insurance liability	183	94	903	(3,251)	(1,862)
Third party payor liability	(29,426)	(87,493)	34,619	3,360	1,948
TOTAL ADJUSTMENTS	4,562	22,843	105,932	47,565	(35,938)
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ (59,985)	(51,459)	(240,051)	(17,532)	(61,279)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:					
Pooled cash and investments	$ 10,338	13,085	137,560	7,920	2,962
Other investments					
Restricted assets	3,325	6,892	6,322	160	589
TOTAL	$ 13,663	19,977	143,882	8,080	3,551

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
$ (17,335)	(200,781)	$ (793,386)	$ 11,198	Operating income (loss)
				Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:
22,482	2,943	38,968	34,726	Depreciation and amortization
27,509	125	22,407	(454)	Other charges - net
				(Increase) decrease in:
		(4,421)		Accounts receivable - net
			(136)	Interest receivable
(1,603)	(1,862)	(8,780)	(10)	Other receivables
(971)	(57)	280,793	(18,298)	Due from other funds
		377	(428)	Inventories
		23,476	4,530	Net pension obligation
				Increase (decrease) in:
(3,161)	341	(17,081)	(1,245)	Accounts payable
		12,088	1,718	Accrued payroll
	(128)	2,961	588	Other payables
	(116)	8,784	3,262	Accrued vacation and sick leave
1,324	101	(7,574)	10,276	Due to other funds
	(112)	2,447	(1)	Unearned revenue
		(57,565)	(11,107)	Pension bonds payable
		(24,176)	(3,293)	Workers' compensation liability
		(3,933)	1,066	Litigation and self-insurance liability
		(76,992)		Third party payor liability
45,580	1,235	191,779	21,194	TOTAL ADJUSTMENTS
$ 28,245	(199,546)	$ (601,607)	$ 32,392	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:
$ 85,861	3,734	$ 261,460	$ 47,251	Pooled cash and investments
	78,720	78,720	8,193	Other investments
		17,288	15,708	Restricted assets
$ 85,861	82,454	$ 357,468	$ 71,152	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 4)	$ 27,789	$ 11,555,116	$ 1,105,091
Other investments: (Note 4)		1,246,716	14,714
Stocks	21,955,745		
Bonds	10,388,361		
Short-term investments	1,418,843		
Commodities	410,932		
Real estate	4,126,103		
Mortgages	256,791		
Alternative assets	2,791,924		
Cash collateral on loaned securities	3,126,337		
Taxes receivable			222,286
Interest receivable	137,271	180,017	3,995
Other receivables	450,483		
TOTAL ASSETS	45,090,579	12,981,849	$ 1,346,086
LIABILITIES			
Accounts payable	988,225		
Other payables (Note 4)	3,194,248		
Due to other governments			1,346,086
TOTAL LIABILITIES	4,182,473		$ 1,346,086
NET ASSETS			
Held in trust for pension benefits and investment trust participants	$ 40,908,106	$ 12,981,849	

COUNTY OF LOS ANGELES
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS
ADDITIONS:		
Contributions:		
Pension trust contributions:		
Employer	$ 751,928	$
Member	347,701	
Contributions to investment trust funds		40,069,963
Total contributions	1,099,629	40,069,963
Investment earnings:		
Investment income	3,794,202	657,217
Net increase in the fair value of investments	2,760,428	
Securities lending income (Note 4)	149,925	
Total investment earnings	6,704,555	657,217
Less - Investment expenses:		
Expense from investing activities	75,922	
Expense from securities lending activities (Note 4)	141,449	
Total net investment expense	217,371	
Net investment earnings	6,487,184	657,217
Miscellaneous	1,803	
TOTAL ADDITIONS	7,588,616	40,727,180
DEDUCTIONS:		
Salaries and employee benefits	30,358	
Services and supplies	13,522	
Benefit payments	1,803,984	
Distribution from investment trust funds		38,335,395
Miscellaneous	18,235	
TOTAL DEDUCTIONS	1,866,099	38,335,395
CHANGE IN NET ASSETS	5,722,517	2,391,785
NET ASSETS HELD IN TRUST, JULY 1, 2006	35,185,589	10,590,064
NET ASSETS HELD IN TRUST, JUNE 30, 2007	$ 40,908,106	$ 12,981,849

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Blended Component Units

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Unit

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

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

Component Unit Financial Statements

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

Government-wide Financial Statements

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

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

Net assets are classified into the following three categories: 1) invested in capital assets, net of related debt; 2) restricted and 3) unrestricted. Net assets are reported as restricted they have external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2007, the restricted net assets balances were \$1.4 billion and \$186.3 million for governmental activities and business-type activities, respectively. For governmental activities, \$114.3 million was restricted by enabling legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements-Continued

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

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Harbor-UCLA Medical Center

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

Olive View-UCLA Medical Center

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

LAC+USC Medical Center

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

Martin Luther King, Jr.-Harbor Hospital

The Martin Luther King, Jr.-Harbor Hospital (MLK/H), formerly known as Martin Luther King, Jr./Charles R. Drew Medical Center, began the 2006-07 fiscal year providing acute and intensive care unit medical/surgical inpatient and outpatient services, emergency room services, psychiatric services, dental services, pediatric and obstetric services. The Department implemented the MetroCare Plan and transformed the hospital to a non-teaching facility which provides general adult medical, surgical and low-risk obstetrical and gynecological care with a basic emergency room.

Rancho Los Amigos National Rehabilitation Center

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

Waterworks Funds

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

The following fund types have also been reported:

Internal Service Funds

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

Fiduciary Fund Types

Pension Trust Fund

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

Investment Trust Funds

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Agency Funds

The Agency Funds are used primarily to account for assets held by the County in an agency capacity pending transfer or distribution to individuals, private organizations, other governmental entities, and other funds.

Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's five Hospital Enterprise Funds (Hospitals) are from patient services. The principal operating revenues for the Waterworks Enterprise Funds are from charges for services. The principal operating revenues for the County's Nonmajor Enterprise Funds and Internal Service Funds are charges for services and rental revenues. Operating expenses for all Enterprise Funds and the Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Medical malpractice expenses, which are self-insured, are classified as operating expenses of the Hospitals. All other revenues and expenses not meeting this definition are reported as nonoperating items. As discussed in Note 12, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

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

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

Budgetary Data

In accordance with the provisions of Sections 29000-29144 of the Government Code of the State of California (Government Code), commonly known as the County Budget Act, the County prepares and adopts a budget on or before August 30 for each fiscal year. Budgets are adopted for the major governmental funds and certain nonmajor governmental funds on a basis of accounting which is different from generally accepted accounting principles (GAAP). Annual budgets were not adopted for the Registrar-Recorder Improvement special revenue funds, the JPAs, Public Buildings and the LACSC debt service funds, the capital project funds and the permanent funds.

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled on the object level for all budget units within the County, except for capital asset expenditures, which are controlled on the sub-object level. The total budget exceeds $ 23 billion and is currently controlled through the use of approximately 400 separate budget units. There were no excesses of expenditures over the related appropriations within any fund for the year ended June 30, 2007. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control.

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

Note 14 describes the differences between the budgetary basis of accounting and GAAP. A reconciling schedule is also presented for the major governmental funds.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed at 100% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization. The total 2006-2007 assessed valuation of the County of Los Angeles was $925.5 billion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

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

The County is divided into 11,048 tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved taxes or indebtedness.

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

Deposits and Investments

In accordance with GASB Statements No. 25, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans” and No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the accompanying basic financial statements reflect the fair value of investments. Specific disclosures related to GASB 31 appear in Note 4.

Deposits and investments are reflected in the following asset accounts:

Pooled Cash and Investments

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Operating Pooled Cash and Investments

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

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2007 that were owed to or were more appropriately classified in County operating funds. Accordingly, certain cash balances have been reclassified from the agency funds as required by GASB Statement No. 34.

Other Investments

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

Restricted Assets

Enterprise Funds' restricted assets represent cash and investments of certain JPAs and Public Buildings projects restricted in accordance with the provisions of the certificates of participation issued. The Internal Service Funds' restricted assets represent cash and investments restricted for debt service in accordance with the provisions of the LAC-CAL bond indenture. All of the above noted assets are included in the various disclosures in Note 4. These restricted assets are presented as noncurrent assets and are generally associated with long-term bonds payable.

Inventories

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

Of the amounts reported as inventories in the governmental activities, $37,581,000 represents land held for resale by the CDC. The CDC records land held for resale at the lower of cost or estimated net realizable value.

Capital Assets

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

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

The County's capitalization thresholds are $5,000 for equipment, $100,000 for buildings and improvements and $100,000 for infrastructure assets. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, 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 or amortized using the straight-line method over the following estimated useful lives:

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

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

Advances Payable

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

Vacation and Sick Leave Benefits

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Cash Flows

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

2. NET ASSET DEFICITS

The following funds had net asset deficits at June 30, 2007 (in thousands):

		Accumulated Deficit
Enterprise Funds:		
Harbor-UCLA Medical Center	$	47,974
M. L. King, Jr.,-Harbor Hospital		92,358
Rancho Los Amigos National Rehab Center		1,392
Internal Service Fund-		
Public Works		79,791

The Enterprise and Internal Service Funds' deficits result primarily from the recognition of certain liabilities including accrued vacation and sick leave, workers' compensation, self-insurance and, for the enterprise funds, medical malpractice and third party payor liabilities, as required by GAAP. Deficits are expected to continue until such liabilities are retired through user charges or otherwise funded. Enterprise funds' deficits are further explained in Note 12.

3. ELIMINATIONS

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

3. ELIMINATIONS-Continued

Fund Financial Statements

At June 30, 2007, the governmental fund financial statements reflect an investment asset (referred to as "Other Investments") held by the JPAs of $304,235,000 that has been recorded in the Nonmajor Governmental Funds. The governmental fund financial statements do not reflect a liability for the related bonds payable ($304,235,000), as this obligation is not currently due. Accordingly, the value of the asset represents additional fund balance in the Nonmajor Governmental Funds.

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

Government-wide Financial Statements

The government-wide financial statements are designed to minimize the duplicative effects of transactions between funds. Accordingly, the effects of the transaction described above have been eliminated from the amounts presented within governmental activities (as appropriate under the accrual basis of accounting). The specific items eliminated were other investments and bonds payable ($304,235,000) and investment earnings and interest expense ($16,021,000 for each). Accordingly, there are no reconciling differences between the two sets of financial statements (after the effects of eliminations) for this matter.

The bonds payable of $304,235,000 that were publicly issued are included among the liabilities presented in the Government-wide Financial Statements. Disclosures related to those outstanding bonds appear in Note 9 and are captioned "Assessment Bonds."

4. CASH AND INVESTMENTS

Investments in the County's cash and investment pool, other cash and investments, and Pension Trust Fund investments, are stated at fair value. Aggregate pooled cash and investments and other cash and investments are as follows at June 30, 2007 (in thousands):

			Restricted Assets		
	Pooled Cash and Investments	Other Investments	Pooled Cash and Investments	Other Investments	Total
Governmental Funds	$ 4,826,660	$ 295,170			$ 5,121,830
Proprietary Funds	308,711	86,913	$ 24,455	$ 8,541	428,620
Fiduciary Funds (excluding Pension Trust Fund)	12,660,207	1,261,430			13,921,637
Pension Trust Fund	27,789	44,475,036			44,502,825
Component Unit	163,111	679,422			842,533
Total	$ 17,986,478	$ 46,797,971	$ 24,455	$ 8,541	$ 64,817,445

4. CASH AND INVESTMENTS-Continued

Deposits-Custodial Credit Risk

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

At June 30, 2007, the carrying amount of the County's deposits was $112,114,000 and the balance per various financial institutions was $111,212,000. County's deposits are not exposed to custodial credit risk since all its deposits are either covered by federal depository insurance or collateralized with securities held by the County or its agent in the County's name, in accordance with California Government Code Section 53652.

At June 30, 2007, the carrying amount of Pension Trust Fund deposits was $19,833,000. Pension Trust Fund deposits are held in the Fund's custodial bank and, therefore, are not exposed to custodial credit risk since its deposits are eligible for and covered by "pass through insurance" in accordance with applicable law and FDIC rules and regulations.

Investments

State statutes authorize the County to invest pooled funds in certain types of investments including obligations of the United States Treasury, federal, State and local agencies, commercial paper rated A-1 by Standard Poor's Corporation or P-1 by Moody's Commercial Paper Record, medium-term corporate and deposit notes, negotiable certificates of deposit, floating rate notes, money market funds, guaranteed investment contracts, repurchase and reverse repurchase agreements, bankers' acceptances, State and local area investment funds, and mortgage pass-through securities.

The investments are managed by the County Treasurer who reports on a monthly basis to the Board of Supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Superintendent of Schools, Chief Administrative Officer, and a non-County representative.

Investments held by the County Treasurer are stated at fair value, except for certain non-negotiable securities that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of each participant's position in the pool is the same as the value of the pool shares. 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.

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

4. CASH AND INVESTMENTS-Continued

Investments-Continued

The interest rate risk, foreign currency risk, credit risk, concentration of credit risk, and custodial credit risk related to Pension Trust Fund investments are different than the corresponding risk on investments held by the County Treasurer. Detailed deposit and investment risk disclosures are included in Note G of LACERA's Report on Audited Financial Statements for the year ended June 30, 2007.

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-three percent (83%) of the Treasurer's external investment pool consists of these involuntary participants. Voluntary participants in the County's external investment pool include the Sanitation Districts, Metropolitan Transportation Authority, the South Coast Air Quality Management District and other special districts with independent governing boards. The deposits held for both involuntary and voluntary entities are included in the External Pooled Investment Trust Fund. Certain specific investments have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's investment pool and is reported in the Specific Investment Trust Fund. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the County Treasurer must follow.

County pooled and other investments (excluding Pension Trust Fund other investments) at June 30, 2007 (in thousands) are as follows:

	Fair Value
U.S. Government securities	$ 9,534,409
Negotiable certificates of deposit	2,997,778
Commercial paper	5,873,996
Corporate and deposit notes	714,640
Municipal bonds	5,410
Investment agreements	18,100
Los Angeles County securities	30,000
Guaranteed investment contracts	833,011
Investment in money market funds	123,578
Investment in State and local agency investment funds	98,383
1st and 2nd mortgages	990
Total	$ 20,230,295

Pension Trust Fund investments are reported in the basic financial statements at fair value at June 30, 2007 (in thousands) and are as follows:

	Fair Value
Domestic and international equity	$ 25,062,249
Fixed income	12,063,995
Real estate	4,126,103
Private equity	2,791,924
Commodities	410,932
Total	$ 44,455,203

4. CASH AND INVESTMENTS-Continued

Investments-Continued

The Pension Trust Fund also had deposits with the Los Angeles County Treasury Pool at June 30, 2007 totaling $27,789,000. The Pension Trust Fund portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of the total investment portfolio.

The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2007 to support the value of shares in the Treasurer's investment pool.

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

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

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
U. S. Government securities	$ 8,661,217	$ 8,689,678	3.65% - 9.25%	7/3/07 - 6/6/12	2.93
Negotiable certificates of deposit	2,779,874	2,780,414	5.25% - 5.44%	7/2/07 - 9/19/08	0.26
Commercial paper	5,767,991	5,769,894	5.20% - 5.36%	7/2/07 - 10/5/07	0.03
Corporate and deposit notes	679,850	680,042	5.12% - 5.406%	7/10/07 - 12/28/09	0.59
Los Angeles County securities	30,000	30,000	5.04% - 5.557%	6/30/08 - 6/30/09	1.67
Money market mutual funds	10,623	10,623			0.50
Deposits	81,378	81,378			
	$ 18,010,933	$ 18,042,029			1.49

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

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
Local Agency Investment Fund	$ 98,383	$ 98,412			0.50
Commercial paper	106,005	106,022	5.13% - 5.20%	7/9/07 - 10/2/07	0.10
Corporate and deposit notes	34,790	34,794	3.50% - 5.33%	8/2/07 - 8/3/09	0.11
Mortgage trust deeds	990	990	4.50% - 5.50%	8/1/12 - 4/1/17	7.28
Municipal bonds	5,410	5,410	5.00%	9/2/21	14.19
Negotiable certificates of deposit	217,904	218,005	5.05% - 5.35%	7/9/07 - 3/16/09	0.38
Guaranteed investment contract	833,011	833,011	4.75% - 5.25%	10/1/07 - 3/15/10	1.02
U.S. agency securities	525,920	526,368	3.57% - 5.60%	8/3/07 - 8/11/11	1.21
U.S treasury securities	302,165	302,179	2.63% - 11.25%	7/5/07 - 5/15/16	.66
U.S. treasury bills	45,107	44,278	4.77% - 4.95%	7/5/07 - 12/13/07	0.20
Investment agreements	18,100	18,100	4.65%	1/6/09	1.52
Money market mutual funds	112,955	112,955	4.57% - 5.14%	7/1/07	
Deposits	30,736	30,736			
	$ 2,331,476	$ 2,331,260			0.90

4. CASH AND INVESTMENTS-Continued

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The government code limits most investment maturities to five years, with the exception of commercial paper and bankers' acceptances which are limited to 270 days and 180 days, respectively. The County Treasurer manages equity and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding all investments to maturity. The County's investment guidelines limit the weighted average maturity of its portfolios to less than 18 months. Of the Pooled Cash and Investments and Other Investments at June 30, 2007, over 50% have a maturity of six months or less. Of the remainder, less than 39% have a maturity of more than one year.

As of June 30, 2007, variable-rate notes comprised 3.53% of the Treasury Pool and Other Investment portfolios. The notes are tied to one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable-rate coupon resets back to the market rate on a periodic basis. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset.

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank, except for Bond Anticipation Notes, certain long-term debt proceeds issued by Los Angeles County entities, investment in the State's Local Area Investment Fund, and mortgage trust deeds which are held in the County Treasurer's vault. Securities are not held in broker accounts. At June 30, 2007, the County's external investment pools and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

Credit Risk and Concentration of Credit Risk

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

The County's investment policy establishes minimum acceptable credit ratings for investments from any two nationally recognized statistical rating organizations. For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's) while an issuer of long-term debt shall be rated no less than an "A." At June 30, 2007, the County was invested in the Local Agency Investment Fund which is unrated as to credit quality.

The County's Investment Policy, approved annually by the Board of Supervisors, limits the maximum total par value for each permissible security type (e.g., commercial paper and certificates of deposit) to a certain percentage of the investment pool. Exceptions to this are obligations of the United States government and United States government agencies or government-sponsored enterprises, which do not have limits. Further, the County restricts investments in any one issuer based on the issuer's Nationally Recognized Statistical Rating Organization (NRSRO) ratings. For bankers acceptances, certificates of deposit, corporate notes and floating rate notes, the highest issuer limit was $500 million, approximately 2.7% of the investment pool's daily investment balance. For commercial paper, the highest issuer limit was $750 million, or 3.9% of the investment pool's daily investment balance.

4. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each portfolio's fair value at June 30, 2007:

	S & P	Moody's	% of Portfolio
Pooled Cash and Investments:			
Commercial paper	A-1	P-1	32.17%
Corporate and deposit notes	A-1	P-1	3.79%
Los Angeles County securities	AAA	Aaa	0.17%
Negotiable certificates of deposit	A-1	P-1	15.50%
U.S. agency securities	AAA	Aaa	48.03%
U.S. treasury securities	AAA	Aaa	0.28%
Other (Cal Trust short-term account)	A-1	P-1	0.06%
			100.00%
Other Investments:			
Local agency investment fund	Not rated	Not rated	3.39%
Commercial paper	A-1+	P-1	4.09%
Corporate and deposit notes	A-1+	P-1	1.83%
Mortgage trust deeds	AAA	Aaa	0.05%
Municipal bonds	AAA	Aaa	0.28%
Negotiable certificates of deposit	A-1+	P-1	11.45%
Guaranteed investment contracts	Not rated	Not rated	43.76%
U.S. agency securities	AAA	Aaa	19.24%
U.S. treasury securities	AAA	Aaa	15.91%
			100.00%

The earned yield, which includes net gains on investments sold, on all investments held by the Treasurer's Pool for the fiscal year ended June 30, 2007 was 5.25%.

A separate financial report is not issued for the external investment pool. The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2007 (in thousands):

Statement of Net Assets	
Net assets held in trust for all pool participants	$ 18,010,933
Equity of internal pool participants	$ 6,296,333
Equity of external pool participants	11,714,600
Total equity	$ 18,010,933
Statement of Changes in Net Assets	
Net assets at July 1, 2006	$ 16,120,978
Net change in investments by pool participants	1,889,955
Net assets at June 30, 2007	$ 18,010,933

4. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The unrealized loss on investments held in the Treasurer's Pool was $31,096,000 as of June 30, 2007. This amount takes into account all changes in fair value (including purchases, sales and redemptions) that occurred during the year.

Reverse Repurchase Agreements

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

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

Derivatives

The California Government Code permits the County Treasurer to purchase floating rate notes, that is, any instruments that have a coupon interest rate that is adjusted periodically due to changes in a base or benchmark rate.

The County's investment guidelines limit the amount of floating rate notes to 10% of the Los Angeles County Treasury Pool portfolio and prohibit the purchase of inverse floating rate notes and hybrid or complex structured investments. As of June 30, 2007, there were approximately $635,000,000 in floating rate notes.

LACERA utilizes forward currency contracts to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. At June 30, 2007, forward currency contracts receivable and payable totaled $51,160,000 and $50,989,000, respectively.

Securities Lending Transactions

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

4. CASH AND INVESTMENTS-Continued

Securities Lending Transactions-Continued

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

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

At year end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2007, there were no violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the year ended June 30, 2007. Securities on loan at year-end, which include stocks and government and corporate bonds, are maintained in LACERA's financial records. A corresponding liability is recorded for the fair value of the invested cash collateral received.

As of June 30, 2007, the fair value of securities on loan was $3.02 billion. The value of the cash collateral received for those securities was $3.13 billion and the non-cash collateral was $0.13 million. Securities lending assets (Other Investments) and liabilities (Other Payables) of $3.1 billion are recorded in the Pension Trust Fund. Pension Trust Fund income, net of expenses, from securities lending was $8.48 million for the year ended June 30, 2007.

For the year ended June 30, 2007 the Los Angeles County Treasury Pool did not enter into any securities lending transactions.

Summary of Deposits and Investments

Following is a summary of the carrying amount of deposits and investments at June 30, 2007 (in thousands):

	County	Pension Trust Fund	Total
Deposits	$ 112,114	$ 19,833	$ 131,947
Investments	20,230,295	44,455,203	64,685,498
	$ 20,342,409	$ 44,475,036	$ 64,817,445

5. CAPITAL ASSETS

Capital assets activity of the primary government for the year ended June 30, 2007 is as follows (in thousands):

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Governmental Activities				
Capital assets, not depreciated:				
Land	$ 2,175,836	183,104	(19,483)	$ 2,339,457
Easements	4,660,118	80,922	(85,660)	4,655,380
Construction in progress-buildings and improvements	146,544	77,510	(40)	224,014
Construction in progress-infrastructure	195,869	84,050	(65,091)	214,828
Subtotal	7,178,367	425,586	(170,274)	7,433,679
Capital assets, depreciated:				
Buildings and improvements	3,715,185	271,571	(23,275)	3,963,481
Equipment	893,316	130,067	(45,119)	978,264
Infrastructure	6,814,310	149,517	(5,068)	6,958,759
Subtotal	11,422,811	551,155	(73,462)	11,900,504
Less accumulated depreciation for:				
Buildings and improvements	(1,268,082)	(65,941)	5,494	(1,328,529)
Equipment	(617,139)	(85,630)	45,609	(657,160)
Infrastructure	(2,282,963)	(137,723)	2,167	(2,418,519)
Subtotal	(4,168,184)	(289,294)	53,270	(4,404,208)
Total capital assets, being depreciated, net	7,254,627	261,861	(20,192)	7,496,296
Governmental activities capital assets, net	$14,432,994	687,447	(190,466)	$14,929,975
Business-type Activities				
Capital assets, not depreciated:				
Land	$ 216,753		(425)	$ 216,328
Easements	27,762	1,525	(165)	29,122
Construction in progress-buildings and improvements	707,794	152,074	(1,911)	857,957
Construction in progress-infrastructure	6,440	12,438	(3,975)	14,903
Subtotal	958,749	166,037	(6,476)	1,118,310
Capital assets, being depreciated:				
Buildings and improvements	1,097,500	379	(26,835)	1,071,044
Equipment	225,776	25,975	(28,727)	223,024
Infrastructure	1,130,801	4,800	(583)	1,135,018
Subtotal	2,454,077	31,154	(56,145)	2,429,086
Less accumulated depreciation for:				
Buildings and improvements	(652,242)	(11,111)	1,473	(661,880)
Equipment	(184,504)	(16,938)	27,511	(173,931)
Infrastructure	(362,536)	(21,510)	577	(383,469)
Subtotal	(1,199,282)	(49,559)	29,561	(1,219,280)
Total capital assets, being depreciated, net	1,254,795	(18,405)	(26,584)	1,209,806
Business-type activities capital assets, net	2,213,544	147,632	(33,060)	2,328,116
Total Capital Assets, net	$16,646,538	835,079	(223,526)	$17,258,091

5. CAPITAL ASSETS-Continued

Depreciation Expense

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

Governmental activities:	
General government	$ 12,599
Public protection	133,952
Public ways and facilities	82,755
Health and sanitation	11,950
Public assistance	6,446
Education	1,413
Recreation and cultural services	16,044
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	24,135
Total depreciation expense, governmental activities	$ 289,294
Business-type activities:	
Hospitals	$ 13,543
Aviation	1,663
Waterworks	22,482
Community Development Commission	1,280
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	10,591
Total depreciation expense, business-type activities	$ 49,559

Special Item - Contribution of Disney Hall

The Walt Disney Concert Hall began with a gift from Mrs. Lillian Disney in 1987 and was also funded through private contributions. The County entered into a master lease agreement with the Walt Disney Concert Hall Inc., a non-profit California corporation, whereby the County would acquire the ownership of the Disney Concert Hall upon the project completion. The County accepted title of the Walt Disney Concert Hall on January 9, 2007. The Walt Disney Concert Hall was a significant transaction that was within the control of management and unusual in nature. A Special Item is reported on the Statement of Activities to reflect a contribution of this significant capital asset, the Walt Disney Concert Hall, in the amount of $267,473,000.

Discretely Presented Component Unit

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2007 was as follows (in thousands):

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets, not depreciated:				
Land	$ 2,039	$	$	$ 2,039
Capital assets, depreciated:				
Buildings and improvements	16,673	201		16,874
Equipment	1,185	28		1,213
Subtotal	17,858	229		18,087

5. CAPITAL ASSETS-Continued

Discretely Presented Component Unit-Continued

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Less accumulated depreciation for:				
Buildings and improvements	(5,646)	(230)		(5,876)
Equipment	(456)	(242)		(698)
Subtotal	(6,102)	(472)		(6,574)
Total capital assets being depreciated, net	11,756	(243)		11,513
Component unit capital assets, net	$ 13,795	$ (243)	$	$ 13,552

6. PENSION PLAN

Plan Description

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

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

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

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

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

Funding Policy

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

6. PENSION PLAN-Continued

Funding Policy-Continued

The following employer rates were in effect for 2006-2007:

	A	B	C	D	E
General Members	20.17%	13.31%	13.02%	13.16%	13.32%
Safety Members	28.05%	22.70%			

The rates were determined by the actuarial valuation performed as of June 30, 2005 and are the same as those used to calculate the annual required contribution (ARC).

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

During 2006-2007, the County did not pay LACERA the full amount of the ARC. LACERA applied $111,775,000 in excess earnings reserves towards the County's required contribution.

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation, computed in accordance with GASB 27, for 2006-2007 were as follows (in thousands):

Annual required contribution (ARC):	
County	$ 863,502
Non County entities	124
Total ARC	863,626
Interest on net pension obligation	(20,730)
Annual pension cost	842,896
Contributions made:	
County	751,727
Non County entities	124
Total contributions	751,851
Cost in excess of contributions	91,045
Net pension obligation (asset), July 1, 2006	(267,485)
Net pension obligation (asset), June 30, 2007	$ (176,440)

Trend Information (in thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2005	$ 703,254	75.1%	$ (413,286)
June 30, 2006	822,468	82.3%	(267,485)
June 30, 2007	842,896	89.2%	(176,440)

6. PENSION PLAN-Continued

Annual Pension Cost and Net Pension Obligation-Continued

The annual required contribution was calculated based upon an actuarial valuation performed as of June 30, 2005 using the entry age normal method. The valuation assumed an annual investment rate of return of 7.75%, and projected salary increases ranging from 4.01% to 9.98%, with both assumptions including a 3.5% inflation factor. The valuation also assumed post-retirement benefit increases of between 2% and 3%, in accordance with the provisions of the specific benefit options. The actuarial value of assets was determined utilizing a three-year smoothed method based on the difference between the expected market value and the actual market value of assets as of the valuation date.

The June 30, 2006 valuation determined the funded ratio to be 90.5% and recognized an unfunded actuarial accrued liability (UAAL) of $3.44 billion. The County contribution rate (effective for the 2006-2007 fiscal year) was, therefore, equal to 3.49% of payroll (using the level percentage of payroll amortization method, over a 30-year open period) plus the normal cost rate of 9.42%, for a total rate of 12.91% of payroll.

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

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

Pension Obligation Bonds and Certificates

During 1994-95 the County sold approximately $1,965,230,000 in par value pension bonds and utilized the proceeds to fund LACERA. A portion of the bonds ($1,365,230,000) were fixed rate. The remaining $600,000,000 were variable rate bonds, which were restructured into fixed rate bonds during 1995-96. In conjunction with the 1994-95 issuance of the pension bonds, the County entered into debt service advance agreements. Under the agreements, the County received $79,022,000 in exchange for future interest that the County would have earned on deposits with the trustee between the time the County is required to pay debt service payments to the trustee and the time the trustee pays the bondholders. These proceeds have been recorded as unearned revenue and are being amortized over the life of the bonds on the basis of annual debt service requirements. As of June 30, 2007, the unamortized balance was $16,746,000.

The outstanding principal balance of the bonds (including accreted interest on deep discount bonds) as of June 30, 2007 was $1,104,457,000. The bonds have interest rates varying from 6.97% to 9.19%.

In 1986, the County issued $461,493,000 in fixed rate pension obligation certificates to purchase annuity contracts to provide pension benefits to a specified group of LACERA members. Variable rate bonds totaling $327,400,000 were issued in May 1996 to advance refund $327,405,000 of the certificates. These refunding bonds matured on June 30, 2007. The fixed rate certificates which remain outstanding have a rate of 6.9%. At June 30, 2007, the total outstanding principal (including accreted interest) for the remaining fixed rate certificates was $80,740,000 and has been included in the financial statements as pension bonds payable.

6. PENSION PLAN-Continued

Pension Obligation Bonds and Certificates-Continued

For the year ended June 30, 2007, the combined principal and interest payments for both the bonds and certificates were $300,316,000 and $80,907,000, respectively. For governmental activities, the total debt service was $282,923,000. For business-type activities, the total debt service was $98,300,000. At June 30, 2007, the total outstanding principal, including accreted interest of $676,855,000 on both bonds and certificates, was $1,185,197,000.

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

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2008	$ 116,233	$ 167,121	$ 39,853	$ 58,407
2009	86,377	151,001	30,188	52,773
2010	86,851	178,557	30,354	62,403
2011	87,801	187,956	30,685	65,688
Total	377,262	$ 684,635	131,080	$ 239,271
Accretions	502,323		174,532	
Total Pension Bonds Payable	$ 879,585		$ 305,612	

Swap Transaction Related to Pension Bonds

In conjunction with the issuance of $327,400,000 of variable pension refunding bonds in 1996, the County entered into a swap transaction to create a synthetic fixed interest rate. The County also received an up-front payment of $19,036,000 from the counterparty. The County and the counterparty have fulfilled their obligations under the swap agreement. The bonds and the related swap agreement matured on June 30, 2007.

7. POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, the County provides funding for certain health care benefits for all retired employees and their eligible dependents or survivors. There are approximately 59,000 retirees presently eligible to receive such benefits. LACERA is acting as the benefits coordinator for the health care plan.

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

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

7. POSTEMPLOYMENT BENEFITS-Continued

In 1996-97, the County entered into an agreement with LACERA to establish an Internal Revenue Code Section 401(h) Account for use in connection with the County's payment of retiree health care costs. This agreement, which remains effective until terminated by either party or in the event excess earnings cease to be available, permits the use of LACERA excess earnings reserves to reduce the County's funding requirement for these benefits.

The cost of retiree health care is recognized when the County makes payments to LACERA. For the year ended June 30, 2007, the amounts of such payments were approximately $227,395,000, for governmental activities, and $49,164,000, for business-type activities. These amounts exclude $40,546,000 of LACERA excess earnings reserves, which were utilized to offset a portion of the total funding requirements.

GASB Statement No. 45

The GASB has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." GASB 45 establishes financial reporting standards designed to measure, recognize, and display OPEB costs. The County intends to implement GASB 45 in FY 2007-2008 (financial reporting period ending June 30, 2008).

In addition to the retiree health care benefits , the County provides long-term disability benefits to employees that have been determined to fall within the definition of OPEB. The County currently finances all OPEB benefits on a pay-as-you-go basis. The establishment of a qualifying trust for retirement health care is in a formative stage at this time. However, a trust fund has not been established for the retiree health benefits or the long-term disability benefits.

In preparing to implement GASB 45, the County requested LACERA to conduct an actuarial valuation of the retiree health benefits. The valuation, which was conducted as of July 1, 2006, identified the County's share of the actuarial accrued liability as $20.302 billion. The County has also undertaken an actuarial valuation of the long-term disability programs as of July 1, 2007 and such valuation identified actuarial accrued liabilities of $987 million.

8. LEASES

Operating Leases

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2007 (in thousands):

Year Ending June 30	Governmental Activities
2008	$ 68,517
2009	57,311
2010	37,169
2011	26,464
2012	19,336
2013-2017	53,426
2018-2022	12,396
2023-2027	19
Total	$ 274,638

Rent expenditures related to operating leases were $76,364,000 for the year ended June 30, 2007.

8. LEASES-Continued

Capital Leases

The following is a schedule of future minimum lease payments under capital leases together with the present value of future minimum lease payments as of June 30, 2007 (in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2008	$ 27,989	$ 149
2009	23,956	145
2010	19,403	148
2011	13,370	
2012	6,154	
2013-2017	39,855	
2018-2022	29,755	
2023-2027	29,756	
2028-2032	29,103	
2033-2037	163	
Total	$ 219,504	$ 442
Less: Amount representing interest	121,054	44
Present value of future minimum lease payments	$ 98,450	$ 398

The following is a schedule of property under capital leases by major classes at June 30, 2007 (in thousands):

	Governmental Activities	Business-type Activities
Land	$ 5,710	
Buildings and improvements	119,448	$ 1,200
Equipment	59,407	393
Accumulated depreciation	(60,574)	(928)
Total	$ 123,991	$ 665

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, various County golf courses and regional parks, and Asset Development Projects. Substantially all of the Marina's land and harbor facilities are leased to others under agreements classified as operating leases. Certain golf courses and regional parks are leased under agreements which provide for activities such as golf course management and clubhouse operations, food and beverage concessions, and recreational vehicle camping. The Asset Development Projects are ground leases and development agreements entered into by the County for private sector development of commercial, industrial, residential and cultural uses on vacant or underutilized County owned property. The Asset Development leases cover remaining periods ranging generally from 1 to 90 years and are accounted for in the General Fund. The lease terms for the golf courses and regional parks cover remaining periods ranging from 1 to 28 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 60 years and are accounted for in the Debt Service Funds as a result of the issuance of certificates of participation related to the Marina del Rey Project area.

8. LEASES-Continued

Leases of County-Owned Property-Continued

The land carrying value of the Asset Development Project ground leases and the Marina del Rey Project area leases is $400,534,000. The carrying value of the golf course and regional park operating leases is not determinable due to the nature of these leases.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2007 (in thousands):

Year Ending June 30	Governmental Activities
2008	$ 36,440
2009	36,581
2010	36,609
2011	36,456
2012	35,825
Thereafter	1,276,054
Total	$ 1,457,965

The following is a schedule of rental income for these operating leases for the year ended June 30, 2007 (in thousands):

	Governmental Activities
Minimum rentals	$ 37,097
Contingent rentals	22,991
Total	$ 60,088

9. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans payable, pension bonds payable (see Note 6), capital lease obligations (see Note 8) and other liabilities which are payable from the General, Special Revenue, Debt Service, Enterprise and Internal Service Funds.

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

	Original Par Amount of Debt	Balance June 30, 2007
Los Angeles County Flood Control District Storm Drain General Obligation Bonds, 4.9% to 5.1%	$ 14,000	$ 370
Los Angeles County Flood Control District Refunding Bonds 2.5% to 5.0%	143,195	94,280
Los Angeles County Flood Control District Revenue Bonds 4.0% to 4.12%	20,540	18,910

9. LONG TERM OBLIGATIONS-Continued

Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3% to 6%	349,690	323,396
Community Development Commission (CDC) Notes Payable, 2.31% to 7.91%	66,295	44,793
NPC Bond Anticipation Notes, 5.04% to 5.56%	17,700	17,700
NPC Bonds 2.5% to 4.0%	24,140	11,366
Marina del Rey Loans Payable, 4.5% to 4.7%	23,500	21,302
Public Buildings Certificates of Participation, 2.8% to 7.75%	944,106	812,247
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds 5.25% to 6.65%	319,827	343,922
Total	$ 1,922,993	$ 1,688,286

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

	Original Par Amount of Debt	Balance June 30, 2006
NPC Bond Anticipation Notes, 5.04% to 5.56%	$ 12,300	$ 12,300
NPC Bonds 2.5% to 4.0%	16,775	7,899
Public Buildings Certificates of Participation, 2.8% to 7.0%	245,529	132,316
Commercial Paper, 3.65% to 3.7%	2,500	2,500
Waterworks District Bonds, 3.3% to 8.0%	280	121
Community Development Commission Mortgage Notes, 0.00% to 7.3%	11,390	5,208
Total	$ 288,774	$ 160,344

General Obligation Bonds

The County issued general obligation bonds in 1986 to finance detention facilities. The Flood Control District issued general obligation bonds to finance flood control projects. Waterworks Districts issued general obligation bonds to finance water system projects. Revenue for retirement of such bonds is provided from ad valorem taxes on property within the jurisdiction of the governmental unit issuing the bonds. Principal and interest requirements on general obligation long-term debt (Los Angeles County (LAC) Flood Control Storm Drain bonds for Governmental Activities and Waterworks District bonds for Business-type Activities) are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2008	$ 370	$ 9	$ 17	$ 11
2009			18	9
2010			19	7
2011			21	5
2012			22	4
2013-17			24	1
Total	$ 370	$ 9	$ 121	$ 37

9. LONG TERM OBLIGATIONS-Continued

Assessment Bonds

The Regional Park and Open Space District issued voter approved assessment bonds in 1997, some of which were advance refunded in 2005, to fund the acquisition, restoration, improvement and preservation of beach, park, wildlife and open space resources within the District. As discussed in Note 3, the bonds were purchased by the Public Works Financing Authority (Authority) and similar bonds were issued as a public offering. The bonds issued by the Authority are payable from the proceeds of annual assessments levied on parcels within the District's boundaries.

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

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2008	$ 22,630	$ 14,835
2009	23,670	13,644
2010	24,835	12,441
2011	26,075	11,185
2012	27,345	9,855
2013-2017	136,965	26,872
2018-2022	42,715	3,376
Subtotal	304,235	$ 92,208
Add: Unamortized Bond Premiums	19,161	
Total Assessment Bonds	$ 323,396	

Certificates of Participation

The County has issued certificates of participation (COPs) through various financing entities that have been established by, and are component units of, the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed. Principal and interest requirements on COPs (LAC Flood Control District Refunding bonds and Revenue bonds, NPC bonds, and Public Buildings COPs for Governmental Activities and NPC bonds and Public Buildings COPs for Business-type activities) are as follows (in thousands):

9. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation-Continued

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2008	$ 78,609	$ 43,982	$ 25,485	$ 7,966
2009	81,153	38,314	13,779	7,044
2010	78,664	35,773	13,141	6,421
2011	68,798	33,526	12,586	5,823
2012	71,026	31,096	13,164	5,236
2013-2017	226,217	128,912	53,907	16,564
2018-2022	112,039	106,589		
2023-2027	86,595	26,749		
2028-2032	59,835	9,735		
2033-2037	13,170	667		
Subtotal	876,106	$ 455,343	132,062	$ 49,054
Accretions	70,597			
Unamortized Bond Premiums	30,918		8,153	
Unamortized Loss	(40,818)			
Total Certificates of Participation	$ 936,803		$ 140,215	

Tobacco Settlement Asset-Backed Bonds

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

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

9. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds-Continued

Year Ending June 30	Governmental Activities Principal	Interest
2011	$	$ 21,197
2012		21,197
2013-2017		105,987
2018-2022	60,280	101,926
2023-2027		85,680
2028-2032	46,370	72,585
2033-2037	62,196	64,767
2038-2042	53,157	42,665
2043-2047	97,824	21,564
Subtotal	319,827	$ 537,568
Accretions	24,095	
Total Tobacco Settlement Asset-Backed Bonds	$ 343,922	

Notes, Loans, and Commercial Paper

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

CDC notes are secured by annual contributions from the United States Department of Housing and Urban Development (HUD) and housing units constructed with the note proceeds. Commission mortgage notes are secured by revenues from the operation of housing projects and from housing assistance payments from HUD. During the 2006-07 fiscal year, CDC issued additional notes payable in the amount of $5,250,000 as reflected in the governmental activities.

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

Tax-exempt commercial paper notes (TECP) are issued by the County to pay for the construction costs for the Harbor-UCLA Medical Center SB1953 seismic retrofit project. Repayment of the TECP is secured by a letter of credit and a sublease of twenty-one County-owned properties. Pursuant to the underlying leases, the County is able to amortize the remaining TECP over the useful life of the underlying assets. The term of individual commercial paper notes may not exceed 270 days.

9. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Commercial Paper-Continued

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

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2008	$ 13,444	$ 3,213	$ 7,310	$ 151
2009	14,535	3,086	9,030	98
2010	2,606	2,950	355	45
2011	2,760	2,811	350	13
2012	3,423	2,648		
2013-2017	17,357	10,431	972	
2018-2022	17,341	5,544		
2023-2027	9,439	1,846		
2028-2032	2,890	199		
Indeterminate maturity			1,991	
Total	$ 83,795	$ 32,728	$ 20,008	$ 307

Summary-All Future Principal, Interest and Accretions

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

Debt Type	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
General Obligation Bonds	$ 370	$ 9	$ 121	$ 37
Assessment Bonds	304,235	92,208		
Certificates of Participation	876,106	455,343	132,062	49,054
Tobacco Settlement Asset-Backed Bonds	319,827	537,568		
Notes, Loans, and Commercial Paper	83,795	32,728	20,008	307
Subtotal	1,584,333	$1,117,856	152,191	$ 49,398
Add: Accretions	94,692			
Unamortized Bond Premiums	50,079		8,153	
Less: Unamortized Loss on Advance Refunding of Debt	(40,818)			
Total Bonds and Notes Payable	$ 1,688,286		$ 160,344	

9. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions-Continued

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

Advance Refunding of Debt

On December 1, 2006, the County issued $217,585,000 of Public Buildings lease revenue refunding bonds (2006 Master Refunding Project) Series A, with an average interest rate of 3.68%, and $103,410,000 of Public Buildings lease revenue refunding bonds (2006 Master Refunding Project) Series B, with an average interest rate 4.34%. The 2006 Series A Bonds were issued to refund the outstanding principal of $272,000,000 of bonds issued in 1996 and 1997 with an average interest rate of 5.22%. The 2006 Series B Bonds were issued to refund the outstanding principal amount of $110,105,000 of bonds issued in 2000 with an average interest rate of 5.31%.

U.S. Government securities were purchased and deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the refunded bonds were considered to be defeased and the liabilities for those bonds were removed from the Government-Wide Statement of Net Assets – Governmental Activities. Specific disclosures related to each refunding issue are as follows (in thousands):

	Series 2006A	Series 2006B
Proceeds of refunding bonds issued	$ 217,585	$ 103,410
Prior years' bond reserves and/or premiums	64,951	12,928
Deposit to escrow	$ 282,536	$ 116,338
Future years' aggregate debt service payment reduction	$ 54,610	$ 20,735
Present value savings (economic gain)	$ 8,550	$ 7,312

For each of the two advance refunding transactions, the carrying amount of the refunded debt was less than the reacquisition price. These differences were $11,865,000 and $6,233,000 for the December 2006 Series 2006A and Series 2006B bonds, respectively. These amounts have been reported as reductions of the amount of outstanding debt in the basic financial statements.

Bonds Defeased in Prior Years

In prior years, various debt obligations, consisting of bonds and certificates of participation, were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related liabilities for the defeased bonds are not reflected in the County's financial position. At June 30, 2007, the amount of outstanding bonds and certificates of participation considered defeased was $552,015,000. All of this amount was related to governmental activities.

9. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2007 (in thousands):

	Balance July 1, 2006	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2007	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 1,815,744	$ 375,967	$ 503,425	$ 1,688,286	$ 119,472
Pension bonds payable (Note 6)	1,045,264		165,679	879,585	284,522
Capital lease obligations (Note 8)	123,676	818	26,044	98,450	15,738
Accrued vacation and sick leave	630,670	115,772	46,242	700,200	45,229
Workers' compensation liability (Note 16)	2,018,407	128,200	271,473	1,875,134	292,378
Litigation and self-insurance liability (Note 16)	483,097		57,556	425,541	73,034
Third party payor liability	22,344	977	5,753	17,568	17,168
Total governmental activities	$ 6,139,202	$ 621,734	$1,076,172	$ 5,684,764	$ 847,541
Business-type activities:					
Bonds and notes payable	$ 182,355	8,006	30,017	160,344	33,597
Pension bonds payable (Note 6)	363,177		57,565	305,612	98,857
Capital lease obligations (Note 8)	675		277	398	125
Accrued vacation and sick leave	110,367	19,216	10,432	119,151	9,720
Workers' compensation liability (Note 16)	352,295	15,393	39,569	328,119	45,584
Litigation and self-insurance liability (Note 16)	239,323	24,458	28,391	235,390	24,932
Third party payor liability (Note 12)	175,213	37,961	114,954	98,220	11,552
Total business-type activities	$ 1,423,405	$ 105,034	$ 281,205	$ 1,247,234	$ 224,367

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

Bond interest accretions for deep discount bonds have been included in the amounts reported for Bonds and Notes Payable and Pension Bonds Payable. For Bonds and Notes Payable, accretions increased during 2006-2007, thereby increasing liabilities for Bonds and Notes Payable by $21,501,000 for governmental activities. Amounts accreted for Pension Bonds in previous years were paid during 2006-2007 thereby decreasing liabilities for Pension Bonds Payable for governmental and business-type activities by $24,495,000 and $8,511,000, respectively, for interest accretions. Note 16 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance liabilities.

10. SHORT-TERM DEBT

On July 3, 2006, the County issued $500,000,000 of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 3.50%. The proceeds of the notes were used to assist with County General Fund cash flow needs prior to the first major apportionment of property taxes, which occurred in December 2006. The notes matured and were redeemed on June 29, 2007.

11. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2007, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $87,254,000 and limited obligation improvement bonds totaling $15,549,000. The bonds were issued to finance the cost of various construction activities and infrastructure improvements which have a regional or direct benefit to the related property owners.

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

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

Residential Mortgage Revenue Bonds

Residential Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single family residences in the County. The purpose of this program is to provide low interest rate home mortgage loans to persons who are unable to qualify for conventional mortgages at market rates. Multi-Family Mortgage Revenue Bonds have been issued to provide permanent financing for apartment projects located in the County to be partially occupied by persons of low or moderate income. The amount of Mortgage Revenue Bonds issued since inception of the programs approximates $1,306,172,000. The amount of bonds outstanding as of June 30, 2007 was not determinable.

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

11. CONDUIT DEBT OBLIGATIONS-Continued

Industrial Development and Other Conduit Bonds

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

As of June 30, 2007, the amount of industrial development and other conduit bonds outstanding was $14,815,000.

12. HOSPITAL AND OTHER PROGRAM REVENUES

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

Medi-Cal Hospital / Uninsured Care Demonstration Project

The Medicaid Demonstration Project, which was a sub-state waiver, included the Supplemental Project Pool (SPP) program and the Federally Reimbursable Ambulatory Care Service Costs. This sub-state waiver was terminated on June 30, 2005. A new Statewide Project, the California's Medi-Cal Hospital / Uninsured Care Demonstration Project, was implemented on July 1, 2005. This Demonstration Project and the associated changes to various State Plan Amendments either modified and/or replaced the Medi-Cal Fee For Services, SB 855 and SB 1255 payment funding systems.

The Demonstration Project was negotiated between the State of California’s Department of Health Services (SDHS) and the federal Centers for Medicare and Medicaid Services (CMS), and covers the period from July 1, 2005 to June 30, 2010. The implementing State legislation (SB 1100) was enacted by the Legislature in September 2005. The five-year Demonstration Project applies to payments Statewide (which includes 23 public hospitals, including all University of California owned hospitals, identified as Designated Public Hospitals, and private and non-designated public safety net hospitals that serve large numbers of Medi-Cal patients).

The Medicaid Demonstration Project restructures inpatient hospital fee-for-service (FFS) payments and Disproportionate Share Hospital (DSH) payments, as well as the financing method by which the State draws down federal matching funds. Under the old system, public hospitals negotiated and received inpatient FFS contract per diem payments and supplemental contract payments (SB 1255) under the Medi-Cal Selective Provider Contract Program, and received DSH funds pursuant to a statutory formula (SB 855). The nonfederal share of the inpatient FFS per diems was funded with State general funds, while the nonfederal share of the supplemental contract payments and DSH payments was provided in the form of intergovernmental transfers of funds (IGTs) made by the public entities that operated public hospitals.

12. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Hospital / Uninsured Care Demonstration Project-Continued

Under the Demonstration Project, payments for the public hospitals are comprised of: 1) FFS cost-based reimbursement for inpatient hospital services (exclusive of physician component); 2) DSH payments and 3) distribution from a newly created pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP), which was capped Statewide at $586 million for FY 2006-07. The non-federal share of these three types of payments will be provided by the public hospitals rather than the State, primarily through certified public expenditures (CPE) whereby the hospital would expend its local funding for services to draw down the federal financial participation (FFP), currently provided at a 50% match. For the inpatient hospital cost-based reimbursement, each hospital will provide its own CPE and receive all of the resulting federal match. For the DSH and SNCP distributions, the CPEs of all the public hospitals will be used in the aggregate to draw down the federal match. It is therefore possible for one hospital to receive the federal match that results from another hospital's CPE. In this situation, the first hospital is referred to as a "recipient" hospital, while the second is referred to as a "donor" hospital. A recipient hospital is required to "retain" the FFP amounts resulting from donated CPEs.

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

The County of Los Angeles provides funding for the State's share of the Demonstration Project by transferring funds to the State. These transferred funds are referred to as IGTs and are used by the State to draw down federal matching funds. The IGT funds transferred to the State by each hospital Enterprise Fund and the matching federal funds are utilized by the State to provide supplemental funding to these funds for Health Care Expenditures.

The County recognizes the supplemental funding received for each hospital as net patient services revenue as reflected in the Statement of Revenues, Expenses, and Changes in Net Assets. The IGT payments are reflected as non-operating expenses by each Hospital in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. For the year ended June 30, 2007, the cost of the IGTs and the related revenues recognized are as follows (in thousands):

Program	Intergovernmental Transfers Expense	Revenues
Medicaid Demonstration Project	$ 268,515	$ 893,400

12. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Baseline Payments

The Demonstration Project prioritizes payments so that, to the extent possible, total payments to hospitals are at a minimum “baseline” level. For public hospitals, the baseline level is determined and satisfied on a hospital-specific basis. The baseline for the 2006-07 fiscal year is established at each hospital’s total net Medi-Cal inpatient payments for 2005-06. The State DHS estimates the aggregate baseline funding for the 23 Statewide designated public hospitals to be $2.225 billion. The FY 2006-07 baseline for Los Angeles County hospitals is as follows (in thousands):

Hospital Name	Baseline Amount
LAC+USC Medical Center	$ 339,702
Harbor-UCLA Medical Center	160,380
MLK, Jr.-Harbor Hospital	159,418
Rancho Los Amigos National Rehabilitation Center	76,074
Olive View -UCLA Medical Center	105,811
Total	$ 841,385

The three funding components that will be utilized to meet each hospital’s baseline level are as follows:

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

2) DSH funds: These payments are made to hospitals to take into account the uncompensated costs of care delivered to the uninsured, including undocumented immigrants, as well as shortfalls between Medi-Cal psychiatric and Medi-Cal managed care payments and the cost of care delivered. The non-federal share of these funds will be a combination of CPEs for these services and IGTs and as such are subject to interim and final cost settlement. There is an annual fixed allotment of federal DSH funds. The waiver allocates almost all of these funds to public hospitals. (The State DHS estimates the aggregate value of federal DSH funds for the Statewide designated public hospitals to be $1.023 billion as of June 30, 2007.)

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

Stabilization Payments

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

12. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Stabilization Payments-Continued

SB 1100 requires the Department of Health Services (DHS) to finalize the calculation of stabilization funding for each hospital and pay that amount by April 1 following the project year. This determination will be based on cost estimates and specified adjustments. Under State law the stabilization determined through this process shall not be modified for any reason other than mathematical errors or mathematical omissions on the part of the State of California.

Reported CPEs Subject to Audit

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

Medi-Cal and Medicare Programs

Services to inpatient Medicare program beneficiaries are primarily paid under prospectively determined rates-per-discharge based upon diagnostic related groups (DRGs). Cost Based Reimbursement Clinics (CBRC) funding became effective on July 1, 2000, as part of the 1115 Waiver Extension, and was scheduled to expire on June 30, 2005. A new State Plan Amendment to extend CBRC to be effective on July 1, 2005 is pending with the federal government. CBRC reimburses at 100 percent of reasonable costs for Medi-Cal outpatient services provided to Medi-Cal beneficiaries at hospital-based clinics and health centers (excluding clinics that provide predominately public health services). Certain other services to Medicare beneficiaries are reimbursed based on a fee schedule or other rates. Revenues from Medi-Cal and Medicare programs represent approximately 78% and 7%, respectively, of net patient care revenue for the year ended June 30, 2007.

Medi-Cal field audits have been completed and audit reports have been issued for FY 2003-04 for all hospitals and health centers with the exception of MLK, Jr.-Harbor Hospital (MLK/H) formerly known as Martin Luther King, Jr./Drew Medical Center. FY 2004-05 Medi-Cal audits are in progress.

The Medicare audits have been completed for FYs 1998-99 through 2000-01 at all hospitals. The notices of program reimbursement have been received for all hospitals. For FY 2001-02, Medicare audits have been completed for all hospitals except for LAC+USC Medical Center (LAC+USC). The audit for LAC+USC has not been scheduled for FY 2001-02. For FY 2002-03, the audits for Olive View-UCLA Medical Center (OV/UCLA), Rancho Los Amigos National Rehabilitation Center (Rancho) and High Desert Hospital (HD) have been completed and the notices of program reimbursement have been issued. The audit for MLK/H is in progress. The audits for LAC+USC and Harbor-UCLA Medical Center (H/UCLA) have not been scheduled for FY 2002-03.

For FY 2003-04, the audit for OV/UCLA has been completed and the notice of program reimbursement has been issued. The MLK/H audit is in progress. The audits for LAC+USC, H/UCLA, and Rancho have not been scheduled.

12. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal and Medicare Programs-Continued

For FY 2004-05, the audit for OV/UCLA has been completed and the notice of program reimbursement has been issued. MLK/H and Rancho audits are in progress. The audits for LAC+USC and H/UCLA have not been scheduled.

For FY 2005-06, the audit for OV/UCLA has been completed and the notice of program reimbursement has been issued. Rancho's audit is in progress. The audits for LAC+USC, H/UCLA, and MLK/H have not been scheduled.

The hospitals have various outstanding appeals pertaining to Medi-Cal and Medicare audit settlements. The Medi-Cal FY 2001-02 informal level appeals have been resolved and $2.4 million will be paid to the County as a result of the resolution of those appeals.

Martin Luther King, Jr.- Harbor Hospital Extension Agreement

CMS provided notice to MLK/H that its Medicare provider agreement would be terminated on November 30, 2006 due to the hospital's non-compliance of Medicare Conditions of Participation (CoPs). At the hospital's request, CMS extended the effective date of termination from November 30, 2006 to March 31, 2007.

On March 30, 2007, the County entered into an agreement with SDHS and CMS further to extend the termination date to August 15, 2007 subject to limitations on reimbursements. Under this agreement, MLK/H agrees not to seek reimbursement at any time from Medicare or Medicaid, nor submit claims to CMS or the Single State Medicaid Agency for reimbursement or payment (including but not limited to costs under DSH and SNCP provisions) for services, except for certain emergency services, provided to Medicare or Medicaid beneficiaries, or to uninsured individuals between May 1, 2007 and either August 15, 2007 or the date CMS makes a determination that MLK/H is in full compliance with the Medicare CoPs.

The agreement resulted in a decrease of $7.99 million in revenues to MLK/H.

Other Program Revenues

Proposition 99 imposes an additional State excise tax on cigarettes and other tobacco products. The increased taxes on tobacco products generate additional revenues for health care, research, health education, and public resources. State Assembly Bill 75 allocates these revenues to health care providers based upon their share of the financial burden for providing care to persons who are uninsured or otherwise unable to pay for care. The County's share of the AB 75 California Healthcare for the Indigent Program (CHIP) revenues for the year ended June 30, 2007 was $11.5 million.

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

12. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Accounts Receivable-net

The following is a summary by hospital of accounts receivable and allowances for uncollectible amounts for the year ended June 30, 2007 (in thousands):

	H/UCLA	OV/UCLA	LAC+USC	MLK/H	Rancho	Total
Accounts receivable	$ 526,985	248,167	804,744	264,600	167,240	$2,011,736
Less: Allowance for uncollectible amounts	412,052	171,652	620,381	146,209	90,380	1,440,674
Accounts Receivable – net	$ 114,933	76,515	184,363	118,391	76,860	$ 571,062

Charity Care

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

The total amount of such charity care provided by the hospitals for the fiscal year ended June 30, 2007, based on established rates, is as follows (in thousands):

Charges forgone	$1,353,319
Less: Federal and State subventions	11,471
Net charges forgone	$1,341,848

Litigation Regarding Reduction in Health Services

In March 2003, two lawsuits were filed in Federal District Court against the County challenging health care reductions approved by the Board. The lawsuits challenged the closure of Rancho Los Amigos National Rehabilitation Center as well as the reduction of the 100 beds at LAC+USC Medical Center. On August 9, 2005, the Board of Supervisors approved a negotiated settlement with the plaintiffs. The Federal District Court approved the Rancho settlement on December 19, 2005, and the LAC+USC settlement on March 10, 2006. These settlement agreements allow for the phased reduction of beds at LAC+USC contingent upon meeting established milestone reductions in patients' average length of stay. Specifically, DHS was able to reduce 25 beds immediately, with additional decreases tied to achieving and maintaining milestone reductions for prescribed periods of time. The settlement also calls for DHS to continue to operate Rancho, although at a reduced size with only core rehabilitation services, for a three-year period through March 9, 2009, while the County simultaneously seeks an entity to take over hospital operations.

13. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables have been eliminated in the government-wide financial statements, except for "internal balances" that are reflected between the governmental and business-type activities. Interfund receivables and payables have been recorded in the fund financial statements. Such amounts arise due to the exchange of goods or services (or subsidy transfers) between funds that were pending the transfer of cash as of June 30, 2007.

Cash transfers related to interfund receivables/payables are generally made within 30 days after year-end. Amounts due to/from other funds at June 30, 2007 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 5,923
	Flood Control District	6,920
	Public Library	2,042
	Regional Park and Open Space District	9,007
	Internal Service Funds	9,193
	Waterworks Enterprise	28
	Harbor-UCLA Medical Center	22,033
	Olive View-UCLA Medical Center	36,255
	LAC+USC Medical Center	79,404
	M.L. King-Harbor Hospital	18,390
	Rancho Los Amigos Nat'l Rehab Center	6,411
	Nonmajor Enterprise Funds	54
	Nonmajor Governmental Funds	174,464
		370,124
Fire Protection District	General Fund	3,650
	Flood Control District	11
	Internal Service Funds	4
	LAC+USC Medical Center	5
	Nonmajor Governmental Funds	816
		4,486
Flood Control District	General Fund	2,109
	Internal Service Funds	10,307
	Waterworks Enterprise	15
	Nonmajor Enterprise Funds	8
	Nonmajor Governmental Funds	719
		13,158
Public Library	General Fund	105
	Nonmajor Governmental Funds	657
		762
Regional Park and Open Space Dist	General Fund	9

13. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Internal Service Funds	General Fund	14,141
	Fire Protection District	73
	Flood Control District	18,133
	Public Library	14
	Waterworks Enterprise	6,037
	Harbor-UCLA Medical Center	2
	LAC+USC Medical Center	4
	M. L. King-Harbor Hospital	22
	Rancho Los Amigos Nat’l Rehab Center	58
	Nonmajor Enterprise Funds	235
	Nonmajor Governmental Funds	37,791
		76,510
Waterworks Enterprise	General Fund	3
	Internal Service Funds	1,751
	Nonmajor Governmental Funds	15
		1,769
Harbor-UCLA Medical Center	General Fund	28,957
	Fire Protection District	17
	Olive View-UCLA Medical Center	16,354
	LAC+USC Medical Center	16,195
	M.L. King-Harbor Hospital	146
	Rancho Los Amigos Nat’l Rehab Center	20
	Nonmajor Governmental Funds	7,993
		69,682
Olive View-UCLA Medical Center	General Fund	25,608
	Harbor-UCLA Medical Center	32
	LAC+USC Medical Center	28,048
	M.L. King-Harbor Hospital	61
	Nonmajor Governmental Funds	17,771
		71,520
LAC+USC Medical Center	General Fund	203,832
	Fire Protection District	17
	Harbor-UCLA Medical Center	12,699
	Olive View-UCLA Medical Center	4,035
	M.L. King-Harbor Hospital	7,733
	Rancho Los Amigos Nat’l Rehab Center	790
	Nonmajor Governmental Funds	45,947
		275,053
M. L. King, Jr.-Harbor Hospital	General Fund	23,813
	Fire Protection District	20
	LAC+USC Medical Center	573
	Rancho Los Amigos Nat’l Rehab Center	1
		24,407

13. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Rancho Los Amigos Nat'l Rehab Center	General Fund	9,130
	Harbor-UCLA Medical Center	76
	LAC+USC Medical Center	10,675
	M.L. King-Harbor Hospital	18
		19,899
Nonmajor Enterprise Funds	Internal Service Funds	58
Nonmajor Governmental Funds	General Fund	291,001
	Fire Protection District	14
	Flood Control District	221
	Internal Service Funds	11,790
	Waterworks Enterprise	1
	Olive View-UCLA Medical Center	465
	Nonmajor Enterprise Funds	7
	Nonmajor Governmental Funds	7,690
		311,189
Total Interfund Receivables/Payables		$ 1,238,626

Interfund Transfers

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

Interfund transfers to/from other funds for the year ended June 30, 2007 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Public Library	$ 34,784
	Internal Service Funds	192
	Harbor-UCLA Medical Center	114,141
	Olive View-UCLA Medical Center	133,282
	LAC+USC Medical Center	487,385
	M.L. King-Harbor Hospital	118,418
	Rancho Los Amigos Nat'l Rehab Center	36,723
	Nonmajor Governmental Funds	114,106
		1,039,031
Fire Protection District	Nonmajor Governmental Funds	31,487

13. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Flood Control District	General Fund	1,484
	Internal Service Funds	542
	Nonmajor Governmental Funds	19,039
		21,065
Public Library	General Fund	2,828
	Nonmajor Governmental Funds	1,016
		3,844
Regional Park and Open Space District	Nonmajor Governmental Funds	33,710
Internal Service Funds	Internal Service Funds	221
Waterworks Enterprise	Internal Service Funds	391
Harbor-UCLA Medical Center	Nonmajor Governmental Funds	36
Olive View-UCLA Medical Center	Nonmajor Governmental Funds	464
LAC+USC Medical Center	Harbor-UCLA Medical Center	15,891
	Olive View-UCLA Medical Center	28,043
	Rancho Los Amigos Nat'l Rehab Center	10,663
	Nonmajor Governmental Funds	45
		54,642
M. L. King-Harbor Hospital	Nonmajor Governmental Funds	16
Rancho Los Amigos Nat'l Rehab Center	Nonmajor Governmental Funds	1
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	4,232
Nonmajor Governmental Funds	General Fund	262,931
	Public Library	510
	Internal Service Funds	2,038
	Harbor-UCLA Medical Center	24,066
	Olive View-UCLA Medical Center	29,895
	LAC+USC Medical Center	99,225
	M.L. King-Harbor Hospital	10,851
	Nonmajor Governmental Funds	33,688
		463,204
Total Interfund Transfers		$1,652,344

13. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Short-term Advances

The General Fund makes short-term advances to assist the Hospital Funds in meeting their cash flow requirements. The General Fund, along with other funds that receive services from the Public Works Internal Service Fund, makes short-term advances to ensure sufficient cash is available to fund operations.

Advances from/to other funds at June 30, 2007 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Internal Service Funds	$ 3,589
	Harbor-UCLA Medical Center	74,487
	Olive View-UCLA Medical Center	37,228
	LAC+USC Medical Center	161,123
	M.L. King-Harbor Hospital	53,366
	Rancho Los Amigos Nat'l Rehab Center	70,487
		400,280
Flood Control District	Internal Service Funds	6,213
Waterworks Enterprise Funds	Internal Service Funds	1,164
Nonmajor Governmental Funds	Internal Service Funds	11,034
Total Short-term Advances		$ 418,691

14. BUDGETARY ACCOUNTING CHANGES/RECONCILIATION BETWEEN THE BUDGETARY BASIS AND GAAP

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

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

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

14. BUDGETARY ACCOUNTING CHANGES/RECONCILIATION BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

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

- In conjunction with the sale of Tobacco Settlement Asset-Backed bonds, the County sold 25.9% of its future tobacco settlement revenues. Under the budgetary basis, the proceeds are recognized as revenues. Under the modified accrual basis, the proceeds are recorded as a sale of future revenues and are being recognized over the duration of the sale agreement, in accordance with GASB Statement No. 48. This matter is also discussed in Note 9, under the caption, "Tobacco Settlement Asset-Backed Bonds."

- In conjunction with the sale of pension obligation bonds in 1994-95, the County sold the right to future investment income on debt service deposits. Under the budgetary basis, the proceeds were included in 1994-95 revenues. Under the modified accrual basis, the proceeds were recorded as deferred revenue (unearned) and are being amortized over the life of the bonds. This matter is also discussed in Note 6.

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

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

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

14. BUDGETARY ACCOUNTING CHANGES/RECONCILIATION BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

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

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District
Fund balance - budgetary basis	$ 1,706,357	$ 56,627	$ 16,305	$ 10,795	$ 119,700
Reserves and designations	1,713,605	108,517	137,289	12,368	143,273
Subtotal	3,419,962	165,144	153,594	23,163	262,973
Adjustments:					
Accrual of estimated liability for litigation and self-insurance claims	51,619	(963)		(54)	
Accrual of vacation and sick leave benefits	36,916				
Deferral of unearned investment income	(10,936)	(539)		(120)	
Deferral of sale of tobacco settlement revenue	(278,260)				
Change in revenue accruals	(138,857)	(21,701)	(5,976)	(2,776)	(1,761)
Subtotal	(339,518)	(23,203)	(5,976)	(2,950)	(1,761)
Fund balance - GAAP basis	$ 3,080,444	$ 141,941	$ 147,618	$ 20,213	$ 261,212

15. OTHER COMMITMENTS

Construction Commitments

At June 30, 2007, the LAC+USC Medical Center Hospital Enterprise Fund had contractual commitments of approximately $65,709,000 to provide for the construction of the LAC+USC Medical Center replacement facility. The construction is currently being financed by commercial paper and a grant from the Federal Emergency Management Agency.

LACERA Capital Commitments

At June 30, 2007, LACERA had outstanding capital commitments to various investment managers, approximating $2,390,000,000. Subsequent to June 30, 2007, LACERA funded $299,000,000 of these capital commitments.

Investment Purchase Commitments

At June 30, 2007, the County did not have any open trade commitments with brokers to purchase investments.

16. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as aviation, employee fidelity, boiler and machinery in certain structures, art objects, catastrophic hospital general liability, volunteer, special events, public official bond, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been no settlements related to these programs that exceeded insurance coverage in the last three years. The County also has insurance on most major structures. Losses did not exceed coverage in 2005-2006 or 2006-2007.

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

As indicated in the following table, the County's workers' compensation liabilities as of June 30, 2007 were approximately $2.203 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2007. Approximately $177,980,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2007, the County's best estimate of these liabilities is $2.864 billion. Changes in the reported liability since July 1, 2005 resulted from the following (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claim Payments	Balance At Fiscal Year-End
2005-2006				
Workers' Compensation	$ 2,487,718	$ 178,797	$(295,813)	$ 2,370,702
Other	627,362	170,838	(75,780)	722,420
Total 2005-2006	$ 3,115,080	$ 349,635	$(371,593)	$ 3,093,122
2006-2007				
Workers' Compensation	$ 2,370,702	$ 143,593	$(311,042)	$ 2,203,253
Other	722,420	24,458	(85,947)	660,931
Total 2006-2007	$ 3,093,122	$ 168,051	$(396,989)	$ 2,864,184

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $776.2 million are reasonably possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

17. PROPOSITIONS 218 AND 62

In November 1996, the voters approved the "Right To Vote on Taxes Act" (Proposition 218) which limits the County's ability to levy general and special taxes without voter approval and property related benefit assessments without property owner approval. In September 1998, the Board of Supervisors approved ordinance amendments to bring the County's general purpose taxes into conformance with Proposition 218.

In September 1995, the California Supreme Court upheld the constitutionality of Proposition 62, which requires voter approval of all new local taxes. Taxes imposed without voter approval after the 1986 effective date of Proposition 62 may be invalidated. The Court did not provide clarification about whether the decision would apply only prospectively to all new taxes or retrospectively to all taxes since the effective date of the Proposition. Accordingly, there is uncertainty about the validity of taxes currently being collected and as of June 30, 2007, a portion ($234.6 million) of the General Fund's designation for budgetary uncertainties pertained to such collections.

18. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 2, 2007, the County issued $500,000,000 in 2007-08 TRANS which will mature on June 30, 2008. The TRANS are collateralized by taxes and other revenues attributable to the 2007-08 fiscal year and were issued in the form of Fixed Rate Notes at an effective interest rate of 3.62%.

Regional Park and Open Space District Refunding Revenue Bonds

On July 5, 2007, the County issued $94,315,000 of Regional Park and Open Space District refunding revenue bonds, maturing from 2007 to 2019, with yields ranging from 3.52% to 3.94%. Proceeds from the sale of the bonds together with other monies of the District were used to redeem all of the outstanding Series 1997A District revenue bonds, fund a reserve account, and pay issuance costs.

Martin Luther King, Jr.-Harbor Hospital Closure

In August 2007, the Federal Centers for Medicare and Medicaid Services (CMS) provided its final determination based on its review at Martin Luther King, Jr.-Harbor Hospital (MLK/H). CMS determined that MLK/H was not in compliance with a number of Medicare Conditions of Participation and terminated the hospital's contract as of August 15, 2007. This determination aggravated staffing issues already existing at the facility, jeopardizing patient safety. The County responded by immediately implementing its contingency plan to close MLK/H. MLK/H was officially closed on August 25, 2007. The County has converted MLK/H into a Multi-Specialty Ambulatory Care Center (MACC) and is in the process of obtaining a license for an Outpatient Surgical Clinic on the site. In addition, the County has engaged a consulting firm to identify and review potential operators, as the County moves forward in pursing the reopening of MLK/H.

18. SUBSEQUENT EVENTS-Continued

Tax-Exempt Commercial Paper

On October 10, 2007, the Los Angeles County Capital Asset Leasing Corporation issued an additional $75,000,000 in tax-exempt commercial paper. The proceeds are being used to fund capital requirements of various high priority health facilities projects. The commercial paper, which was originally issued at an average rate of 3.46% is secured by a long-term lease of County real estate and a letter of credit.

Capital Asset Leasing Corporation Bond Anticipation Notes

On November 14, 2007, the Corporation issued a $10,000,000 Bond Anticipation Note with an initial interest rate of 4.769%. The rate is adjustable on January 2 and July 1 of each year. The note was purchased by the Los Angeles County Treasury Pool and is due on June 30, 2009. Proceeds of the note are being used to purchase equipment. The note is to be repaid from the proceeds of lease revenue bonds.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/04	$27,089,440	$32,700,505	$ 5,611,065	82.8%	$4,919,531	114.1%
06/30/05	29,497,485	34,375,949	4,878,464	85.8%	4,982,084	97.9%
06/30/06	32,819,725	36,258,929	3,439,204	90.5%	5,205,804	66.1%

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

COUNTY OF LOS ANGELES
CALIFORNIA

PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

County of Los Angeles
Los Angeles, California

<u>County of Los Angeles 2008-09 Tax and Revenue Anticipation Notes, Series A</u>

Ladies and Gentlemen:

We have acted as Bond Counsel to the County of Los Angeles (the "County") in connection with the issuance of $500,000,000 aggregate principal amount of the County of Los Angeles 2008-09 Tax and Revenue Anticipation Notes, Series A (the "Series A Notes"), dated the date hereof. The Series A Notes are being issued under Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858 inclusive (the "Act") and pursuant to a resolution adopted by the County on May 13, 2008 (the "Resolution") and the Financing Certificate Provided for the Terms and Conditions of Issuance and Sale of 2008-09 Tax and Revenue Anticipation Notes, dated the date hereof (the "Financing Certificate"). In such connection, we have reviewed: the Resolution; the Financing Certificate; a tax certificate of the County with exhibits, dated the date hereof (the "Tax Certificate"); the opinion of counsel to the County; certificates of the County and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Financing Certificate.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or such events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Series A Notes is concluded with their issuance on this date, and we disclaim any obligation to update this opinion. We have assumed and relied upon, without undertaking to verify, the genuineness of the documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by and validity thereof against any parties other than the County. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications and have assumed compliance with the covenants of the County in the Financing Certificate, the Tax Certificate and other relevant documents to which it is a party. The accuracy of certain of those representations and certifications, and compliance by the County with certain of their covenants, may be necessary for interest on the Series A Notes to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such covenants subsequent to issuance of the Series A Notes may cause interest on the Series A Notes to be included in gross income for federal income tax purposes retroactively to their date of issuance. The rights and obligations under the Series A Notes and the Financing Certificate and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California (the "State"). We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents mentioned in the preceding sentence. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series A Notes and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, we are of the following opinions:

1. The Series A Notes constitute the valid and binding obligations of the County.

2. The Financing Certificate has been duly authorized, executed and delivered by and constitutes the valid and binding obligation of the County.

3. The Series A Notes are payable solely from certain taxes, income, revenues, cash receipts and other moneys of the County for the fiscal year ending June 30, 2009 and lawfully available for the payment of the Series A Notes, and the interest thereon, and are secured by a pledge of certain moneys, all as specified in the Resolution and the Financing Certificate.

4. Interest on the Series A Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and is exempt from State of California personal income taxes. We express no opinion as to any other tax consequences regarding the Series A Notes.

Under the Code, a portion of the interest on the Series A Notes earned by certain corporations may be subject to a corporate alternative minimum tax, and interest on the Series A Notes may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and a tax imposed on excess net passive income of certain S corporations.

Respectfully submitted,

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

COUNTY OF LOS ANGELES
CALIFORNIA

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix D concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's Book-Entry system has been obtained from DTC and the County and the Paying Agent take no responsibility for the completeness or accuracy thereof. The County and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the County of Los Angeles 2008-09 Tax and Revenue Anticipation Notes, Series A (the "Notes"), (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix D. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial

Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE COUNTY NOR THE PAYING AGENT WILL HAVE ANY

RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF NOTES FOR PREPAYMENT.

The County, the Paying Agent and the Underwriters cannot or do not give any assurances that DTC, the DTC Participants or others will distribute payments of principal or interest on the Notes paid to DTC or its nominee as the registered owner, or will distribute any notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The County, the Paying Agent and the Underwriters are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Notes or an error or delay relating thereto.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the County or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, security certificates will be printed and delivered to DTC.

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES • 2008-09 TAX AND REVENUE ANTICIPATION NOTES, SERIES A

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