NEW ISSUE – BOOK-ENTRY ONLY **RATINGS: See "RATINGS" herein.**

In the opinion of Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2012 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2012 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Series 2012 Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.

$339,410,000
LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
Lease Revenue Bonds
(Multiple Capital Projects II), Series 2012

Dated: Date of Delivery **Due: August 1, as shown on the inside cover page**

This cover page contains information for reference only. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. Capitalized terms used in this cover page shall have the meanings given such terms herein.

The Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects II), Series 2012 (the "Series 2012 Bonds") are payable solely from Lease Revenues and the other assets pledged therefor under the Master Indenture, dated as of November 1, 2010, as amended and supplemented as described herein (as so amended and supplemented, the "Indenture"), by and among the County of Los Angeles, California (the "County"), the Los Angeles County Public Works Financing Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Trustee"). Lease Revenues consist primarily of Base Rental Payments to be made by the County for the use of certain real property and the improvements located thereon (the "Property") pursuant to the Master Sublease Agreement, dated as of November 1, 2010, as amended and supplemented as described herein (as so amended and supplemented, the "Sublease"), by and between the County and the Authority. The County has covenanted under the Sublease to make all Base Rental Payments and Additional Rental Payments (collectively, the "Rental Payments") provided for therein, to include all such Rental Payments in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The County's obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS" herein.

The Authority has previously issued the Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects I), 2010 Series A (Tax-Exempt) and the Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects I), 2010 Series B (Build America Bonds/Recovery Zone Economic Development Bonds) (collectively, the "Series 2010 Bonds") pursuant to the Indenture in the original aggregate principal amounts of $102,900,000 and $688,005,000, respectively. Subject to satisfaction of certain conditions precedent, the Authority may issue additional bonds (the "Additional Bonds") under the Indenture. The Series 2012 Bonds will be issued as Additional Bonds under the Indenture, and the Series 2010 Bonds, the Series 2012 Bonds and any other Additional Bonds hereafter issued (collectively, the "Bonds") are payable from Lease Revenues on a parity with all other Bonds issued under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Parity Obligations; Additional Bonds" herein.

The proceeds of the Series 2012 Bonds will be used to finance and/or refinance certain capital improvement projects described herein, including payment of Commercial Paper Notes (as described herein) issued by the County to finance certain capital improvement projects, to fund a portion of the Reserve Fund established for the Bonds and to pay certain costs of issuance incurred in connection with the issuance of the Series 2012 Bonds. See "THE PROJECTS" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Series 2012 Bonds will be issued in denominations of $5,000 and any integral multiple thereof. The Series 2012 Bonds will be dated their date of delivery and are payable with respect to interest semiannually each February 1 and August 1, commencing on August 1, 2013. The Series 2012 Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2012 Bonds. Ownership interests in the Series 2012 Bonds may be purchased in book-entry form only. Principal of and interest and redemption premium, if any, on the Series 2012 Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Beneficial Owners of the Series 2012 Bonds. See APPENDIX D – "Book-Entry Only System" attached hereto.

The Series 2012 Bonds are subject to redemption prior to maturity, as described herein. See "THE SERIES 2012 BONDS – Redemption of the Series 2012 Bonds" herein.

See "CERTAIN RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Series 2012 Bonds.

THE OBLIGATION OF THE COUNTY TO PAY THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY OR THE STATE OF CALIFORNIA IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY OR THE STATE OF CALIFORNIA HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE SERIES 2012 BONDS SHALL BE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE LEASE REVENUES AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE COUNTY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2012 BONDS. THE AUTHORITY HAS NO TAXING POWER AND HAS NO OBLIGATION TO PAY BASE RENTAL PAYMENTS.

The Series 2012 Bonds are offered when, as and if issued, subject to the approval as to their validity by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority and the County by County Counsel and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Los Angeles, California. It is anticipated that the Series 2012 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about October 18, 2012.

Citigroup

Goldman, Sachs & Co. **J.P. Morgan**
Fidelity Capital Markets **Great Pacific Securities** **William Blair & Company**

Dated: October 10, 2012

MATURITY SCHEDULE

$339,410,000
LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
Lease Revenue Bonds
(Multiple Capital Projects II) Series 2012

(Base CUSIP†: 54473E)

Due (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†	Due (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2013	$ 80,000	2.00%	0.40%	NX8	2024	$ 9,015,000	5.00%	2.90%*	PJ7
2014	590,000	3.00	0.60	NY6	2025	9,475,000	5.00	2.97*	PK4
2015	5,885,000	4.00	0.81	NZ3	2026	9,965,000	5.00	3.04*	PL2
2016	6,125,000	4.00	1.00	PA6	2027	10,475,000	5.00	3.11*	PM0
2017	6,380,000	4.00	1.25	PB4	2028	11,010,000	5.00	3.18*	PN8
2018	6,680,000	5.00	1.50	PC2	2029	11,575,000	5.00	3.24*	PP3
2019	7,025,000	5.00	1.85	PD0	2030	12,160,000	5.00	3.30*	PQ1
2020	7,380,000	5.00	2.12	PE8	2031	12,790,000	5.00	3.36*	PR9
2021	7,755,000	5.00	2.42	PF5	2032	13,445,000	5.00	3.43*	PS7
2022	8,155,000	5.00	2.60	PG3	2033	10,485,000	5.00	3.50*	PW8
2023	8,570,000	5.00	2.78*	PH1					

$25,815,000 5.00% Term Bonds due August 1, 2037; Yield – 3.77%* CUSIP†: PV0

$41,140,000 4.00% Term Bonds due August 1, 2037; Yield – 4.03% CUSIP†: PT5

$77,275,000 5.00% Term Bonds due August 1, 2042; Yield – 3.82%* CUSIP†: PX6

$20,160,000 4.00% Term Bonds due August 1, 2042; Yield – 4.10% CUSIP†: PU2

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† Copyright, American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc., and is set forth herein for convenience of reference only. The Authority, the County and the Underwriters do not assume responsibility for the accuracy of such data.

* Priced to first optional redemption date of August 1, 2022 at par.

COUNTY OF LOS ANGELES

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
LEASE REVENUE BONDS
(Multiple Capital Projects II) Series 2012

Board of Supervisors

Zev Yaroslavsky
Third District, Chairman

Gloria Molina
First District

Mark Ridley-Thomas
Second District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

Sachi A. Hamai
Executive Officer-Clerk
Board Of Supervisors

County Officials

William T Fujioka
Chief Executive Officer

John F. Krattli
County Counsel

Mark J. Saladino
Treasurer And Tax Collector

Wendy L. Watanabe
Auditor-Controller

Hawkins Delafield & Wood LLP
Bond Counsel

Public Resources Advisory Group
Financial Advisor

U.S. Bank National Association
Trustee

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County or the Authority. 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 Series 2012 Bonds 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 Series 2012 Bonds. 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 representations of facts.

The information set forth in this Official Statement has been obtained from the Authority and the County, and other sources that are believed by the Authority and the County to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale of the Series 2012 Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Authority since the date hereof. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. Preparation of this Official Statement and its distribution have been duly authorized and approved by the County and the Authority.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Neither the County nor the Authority plans to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

The County maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2012 Bonds.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2012 BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012 BONDS 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 SERIES 2012 BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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COUNTY OF LOS ANGELES

CALIFORNIA

$339,410,000
LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
Lease Revenue Bonds
(Multiple Capital Projects II), Series 2012

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and the appendices attached hereto (this "Official Statement"), provides certain information concerning the sale and issuance of the Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects II), Series 2012 (the "Series 2012 Bonds"). The Series 2012 Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 *et seq.* of the California Government Code and the Master Indenture, dated as of November 1, 2010, by and among the County of Los Angeles, California (the "County"), the Los Angeles County Public Works Financing Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Trustee"), as amended and supplemented by the First Supplemental Indenture, dated as of October 1, 2012, by and among the County, the Authority and the Trustee (as so amended and supplemented, the "Indenture").

The Series 2012 Bonds are payable solely from the Lease Revenues (as defined herein) and the other assets pledged therefor under the Indenture as described herein. Lease Revenues consist primarily of Base Rental Payments to be made by the County for the use of certain real property and the improvements located thereon, as more particularly described herein (the "Property"), pursuant to the Master Sublease Agreement, dated as of November 1, 2010, by and between the County and the Authority, as amended and supplemented by the First Amendment to Sublease, dated as of October 1, 2012, by and between the County and the Authority (as so amended and supplemented, the "Sublease").

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Series 2012 Bonds to potential investors is made only by means of this Official Statement.

All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Indenture or the Sublease shall have the same meanings assigned to such terms as set forth therein. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

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 is more populous than 43 states. The economy of the County is diversified and includes manufacturing, technology, world trade, financial services, motion picture and television production and tourism. For additional economic, demographic and financial information with respect to the County, see APPENDIX A – "THE COUNTY OF LOS ANGELES INFORMATION STATEMENT" and APPENDIX B – "THE COUNTY OF LOS ANGELES AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011."

The Authority

The Authority was formed pursuant to a Joint Exercise of Powers Agreement, dated May 18, 1993 (as amended by a Certificate of Amendment dated April 26, 1994, and a Certificate of Amendment dated October 22, 1996, and as further amended from time to time, the "JPA Agreement"), to provide financial assistance from time to time to the County, the Los Angeles County Flood Control District, the Los Angeles County Regional Park and Open Space District, the Community Facilities District No. 2 (Rowland Heights Area) of the County of Los Angeles and any entity that becomes a party to the JPA Agreement in accordance with its terms. The Authority has previously issued obligations secured by certain revenues of and rental payments from certain contracting parties and may issue additional obligations in the future. These other obligations of the Authority, other than the Series 2010 Bonds described herein and any other Additional Bonds hereafter issued, are not secured by the Lease Revenues, and the Series 2012 Bonds are not secured by any other assets or property of the Authority other the Lease Revenues and the other assets pledged to the payment of the Series 2012 Bonds under the Indenture.

Description of the Series 2012 Bonds

The Series 2012 Bonds will be issued in denominations of $5,000 and any integral multiple thereof (the "Authorized Denominations"). The Series 2012 Bonds will be dated their date of delivery and are payable with respect to interest semiannually each February 1 and August 1, commencing on August 1, 2013.

The Series 2012 Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Ownership interests in the Series 2012 Bonds may be purchased in book-entry form only. Principal of and interest on the Series 2012 Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the beneficial owners (the "Beneficial Owners") of the Series 2012 Bonds. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM."

The Series 2012 Bonds are subject to redemption prior to maturity, as described herein. See "THE SERIES 2012 BONDS – Redemption of the Series 2012 Bonds."

For a more complete description of the Series 2012 Bonds and the basic documentation pursuant to which they are being issued, see "THE SERIES 2012 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS" and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Security and Sources of Payment for the Bonds

The County leases the Property to the Authority pursuant to a Master Site Lease, dated as of November 1, 2010, by and between the County and the Authority, as amended and supplemented by the First Amendment to Site Lease, dated as of October 1, 2012, by and between the County and the Authority (as so amended and supplemented, the "Site Lease"). The County subleases the Property from the Authority pursuant to the Sublease. The Series 2012 Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues, including the Base Rental Payments to be made by the County under the Sublease for the use of the Property, and the other assets pledged therefor under the Indenture as described herein. "Lease Revenues" is defined in the Indenture to mean all Base Rental Payments payable by the County pursuant to the Sublease, including any prepayments thereof, any Net

Proceeds and any amounts received by the Trustee as a result of or in connection with the Trustee's pursuit of remedies under the Sublease upon a Sublease Default Event.

The Authority has previously issued the Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects I), 2010 Series A (Tax-Exempt) (the "Series 2010A Bonds") and the Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects I), 2010 Series B (Build America Bonds/Recovery Zone Economic Development Bonds) (the "Series 2010B Bonds" and together with the Series 2010A Bonds, the "Series 2010 Bonds") pursuant to the Indenture in the original aggregate principal amounts of $102,900,000 and $688,005,000, respectively. Subject to satisfaction of certain conditions precedent, the Authority may issue additional bonds (the "Additional Bonds") under the Indenture. The Series 2012 Bonds will be issued as Additional Bonds under the Indenture, and the Series 2010 Bonds, the Series 2012 Bonds and any other Additional Bonds hereafter issued (collectively, the "Bonds") are payable from Lease Revenues on a parity with all other Bonds issued under the Indenture.

The County has designated a portion of the Series 2010B Bonds as "Build America Bonds" and a portion of the Series 2010B Bonds as "Recovery Zone Economic Development Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). The County expects to receive periodic subsidy payments from the United States Treasury equal to 35% of the interest payable on the portion of the Series 2010B Bonds designated as Build America Bonds and 45% of the interest payable on the portion of the Series 2010B Bonds designated as Recovery Zone Economic Development Bonds. However, such subsidy payments are not pledged under the Indenture and the County is not obligated to apply any such payments to pay any portion of the Base Rental Payments. The County is obligated to pay the Base Rental Payments notwithstanding a delay or failure to receive any such subsidy payments from the United States Treasury relating to the Series 2010B Bonds.

Base Rental Payments to be made by the County under the Sublease will be used to pay principal of and interest and premium, if any, on the Bonds when due. The Base Rental Payments are equal to the principal of and interest on the Bonds when due. The County has covenanted under the Sublease to make all Base Rental Payments and Additional Rental Payments (collectively, the "Rental Payments") provided for therein, to include all such Rental Payments in its annual budgets and to make necessary annual appropriations for all such Rental Payments.

The County's obligation to pay Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property. Failure of the County to pay Base Rental Payments during any such period shall not constitute a default under the Sublease, the Indenture or the Bonds.

The obligation of the County to pay the Base Rental Payments does not constitute a debt of the County or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation. The Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the County or the State, or any political subdivision thereof, is pledged to the payment of the Bonds. The Authority has no taxing power and has no obligation to pay Base Rental Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS" and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Reserve Fund

A reserve fund (the "Reserve Fund") has been established under the Indenture in order to secure the payment of principal of and interest on the Bonds issued under the Indenture. The Reserve Fund will be funded in an amount sufficient to satisfy the Reserve Requirement, which is defined as an amount equal to, as of any date of calculation, the least of (a) 10% of the original principal amount of the Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service, and (c) 125% of Average Annual Debt Service. The initial deposit to the Reserve Fund was made from a portion of the proceeds of the Series 2010 Bonds and an additional deposit to the Reserve Fund will be made from a portion of the proceeds of the Series 2012 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Reserve Fund."

Parity Obligations; Additional Bonds

The Series 2012 Bonds will be issued as Additional Bonds under the Indenture. The Authority has previously issued the Series 2010 Bonds pursuant to the Indenture payable from Lease Revenues on a parity with the Series 2012 Bonds and all other Additional Bonds hereafter issued under the Indenture. Under the Indenture, the Authority may issue other Additional Bonds payable from Lease Revenues on a parity with all other Bonds theretofore issued under the Indenture, but subject to the satisfaction of certain conditions precedent, including, the filing with the Trustee, among other things, of (a) a certificate of the County to the effect that, upon the issuance of such Additional Bonds, the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of the issuance of such Additional Bonds, plus Additional Rental Payments, in any Rental Period, is not in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of such Additional Bonds, and (b) a CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type set forth in the Sublease. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Parity Obligations; Additional Bonds" and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – INDENTURE – The Bonds – Conditions for the Issuance of Additional Bonds" and "– Procedure for the Issuance of Additional Bonds."

Purpose of the Series 2012 Bonds

The proceeds of the Series 2012 Bonds will be used to finance and/or refinance certain capital improvement projects described herein (collectively, the "Projects"), including payment of a portion of the Commercial Paper Notes (as defined herein), to fund a portion of the Reserve Fund established for the Bonds and to pay certain costs of issuance incurred in connection with the issuance of the Series 2012 Bonds. See "THE PROJECTS" and "ESTIMATED SOURCES AND USES OF FUNDS."

Continuing Disclosure

Pursuant to the Continuing Disclosure Certificate to be executed in connection with the issuance of the Series 2012 Bonds, the County has covenanted to provide, or cause to be provided, by not later than February 1 of each fiscal year, commencing on February 1, 2013, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriters of the Series 2012 Bonds in complying with the Rule15c2-12 (the "Rule") promulgated by the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. See "CONTINUING DISCLOSURE" and APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." The County has not failed

in the previous five years to comply in all material respects with any previous undertakings with regard to the Rule.

Certain Risk Factors

Certain events could affect the ability of the County to make the Base Rental Payments when due. See "CERTAIN RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Series 2012 Bonds.

Forward-Looking Statements

Certain statements included or incorporated by reference in the Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The County is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

Other Information

The descriptions herein of the Indenture, the Site Lease and the Sublease and any other agreements relating to the Series 2012 Bonds are qualified in their entirety by reference to such documents, and the descriptions herein of the Series 2012 Bonds are qualified in their entirety by the forms thereof and the information with respect thereto included in the aforementioned documents. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." Copies of the Indenture, the Site Lease and the Sublease may be obtained upon request from the Trustee at: 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust Services.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement, under any circumstances, creates any implication that there has been no change in the affairs of the County or the Authority since the date hereof.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County or the Authority. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

THE PROJECTS

The proceeds of the Series 2012 Bonds will be used to finance and/or refinance the Projects, including payment of the Commercial Paper Notes, to fund a portion of the Reserve Fund established for the Bonds and to pay certain costs of issuance incurred in connection with the issuance of the Series 2012 Bonds. The following are summary descriptions of the Projects:

Martin Luther King, Jr. Multi-Service Ambulatory Care Center. The multi-service ambulatory care center ("MACC") project, to be located on the Martin Luther King, Jr. Medical Center ("MLKMC") campus, consists of facility construction and site improvements for a new, 136,500 square-foot, four-story outpatient services building. The building provides an ambulatory surgery center, pharmacy, walk-in clinic, outpatient imaging, and various other outpatient clinics. The project also includes 34,000 square-feet of tenant improvements to the existing North Support Building on the MLKMC campus, which will be used for administrative services. The site improvement portion of the project includes parking, sidewalks, and landscaping for both the MACC and the MLKMC campus. The project cost is estimated to be $173,386,000, and such project is expected to be completed in June 2014.

Martin Luther King, Jr. Data Center. The new data center on the MLKMC campus will occupy approximately 2,100 square feet adjacent to the current data center located within the North Support Building. The project consists of demolition and remodeling work in an unused portion of the existing data center, as well as architectural, mechanical and electrical upgrades in the proposed location. The project cost is estimated to be $5,500,000, and such project is expected to be completed in December 2012.

High Desert Multi-Service Ambulatory Care Center. The High Desert MACC will occupy a 142,000 square-foot facility that includes a two-story MACC building and two separate one-story service buildings (including a central plant) with surface parking and other related site and infrastructure improvements. The new MACC will provide various outpatient medical services, including primary care, urgent care, specialty care, and other outpatient services. The facility is being developed on approximately 14.91 acres of land located adjacent to the intersection of East Avenue I and 3rd Street East in the City of Lancaster. The project cost is estimated to be $142,423,635, and such project is expected to be completed in July 2014.

Fire Station 128. Fire Station 128 is a new 9,600 square-foot fire station located on 1.3 acres of land at 28450 Whites Canyon Road in Santa Clarita, California, and consists of a two-bay apparatus room, main office, day room, kitchen, exercise room, and dormitory quarters for seven personnel. The facility was completed in March 2012 and the project is currently in the close-out phase. The amount of the project being financed with proceeds of the Series 2012 Bonds is estimated to be $4,780,344.

Fire Station 132. Fire Station 132 is a new 9,400 square-foot fire station located on one acre at 29310 Sand Canyon Road in Santa Clarita, California. It consists of a two-bay apparatus room, main office, day room, kitchen, exercise room, and dormitory quarters for seven personnel. The facility was completed in March 2012 and the project is currently in the close-out phase. The amount of the project being financed with proceeds of the Series 2012 Bonds is estimated to be $7,726,742.

Fire Station 150. Fire Station 150 is to be located at 19190 Golden Valley Road in Santa Clarita, California. Fire Station 150 will be a new 19,667 square-foot Battalion Headquarters that consists of a three-bay apparatus room, main office, training room, day room, Battalion Chief's office with dormitory, Assistant Fire Chief's office with dormitory, and dormitory quarters for 10 shift personnel. The amount of the project being financed with proceeds of the Series 2012 Bonds is estimated to be $11,982,438, and such project is expected to be completed in January 2013.

Fire Station 156. Fire Station 156 is a new 11,050 square-foot fire station that will be constructed on 1.27 acres of land adjacent to an existing temporary fire station located at 24505 Copper Hill Drive in Santa Clarita, California. The new fire station consists of a two-bay apparatus room, main office, day room, kitchen, exercise room, dormitory quarters for seven personnel, and a detached dozer team facility containing dormitory quarters for three personnel, kitchen, day room, and bathroom. The facility was

completed in September 2011 and the project is currently in the close-out phase. The amount of the project being financed with proceeds of the Series 2012 Bonds is estimated to be $7,117,214.

The Commercial Paper Notes to be refinanced with a portion of the proceeds of the Series 2012 Bonds consist of various series of Los Angeles County Capital Asset Leasing Corporation Lease Revenue Commercial Paper Notes (the "Commercial Paper Notes") issued pursuant to the Amended and Restated Trust Agreement, dated as of April 1, 2010, by and between the Los Angeles County Capital Asset Leasing Corporation and Deutsche Bank National Trust Company, as trustee. The Commercial Paper Notes were issued to finance certain capital improvement projects, including providing interim financing for a portion of the Projects.

DESCRIPTION OF THE PROPERTY

The Property consists of the Los Angeles County+USC Medical Center (the "Medical Center") and the High Desert Multi-Service Ambulatory Care Center (the "High Desert MACC").

Los Angeles County+USC Medical Center. The Medical Center is a 600-bed public teaching hospital located in the Boyle Heights neighborhood of the County. The Medical Center is a 1.5 million-square-foot facility which includes an 8-story, 600-bed inpatient tower, a 7-story outpatient building, a 5-story diagnostic and treatment building, and an underground central utility plant. The Medical Center complies with the strict seismic state requirements for inpatient hospitals and the inpatient tower and central utility plant are designed to remain operational following the maximum earthquake anticipated for the site. Construction of the Medical Center was completed and the Medical Center began operation in November, 2008. The total project budget for the Medical Center was approximately $924 million, of which the County paid approximately $451 million, net of grant moneys received. This is the largest capital project ever undertaken by the County.

The Medical Center is one of the largest public hospitals and medical training centers in the nation and is the largest single provider of healthcare in the County. The Medical Center provides a full spectrum of emergency, inpatient and outpatient services. The Medical Center provides healthcare services for the region's medically underserved, is classified as a Level I trauma center and tertiary care facility and treats a large percentage of the region's trauma victims. For the fiscal year ended June 30, 2012, the Medical Center had approximately 32,751 admissions, 536,641 outpatient visits and 142,449 emergency department visits.

The Medical Center is adjacent to the University of Southern California Health Sciences Campus, which includes the USC Keck School of Medicine, the USC School of Pharmacy, the USC University Hospital and the USC/Norris Comprehensive Cancer Center and Hospital. Some of the attending doctors at the Medical Center are faculty of the USC Keck School of Medicine. In addition, medical care is provided by approximately 900 medical residents.

The County currently has full use and possession of all of the Medical Center. In connection with the construction of the Medical Center, the County received a grant (the "Grant") from the State in the amount of approximately $473 million from funds made available by the Federal Emergency Management Agency ("FEMA") to fund a portion of the construction costs of the Medical Center. In connection therewith, the County provided the Office of Emergency Services of the State a lien encumbering the Medical Center (the "OES Lien") to secure the County's agreement to maintain the Medical Center's status as an acute care hospital facility. The OES Lien provides that the State may recover all or a portion of the amount of the Grant in the event there is a "Change in Function" or a "Change in Status" of the Medical Center. A "Change in Function" would occur if the Medical Center is no longer operated and maintained as an acute care inpatient hospital. A "Change in Status" would occur

if the County sells, transfers, leases or otherwise disposes of a material amount of the Medical Center to a for profit entity or transfers control, responsibility or governance of a material amount of the assets or operations of the Medical Center to a for profit entity. The amount owed by the County in the event there is either a Change in Function or Change in Status of the Medical Facility is reduced based on a forty-year depreciation factor but such potential liability will terminate in November 2016, which date is eight years after the first license was issued to operate the Medical Center as an acute care hospital. Presently, if a Change in Status or a Change in Function were to occur, this amount would be approximately $425 million. In the event there is either a Change in Function or Change in Status of the Medical Facility prior to November 2016, unless waived by FEMA, the OES Lien could be foreclosed upon in accordance with State law and title to the Medical Center could be transferred or sold to another party. However, any such party, including the State, would be required to obtain a license to maintain the Medical Center in accordance with the provisions of the OES Lien.

The County is liable to repay a portion of the Grant only upon the occurrence of a Change in Status or a Change in Function. The full or partial loss of the Medical Center from an insured or uninsured event does not constitute a Change in Function or a Change in Status. The casualty and other insurance required to be maintained under the Sublease is not available to the State to repay any amount due under the OES Lien. The Medical Center is designed specifically to be operated as an acute care hospital facility. The County has no intention to operate the facility other than as an acute care hospital facility. Under the Sublease, there is no right of the Authority to re-enter and relet the Medical Center so long as the OES Lien remains effective. Under the Sublease, the County has agreed that, unless the County shall have substituted alternate real property for the Medical Center in accordance with the provisions of the Sublease, so long as the OES Lien is effective, the County will not take any action or fail to take any action if such action or failure to take such action would cause a Change in Function or Change in Status of the Medical Center within the meaning of the provisions of the OES Lien to occur. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Representations and Warranties; Covenants and Agreements – Use of the Property; Covenant with respect to OES Lien."

High Desert Multi-Service Ambulatory Care Center. As described above, the High Desert MACC is being financed with proceeds of the Series 2012 Bonds and will consist of an approximate 142,000 square-foot facility that includes a two-story MACC building and two separate one-story service buildings (including a central plant) with surface parking and other related site and infrastructure improvements. The facility is being developed on approximately 14.91 acres of land located adjacent to the intersection of East Avenue I and 3rd Street East in the City of Lancaster, California. The High Desert MACC will provide various outpatient medical services, including primary care, urgent care, specialty care, and other outpatient services. The High Desert MACC has a building design that includes special moment resisting steel frames with concrete spread footings to resist seismic lateral loads, and has a seismic design which is compliant with the California Building Code (2010), the County of Los Angeles Building Code (2011), the American Concrete Institute Building Code (ACI 318-08) and the American Institute of Steel Construction AISC Manual (13th Edison). The estimated cost of the High Desert MACC is approximately $142 million, including land costs. The High Desert MACC is currently under construction and is expected to be completed in July 2014.

In 2009, the County entered into an agreement (the "Option Agreement") with the Lancaster Redevelopment Agency (the "Agency") to purchase the land on which the High Desert MACC is to be constructed. In October, 2011, the Agency was dissolved as a result of changes in California law (the "Dissolution Statute"). The Dissolution Statute provides that the State Controller may review the transfer of assets from former redevelopment agencies and, to the extent not prohibited by state and federal law, order the return of such assets if the asset transfer occurred after January 1, 2011 and the government agency that received the assets is not contractually committed to a third party for the expenditure or

encumbrance of those assets. In June, 2011, the County purchased the High Desert MACC site in accordance with the Option Agreement. The County believes that the purchase of the High Desert MACC site, if reviewed by the State Controller, should not result in the return of such property. The title insurance company providing the title insurance policy with respect to the Property (the "Title Policy") to be issued concurrently with the issuance of the Series 2012 Bonds is expected to include as an exception to its coverage any loss to the County resulting from the return of the High Desert MACC site to the successor agency pursuant to the Dissolution Statute. In the event the property is returned because of a successful challenge to the transfer of the High Desert MACC site by the State Controller, any abatement of Rental Payments would depend upon the annual fair rental value of the Medical Center. The County has concluded that the annual fair rental value of the Medical Center is at least equal to the Base Rental Payments due with respect to both the Series 2010 Bonds and the Series 2012 Bonds and any Additional Payments due under the Sublease. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Insurance" and "CERTAIN RISK FACTORS – Abatement."

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2012 Bonds are expected to be applied approximately as set forth below:

Sources of Funds:	
Principal Amount of the Series 2012 Bonds	$ 339,410,000.00
Net Original Issue Premium	36,925,920.85
TOTAL SOURCES	$ 376,335,920.85
Uses of Funds:	
Payment of Commercial Paper Notes	$ 133,464,631.00
Project Fund	219,451,742.00
Reserve Fund[1]	21,804,406.30
Costs of Issuance[2]	1,615,141.55
TOTAL USES	$ 376,335,920.85

[1] Amount, together with amount on deposit in the Reserve Fund ($51,437,364.64) prior to the issuance of the Series 2012 Bonds, represents the Reserve Requirement as of the date of the delivery of the Series 2012 Bonds.
[2] Includes underwriters' discount, title insurance costs, rating agency fees, bond counsel fees, financial advisor fees, printing costs and other miscellaneous expenses.

THE SERIES 2012 BONDS

The following is a summary of certain provisions of the Series 2012 Bonds. Reference is made to the Series 2012 Bonds for the complete text thereof and to the Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference.

General

The Series 2012 Bonds will be issued in denominations of $5,000 and any integral multiple thereof. The Series 2012 Bonds will be dated their date of delivery and are payable with respect to interest semiannually each February 1 and August 1, commencing on August 1, 2013.

The Series 2012 Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Series 2012 Bonds. Ownership interests in the Series 2012 Bonds may be purchased in book-entry

form only. Principal of and interest and premium, if any, on the Series 2012 Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Beneficial Owners of the Series 2012 Bonds. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM."

Redemption of the Series 2012 Bonds

Extraordinary Redemption of the Bonds. The Bonds shall be subject to redemption, in whole or in part, on any date, in denominations of $5,000 or any integral multiple thereof, from and to the extent of any Net Proceeds (other than Net Proceeds of rental interruption insurance) received with respect to all or a portion of the Property and deposited by the Trustee in the Redemption Fund in accordance with the provisions of the Indenture, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium.

Optional Redemption of the Series 2012 Bonds. The Series 2012 Bonds maturing on or before August 1, 2022, are not subject to optional redemption prior to their respective stated maturity dates. The Series 2012 Bonds maturing on or after August 1, 2023, are subject to optional redemption prior to their respective stated maturity dates, on any date on or after August 1, 2022, in whole or in part, in denominations of $5,000 or any integral multiple thereof, from prepaid Base Rental Payments paid pursuant to the Sublease or any other source of available funds, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption of the Series 2012 Bonds. The Series 2012 Bonds maturing August 1, 2037 and bearing interest at 5.00% per annum (the "5.00% 2037 Series 2012 Term Bonds") shall be subject to mandatory sinking fund redemption, in part, on August 1 in each year, commencing August 1, 2033, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2033	$ 3,645,000
2034	5,185,000
2035	5,415,000
2036	5,660,000
2037 (Maturity)	5,910,000

If some but not all of the 5.00% 2037 Series 2012 Term Bonds are redeemed pursuant to the extraordinary redemption provisions as described herein under the caption " – Extraordinary Redemption of the Bonds," the principal amount of 5.00% 2037 Series 2012 Term Bonds to be redeemed pursuant to the mandatory sinking fund redemption provisions shall be reduced by the aggregate principal amount of 5.00% 2037 Series 2012 Term Bonds so redeemed pursuant to the extraordinary redemption provisions, such reduction to be allocated among sinking fund redemption dates as nearly as practicable on a pro rata basis, in amounts equal to Authorized Denominations, as determined by the Trustee, notice of which determination shall be given by the Trustee to the Authority and the County. If some but not all of the 5.00% 2037 Series 2012 Term Bonds are redeemed pursuant to the optional redemption provisions as described herein under the caption "– Optional Redemption of the Series 2012 Bonds," the principal amount of 5.00% 2037 Series 2012 Term Bonds to be redeemed pursuant to the mandatory sinking fund redemption provisions shall be reduced by the aggregate principal amount of 5.00% 2037 Series 2012

Term Bonds so redeemed pursuant to the optional redemption provisions, such reduction to be allocated among redemption dates in Authorized Denominations, as designated by the County.

The Series 2012 Bonds maturing August 1, 2037 bearing interest at 4.00% per annum (the "4.00% 2037 Series 2012 Term Bonds") shall be subject to mandatory sinking fund redemption, in part, on August 1 in each year, commencing August 1, 2034, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2034	$ 9,625,000
2035	10,050,000
2036	10,495,000
2037 (Maturity)	10,970,000

If some but not all of the 4.00% 2037 Series 2012 Term Bonds are redeemed pursuant to the extraordinary redemption provisions as described herein under the caption " – Extraordinary Redemption of the Bonds," the principal amount of 4.00% 2037 Series 2012 Term Bonds to be redeemed pursuant to the mandatory sinking fund redemption provisions shall be reduced by the aggregate principal amount of 4.00% 2037 Series 2012 Term Bonds so redeemed pursuant to the extraordinary redemption provisions, such reduction to be allocated among sinking fund redemption dates as nearly as practicable on a pro rata basis, in amounts equal to Authorized Denominations, as determined by the Trustee, notice of which determination shall be given by the Trustee to the Authority and the County. If some but not all of the 4.00% 2037 Series 2012 Term Bonds are redeemed pursuant to the optional redemption provisions as described herein under the caption "– Optional Redemption of the Series 2012 Bonds," the principal amount of 4.00% 2037 Series 2012 Term Bonds to be redeemed pursuant to the mandatory sinking fund redemption provisions shall be reduced by the aggregate principal amount of 4.00% 2037 Series 2012 Term Bonds so redeemed pursuant to the optional redemption provisions, such reduction to be allocated among redemption dates in Authorized Denominations, as designated by the County.

The Series 2012 Bonds maturing August 1, 2042 bearing interest at 5.00% per annum (the "5.00% 2042 Series 2012 Term Bonds") shall be subject to mandatory sinking fund redemption, in part, on August 1 in each year, commencing August 1, 2038, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2038	$ 14,025,000
2039	14,695,000
2040	15,420,000
2041	16,170,000
2042 (Maturity)	16,965,000

If some but not all of the 5.00% 2042 Series 2012 Term Bonds are redeemed pursuant to the extraordinary redemption provisions as described herein under the caption " – Extraordinary Redemption of the Bonds," the principal amount of 5.00% 2042 Series 2012 Term Bonds to be redeemed pursuant to the mandatory sinking fund redemption provisions shall be reduced by the aggregate principal amount of

5.00% 2042 Series 2012 Term Bonds so redeemed pursuant to the extraordinary redemption provisions, such reduction to be allocated among sinking fund redemption dates as nearly as practicable on a pro rata basis, in amounts equal to Authorized Denominations, as determined by the Trustee, notice of which determination shall be given by the Trustee to the Authority and the County. If some but not all of the 5.00% 2042 Series 2012 Term Bonds are redeemed pursuant to the optional redemption provisions as described herein under the caption "– Optional Redemption of the Series 2012 Bonds," the principal amount of 5.00% 2042 Series 2012 Term Bonds to be redeemed pursuant to the mandatory sinking fund redemption provisions shall be reduced by the aggregate principal amount of 5.00% 2042 Series 2012 Term Bonds so redeemed pursuant to the optional redemption provisions, such reduction to be allocated among redemption dates in Authorized Denominations, as designated by the County.

The Series 2012 Bonds maturing August 1, 2042 bearing interest at 4.00% per annum (the "4.00% 2042 Series 2012 Term Bonds") shall be subject to mandatory sinking fund redemption, in part, on August 1 in each year, commencing August 1, 2038, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2038	$ 3,640,000
2039	3,835,000
2040	4,025,000
2041	4,225,000
2042 (Maturity)	4,435,000

If some but not all of the 4.00% 2042 Series 2012 Term Bonds are redeemed pursuant to the extraordinary redemption provisions as described herein under the caption " – Extraordinary Redemption of the Bonds," the principal amount of 4.00% 2042 Series 2012 Term Bonds to be redeemed pursuant to the mandatory sinking fund redemption provisions shall be reduced by the aggregate principal amount of 4.00% 2042 Series 2012 Term Bonds so redeemed pursuant to the extraordinary redemption provisions, such reduction to be allocated among sinking fund redemption dates as nearly as practicable on a pro rata basis, in amounts equal to Authorized Denominations, as determined by the Trustee, notice of which determination shall be given by the Trustee to the Authority and the County. If some but not all of the 4.00% 2042 Series 2012 Term Bonds are redeemed pursuant to the optional redemption provisions as described herein under the caption "– Optional Redemption of the Series 2012 Bonds," the principal amount of 4.00% 2042 Series 2012 Term Bonds to be redeemed pursuant to the mandatory sinking fund redemption provisions shall be reduced by the aggregate principal amount of 4.00% 2042 Series 2012 Term Bonds so redeemed pursuant to the optional redemption provisions, such reduction to be allocated among redemption dates in Authorized Denominations, as designated by the County.

Selection of Series 2012 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds not previously called for redemption (a) with respect to any redemption described above under the caption " – Extraordinary Redemption" among maturities of all Series of Bonds on a pro rata basis as nearly as practicable, (b) with respect to any optional redemption of the Series 2012 Bonds, among maturities as directed by the County, and (c) with respect to Series 2012 Bonds with the same maturity, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair.

Notice of Redemption. The Trustee on behalf of the Authority shall mail (by first class mail) notice of any redemption to the respective Owners of any Series 2012 Bonds designated for redemption at

their respective addresses appearing on the Registration Books at least 30 but not more than 60 days prior to the date fixed for redemption. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities of the Series 2012 Bonds to be redeemed (except in the event of redemption of all of the Series 2012 Bonds of such maturity or maturities in whole), and shall require that such Series 2012 Bonds be then surrendered at the Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Series 2012 Bonds will not accrue from and after the date fixed for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the Series 2012 Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption. With respect to any notice of any optional redemption of Series 2012 Bonds, unless at the time such notice is given the Series 2012 Bonds to be redeemed shall be deemed to have been paid within the meaning of the Indenture, such notice shall state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the redemption price of, and accrued interest on, the Series 2012 Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Authority shall not be required to redeem such Series 2012 Bonds. In the event a notice of redemption of Series 2012 Bonds contains such a condition and such moneys are not so received, the redemption of Series 2012 Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the Persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there shall be no redemption of Series 2012 Bonds pursuant to such notice of redemption.

Notice having been mailed as described above, and moneys for the redemption price, and the interest to the applicable date fixed for redemption, having been set aside, the Series 2012 Bonds shall become due and payable on said date and, upon presentation and surrender thereof at the Office of the Trustee, said Series 2012 Bonds shall be paid at the redemption price thereof, together with interest accrued and unpaid to said date. If, on said date fixed for redemption, moneys for the redemption price of all the Series 2012 Bonds to be redeemed, together with interest to said date, shall be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as described above and not canceled, then, from and after said date, interest on said Series 2012 Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Series 2012 Bonds shall be held in trust for the account of the Owners of the Series 2012 Bonds so to be redeemed without liability to such Owners for interest thereon.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS

Special Obligations; Pledge of Lease Revenues

The Series 2012 Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues, including the Base Rental Payments to be made by the County under the Sublease for the use of the Property, and the other assets pledged therefor under the Indenture as described herein. Neither the faith and credit nor the taxing power of the Authority, the County or the State, or any political subdivision thereof, is pledged to the repayment of the Series 2012 Bonds. “Lease Revenues” is defined in the Indenture to mean all Base Rental Payments payable by the County pursuant to the Sublease, including any prepayments thereof, any Net Proceeds and any amounts received by the Trustee as a result of or in connection with the Trustee’s pursuit of remedies under the Sublease upon a Sublease Default Event. The Indenture provides that, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Lease Revenues and all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund) are pledged to the payment of the principal of and interest on the

Bonds as provided in the Indenture, and that the Lease Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding. The Indenture provides that said pledge shall constitute a first lien on such assets.

In order to secure the pledge of the Lease Revenues under the Indenture, the Authority, in the Indenture, sells, assigns and transfers to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the Owners, all of its right, title and interest in and to the Site Lease and the Sublease, including, without limitation, the right to receive Base Rental Payments and the right to exercise any remedies provided in the Sublease in the event of a default by the County thereunder; provided that the Authority retains the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Sublease. See "– Base Rental Payments; Abatement" and "CERTAIN RISK FACTORS – Bankruptcy."

Base Rental Payments; Abatement

The County covenants under the Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments (which include taxes and assessments affecting the Property, administrative costs of the Authority relating to the Property, fees and expenses of the Trustee, insurance premiums and other amounts payable under the Sublease or the Indenture), due under the Sublease in its annual budgets and to make the necessary annual appropriations therefor. The Sublease provides that it shall be, and shall be deemed and construed to be, a "net-net-net lease" and that the Rental Payments shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever and notwithstanding any dispute between the County and the Authority. Base Rental Payments to be made by the County under the Sublease will be used to pay principal of and interest and premium, if any, on the Bonds when due. The Base Rental Payments are equal to the principal of and interest on the Bonds when due. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Rental Payments – Base Rental Payments."

The obligation of the County to pay the Base Rental Payments does not constitute a debt of the County or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation.

During any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property, the Sublease provides that the Rental Payments due under the Sublease with respect to the Property shall be abated to the extent that the annual fair rental value of the portion of the Property in respect of which there is no substantial interference is less than the annual Rental Payments, in which case Rental Payments shall be abated only by an amount equal to the difference, and the Sublease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed, and the term of the Sublease shall be extended as provided in the Sublease, except that such term shall in no event be extended more than ten years beyond the Scheduled Termination Date (as defined in the Sublease); provided, however, that during abatement to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments shall not be abated as provided above but, rather, shall be payable by the County as a special obligation payable solely from said funds and accounts. Failure of the County to pay Base Rental Payments during any such abatement period shall not constitute a default under the Sublease, the

Indenture or the Bonds. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Rental Payments – Rental Abatement."

Subject to the abatement provisions set forth in the Sublease, the Base Rental Payments are equal to the principal of and interest on the Bonds when due. A table of the aggregate annual Base Rental Payments to be made by the County under the Sublease is set forth below.

SCHEDULE OF BASE RENTAL PAYMENTS

Fiscal Year Ending June 30	Series 2010A Bonds		Series 2010B Bonds		Series 2012 Bonds		Total Base Rental Payments[1]
	Principal	Interest[1]	Principal	Interest[1][2]	Principal	Interest[1]	
2013	$ -	$ 4,958,838	$ -	$ 50,621,542	$ -	$ -	$ 55,580,379
2014	-	4,958,838	-	50,621,542	80,000	20,781,984	76,442,363
2015	15,205,000	4,602,088	-	50,621,542	590,000	16,148,950	87,167,579
2016	15,915,000	3,894,113	-	50,621,542	5,885,000	16,022,400	92,338,054
2017	16,655,000	3,134,563	-	50,621,542	6,125,000	15,782,200	92,318,304
2018	17,475,000	2,289,363	-	50,621,542	6,380,000	15,532,100	92,298,004
2019	18,360,000	1,405,456	-	50,621,542	6,680,000	15,237,500	92,304,498
2020	19,290,000	479,213	-	50,621,542	7,025,000	14,894,875	92,310,629
2021	-	-	20,070,000	50,060,485	7,380,000	14,534,750	92,045,235
2022	-	-	20,825,000	48,891,234	7,755,000	14,156,375	91,627,609
2023	-	-	21,640,000	47,623,994	8,155,000	13,758,625	91,177,619
2024	-	-	22,530,000	46,236,553	8,570,000	13,340,500	90,677,053
2025	-	-	23,555,000	44,630,743	9,015,000	12,900,875	90,101,618
2026	-	-	24,705,000	42,843,951	9,475,000	12,438,625	89,462,576
2027	-	-	25,915,000	40,964,314	9,965,000	11,952,625	88,796,939
2028	-	-	27,195,000	38,975,876	10,475,000	11,441,625	88,087,501
2029	-	-	28,535,000	36,889,345	11,010,000	10,904,500	87,338,845
2030	-	-	29,945,000	34,699,854	11,575,000	10,339,875	86,559,729
2031	-	-	31,420,000	32,402,348	12,160,000	9,746,500	85,728,848
2032	-	-	32,970,000	29,991,586	12,790,000	9,122,750	84,874,336
2033	-	-	34,600,000	27,461,766	13,445,000	8,466,875	83,973,641
2034	-	-	36,305,000	24,807,082	14,130,000	7,777,500	83,019,582
2035	-	-	38,115,000	21,996,023	14,810,000	7,102,125	82,023,148
2036	-	-	40,030,000	19,019,480	15,465,000	6,443,625	80,958,105
2037	-	-	42,040,000	15,893,433	16,155,000	5,755,850	79,844,283
2038	-	-	44,010,000	12,615,789	16,880,000	5,037,300	78,543,089
2039	-	-	45,895,000	9,191,307	17,665,000	4,246,725	76,998,032
2040	-	-	47,840,000	5,620,941	18,530,000	3,379,225	75,370,166
2041	-	-	49,865,000	1,899,358	19,445,000	2,469,150	73,678,508
2042	-	-	-	-	20,395,000	1,514,400	21,909,400
2043	-	-	-	-	21,400,000	512,825	21,912,825
Total[1]:	$102,900,000	$ 25,722,469	$688,005,000	$1,037,687,795	$339,410,000	$311,743,234	$2,505,468,498

(1) Amounts reflect individual rounding.

(2) The County expects to receive periodic subsidy payments from the United States Treasury equal to 35% of the interest payable on the portion of the Series 2010B Bonds designated as Build America Bonds and 45% of the interest payable on the portion of the Series 2010B Bonds designated as Recovery Zone Economic Development Bonds. See "THE SERIES 2012 BONDS – Security and Sources of Payment for the Bonds." However, such subsidy payments are not pledged under the Indenture and the County is not obligated to apply any such subsidy payments to pay any portion of the Base Rental Payments. Amounts shown do not take into account the receipt of any subsidy payments.

Additional Rental

The County shall also pay, as Additional Rental Payments, such amounts as shall be required for the payment of the following: (a) all taxes and assessments of any type or nature charged to the Authority or the County or affecting the Property or the respective interests or estates of the Authority or the County

therein; (b) all reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Sublease or to defend the Authority and its members, officers, agents and employees; (c) insurance premiums for all insurance required pursuant to the Sublease; (d) any amounts with respect to the Bonds required to be rebated to the federal government in accordance with the Code; and (e) all other payments required to be paid by the County under the provisions of the Sublease or the Indenture.

Reserve Fund

A Reserve Fund has been established under the Indenture in order to secure the payment of principal of and interest on the Bonds issued under the Indenture. The Reserve Fund will be funded in an amount sufficient to satisfy the Reserve Requirement, $73,241,770.94 at the time of delivery of the Series 2012 Bonds, which is defined as an amount equal to, as of any date of calculation, the least of (i) 10% of the original principal amount of the Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service, and (c) 125% of Average Annual Debt Service. The initial deposit to the Reserve Fund was made from a portion of the proceeds of the Series 2010 Bonds and an additional deposit to the Reserve Fund will be made from a portion of the proceeds of the Series 2012 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

"*Annual Debt Service*" means, for each Bond Year, the sum of (a) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (b) the scheduled principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year); provided, however, that, in connection with the calculation of the Reserve Requirement, including any calculation of Average Annual Debt Service and/or Maximum Annual Debt Service in connection therewith, the interest due on the Outstanding Bonds in each Bond Year shall be net of any subsidy expected to be received from the United States with respect to such Bonds or the interest thereon (whether or not such subsidy is to be paid to the Trustee). "Average Annual Debt Service" means the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made. "Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year, including the Bond Year the calculation is made. See APPENDIX C — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Definitions."

If the amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement, the first Base Rental Payments thereafter received from the County under the Sublease and not needed to pay the principal of and interest on the Bonds on the next Interest Payment Date or Principal Payment Date shall be used to increase the amount on deposit in the Reserve Fund so that the amount on deposit in the Reserve Fund shall equal the Reserve Requirement. See APPENDIX C — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – INDENTURE – Pledge and Assignment; Funds and Accounts – Reserve Fund." The Indenture does not provide for satisfaction of the Reserve Requirement through deposit of a surety policy in the Reserve Fund.

See also "THE SERIES 2012 BONDS – Security and Sources of Payment for the Bonds" for a discussion regarding the County's designation of a portion of the Series 2010B Bonds as Build America Bonds and a portion of the Series 2010B Bonds as Recovery Zone Economic Development Bonds. The County expects to receive periodic subsidy payments from the United States Treasury equal to 35% of the interest payable on the portion of the Series 2010B Bonds designated as Build America Bonds and 45% of the interest payable on the portion of the Series 2010B Bonds designated as Recovery Zone Economic

Development Bonds. As a result, for purposes of calculating the Reserve Requirement, the interest due on the Outstanding Series 2010B Bonds in each Bond Year shall be net of such subsidy payments, as described above. Although the expected receipt of the subsidy payments effects the calculation of the Reserve Requirement as set forth above, such payments are not pledged under the Indenture and the County is not obligated to apply any such payments to pay any portion of the Base Rental Payments.

Parity Obligations; Additional Bonds

The Series 2012 Bonds will be issued as Additional Bonds under the Indenture. The Authority has previously issued the Series 2010 Bonds pursuant to the Indenture payable from Lease Revenues on a parity with the Series 2012 Bonds and all other Additional Bonds hereafter issued under the Indenture. Under the Indenture, the Authority may also issue other Additional Bonds payable from Lease Revenues on a parity with all other Bonds theretofore issued under the Indenture, but only subject to satisfaction of certain conditions precedent, including, the filing with the Trustee, among other things, of (a) a certificate of the County to the effect that, upon the issuance of such Additional Bonds, the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of the issuance of such Additional Bonds, plus Additional Rental Payments, in any Rental Period, is not in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of such Additional Bonds, and (b) a CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type set forth in the Sublease. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – INDENTURE – The Bonds – Conditions for Issuance of Additional Bonds" and "– Procedure for the Issuance of Additional Bonds."

Insurance

The Sublease requires the County to cause to be maintained casualty insurance insuring the Property against fire, lightning and all other risks covered by an extended coverage endorsement (excluding earthquake), subject to a $100,000 loss deductible provision, in an amount equal to the full insurable value of the Property.

The casualty insurance required by the Sublease may be maintained in the form of self insurance by the County, in compliance with the terms of the Sublease.

The Sublease requires the County to cause to be maintained, throughout the term of the Sublease, rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments caused by perils covered by the casualty insurance described above, in an amount not less than two times Maximum Annual Debt Services. The County may not self-insure for rental interruption insurance.

The County is also required to obtain certain public liability and property damage insurance coverage in protection of the Authority and the County and worker's compensation insurance as described under Appendix C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Insurance."

The County is required under the Sublease to obtain title insurance on the Property, in an aggregate amount of not less than the initial aggregate principal amount of the Bonds, subject only to Permitted Encumbrances, as defined in the Sublease.

In 2009, the County entered into an Option Agreement with the Agency to purchase the land on which the High Desert MACC is to be constructed. In October, 2011, the Agency was dissolved as a result of the Dissolution Statute. The Dissolution Statute provides that the State Controller may review the transfer of assets from former redevelopment agencies and, to the extent not prohibited by state and

federal law, order the return of such assets if the asset transfer occurred after January 1, 2011 and the government agency that received the assets is not contractually committed to a third party for the expenditure or encumbrance of those assets. In June, 2011, the County purchased the High Desert MACC site in accordance with the Option Agreement. The County believes that the purchase of the High Desert MACC site, if reviewed by the State Controller, should not result in the return of such property. The title insurance company providing the Title Policy with respect to the Property to be issued concurrently with the issuance of the Series 2012 Bonds is expected to include as an exception to its coverage any loss to the County resulting from the return of the High Desert MACC site to the successor agency pursuant to the Dissolution Statute. In the event the property is returned because of a successful challenge to the transfer of the High Desert MACC site by the State Controller, any abatement of Rental Payments would depend upon the annual fair rental value of the Medical Center. The County has concluded that the annual fair rental value of the Medical Center is at least equal to the Base Rental Payments due with respect to both the Series 2010 Bonds and the Series 2012 Bonds and any Additional Payments due under the Sublease. See "DESCRIPTION OF PROPERTY" and "CERTAIN RISK FACTORS – Abatement."

Substitution and Release of Property

Subject to the provisions described below, the Sublease provides that the County may substitute alternate real property for any portion of the Property or release a portion of the Property from the Sublease. Notwithstanding any substitution or release pursuant to the Sublease, the Sublease provides that there shall be no reduction in or abatement of the Base Rental Payments due from the County thereunder as a result of such substitution or release. Any such substitution or release of any portion of the Property shall be subject to, among other things, the following conditions: (a) a qualified employee of the County or an independent certified real estate appraiser selected by the County shall have certified that (i) the sum of Base Rental Payments plus Additional Rental Payments due under the Sublease in any Rental Period is not in excess of the annual fair rental value of the Property, as constituted after such substitution or release, and (ii) the Property, as constituted after such substitution or release, has a useful life equal to or greater than the maximum remaining term of the Sublease (including extensions thereof as provided under the Sublease); (b) the County shall have obtained or caused to be obtained a CLTA title insurance policy or policies with respect to any substituted property in the amount of the fair market value of such substituted property; (c) the County shall have filed or caused to be filed with the Trustee an Opinion of Counsel to the effect that such substitution or release will not, in and of itself, cause the interest on Tax-Exempt Bonds to be included in gross income for federal income tax purposes; and (d) the County shall have certified to the Trustee that the substituted real property is essential for performing the County's governmental functions. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Assignment and Subletting; Substitution or Release; Title – Substitution or Release of the Property."

Events of Default and Remedies

An Event of Default under the Sublease includes, among other events, (a) the failure of the County to pay any Rental Payment payable under the Sublease when the same becomes due and payable, time being expressly declared to be of the essence in the Sublease and (b) the failure by the County to observe and perform any of the other covenants, agreements or conditions on its part in the Sublease contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the County by the Trustee, the Authority or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if, in the reasonable opinion of the County, the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the County within such 30 day period and the County shall thereafter diligently and in good faith cure such failure in a reasonable period of time, provided,

further, however, that the period of time for such cure shall not exceed 90 days without the prior written consent of the Authority. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Events of Default and Remedies."

In each and every case during the continuance of an Event of Default under the Sublease, the Trustee, as assignee of the Authority, shall have the right, without terminating the Sublease , (i) to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions the Sublease to be kept or performed by the County, regardless of whether or not the County has abandoned the Property, or (ii) to exercise any and all rights of entry and re-entry upon the Property; provided that there shall be no right of entry or re-entry with respect to the Medical Center so long as the OES Lien remains effective. (See "DESCRIPTION OF THE PROPERTY" for a discussion of the OES Lien.) The Sublease provides that the County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Sublease to be kept or performed by the County and, if the Property is not re-let, to pay the full amount of the Rental Payments to the end of the term of the Sublease or, in the event that the Property is re-let, to pay any deficiency in Rental Payments that results therefrom; provided that there shall be no right of re-let with respect to the Medical Center so long as the OES Lien remains effective. Notwithstanding anything to the contrary contained in the Sublease, the Authority in the Sublease expressly waives any right to terminate the Sublease regardless of whether or not the County has abandoned the Property, and the Authority shall have no right to accelerate Rental Payments upon the occurrence or continuance of a default or an Event of Default under the Sublease. See "CERTAIN RISK FACTORS – Limitations on Remedies; No Acceleration Upon an Event of Default" and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS –SUBLEASE – Events of Default and Remedies."

CERTAIN RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Series 2012 Bonds. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Series 2012 Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

Not a Pledge of Taxes

The Series 2012 Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the County or the State, or any political subdivision thereof, is pledged to the payment of the Series 2012 Bonds. The Authority has no taxing power and has no obligation to pay Base Rental Payments. The obligation of the County to pay the Base Rental Payments does not constitute a debt of the County or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation.

Although the Sublease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Sublease to pay the Base Rental Payments from legally available funds for the use and possession of the Property as provided therein and the County has covenanted in the Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due thereunder in its annual budget and to make the necessary annual appropriations for all such Base Rental and Additional Rental Payments except to the extent such payments are abated in accordance with the Sublease. The County is currently liable on other obligations

payable from general revenues, some of which may have priority over the Base Rental Payments and Additional Rental Payments.

Additional Obligations of the County

The County has the capability to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental payments may be decreased.

The Base Rental Payments and other payments due under the Sublease (including payment of costs of replacement, maintenance and repair of the Property and taxes, other governmental charges and utility charges levied against the Property) are payable from funds lawfully available to the County. In the event that the amounts which the County is obligated to pay in a Fiscal Year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental payments, based on the perceived needs of the County. The same result could occur if, because of California constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues. In such event, the County may not have sufficient funds available to pay the Base Rental Payments when due.

Adequacy of County Insurance Reserves or Insurance Proceeds

The County may self-insure for certain types of insurance required under the Sublease. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Insurance" and APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Insurance." The County intends to self-insure for workers' compensation insurance and general liability insurance with respect to the Property. If the County elects to self-insure against other risks, no assurance can be given that the insurance reserves established by the County will be sufficient to satisfy any loss which the County may experience. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Abatement" and "– Abatement" below.

Abatement

During any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property, the Sublease Provides that the Rental Payments due under the Sublease with respect to the Property shall be abated to the extent the annual fair rental value of the portion of the Property in respect of which there is no substantial interference is less than the annual Rental Payments, in which case Rental Payments shall be abated only by an amount equal to the difference, and the Sublease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed, and the term of the Sublease shall be extended as provided in the Sublease, except that such term shall in no event be extended more than ten years beyond the Scheduled Termination Date; provided, however, that during abatement, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments shall not be abated as provided above but, rather, shall be payable by the County as a special obligation payable solely from said funds and accounts.

In the event that such portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the County's rental interruption

insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from the Reserve Fund or other funds and accounts established under the Indenture, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such portion of the Property or redemption of the Bonds, there could be insufficient funds to make payments to Owners of the Series 2012 Bonds in full.

Bankruptcy

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture and the Sublease may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors' rights. The County is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the County may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the County were to become a debtor under the Bankruptcy Code, the County would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of Series 2012 Bonds; and (iv) the possibility of the adoption of a plan (a "Plan") for the adjustment of the County's debt without the consent of the Trustee or all of the Owners of Series 2012 Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, the County could either reject the Site Lease or the Sublease or assume the Site Lease or the Sublease despite any provision of the Site Lease or the Sublease which makes the bankruptcy or insolvency of the County an event of default thereunder. In the event the County rejects the Sublease, the Trustee, on behalf of the Owners of the Series 2012 Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Series 2012 Bonds. Moreover, such rejection would terminate the Sublease and the County's obligations to make payments thereunder. The County may also be permitted to assign the Sublease (or the Site Lease) to a third party, regardless of the terms of the transaction documents. In the event the County rejects the Site Lease, the Trustee, on behalf of the Owners of the Series 2012 Bonds, would have a pre-petition unsecured claim and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Series 2012 Bonds. Moreover, such rejection may terminate both the Site Lease and the Sublease and the obligations of the County to make payments thereunder.

The Authority is a public agency and, like the County, cannot be the subject of an involuntary case under the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. In the event the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority and could prevent the Trustee from making payments from funds in its possession;

(ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the Series 2012 Bonds; and (iv) the possibility of the adoption of a Plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Owners of the Series 2012 Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, in a bankruptcy of the Authority, the assignment by the Authority to the Trustee of the Site Lease and the Sublease could be characterized as a pledge rather than an absolute assignment. Under such circumstances, the Authority may be able to either reject the Site Lease or the Sublease or assume the Site Lease or the Sublease despite any provision of the Site Lease or the Sublease which makes the bankruptcy or insolvency of the Authority an event of default thereunder. In the event the Authority rejects the Site Lease, the Trustee, on behalf of the Owners of the Series 2012 Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Series 2012 Bonds. Moreover, such rejection would terminate both the Site Lease and the Sublease and the obligations of the County to make payments thereunder. In the event the Authority rejects the Sublease, the Trustee, on behalf of the Owners of the Series 2012 Bonds, would have a pre-petition unsecured claim and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Series 2012 Bonds. Moreover, such rejection may terminate the Sublease and the County's obligations to make payments thereunder. The Authority may also be permitted to assign the Site Lease or the Sublease to a third party, regardless of the terms of the transaction documents.

Limitations on Remedies; No Acceleration Upon an Event of Default

In accordance with the Sublease, in each and every case during the continuance of an Event of Default under the Sublease, the Trustee, as assignee of the Authority, shall have the right, without terminating the Sublease , (i) to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions the Sublease to be kept or performed by the County, regardless of whether or not the County has abandoned the Property, or (ii) to exercise any and all rights of entry and re-entry upon the Property; provided that there shall be no right of entry or re-entry with respect to the Medical Center so long as the OES Lien remains effective. (See "DESCRIPTION OF THE PROPERTY" for a discussion of the OES Lien.) The Sublease provides that the County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Sublease to be kept or performed by the County and, if the Property is not re-let, to pay the full amount of the Rental Payments to the end of the term of the Sublease or, in the event that the Property is re-let, to pay any deficiency in Rental Payments that results therefrom; provided that there shall be no right of re-let with respect to the Medical Center so long as the OES Lien remains effective. The County further agrees in the Sublease to pay said Rental Payments punctually at the same time and in the same manner as provided in the Sublease for the payment of Rental Payments under the Sublease, notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Sublease. In addition, the Sublease provides that the Authority shall have no right to accelerate Rental Payments upon the occurrence or continuance of a default or an Event of Default under the Sublease.

If the County defaults on its obligations to make Rental Payments, the Trustee, as assignee of the Authority's rights under the Sublease, would be required to seek a separate judgment each year for that year's defaulted Rental Payments or, in the event re-letting occurs, any resulting deficiency in the Rental Payments. Any such suit would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Rental Payments were due and against funds needed to serve the public welfare and interest.

Due to the specialized nature of the Medical Center and the High Desert MACC, no assurance can be given that the Trustee would be able to re-let any portion of the Property so as to provide rental income sufficient to make payments of principal and interest on the Bonds in a timely manner, and the Trustee is not empowered to sell the Property for the benefit of the Owners of the Bonds. In addition, due to the governmental function of the Property, it is not certain whether a court would permit the exercise of the remedies of re-entry and re-letting with respect thereto. Moreover, there can be no assurance that such re-letting would not adversely affect the exclusion of any interest on Tax-Exempt Bonds from federal or state income taxation.

Additionally, enforceability of the rights and remedies of the Owners, and the obligations incurred by the Authority and the County, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights. See "– Bankruptcy" above.

The Authority in the Sublease expressly waives any right to terminate the Sublease. Thus, the Trustee may not terminate the Sublease and proceed against the County to recover damages.

Hazardous Substances

The existence or discovery of hazardous materials may limit the beneficial use of the Property. In general, the owners and lessees of the Property may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Property may be limited in the future resulting from the current existence on the Property of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Property of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Property.

The County is unaware of the existence of hazardous substances on the Property site which would materially interfere with the beneficial use thereof.

Seismic Events

The Property is located within a seismically active area, and damage to the Property from an earthquake could be substantial. Under the Sublease, the County is not required to maintain earthquake

insurance. The County presently maintains earthquake insurance on certain of its properties, including the Property. However, such insurance is less than the value of all the insured properties, is less than the initial aggregate principal amount of the Series 2010 Bonds and the Series 2012 Bonds and is not required to be used, if obtained, to replace or repair the Property or to redeem the Bonds. If the proceeds of any earthquake insurance were not used or were insufficient to replace or repair the damage caused to the Property, the County would be limited to its general fund, reserves and emergency grants, if any, in seeking to make appropriate repairs. Pending such repairs, the County's obligation to make Base Rental Payments under the respective Sublease would be subject to abatement. See "CERTAIN RISK FACTORS – Abatement."

The Property consists of the Medical Center and the High Desert MACC. The Medical Center complies with the strict seismic state requirements for inpatient hospitals and the inpatient tower and central utility plant are designed to remain operational following the maximum earthquake anticipated for the site. The High Desert MACC is currently under construction but has a building design that includes special moment resisting steel frames with concrete spread footings to resist seismic lateral loads, and has a seismic design which is compliant with the California Building Code (2010), the County of Los Angeles Building Code (2011), the American Concrete Institute Building Code (ACI 318-08) and the American Institute of Steel Construction AISC Manual (13th Edison). See "DESCRIPTION OF THE PROPERTY."

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Series 2012 Bonds with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County of other agreements and covenants required to be performed by it contained in the Sublease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Economic Conditions in the State of California

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Decreases in the State's General Fund revenues may significantly affect appropriations made by the State to public agencies, including the County. See APPENDIX A – "THE COUNTY OF LOS ANGELES INFORMATION STATEMENT."

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2012 Bonds, the Authority and the County have covenanted in the Indenture not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Series 2012 Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the Series 2012 Bonds could become includable in gross income for purposes of Federal income taxation retroactive to the date the Series 2012 Bonds were issued, as a result of acts or omissions of the Authority or the County in violation of the Code. Should such an event of taxability occur, the Series 2012 Bonds are not subject to early redemption and will remain outstanding to maturity or until prepaid under the optional redemption provisions of the Indenture.

TAX MATTERS

General

In the opinion of Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2012 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2012 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority and the County in connection with the Series 2012 Bonds, and Bond Counsel has assumed compliance by the Authority and the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2012 Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Series 2012 Bonds is exempt from personal income taxes imposed by the State of California.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2012 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2012 Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2012 Bonds in order that interest on the Series 2012 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2012 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2012 Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and the County have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2012 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2012 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2012 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2012 Bonds.

Prospective owners of the Series 2012 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2012 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2012 Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Series 2012 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2012 Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Series 2012 Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2012 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Series 2012 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2012 Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2012 Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, 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 such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-

exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2012 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2012 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2012 Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2012 Bonds under Federal or state law and could affect the market price or marketability of the Series 2012 Bonds.

Prospective purchasers of the Series 2012 Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Certificate to be executed in connection with the issuance of the Series 2012 Bonds, the County has covenanted to provide, or cause to be provided, by not later than February 1 of each fiscal year, commencing on February 1, 2013, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriters of the Series 2012 Bonds in complying with the Rule15c2-12 (the "Rule") promulgated by the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. See APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." The County has not failed in the previous five years to comply in all material respects with any previous undertakings with regard to the Rule.

CERTAIN LEGAL MATTERS

The validity of the Series 2012 Bonds and certain other legal matters are subject to the approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority. Bond Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX F – "FORM OF OPINION OF BOND COUNSEL." Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, and for the County and the Authority by County Counsel.

FINANCIAL STATEMENTS

The Fiscal Year 2010-11 financial statements of the County, pertinent sections of which are included in Appendix B to this Official Statement, have been audited by Macias Gini & O'Connell LLP (the "Independent Auditor"), certified public accountants, as stated in their report appearing in Appendix B. The Independent Auditor has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Independent Auditor with respect to any event subsequent to its report dated December 15, 2011.

FINANCIAL ADVISOR

Public Resources Advisory Group, has served as Financial Advisor to the County in connection with the issuance of the Series 2012 Bonds. The Financial Advisor has not been engaged, nor has it undertaken, to make an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

LITIGATION

To the best knowledge of the County and the Authority, there is no litigation pending or threatened against the County or the Authority concerning the validity of the Series 2012 Bonds or challenging any action taken by the County or the Authority in connection with the authorization of the Indenture, the Sublease or any other document relating to the Series 2012 Bonds to which the County or the Authority is or is to become a party or the performance by the County or the Authority of any of their obligations under any of the foregoing.

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. In the opinion of the County Counsel, such suits and claims as are presently pending will not materially impair the ability of the County to make the Rental Payments when due. See APPENDIX A – "THE COUNTY OF LOS ANGELES INFORMATION STATEMENT – General Litigation."

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") have assigned the Series 2012 Bonds ratings of "A+," "A1" and "AA-," respectively. Such ratings reflect only the views of Fitch, Moody's and Standard & Poor's, and do not constitute a recommendation to buy, sell or hold the Series 2012 Bonds. Explanation of the significance of such ratings may be obtained only from the respective

organizations at: Fitch Ratings, One State Street Plaza, New York, New York 10004; Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007-2796; and Standard and Poor's Ratings Services, 55 Water Street, New York, New York 10041. There is no assurance that any such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of any such rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2012 Bonds.

UNDERWRITING

The Series 2012 Bonds are being purchased by Citigroup Global Markets Inc., as representative of itself and the underwriters identified on the cover page of this Official Statement (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Series 2012 Bonds from the County and the Authority at an aggregate purchase price of $375,485,803.16 (consisting of the aggregate principal amount of the Series 2012 Bonds of $339,410,000.00, plus a net original issue premium of $36,925,920.85 and less underwriters' discount of $850,117.69), pursuant to the terms of the Bond Purchase Agreement. The Bond Purchase Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the Series 2012 Bonds offered under the Bond Purchase Agreement if any of the Series 2012 Bonds offered thereunder are purchased.

Citigroup Global Markets Inc. ("Citigroup") and J.P. Morgan Securities LLC ("JPMS") has each provided the information contained in its respective paragraph below for inclusion in this Official Statement.

Citigroup Inc., the parent company of Citigroup, one of the underwriters of the Series 2012 Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2012 Bonds.

JPMS, one of the Underwriters of the Series 2012 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Series 2012 Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase Series 2012 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2012 Bonds that such firm sells.

ADDITIONAL INFORMATION

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture, the Site Lease and the Sublease may be obtained upon request from the Trustee at: 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust Services. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement among the Authority, the County and the purchasers or Owners of any of the Series 2012 Bonds.

The County regularly prepares a variety of reports, including audits, budgets, and related documents, as well as certain monthly activity reports. Any Owner of the Series 2012 Bonds may obtain a copy of any such report, as available, from the County at the address set forth below.

This Official Statement and its distribution have been duly authorized by the County and the Authority.

GLENN BYERS
ASSISTANT TREASURER AND TAX COLLECTOR
COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR
KENNETH HAHN HALL OF ADMINISTRATION, ROOM 432
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012
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APPENDIX A

THE 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 (the "County") 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 a population of over 9.9 million in 2011, 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 mandates, 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 September 27, 2011, the Board of Supervisors adopted a final Supervisorial District Boundary Plan based on the results of the 2010 census. The redistricting plan, which took effect on October 27, 2011, reduced the total variance in population among the five districts from 9.97% to 1.59% and moved approximately 277,600 residents to new supervisorial districts.

In March 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 continued to report directly to the Board of Supervisors were the Fire Department, Auditor-Controller, County Counsel, Executive Office 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. In May 2011, the Board of Supervisors revised the governance structure by directing the Department of Children and Family Services and the Probation Department to report directly to the Board.

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 various municipal services to a city on a cost recovery basis at the same level of service as provided in unincorporated areas, or at any higher level the city may choose.

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 related to social services and health care, are required to be maintained at certain minimum levels of service, 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. Health care services are provided through a network of County hospitals and comprehensive health centers. 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. The County also has responsibility for providing and partially funding mental health, drug and alcohol prevention, and various other treatment programs. These services are provided through County facilities and a network of contract providers.

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 has been designed with the objective of providing quality health care services 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 ("DHS") 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 19,000 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, agencies, special districts, and local school districts. Another essential general government service is the County's voter registration and election system, which provides services to an estimated 4.1 million registered voters and maintains 5,000 voting precincts for countywide elections.

Culture and Recreation

Through a partnership with community leaders, non-profit organizations, 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 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 sixty (60) separate collective bargaining units that are certified employee organizations. These organizations include the Services Employees International Union ("SEIU") Local 721, which has twenty-four (24) collective bargaining units that represent the vast majority of County employees; the Coalition of County Unions ("CCU"), which includes twenty-three (23) collective bargaining units; and the Independent Unions, which encompass thirteen (13) collective bargaining units. Under labor relations policy direction from the Board of Supervisors and Chief Executive Officer, the CEO Employee Relations Division negotiates sixty (60) individual collective bargaining agreements for wages and salaries and two (2) fringe benefit agreements with SEIU Local 721 and the CCU. The Independent Unions are covered by one of the two fringe benefit agreements.

On March 20, 2012, the Board of Supervisors approved new amendments to the eight (8) Memoranda of Understanding ("MOUs") covering wages, salaries and special pay practices for the Independent Unions representing fire fighters, peace officers, public defender investigators, beach lifeguards and deputy probation officers (the "Public Safety Unions"). The amendments extended the terms and conditions of the original MOUs negotiated in 2009 for an additional one-year period through December 31, 2012 or January 31, 2013, depending on the specific bargaining unit, and provided for the continuation of existing salaries with no cost-of-living adjustments.

On July 17, 2012, the Board of Supervisors approved amendments to seventeen (17) MOUs covering wages, salaries and special pay practices with collective bargaining units represented by SEIU Local 721 and the CCU representing non-safety personnel. The amendments extended the terms and conditions of the existing MOUs for an additional one-year period through September 30, 2013, and provided for the continuation of existing salaries with no cost-of-living adjustments. Similar agreements with an additional twenty-eight (28) bargaining units were approved by the Board of Supervisors on September 4, 2012. The County expects to achieve the same result with the MOUs covering the seven (7) remaining collective bargaining units.

On September 4, 2012, the Board of Supervisors also approved a new fringe benefit agreement for the collective bargaining units represented by SEIU Local 721, and amendments to the fringe benefit agreement covering the collective bargaining units represented by the CCU and the Public Safety Unions. The fringe benefit agreements, which will expire on September 30, 2013, include a 7.2 percent increase in the County's contribution toward employee cafeteria-style benefit plans in 2013 to offset the higher cost of health insurance premiums. The same benefit will be extended to non-represented personnel by reducing the cost of health insurance premiums for those employees participating in their respective cafeteria-style fringe benefit plans.

RETIREMENT PROGRAM

General Information

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. The 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.

LACERA is governed by the Board of Retirement (the "Board of Retirement"), which is responsible for the administration of the Retirement Fund, the retiree healthcare program, and the review and processing of disability retirement applications. The Board of Retirement is comprised of four positions appointed by the Board of Supervisors, two positions elected by general LACERA members, two positions (one active and one alternate) elected by LACERA safety members and two positions (one active and one alternate) elected by retired LACERA members. The County Treasurer and Tax Collector is required by law to serve as an ex-officio member of the Board of Retirement.

The LACERA plans are structured as "defined benefit" plans in which benefit allowances are provided based on salary, length of service, age and membership classification (*i.e.*, law enforcement officers, firefighters, foresters and lifeguard classifications are included as "safety" employees and all other occupational classifications are included as "general" employees). County employees have the option to participate in a contribution based defined benefit plan or a non-contribution based defined benefit plan. In the contribution based plans (Plans A, B, C & D), employees contribute a fixed percentage of their monthly earnings to LACERA based on rates determined by LACERA's independent actuary. The contribution rates depend upon age, the date of entry into the plan and the type of membership (general or safety). County employees who began their employment after January 4, 1982 also have the option to participate in Plan E, which is a non-contribution based plan. The contribution based plans (A through D) have higher monthly benefit payments for retirees compared to Plan E.

LACERA's total membership as of June 30, 2011 was 160,115, consisting of 69,097 active vested members, 23,689 non-vested active members, 55,371 retired members and 11,958 terminated vested (deferred) members. Of the 92,786 active members (vested and non-vested), 80,145 are general members in General Plans A through E, and 12,641 are safety members in Safety Plans A or B. Beginning in 1977, both the General Plan A and the Safety Plan A were closed to new members. The County elected to close these plans in response to growing concerns regarding the future cost of the Plan A benefits. The Plan A retirement benefits are considerably more generous than other plan options currently available to County employees.

As of June 30, 2011, approximately 65% of general members were enrolled in General Plan D, and 99% of all safety members were enrolled in Safety Plan B. The basic benefit structure of General Plan D is a "2.0% at 61" funding formula that provides for annual 2.0% increases in benefits, with no benefit reductions for members who retire at age 61 or older. For the Safety Plan B, the benefit structure is a "2.0% at 50" formula that provides benefit increases of 2.0% and no benefit reductions beginning at age 50. As a result, a General Plan D member with 35 years of experience can retire at age 61 with benefits equal to approximately 70% of current salary. A Safety Plan B member with 25 years of experience can retire at age 50 with benefits equal to approximately 50% of current salary.

In an internal survey completed by the CEO in Fiscal Year 2010-11, it was determined that the benefit structures of other public retirement plans in California differ considerably from the County's two primary contribution-based plans (General Plan D and Safety Plan B). For example, the CEO found that six of the ten largest counties in the State, and nine of the ten largest cities in the State, provide their general employees with at least 2.0% annual increases, and no reduction in benefits for those employees who retire at age 55 or younger. By comparison, the County's General Plan D requires six additional years (at age 61) before a participant can retire without a reduction in annual benefits. In addition, seven of the ten largest counties, and seven of the ten largest cities, provide their public safety personnel with annual benefit increases of 3.0%, and no reduction in benefits for employees who retire at age 50 or younger. This compares to the County's Safety Plan B, which only allows for 2.0% annual increases up through the age of 50.

2012 State Pension Reform

On August 28, 2012, the Governor and the State Legislature reached agreement on a new law that will reform pensions for State and local government employees. AB 340, which was signed into law by the Governor on September 12, 2012, established the California Public Employees' Pension Reform Act ("PEPRA") to govern pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA includes pension caps, equal sharing of pension costs, changes to retirement age, and three-year final compensation provisions. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays, and purchases of service credit.

PEPRA applies to all State and local public retirement systems, including county and district retirement systems created pursuant to the County Employees Retirement Law of 1937, independent public retirement systems, and to individual retirement plans offered by public employers. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Because the County's retirement system is governed by the County Employees Retirement Law of 1937, LACERA is required to comply with the provisions of PEPRA. The County and LACERA are currently in the process of reviewing AB 340 to determine its effect on County employees and the financial impact to the County budget. Based on an initial review of the legislation, PEPRA is not expected to result in an increase in the County's future General Fund contributions to LACERA.

Contributions

Employers and members contribute to LACERA based on unisex rates recommended by the independent actuary (using the Entry Age Normal Cost Funding Method) and adopted by the Board of Investments of LACERA (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 annual contribution rates are based on the results of investments and various other factors set forth in the actuarial valuations and investigations of experience, which are described below.

Investment Policy

The Board of Investments has exclusive control of all Retirement Fund investments and has adopted an Investment Policy 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 Investment Policy 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.

Actuarial Valuation

The Retirement Law requires the County to contribute to the Retirement Fund on behalf of employees using rates determined by the plan's independent actuary, which is currently Milliman Consultants and Actuaries ("Milliman"). 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. The next actuarial valuation report for LACERA (the "2012 Actuarial Valuation") as of June 30, 2012 will be available by January 2013.

In June 2002, the County and LACERA entered into the Retirement Benefits Enhancement Agreement (the "2002 Agreement") to enhance certain retirement benefits in response to changes to State programs enacted in 2001 and fringe benefit changes negotiated in 2000. However, unlike other local governments in California, the County did not agree to major increases in pension benefits as part of its 2002 Agreement. The 2002 Agreement, which expired in July 2010, provided 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.

When measuring assets to determine the UAAL, the County has elected to "smooth" gains and losses to reduce the potential volatility of its funding requirements. If in any year, the actual investment return on the Retirement Fund's assets is lower or higher than the current actuarial assumed rate of return, then the shortfall or excess is smoothed, or spread, over a multi-year time period. The impact of this valuation method 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.

In December 2009, the Board of Investments adopted a new Retirement Benefit Funding Policy (the "2009 Funding Policy"), which amended the terms of the 2002 Agreement. The impact of the 2009 Funding Policy on the LACERA plans was reflected in the June 30, 2009 Actuarial Valuation prepared by Milliman (the "2009 Actuarial Valuation"). The two most significant changes in the 2009 Funding Policy are described as follows:

- Asset Smoothing Period: The smoothing period to account for asset gains and losses increased from three years to five years. This initially resulted in a higher Funded Ratio (as determined by dividing the valuation assets by the AAL) and a lower contribution rate than would have been calculated under the previous three-year smoothing period.

- Amortization Period: The UAAL is now amortized over a closed thirty-year layered period, compared to an open thirty-year period under the 2002 Agreement. If LACERA achieves a Funded Ratio in excess of 100%, the surplus funding position will be amortized over a thirty-year open period.

In addition to annual actuarial valuations, LACERA requires its actuary to review the reasonableness of the economic and non-economic actuarial assumptions every three years. This review, commonly referred to as the Investigation of Experience, is accomplished by comparing actual results during the preceding three years to what was expected to occur according to the actuarial assumptions. On the basis of this review, the actuary recommends whether any changes in the assumptions or methodology would allow a more accurate projection of total benefit liabilities and asset growth. Based on the Investigation of Experience for the three-year period ended June 30, 2010, (the "2010 Investigation of Experience"), Milliman recommended that the Board of Investments consider the adoption of some key changes to the economic assumptions related to inflation and investment returns, and some changes to the demographic assumptions.

For the June 30, 2010 Actuarial Valuation (the "2010 Actuarial Valuation"), Milliman recommended a decrease in the assumed rate of inflation from 3.5% to a range of 3.00% to 3.25%, and a decrease in the assumed investment rate of return from 7.75% to a range of 7.25% to 7.5%. In December 2010, the Board of Investments decided to leave the assumed rate of inflation and the assumed investment rate of return unchanged at 3.5% and 7.75%, respectively. However, the Board of Investments voted to adopt Milliman's recommendations regarding changes to the demographic assumptions, which were reflected in the 2010 Actuarial Valuation.

In October 2011, the Board of Investments decided to lower the assumed investment rate of return from 7.75% to 7.5%, and to phase in the reduction over a three-year period commencing as of June 30, 2011. The assumed rates of return will be 7.7%, 7.6% and 7.5% for the June 30th year-end actuarial valuations in 2011, 2012 and 2013, respectively. The lower assumed rates of return are projected to increase the County's required contribution to LACERA by $24.6 million in Fiscal Year 2012-13, $57.7 million in Fiscal Year 2013-14, and $90.7 million in Fiscal Year 2014-15. The cumulative impact of the lower assumed rates of return are projected to be $173.0 million for the three-year period ended June 30, 2015.

UAAL and Deferred Investment Returns

The 2010 Actuarial Valuation reported a rate of return on Retirement Fund assets of 11.6% for the Fiscal Year ended June 30, 2010, which corresponds to a $2.935 billion or 9.6% increase in the market value of assets from June 30, 2009. The market rate of return compared favorably to the 7.75% assumed rate of return, but was more than offset by the large deferred asset losses from Fiscal Year 2008-09 that were partially recognized in the 2010 Actuarial Valuation. The actuarial value of Retirement Fund assets decreased by $703 million to $38.839 billion and the Funded Ratio decreased from 88.9% to 83.3% as of June 30, 2010. The 2010 Actuarial Valuation reported that the AAL increased by $2.177 billion to $46.646 billion, and the UAAL increased by $2.88 billion to $7.807 billion from June 30, 2009.

The 2010 Actuarial Valuation did not include $6.211 billion of net deferred investment losses that will be recognized over the next three fiscal years. The large deferred loss is primarily due to the fact that the 5-year asset smoothing method recognized only two-fifths of the substantial investment losses that occurred in Fiscal Year 2008-09. To demonstrate the impact of utilizing an asset smoothing period, the actuary estimated that the Funded Ratio would have been 69.9% as of June 30, 2010, and the required County contribution rate would be 20.9% for Fiscal Year 2011-12, if the actual market value of Retirement Fund assets was used as the basis for the actuarial calculations.

The 2010 Actuarial Valuation provided the basis for establishing the contribution rates effective July 1, 2011. For Fiscal Year 2011-12, the County's required contribution rate increased by 2.09% to 16.31% of covered payroll. The increase in the contribution rate was comprised of an increase in the funding requirement to finance the UAAL over 30 years from 4.12% to 6.47%, and a decrease in the normal cost contribution rate from 10.10% to 9.84%. The increase in the contribution rate to fund the UAAL was primarily driven by the recognition of the significant actuarial investment losses from prior years, which caused an increase in the required contribution rate of 2.51%. The impact of the actuarial investment losses on the required contribution rate was partially offset by strong investment returns in Fiscal Year 2009-10 and other positive variances from the economic and demographic assumptions. The changes in the demographic assumptions adopted by LACERA from the 2010 Investigation of Experience resulted in a 0.27% reduction in the required contribution rate.

For the June 30, 2011 Actuarial Valuation (the "2011 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 20.4%, which corresponds to a $6.018 billion or

18.0% increase in the market value of assets from June 30, 2010. The market rate of return compared favorably to the 7.70% assumed rate of return, but was more than offset by the large deferred asset losses from Fiscal Year 2008-09 that were partially recognized in the 2011 Actuarial Valuation. The actuarial value of Retirement Fund assets increased by $355 million to $39.194 billion, and the Funded Ratio decreased from 83.3% to 80.6% as of June 30, 2011. The 2011 Actuarial Valuation reported that the AAL increased by $1.953 billion to $48.599 billion, and the UAAL increased by $1.598 billion to $9.405 billion from June 30, 2010 to June 30, 2011.

The 2011 Actuarial Valuation does not include $606.8 million of net deferred investment losses that will be recognized in future years. The net deferred loss is primarily due to the fact that the 5-year asset smoothing method has recognized only three-fifths of the substantial investment losses that occurred in Fiscal Year 2008-09, which has been largely offset by strong investment performance during Fiscal Years 2009-10 and 2010-11. If the actual market value of Retirement Fund assets was used as the basis for valuation, the actuary estimates that the Funded Ratio would have been 79.4% as of June 30, 2011, and the required County contribution rate would be 18.05% for Fiscal Year 2012-13.

The 2011 Actuarial Valuation provided the basis for establishing the contribution rates effective July 1, 2012. The County's required contribution rate will increase from 16.31% to 17.54% of covered payroll in Fiscal Year 2012-13. The increase in the contribution rate was comprised of an increase in the funding requirement to finance the UAAL over 30 years from 6.47% to 7.89%, and a decrease in the normal cost contribution rate from 9.84% to 9.65%. The increase in the contribution rate to fund the UAAL was primarily driven by the recognition of the significant actuarial investment losses from prior years, but was partially offset by strong investment returns in Fiscal Years 2009-10 and 2010-11, and other positive variances from the economic and demographic assumptions.

For Fiscal Year 2011-12, LACERA reported a 0.3% return on Retirement Fund assets, which is well below the actuarial assumed investment rate of return of 7.6%. The asset allocation percentages for the Retirement Fund as of June 30, 2012 were 23.6% domestic equity, 26.2% international equity, 25.0% fixed income, 10.2% real estate, 11.1% private equity, 2.4% commodities and 1.5% cash.

A six-year history of the County's UAAL is provided in Table 1 ("Retirement Plan UAAL and Funded Ratio"), and a summary of investment returns for the prior six years is presented in Table 2 ("Investment Return on Retirement Plan Assets") on page A-9.

Pension Funding

Since Fiscal Year 1997-98, the County has funded 100% or more of its annual required contribution to LACERA. In Fiscal Years 2010-11 and 2011-12, the County's total contributions to the Retirement Fund were $898.8 million and $1.027 billion respectively. For Fiscal Year 2012-13, the County's required contribution payments are estimated to increase by $100.0 million to $1.127 billion. A summary of employer contributions for the seven years ended June 30, 2011 is presented in Table 3 ("County Pension Related Payments") on page A-9.

During the early and mid-1990's, the County relied heavily upon the use of excess earnings to fund all or a portion of its annually required contribution to LACERA. 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 required contribution for Fiscal Year 2007-08 represented the first year that excess earnings were not used to fund the County's required contribution. The remaining balance of excess earnings maintained with LACERA (the "County Contribution Credit Reserve") that can be used by the County to fund retirement program costs is $470.71 million as of June 30, 2011. The future use of these funds will not be affected by the 2009 Funding Policy and have never been included in the actuarial valuation of Retirement Fund assets.

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. As of June 30, 2011, $614 million was available in the STAR Program Reserve to fund future benefits. Under the 2009 Funding Policy, the entire STAR Program Reserve was included in the Retirement Fund's valuation assets. However, there is no corresponding liability for any STAR Program benefits in the 2011 Actuarial Valuation that may be granted in the future. If the STAR Program Reserve was excluded from the valuation assets, the County's required contribution rate would increase from 17.54% to 18.06%, and the Funded Ratio would decrease from 80.6% to 79.4% in Fiscal Year 2012-13. The exclusion of the STAR Program Reserve from the valuation assets would require the County to increase its required contribution to LACERA by approximately $32 million in Fiscal Year 2012-13.

Pension Obligation Securities

In California, the obligation of the County to fund the UAAL by making actuarially required contributions is an obligation imposed by State Law. The County previously issued pension obligation bonds and certificates in 1994 and transferred the proceeds to LACERA to finance its then-existing UAAL. All of the outstanding pension obligation bonds and certificates related to the 1994 financing were repaid in full as of June 30, 2011.

Postemployment Health Care Benefits

LACERA administers a health care benefits program for retirees under an agreement with the County. The program 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 retiree health program at any time. County payments for postemployment benefits 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 Years 2010-11 and 2011-12, total payments from the County to LACERA for postemployment health care benefits were $406.9 million and $424.0 million, respectively. For Fiscal Year 2012-13, the County is estimating $440.3 million in payments to LACERA for retiree health care.

Financial Reporting for Other Postemployment 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.

GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans ("GASB 43"), 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 accrued benefits. LACERA has complied with GASB 43 requirements for all annual reporting periods beginning with the fiscal year ended June 30, 2008.

GASB 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 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. Starting with the June 30, 2008 Comprehensive Annual Financial Report ("CAFR"), the County has implemented the requirements of GASB 45 in its financial reporting process.

The core requirement of GASB 45 is that an actuarial analysis must be prepared at least once every two-year period 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 could be amortized over a period not to exceed 30 years. GASB 45 does not require the funding of any OPEB liability related to the implementation of this reporting standard.

OPEB Actuarial Valuation

In order to comply with the requirements of GASB 43 and GASB 45, LACERA engaged Milliman to complete actuarial valuations of OPEB liabilities for the LACERA plans. In their OPEB valuations, Milliman has provided a determination of the AAL 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 demographic and economic assumptions used in the OPEB valuations are modeled on the assumptions used by LACERA for its pension program. The healthcare cost assumptions are based on discussions with other consultants and actuaries used by the County, LACERA and labor groups. The OPEB valuations have used a 5% discount rate and the Projected Unit Credit actuarial cost method to determine the AAL and the County's annual required contribution to fund this OPEB liability (referred to in GASB 45 as the "ARC").

In accordance with the requirements of GASB 43, Milliman completed its third OPEB actuarial valuation as of July 1, 2010 (the "2010 OPEB Valuation"), which was issued in March 2011. In the 2010 OPEB Valuation, Milliman reported an AAL of $24.031 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability is $22.94 billion, which represents a 9.8% increase from the 2008 OPEB Valuation. The OPEB ARC as of July 1, 2010 was estimated to be $1.86 billion, which represents approximately 29% of the County's payroll costs, and a 12% increase from the prior OPEB Valuation.

The 2010 OPEB Valuation continued to utilize the Projected Unit Credit actuarial cost method and a 5% discount rate. The economic and demographic assumptions used in the 2010 OPEB Valuation were derived from the retirement benefit assumptions used in the 2010 Actuarial Valuation and the results of the 2010 OPEB Investigation of Experience. The increase in the OPEB AAL from 2008 to 2010 was caused by several offsetting factors, which include changes to retirement benefit assumptions, cost increases due to the passage of time, demographic changes, lower than expected payroll growth, and claim cost experience gains, including lower than expected increases in health insurance premiums as of July 1, 2010 and July 1, 2011. The next OPEB actuarial valuation report ("the 2012 OPEB Valuation") as of July 1, 2012 is expected to be available by the first quarter of 2013.

For the Fiscal Year ended June 30, 2011, the County reported an OPEB ARC of $1.96 billion and a net increase in the OPEB liability of $1.550 billion. The $411 million "pay-as-you-go" contribution is 21% of the County's OPEB ARC, representing a decrease from the 23.9% funding level in Fiscal Year 2009-10. As of June 30, 2011, the County reported an unfunded Net OPEB obligation of $5.348 billion.

Funding for Other Postemployment Benefits

The County is considering several funding options to reduce its OPEB AAL, including the establishment of a tax-exempt trust to pre-fund the County's OPEB liability. On May 15, 2012, the Board of Supervisors approved the establishment of a tax-exempt OPEB trust pursuant to a Trust and Investment Services Agreement (the "OPEB Trust") to be entered into between LACERA and the County. The LACERA Board of Investments will function as the trustee and investment manager, and the Board of Supervisors will have exclusive discretion over the amount of contributions and/or transfers the County may invest or allocate to the OPEB Trust. The County has secured the required approval of its collective bargaining units for the creation of the OPEB Trust.

The County is planning to use at least $400 million of the remaining $470.71 million of County Contribution Credit Reserve with LACERA to fund the OPEB Trust. In addition, the County has set aside $11.8 million in a reserve to be used for the OPEB Trust, and intends to deposit any surplus funds on an annual basis from a health insurance premium reserve maintained by LACERA. Beyond these measures, the County may also consider applying general fund revenues to supplement future deposits to the OPEB Trust.

The County is also evaluating various cost-reduction options in relation to its retiree health benefits. For new hires to the County, certain potential changes include the following: 1) changing the benchmark health insurance; 2) requiring retirees to enroll in Medicare at age 65; 3) reducing dependent coverage; 4) reducing the annual County contribution; and 5) requiring employees to contribute up to 2.0% of their salaries towards retiree health. Furthermore, the County is also considering a requirement that both active employees and new hires enroll in Medicare at age 65. If this requirement was to be implemented by the County, it is estimated that the OPEB liability would be reduced by more than 22% over the next thirty years.

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 employees with a basic monthly benefit of between 40% and 60% of such employee's monthly compensation, commencing after 6 months of disability. The 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 the payment of a portion of the medical premiums for these individuals.

The County has determined that the liability related to long-term disability benefits is an additional OPEB obligation, which is reported as a component of the OPEB ARC in the CAFR. Following completion of the original OPEB Valuation, the County engaged Buck Consultants to prepare actuarial valuations of the long-term disability portion of its DBP as of July 1, 2009 (the "2009 LTD Valuation") and July 1, 2011 (the "2011 LTD Valuation"). In the 2011 LTD Valuation, the AAL for the County's long-term DBP was $1.019 billion, which represents a 7.0% increase from the $951.8 million AAL reported in the 2009 LTD Valuation. In Fiscal Years 2010-11 and 2011-12, the County made total DBP payments of $35.3 million and $37.0 million, respectively. For Fiscal Year 2012-13, the County is estimating total DBP payments of $39.3 million. The annual "pay-as-you-go" DBP payments are accounted for as an offset to the County's OPEB obligation. Based on the 2009 LTD Valuation, the June 30, 2011 net OPEB obligation of $5.348 billion includes $117.3 million for long-term disability benefits.

LITIGATION

The County is a party to numerous cases. The following are summaries of the most significant pending legal proceedings, as reported by the Office of the County Counsel. A further discussion of legal matters that directly affect the budget and the revenue generating powers of the County is provided in the Budgetary Information section of Appendix A.

Wage and Hour Cases

In 2007 and 2008, several collective action lawsuits were filed against the County by Deputy Sheriffs, the Association for Los Angeles Deputy Sheriffs ("ALADS") and the Los Angeles County Professional Peace Officers Association (the "PPOA"). In 2010, the County was able to successfully defeat the "class certification" in the PPOA lawsuit based on the recent decision from the Ninth Circuit in *Bamonte v. City of Mesa,* which held that the time police officers spend before and after their paid shifts donning and doffing their police uniforms and related protective gear is not compensable under the Federal Fair Labor Standards Act ("FLSA") as long as the officers have the option and ability to don and doff their uniform and gear off of the employer's premises. Following the *Bamonte* decision, both ALADS and PPOA filed "class action grievances" under their respective Memorandums of Understanding against the County. These collective action lawsuits and grievances seek to recover compensation for overtime related to performing pre-shift and post-shift employment activities such as preparing patrol cars, preparing reports, working through meal times and other such activities which occurred "off the clock." Taken together, the number of claimants in the collective actions exceeded 3,000, and there is the potential that the number of claimants to the class grievances may include as many as 9,000 public safety personnel. The initial PPOA class action lawsuit settled for a total of $60,000. In August 2012, a Federal court granted the County's motion with regard to most of the plaintiffs' claims in the two remaining collective actions and granted the County's motion to decertify the collective classes, which resulted in the dismissal of all of the "opt-in" plaintiffs. Following the Federal court's ruling, the plaintiffs in the ALADS case dismissed that case in its entirety, leaving the remaining PPOA case with only three remaining plaintiffs and significantly reducing the County's liability exposure. The County has filed a State court action challenging the proposed proceedings involving the class grievances, which is still in the early stages of the litigation process.

Other Litigation

In 1999, a lawsuit entitled *Roger E. Bacon v. Alan T. Sasaki* was filed against the County challenging the County 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. In August 2009, the Board of Supervisors approved a settlement of the case. The trial court gave preliminarily approval of the proposed settlement, which provided for a total maximum payout amount, including all fees and costs, of $45 million. The trial court entered judgment in September 2011, approving the final resolution of the litigation, and barring any recovery for those who did not file claims. The County reserved $35 million for the expected fees and costs to settle this lawsuit, and has paid all submitted and approved claims, including legal fees, in the total amount of $30 million.

In March, 2008, a lawsuit entitled *Natural Resources Defense Counsel v. County of Los Angeles, et al.*, was filed against the County and the Los Angeles County Flood Control District (the "Flood Control District") under the citizen suit provision of the Federal Clean Water Act. The case was bifurcated to first determine liability, and if liability was found, then to determine the penalties and remedies. The trial judge issued rulings on cross-motions for summary judgment that disposed of most of the liability issues. The County and the Flood Control District were found to have violated water quality standards at one location in Malibu. Part of the summary judgment granted to the County and Flood Control District was appealed to the Ninth Circuit, which upheld the trial court's ruling with the exception of deciding that the Flood Control District was liable for violations in two watersheds. After the Ninth Circuit denied the Flood Control District's motion for reconsideration, the Flood Control District filed a petition for writ of certiorari with the U.S. Supreme Court. The Supreme Court has granted the petition, and is expected to hear oral arguments before the end of 2012. The cost of the injunctive relief sought has yet to be determined, in the event that such relief is ordered. In March 2009, the County and Flood Control District filed administrative claims under the Government Tort Claims Act against 58 cities and other public entities for equitable indemnity and contribution. In March 2010, the County and the Flood Control District filed a complaint in state court for equitable indemnity, contribution, and nuisance against two cities. The complaint was dismissed in November 2011, and an appeal of the dismissal is pending. If the only liability found is for the Malibu site, this appeal will be dismissed. Any potential liabilities to the County or the Flood Control District is not expected to have a significant and material impact to the County budget.

In 2008, in *Los Angeles Unified School District v. County of Los Angeles, et. al.*, the school district alleged that the Auditor-Controller improperly calculated statutory payments due to LAUSD under redevelopment law. The Court of Appeal reversed

a trial court decision in favor of the County, and the County's Petition for Review was denied by the California Supreme Court. On remand in January 2012, the trial court issued a statement of decision regarding calculation of the statutory payments which reduced the County's exposure from the previously reported range of $24 to $38 million to a range of $3 to $8 million. The court requested additional briefing on this issue, which was scheduled for September 14, 2012. On September 7, 2012, LAUSD filed an appeal of the trial court's ruling. The County has reserved $31.5 million for the expected resolution of this lawsuit.

In 2008, the City of Alhambra, along with 46 other plaintiff cities, filed a *Petition for Writ of Mandat*e against the County alleging that the County and its Auditor-Controller deducted excessive administrative fees from the property tax allocations of the 88 incorporated cities within Los Angeles County. In June 2009, a judgment denying the writ was entered in favor of the County. The plaintiffs filed a notice of appeal in August 2009, and in July 2010, the Court of Appeal reversed the trial court ruling. In October 2010, the County's Petition for Review with the California Supreme Court was granted. The case was briefed in March 2011; Supplemental Letter Briefs were filed in November 2011; and oral arguments took place on September 5, 2012. The court is expected to render its decision by no later than December 2012.

In November 2010, the County was named, along with various State entities and three local school districts, as a defendant in a class action lawsuit brought in federal district court by a number of non-profit legal advocacy groups on behalf of special education students. The suit alleged that defendants were denying these students their federal right to a free and appropriate public education. The suit followed the Governor's October 8, 2010 veto of $133 million in funding appropriated by the Legislature for State mandated educationally related mental health services, commonly known as AB 3632 services. The County took the position that the State's failure to fund these services operated to suspend the mandate on counties to provide them; and further, as a consequence of federal law, responsibility to pay for or provide these services rested with the school districts. To this end, the County engaged in efforts with numerous local school districts to enter into MOUs related to the continuing provision of these services. Under the terms of the MOUs, the school districts agree to reimburse the County for continuing to provide mental health services, with the County agreeing to repay the districts if a binding legal decision determines that the mandate is not suspended.

Subsequently, the California Legislature enacted legislation clarifying that counties no longer have a mandate to provide educationally related mental health services and that this mandate belongs to local school districts. The County is in the process of transferring these services to the local districts. The districts also will have the option of continuing to obtain the services from the County, and to pay for them under negotiated MOUs.

In September 2011, a lawsuit entitled City of Cerritos et. al., vs. State of California, et. al. was filed against the State and other defendants, including the County. The lawsuit challenges the constitutionality of the redevelopment dissolution legislation (ABX1 26). On January 27, 2012, the trial court denied the petitioners motion for a preliminary injunction. The petitioners have filed an appeal of the trial court's decision, with respondent briefs due October 22, 2012. If the petitioners were to prevail, the court could retroactively reinstate redevelopment agencies and require the County to return any residual property tax revenue that it received from the Redevelopment Property Tax Fund. A detailed discussion of ABX1 26 and the redevelopment agency dissolution is provided in the Budgetary Information section of this Appendix A.

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 service 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	Actuarial Funded Ratio
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%
06/30/2008	38,724,671	39,662,361	41,975,631	2,313,270	94.49%
06/30/2009	30,498,981	39,541,865	44,468,636	4,926,771	88.92%
06/30/2010	33,433,888	38,839,392	46,646,838	7,807,446	83.26%
06/30/2011	39,452,011	39,193,627	48,598,166	9,404,539	80.65%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2011.

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

Fiscal Year	Market Value of Plan Assets	Market Rate of Return	Funded Ratio Based on Market Value
2005-06	$35,185,589	13.0%	94.5%
2006-07	40,908,106	19.1%	101.4%
2007-08	38,724,671	-1.5%	90.1%
2008-09	30,498,981	-18.3%	66.8%
2009-10	33,433,888	11.6%	69.9%
2010-11	39,452,011	20.4%	79.4%
2011-12 *	38,164,600	0.3%	-

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2011.

* Preliminary estimate provided by LACERA. June 30, 2012 funded ratio based on market value is not available at this time.

TABLE 3: COUNTY PENSION AND OPEB PAYMENTS
(in thousands)

Fiscal Year	Cash Payment to LACERA	Retiree Health Care Payments	Pension Bonds Debt Service	Total Pension & OPEB Payments	Percent Change Year to Year
2005-06	$856,035	$307,156	$356,883	$1,520,074	-
2006-07	863,626	317,105	381,235	1,561,966	2.8%
2007-08	827,789	352,031	381,603	1,561,423	0.0%
2008-09	805,300	365,424	320,339	1,491,063	-4.5%
2009-10	802,500	384,034	358,165	1,544,699	3.6%
2010-11	898,803	406,937	372,130	1,677,870	8.6%
2011-12	1,027,000	424,000	-	1,451,000	-13.5%
2012-13	1,127,000 *	440,300 *	-	1,567,300 *	8.0%

Source: Milliman Actuarial Valuations (of LACERA), Los Angeles County CAFRs 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 October 2nd of each year. Upon release of the Governor's Proposed State Budget in January, the CEO of the County prepares a preliminary forecast of the County budget based on the current year 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 1st, is developed, and projected resources are tentatively allocated to the various County programs and services.

The CEO normally presents the Recommended County Budget to the Board of Supervisors in April. The Board of Supervisors is required by County Code to adopt a Recommended Budget no later than June 30th. If a Final County Budget is not adopted by June 30th, the appropriations approved in the Recommended Budget, with certain exceptions, become effective for the new fiscal year until the final budget is approved.

The CEO generally 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 1st.

Throughout the remainder 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 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 are often subject to change which may affect the level of County revenues and budgetary appropriations.

COUNTY BUDGET OVERVIEW

The County Budget is comprised of eight fund groups through which the County's resources are allocated and controlled. These groups include the General Fund and Hospital Enterprise Fund (which represents the General County Budget), Special Revenue Funds, Capital Project Special Funds, Special District, Other Enterprise, Internal Services, and Agency Funds.

The General County Budget accounts for approximately 76.2% of the 2012-13 Final Adopted Budget and appropriates funding for 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 Revenue Funds represent approximately 10.8% of the 2012-13 Final Adopted Budget, and are used to account for the allocation of revenues that are restricted to defined purposes, such as public library operations, courthouse construction programs and operations, and specific automation projects.

Capital Project Special Funds account for approximately 2.0% of the 2012-13 Final Adopted Budget and provide funding for the acquisition or construction of major capital facilities that are not financed through other funding sources.

Special District Funds account for approximately 8.3% of the 2012-13 Final Adopted 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. Special Districts are governed by the Board of Supervisors and include, among others, Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts. The remaining fund groups, Other Enterprise, Internal Services and Agency Funds account for 2.7% of the 2012-13 Final Adopted Budget.

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 1% 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 2%, or a reduction as shown in the consumer price index (or comparable local data), or a decline in 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 certain types of indebtedness approved by the voters.

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 Fiscal Year 2012-13 is $17,435,995,436. The 2012-13 Final Adopted Budget included proceeds from taxes of $6,510,540,000, which is well below the statutory limit.

Proposition 62

Proposition 62, a 1986 ballot initiative that amended the California Constitution, requires voter approval of all new taxes or any increases to local taxes. A challenge to taxes subject to Proposition 62 may only be made for those taxes collected beginning one year before a claim is filed. Such a claim is a necessary prerequisite to the filing of a lawsuit against a public entity in California.

In February 2005 a claim was filed, and it was followed in May 2005 by a lawsuit entitled *Oronoz v. County of Los Angeles* that contends the County's Utility User Tax ("UUT") did not meet the requirements of Proposition 62 and is therefore invalid. In November 2006, the trial court certified the case as a class action. In July 2008, the parties agreed to a tentative settlement of the case, which was finally approved by the court in March 2009. The settlement, which is currently in the process of being implemented, calls for a total expenditure by the County of $75 million to be used for tax refunds to class members and enhanced services within the areas of the County from which the tax was collected. At the outset of this lawsuit, the County established a separate reserve account to fund any liabilities resulting from the litigation, with the reserve more than sufficient to fully fund the entire $75 million settlement. With the exception of administrative reviews of previously denied claims, claim processing for the settlement has been completed and all refunds have been issued. In November 2008, the County's utility user tax was approved by the voters in conformity with Proposition 62. The plaintiffs filed a motion alleging that the 2008 election was improperly conducted, which was denied on April 26, 2012. The plaintiffs have filed an appeal, which is currently pending and not anticipated to be resolved until late 2013.

On August 11, 2009, a lawsuit, *Patrick Owens and Patricia Munoz v. County of Los Angeles* was filed in Los Angeles Superior Court, challenging the imposition of the County's UUT after its passage at the election held on November 4, 2008. The complaint alleges that the impartial analysis prepared by County Counsel failed to inform the voters that: 1) the material provisions of the prior UUT were being rescinded regardless of the outcome of the election; and 2) it was not a "continuation" of an existing tax, but rather was the enactment of a completely new UUT. The County filed a demurrer and motion to strike plaintiffs' complaint on October 16, 2009. A hearing was held on April 15, 2010 in which the Court denied the County's demurrer in light of the early phase of the litigation process. The County then filed a motion on November 12, 2010 to dispose of the issues challenging the legality of the election. A hearing was held on February 16, 2011 in which the Court denied the County's motion as the plaintiff raised a constitutional question, which the Court determined must be ruled on together with the motion in the Oronoz case related to the 2008 election issue. The case proceeded with the discovery phase and was set for a bench trial, which was heard with the Oronoz motion on April 26, 2012. The court ruled in favor of the County and issued final judgment. Plantiffs have filed an appeal, which is currently pending and not anticipated to be resolved until late 2013. In the event of a successful appeal, the County may be required to resolve issues regarding a potential class certification. Since the November 4, 2008 election, the County estimates that approximately $216.9 million in UUT revenue has been collected and continues to be collected at an average rate of $4.5 million per month.

On March 4, 2011, a new lawsuit filed as a class action alleges that the County's 2% increase to the Transient Occupancy Tax ("TOT") violated Proposition 62 by not receiving voter approval. The County demurred to the complaint on all theories on October 12, 2011. The court sustained the County's demurrer as to all theories except for one. The Court ruled that the alleged Proposition 62 violation survived demurrer and could proceed on a class basis. The County anticipates that it will defend the action on the grounds that a class claim in this matter is barred by local ordinance, and that the increase in the TOT does not impose a new tax subject to Proposition 62. The County placed the TOT on the June 2012 ballot for ratification, and it was approved by the electorate. The plaintiff's summary judgment and class motions will be considered by the Court at a hearing scheduled for October 3, 2012.

On August 1, 2012, a lawsuit, *Harlan Green v. Dean Logan, Registrar-Recorder*, was filed in Los Angeles Superior Court as an election contest and writ petition challenging the ballot materials that were printed and distributed to the voters for Measure H (the TOT ratification measure), and Measure L, a tax on landfill operators in the County, which was also approved by voters. The complaint alleges that ratification of the prior collection of taxes is unconstitutional and in violation of Propositions 62 and 218. The complaint further alleges that: (1) the impartial analysis prepared by County Counsel failed to inform voters of the effect of a "no" vote, (2) the Board of Supervisors was required to order a fiscal impact statement for the measures if they would increase or decrease the revenues or costs to the County, and (3) the resolutions ordering the elections and the arguments in favor of the two measures resulted in improper advocacy by the County that was misleading to voters. This matter has not yet been heard by the courts and the County continues to evaluate its position on the lawsuit.

Proposition 218

Proposition 218, a 1996 ballot 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 local taxes, assessments, or fees through the initiative process.

An appellate court decision determined 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, and fees through the initiative process, regardless of the date such charges were imposed. SB 919, the Proposition Omnibus Implementation Act, was enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions to comply with Proposition 218. SB 919 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.

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 revenue not received from or imposed by the Federal or State government or derived from investment income.

Proposition 1A 2004

Proposition 1A 2004, approved by the voters in November 2004, amended the State Constitution by limiting the State's authority to reduce local sales tax rates or alter their method of allocation, shift property tax revenues from local governments to schools or community college districts, or decrease Vehicle License Fee ("VLF") revenues without providing replacement funding. Proposition 1A 2004 further amended the State Constitution by requiring 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. Pursuant to Proposition 1A 2004, the State can no longer reallocate local property tax revenues without triggering a constitutional obligation to repay the local taxing agencies within three years. The State is further prohibited from reallocating local property tax revenues on more than two occasions within a ten-year period.

Proposition 26

On November 2, 2010, voters approved Proposition 26, which amended the State Constitution to expand the definition of a tax so that certain fees and charges imposed by the State and local governments will now be subject to approval by two-thirds of each house of the State Legislature or approval by local voters, as applicable. Proposition 26 requires a two-thirds approval by each house of the State Legislature to enact new laws that increase taxes on any taxpayer, and repeals recent State laws that are in conflict with the measure, unless they are approved again by two-thirds of each house of the State Legislature. The State Legislative Analyst's Office asserts that Proposition 26 will make it more difficult for State and local governments to pass new laws that raise revenues and could reduce government revenues and spending statewide by billions of dollars annually.

In terms of its direct fiscal impact on the County, Proposition 26 is likely to result in the loss of approximately $61 million in annual State tax revenue to County road districts, which are separate legal entities responsible for the operation and maintenance of streets and roads in the unincorporated areas of the County. Since the County is unlikely to backfill any reduction in State revenue to the road districts, there is no projected fiscal impact to the County General Fund. Additional effects of Proposition 26 on the future financial condition of the County are unknown at this time.

Future Initiatives

Propositions 13, 62, 218, 1A 2004 and 26 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 County revenues or the County's ability to expend revenues.

FEDERAL AND STATE FUNDING

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-21 of this Appendix A, $5.009 billion of the $19.343 billion 2012-13 Final Adopted General County Budget is received from the federal government and $5.168 billion is funded by the State. The remaining $9.166 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 53% of General County funding is provided by the State and Federal governments underscores the County's significant reliance on outside funding sources.

Federal Budget Update

President Obama released his Proposed Federal Fiscal Year (FFY) 2013 Budget on February 13, 2012. When considering that the President is proposing a relatively small reduction in spending on mandatory entitlement programs, and to fund most discretionary programs, through which the County currently receives funding, at or near the FFY 2012 funding levels, it is not expected that his FFY 2013 Budget would have a material impact to the County budget Mandatory entitlement programs, such as Medicaid, Title IV-E Foster Care and Adoption Assistance, Temporary Assistance for Needy Families (TANF), and Child Support Enforcement, currently account for over three-fourths of total Federal aid to state and local governments and an even higher percentage of total Federal revenue received by the County.

Although Congress has not taken any formal action to enact the President's FFY 2013 Budget, the congressional leadership in both the House of Representatives and the Senate have indicated that they have reached agreement on a six month FFY 2013 Continuing Resolution to temporarily fund Federal programs and activities until next year, after the 113th Congress takes office. As a result, the FFY 2013 appropriations bills, which fund discretionary programs, are not expected to be finalized until March 2013 or later.

Pursuant to the Budget Control Act of 2011, approximately $109.4 billion in across-the-board FFY 2013 sequestration spending cuts are to be imposed in January 2013, half of which would be cut from non-defense programs. Since the County receives most of its Federal revenue to fund mandatory entitlement programs, which are exempt from the sequestration cuts, the fiscal impact to the County is not expected to be material. Furthermore, Federal discretionary spending programs, which are subject to sequestration cuts, generally do not fund the types of services that are financed by County General Fund revenues.

Barring changes in current Federal law, the County's Federal revenue is expected to increase over the next few years due to the expansions of Medicaid eligibility and increases in Federal financial participation for Medicaid under the health care reform law.

State Budget Process

Recent State budgets have reflected the State's efforts to stabilize its fiscal position in response to the challenging and uncertain economic environment. Over the past twenty years, the State budget has experienced broad fluctuations as the State responded to the economic recession of the early 1990's, the economic recovery later in that decade, the 2001 recession and recovery, and the recent economic downturn. The State's budgetary decisions in response to the recent economic downturn will have a significant financial and programmatic impact on counties, cities, and other local jurisdictions.

Fiscal Year 1991-92 Realignment Program

In Fiscal Year 1991-92, the State and county governments collectively developed a program realignment system (the "1991-92 Realignment Program") that removed State funding for certain health and welfare programs, and provided counties with additional flexibility in the administration of such programs. Under the 1991-92 Realignment Program, certain health and welfare services are funded by a 0.5% increase in sales taxes and increased vehicle license fees. Since counties receive their share of the funding for health and welfare programs under a fixed formula prescribed by State law, the flow of 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 still maintain responsibility for the management and cost of such programs.

Property Tax Shift

In response to the 1993-94 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 in State funding has been partially offset by revenues from the County's share of the Proposition 172 one-half cent public safety sales tax. The Proposition 172 public safety sales tax, which was approved in 1993, was the State's response to help lessen the impact of the shift in property tax revenue to education, and has no expiration date.

2011-12 STATE BUDGET

On June 30, 2011, the Governor signed the Fiscal Year 2011-12 State Budget Act (the "2011-12 State Budget Act"). After accounting for budgetary actions adopted by the State Legislature in March 2011, higher than expected revenues and updated expenditure projections, the Fiscal Year 2011-12 State Budget estimates revenues and transfers of $88.456 billion, total expenditures of $85.937 billion and a year-end surplus of $1.313 billion (net of the negative $1.206 billion prior-year State General Fund balance). The 2011-12 State Budget Act allocated the projected surplus to the reserve for the liquidation of encumbrances ($770 million) and the special fund for economic uncertainties ($543 million).

The financial impact to the County from the 2011-12 State Budget Act was an estimated funding reduction of $363.3 million in Fiscal Year 2011-12. Most of the State budget cuts resulted in funding reductions to County-administered health and social service programs. Given the general policy to not backfill State budget cuts with locally generated revenues, there was no material impact to the financial condition of the County, as the funding reductions were passed through to local constituents.

Public Safety Realignment

The Governor and the State Legislature also approved Assembly Bills 109 and 117 related to the Public Safety Realignment Plan ("Public Safety Realignment"), which transferred responsibility for supervising specific low-level inmates and parolees, from the California Department of Corrections and Rehabilitation (CDCR) to counties. The 2011-12 State Budget Act provided $5.5 billion to fund Public Safety Realignment and is financed by redirecting 1.0625% of the existing State sales tax ($5.1 billion) and a portion of VLF revenues ($453.0 million) from the State to counties. The Public Safety Realignment legislation provided $500.0 million of funding for local public safety programs previously funded by the additional 0.15% increase to the VLF that expired on June 30, 2011. The Governor also proposed a November 2012 ballot initiative to seek voter approval to increase taxes, which includes a provision for a constitutional amendment to provide permanent funding protection for Public Safety Realignment.

In response to Public Safety Realignment, the County adopted the Los Angeles County Public Safety Realignment Implementation Plan on August 30, 2011. Until constitutional funding protection is established by the State for Public Safety Realignment, all required staff will be hired as temporary monthly employees or existing departmental staff will be offered temporary promotions pursuant to County Code. The County has decided to develop and approve the Public Safety Realignment budget on a quarterly basis to better implement and manage this transfer of responsibilities from the State within the current funding allocation. The State allocated $124.5 million to the County to fund the custody, legal, probation supervision, and community services necessary to manage the increase in the local inmate, parolee and probationer populations.

The 2011-12 State Budget Act also included provisions for automatic trigger cuts if projected revenues fail to meet certain target levels. On December 13, 2011, Governor Brown announced that State revenue projections would be $2.2 billion short of budgeted amounts, which triggered $908.8 million in funding reductions as of January 1, 2012. The trigger cuts did not have a material impact to the financial condition of the County.

Redevelopment Agencies

In response to an ongoing budget crisis, the 2011-12 State Budget Act included two measures intended to stabilize school funding by reducing or eliminating the diversion of property taxes from school districts to the State's community redevelopment agencies. ABX1 26 (the "Redevelopment Dissolution Act") prohibited redevelopment agencies from engaging in new business and provided for their wind down and dissolution. ABX1 27 (the "Alternative Redevelopment Program") would have allowed redevelopment agencies to continue if the cities and counties that created them agree to make payments into funds benefiting the state's schools and special districts.

The California Redevelopment Association and other entities challenged both measures as unconstitutional and sought relief from the State Supreme Court. The California Supreme Court

ruled in *California Redevelopment Association v. Matosantos* that the Redevelopment Dissolution Act was constitutional, while declaring the Alternative Redevelopment Program as unconstitutional. As a result of the State Supreme Court's bifurcated decision, redevelopment agencies dissolved under the Redevelopment Dissolution Act on February 1, 2012 will not have an opportunity to continue their existence under the Alternative Redevelopment Program.

ABX1 26 requires successor agencies to take over from the former redevelopment agencies and perform the following functions:

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

Under ABX1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligble administrative costs. Any remaining property tax revenues, otherwise known as "residual taxes", are to be distributed as property tax revenue to the appropriate local government agencies, including the County. Oversight Boards have been established for each of the 71 successor agencies within the County. The Oversight Boards are required to evaluate and approve the successor agencies' remaining enforceable legal obligations. The Auditor-Controller is also responsible for conducting an initial audit and disbursing future tax increments in accordance with provisions of ABX1 26 and applicable amendments. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County was approximately $453.0 million.

On June 1, 2012, the Auditor-Controller distributed property tax revenues in accordance with ABX1 26. The County's General Fund received $37.5 million of residual property tax revenues. On June 27, 2012, AB 1484 was enacted as part of a trailer bill package in conjunction with the 2012-13 State Budget. Provisions of AB 1484 required the Auditor-Controller to identify the 2011-12 property tax revenues that were distributed to each agency prior to the February 1, 2012 dissolution date. This amount was to be compared with approved enforceable obligations for the period from January 1, 2012 to June 30, 2012. If revenues exceeded the obligations, the Auditor-Controller was required by AB 1484 to issue a demand letter to each successor agency, seeking the return of such excess revenues.

On July 9, 2012, the Auditor-Controller issued demand notices to 42 successor agencies, requesting the return of $121.4 million of excess revenues. Successor agencies were required to make payment no later than July 12, 2012. On July 16, 2012, the Auditor-Controller distributed $111.4 million of excess revenues recovered as a result of the demand notices, including the County General Fund's share of $50.7 million, which was accrued as revenue attributable to Fiscal Year 2011-12.

The County's 2012-13 Adopted Budget did not rely on any residual taxes from redevelopment dissolution. Despite the receipt of residual taxes in 2011-12, the estimated amount of such revenues in Fiscal Year 2012-13 remains uncertain due to fluctuation in the amounts of enforceable obligations and the potential for disputes between successor agencies and the California Department of Finance, which has the authority to determine the validity of enforceable obligations. AB 1484 contains provisions intended to identify excess assets held by successor agencies and to cause the return of any assets which were improperly transferred from the redevelopment agencies or their successor agencies. Any excess assets, if identified and recovered, would be distributed by the Auditor-Controller as residual taxes to local agencies. The estimated amounts of such assets and the timing of their distribution cannot be determined at this time.

The County's direct involvement in redevelopment activities was limited to unincorporated areas of the County and to a small number of projects. The successor agency for these activities is the County's Community Development Commission and the dissolution of County related projects is not expected to have a material impact, if any, to the financial condition of the County.

2012-13 STATE BUDGET

On January 5, 2012, the Governor released his Fiscal Year 2012-13 Proposed State Budget (the "Proposed State Budget"), which estimated that, without corrective action, the State would end Fiscal Year 2012-13 with a $9.2 billion deficit. The deficit was comprised of a $4.1 billion State General Fund deficit through the end of Fiscal Year 2011-12 (rather than the $1.5 billion reserve balance assumed in the 2011-12 State Budget Act) and a $5.1 billion excess of expenditures over revenues for Fiscal Year 2012-13. The Proposed State Budget included $10.3 billion in expenditure reductions and increased revenues generated from a temporary increase in income and sales taxes, which would be authorized by a proposed November 2012 ballot initiative (the "2012 Tax Initiative") to balance the State budget for Fiscal Year 2012-13 and to rebuild its reserves.

Assuming passage of the 2012 Tax Initiative, the Proposed State Budget estimated Fiscal Year 2012-13 revenues and transfers of $95.4 billion, total expenditures of $92.6 billion and a year-end surplus of $1.9 billion (net of the negative $985 million prior-year State General Fund balance). The projected surplus would be allocated to the Reserve for Liquidation of Encumbrances ($719 million) and the Special Fund for Economic Uncertainties ($1.1 billion).The Proposed State Budget relied in part on passage of the 2012 Tax Initiative, pursuant to which the personal income tax rates for certain high income earners would increase for five years (2012 through 2016) and State sales and use tax would increase by one-half percent for four years (2013 through 2016). The 2012 Tax Initiative, if approved by voters, was projected to generate approximately $6.9 billion in Fiscal Year 2012-13, and billions of dollars per year thereafter until its expiration in 2016. In the event the Governor's proposed ballot proposition is not approved by voters, the Proposed State Budget specified approximately $5.4 billion in expenditure reductions, including funding reductions for education (accounting for 90% of the targeted reductions) and judicial branch appropriations.

On March 14, 2012, the Governor announced that he would combine the 2012 Tax Initiative with an initiative proposed by the California Federation of Teachers to place the "California Sales and Income Tax Increase Initiative" (the "Revised 2012 Tax Initiative") on the November 2012 ballot. If approved by

voters in its current form, the Revised 2012 Tax Initiative would authorize a temporary increase in the maximum marginal personal income tax rates above 9.3 percent for tax years 2012 through 2018 by creating three additional tax brackets of 10.3 percent, 11.3 percent and 12.3 percent. The Revised 2012 Tax Initiative would also authorize a temporary increase to the State's sales and use tax rate by 0.25 percent for tax years 2013 through 2016. The LAO projects that the increased personal income tax rates in the Revised 2012 Tax Initiative would affect approximately one percent of personal income tax filers in the State due to the high income threshold, and would generate less revenue than estimated by the Governor.

On May 14, 2012, the Governor released the May Revision to the 2012-13 Proposed State Budget (the "May Revision"), which estimated that the State's budget deficit for Fiscal Year 2012-13 will increase to $15.7 billion as a result of reduced revenue forecasts, increases in school funding, unfavorable litigation outcomes and actions by the Federal government. The May Revision proposed $16.7 billion in budgetary solutions in Fiscal Years 2011-12 and 2012-13 to address the projected budget shortfall and provided for a reserve of $1.0 billion at the end of Fiscal Year 2012-13. The May Revision addressed the State's deficit through additional spending reductions (including the use of local reserves to reduce State General Fund costs for local trial courts on a one-time basis, reductions to hospital and nursing home funding and reductions in IHSS hours), implementation of the temporary tax increases set forth in the Revised 2012 Tax Initiative, and the use of various transfers, loans and repayment extensions.

Assuming voter approval of the Governor's Revised 2012 Tax Initiative, the May Revision estimated that the State would end Fiscal Year 2011-12 with a deficit of $2.535 billion, Fiscal Year 2012-13 revenues and transfers of $95.689 billion, total expenditures of $91.387 billion and a year-end surplus of $1.767 billion of which $719 million will allocated to the Reserve for Liquidation of Encumbrances and $1.048 billion deposited in the Special Fund for Economic Uncertainties.

On June 27, 2012, the Governor signed the Fiscal Year 2012-13 State Budget Act (the "2012-13 State Budget Act"), which provides approximately $8.0 billion of expenditure reductions, $6.0 billion of revenue solutions and $2.5 billion of other solutions to close a projected deficit of $15.7 billion through June 30, 2013. The 2012-13 State Budget Act projects a beginning fund balance deficit of $2.882 billion, Fiscal Year 2012-13, revenues and transfers of $95.887 billion, total expenditures of $91.338 billion and a year-end surplus of $1.667, of which $719 million will be allocated to the Reserve for Liquidation of Encumbrances and $948 million deposited to the Special Fund for Economic Uncertainties.

The 2012-13 State Budget Act continues to rely on voter approval of the Revised 2012 Tax Initiative, which is estimated to generate $8.5 billion in revenue, including $2.9 billion for schools and community college district, and $5.6 billion of additional revenue to the State General Fund. If the Revised 2012 Tax Initiative is not approved by voters, $5.9 billion in automatic trigger cuts will take effect, which would predominantly impact K - 14 and higher education. The trigger cuts, if enacted, are not expected to have a material impact to the financial condition of the County.

The 2012-13 State Budget Act provides continued funding for Public Safety Realignment by allocating a portion of VLF revenue and 1.0625 percent of the State's sales tax revenue, and establishes a permanent account structure and funding methodology to provide counties with a stable and consistent source of revenue. The 2012-13 State Budget Act includes projected sales tax and VLF revenue available to fund Public Safety Realignment of $5.4 billion and $489.9 million, respectively, in Fiscal Year 2012-13. The Revised 2012 Tax Initiative would also provide constitutional funding protection to counties for Public Safety Realignment.

Given the County's general policy to not backfill State funding reductions with locally generated revenues, the 2012-13 State Budget Act is not expected to have a material impact to the financial condition of the County.

As a result of the recent economic downturn and the continuing fiscal crisis in California, the financial condition of the State remains highly uncertain. Many future events will affect the amount of funding that is received by the County from the State and Federal governments. As a result, the information in this Official Statement (including this Appendix A) relating to State and Federal funding is based upon the County's current expectations and is subject to change due to the occurrence of future events.

RECENT COUNTY BUDGETS

General County Budgets have reflected a conservative approach and have sought to maintain a stable budgetary outlook in an uncertain fiscal environment. The passage of Proposition 1A 2004 secured long-term financial protection from a State reallocation of property tax revenues during times of State fiscal crisis. Proposition 1A 2004 provides the County with a more reliable funding source by replacing VLF revenue with property taxes, which have historically been one of the least volatile sources of revenue.

The reliability 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. Proposition 13 limits the growth of assessed valuations and allows for reassessments when a property is sold or when new construction occurs. Assessed valuation can also be adjusted for inflation or deflation. As a result of Proposition 13, there is a significant amount of "stored" home value appreciation that has not been reflected on the property tax rolls and has helped to offset a significant decrease in property values during the recent economic downturn. To illustrate this point, average median home prices in the County declined by 48% from their peak in August 2007 ($562,346) to a cyclical low in January 2012 ($290,015), but the value of the property tax roll (the "Net Local Roll") decreased by only 0.5% and 1.9% in Fiscal Year 2009-10 and 2010-11, respectively. Assessed valuation returned to growth in Fiscal Year 2011-12, with the County Assessor reporting a 1.36% increase in the value of the Net Local Roll. In the Fiscal Year 2011-12 tax roll, the County Assessor estimates that approximately 14.1% of all residential parcels and 17.1% of commercial-industrial parcels are 1975 base-year parcels, which indicates a significant amount of stored value that can be realized on future tax rolls when these parcels are sold and re-assessed at higher values.

The growth in assessed valuation will continue In Fiscal Year 2012-13, as the Assessor is reporting an increase in the Net Local Roll of 2.20% or $23.192 billion from Fiscal Year 2011-12. At $1.08 trillion, the 2012-13 Net Local Roll represents the largest revenue-producing valuation in the history of the County, surpassing the previous record valuation in Fiscal Year 2008-09. The largest factors contributing to the projected increase in assessed valuation in Fiscal Year 2012-13 are transfers in ownership ($12.808 billion), new construction ($4.953 billion) and an increase in the consumer price index ($15.105 billion). These increases are partially offset by the reassessment of properties under Proposition 8, a constitutional amendment that allows a temporary reduction in assessed value when a property suffers a decline in value. Decline in value adjustments will contribute $10.460 billion in reductions to the Net Local Roll in Fiscal Year 2012-13.

A significant factor contributing to the decline in value adjustments is the County Assessor's decision to initiate Proposition 8 reviews of all homes sold between July 2003 and June 2009 and subsequent reviews in the first quarter of 2012. Since the Assessor initiated the Proposition 8 review process in 2008, the forecasted Net Local Roll for Fiscal Year 2012-13 reflects the cumulative impact of $95.112 billion of decline in value adjustments. With the Assessor's proactive approach to Proposition 8 reviews, the assessed value of properties sold during the height of the real estate market were adjusted downward to reflect current market values, which will help insulate the County from future reductions in the Net Local Roll if these properties are re-sold at lower market values.

The economic downturn has had a significant impact on recent County budgets, and has resulted in Net County Cost (NCC) budget gap that reached a peak in Fiscal Year 2010-11. NCC is the portion of the County's budget that is financed with County discretionary funding (also known as locally generated revenues). In order to manage the budget gaps, the County has used a balanced approach of curtailing departmental budgets, and using reserves and capital funding appropriations to achieve a balanced budget. The County has implemented structural changes to the budget through departmental curtailments of approximately $360.5 million over the last four years along with the elimination of over 2,000 budgeted positions.

To control costs, the County has also aggressively pursued savings through its efficiency initiative program and implemented a hard-hiring freeze and a freeze on non-essential services, supplies and equipment. Throughout this period, employee labor groups have agreed to zero cost-of-living adjustments (COLAs) and no salary increases, and step increases for County managers have been suspended. If the County had relied solely on curtailments, the impact to County services and its residents would have been much more severe and most likely would have resulted in the reduction of critical services and the layoff of large numbers of County employees. The County believes that the effects of the economic downturn on the County budget (declines in revenues and increases in assistance caseloads) are a cyclical consequence of the recent recession. The measured approach to managing budgetary challenges, including the use of one-time funding sources, has enabled the County to more strategically achieve a balanced budget and maintain critical core services.

2010-11 FINAL ADOPTED COUNTY BUDGET

In the 2010-11 Final Adopted Budget, the County projected a $491.6 million General Fund NCC budget gap. The major components of the Fiscal Year 2010-11 NCC budget gap are described in the following table:

Fiscal Year 2010-11 NCC Budget Gap

Revenue Reductions	
Property Taxes	$113,100,000
Public Safety Sales Tax	18,200,000
Realignment Sales Tax	10,300,000
Registrar-Recorder Shortfall	19,000,000
Various Revenue Changes	(4,400,000)
Assistance Caseload Increases	
General Relief	82,400,000
In-Home Support Services	16,000,000
Other Caseload Changes	8,700,000
Expiration of FMAP Extension	38,800,000
Unavoidable Cost Increases	
Pension Costs	80,500,000
Health Insurance Premiums	50,400,000
Net Program Changes	30,300,000
Supplement Reserves	28,300,000
Total Projected Budget Gap	**$491,600,000**

To close this budget gap, the County utilized excess fund balance from Fiscal Year 2009-10, and a combination of ongoing structural solutions and various one-time funding solutions, including the use of County reserves. The major components of the Fiscal Year 2010-11 NCC budget gap solutions are described in the following table:

Fiscal Year 2010-11 NCC Budget Gap Solutions

Excess Fund Balance (FY 2009-10)	$61,200,000
Ongoing Departmental Budget Curtailment	175,000,000
Ongoing Revenue Solutions	11,000,000
Capital Program Designations	76,700,000
Federal Stimulus Funding	26,200,000
Labor-Management Savings	51,000,000
Reserve for Rainy Day Fund	27,800,000
Budgetary Reserves	52,100,000
Other Solutions	10,600,000
Total Budget Gap Solutions	**$491,600,000**

2011-12 FINAL ADOPTED COUNTY BUDGET

Similar to recent County budgets, the 2011-12 Final Adopted Budget was affected by the recent economic downturn and its negative impact on the financial condition of the County. However, as an indication of the improving economic trends, the County projected a significantly smaller NCC budget gap

compared to Fiscal Years 2009-10 and 2010-11. The primary factors contributing to the projected $175.4 million budget gap are described in the following table.

Fiscal Year 2011-12 NCC Budget Gap

2010-11 One Time Budget Solutions	$262,000,000
Expiration of Federal Stimulus Funding	63,900,000
Unavoidable Cost Increases	
Pension Costs	47,300,000
Health Insurance Subsidy	28,700,000
Net Program Changes	29,100,000
Assistance Caseload Changes	
General Relief	49,900,000
In-Home Support Services	(17,200,000)
Revenue Increases	
Property Tax	(74,600,000)
Various Revenue Changes	(28,800,000)
Public Safety Sales Tax	(27,700,000)
Realignment Sales Tax	(24,000,000)
Retirement of Pension Obligation Bonds	(106,600,000)
Labor-Management Savings	(42,100,000)
State Budget Changes	(8,400,000)
Various One-time Programs/Projects	23,900,000
Total Projected Budget Gap	**$175,400,000**

The County utilized the following combination of ongoing structural solutions and one-time solutions to close the projected budget gap in Fiscal Year 2011-12.

Fiscal Year 2011-12 NCC Budget Gap Solutions

Ongoing Curtailments/Consolidations	$35,700,000
Restored Public Safety Curtailments	(45,500,000)
Capital Program Designations	116,700,000
Retiree Health Insurance Premium Refund	36,100,000
Other One-time Solutions	32,400,000
Total Budget Gap Solutions	**$175,400,000**

2012-13 FINAL ADOPTED COUNTY BUDGET

The 2012-13 Final Adopted Budget, which was approved by the Board of Supervisors on October 2, 2012, appropriates $25.378 billion, representing a 4.2% increase from the prior fiscal year. For General County purposes (General Fund and Hospital Enterprise Fund), the 2012-13 Final Adopted Budget appropriates $19.343 billion, which represents a 4.6% increase from the 2011-12 Final Adopted Budget. The 2012-13 Final Adopted Budget reflects a net increase of 1,640 budgeted positions from the Final Adopted Budget in Fiscal Year 2011-12. The projected NCC budget gap of $103.639 million is the smallest in four years and is comprised of the following factors outlined below.

Expiration of Prior Year One-Time Budget Solutions

The County has utilized one-time funding solutions to help balance the budget during the economic crisis. The impact on the 2012-13 Final Adopted Budget from the expiration of the one-time funding solutions utilized in Fiscal Year 2011-12 is projected to be a negative $185.245 million.

Unavoidable Cost Increase

The primary components of the unavoidable cost increases are higher expenditures related to pension funding requirements and employee health insurance. The County's required retirement contributions will increase by five percent (5%) in Fiscal Year 2012-13, primarily due to the losses sustained by LACERA in Fiscal Year 2008-09 as a result of the global financial crisis. In addition, increases in health insurance premiums for County employees and the restoration of the deferred compensation match are contributing factors affecting unavoidable cost increases.

Assistance Caseload Increases

The high unemployment rate has caused many residents to seek public assistance from the County, which has resulted in a significant increase in assistance caseloads and expenditures since Fiscal Year 2006-07. The cost of providing General Relief ("GR") assistance accounts for a large portion of the increase in caseload expenditures, since the County bears the entire cost of this assistance program.

Fiscal Year	Average Caseload
2006-07	58,599
2007-08	62,897
2008-09	74,763
2009-10	91,499
2010-11	106,348
2011-12	107,877
2012-13	101,500 (Projected)

The 2011-12 Final Adopted Budget assumed that the GR caseload would peak in December 2011 and gradually decline, ending 2011-12 with an average caseload of 112,487. With the drop in the unemployment rate and the implementation of the County's GR restructuring efforts, the average GR caseload for Fiscal Year 2011-12 was 107,877. The projected decrease in the average GR caseload has resulted in a $27.4 million expenditure reduction in the 2012-13 Final Adopted Budget.

Revenue Increases

As the local economy stabilizes and starts to improve, the County is forecasting increases in a variety of locally generated revenues along with an increase in statewide sales tax revenue. Based on current trends and a survey of local economic forecasts, the County has assumed a 3.5% growth rate for all sales tax projections in the 2012-13 Final Adopted Budget.

For the second year in a row, the Assessor is reporting an increase in assessed valuation. On December 15, 2011, the Assessor released his initial forecast for assessed valuation in Fiscal Year 2012-13, which projected a 1.77% increase in the Net Local Roll. On April 4, 2012, after the 2012-13 Recommended Budget had already gone to print, the Assessor issued a revised forecast, which reflected a significantly lower increase in the Net Local Roll of 0.49%.

Given the material significance of property tax revenue to the County budget, the Board of Supervisors directed the Auditor-Controller to conduct a comprehensive audit of the Assessor's operations to determine whether the Office of the Assessor was appropriately and efficiently administering the County's property assessment and appeals functions, and exercising appropriate management oversight of its operations and employees. In the initial phase of the audit, the Auditor-Controller concluded that the Fiscal Year 2012-13 Net Local Roll forecast should reflect an increase of 1.14% from Fiscal Year 2011-12 assessed values and recommended certain changes to enhance the Assessor's forecasting process going forward. The more extensive phases of the audit related to the administrative operations of the Office of the Assessor have yet to be completed.

On May 15, 2012, the Assessor released his final forecast of assessed valuation for Fiscal Year 2012-13, which also projected a 1.14% increase in the value of the Net Local Roll. On September 10, 2012, the Assessor released the 2012 Annual Report, which reflected a 2.20% or $23.192 billion increase in the value of the Net Local Roll for Fiscal Year 2012-13.

In a separate matter unrelated to the audit directed by the Board of Supervisors, certain members of the Office of the Assessor, including Assessor John Noguez, are being investigated by the Los Angeles County District Attorney in connection with assessed property value reductions allegedly extended to Noguez campaign contributors and would-be contributors. These investigations are not focused on the day-to-day operations of the Office of the Assessor and are not expected to have a financial impact to the County budget. On June 19, 2012, the Board of Supervisors appointed Santos Kreimann as the Chief Deputy Assessor, while Noguez is currently on a leave of absence during the investigation.

Fiscal Year 2012-13 NCC Budget Gap

2011-12 One-Time Budget Solutions	$185,245,000
Unavoidable Cost Increases	
Pension Costs	24,604,000
Health Insurance Subsidy	34,814,000
Restore Deferred Comp Match	42,090,000
Various	2,200,000
Program Changes	43,321,000
Increase Reserves	42,468,000
Revenue Increases	
Property Tax	(64,160,000)
Realignment Sales Tax	(113,951,000)
Public Safety Sales Tax	(44,204,000)
Various	8,216,000
Assistance Caseload Changes	(33,121,000)
Ongoing Funding Used from One-Time Needs in 2011-12	(23,883,000)
Total Projected Budget Gap	**103,639,000**

The County intends to utilize the following one-time solutions to close the projected NCC budget gap in Fiscal Year 2012-13.

Fiscal Year 2012-13 NCC Budget Gap Solutions

County Designation	$18,191,000
2011-12 Projected Excess Fund Balance	85,448,000
Total Budget Gap Solutions	**$103,639,000**

One-Time Bridge Funding

Over the past decade, the County was able to set aside funds for capital projects and for a "rainy day" reserve fund. In light of the improving economic conditions, the County intends to utilize various one-time funding solutions to help close the Fiscal Year 2012-13 budget gap. The two primary long-term reserves for the County, the Reserve for Rainy Day Fund ($103.3 million) and the Provisional Financing Uses-Economic Reserve ($94.0 million), were increased by $10.0 million each and will not be used to close the Fiscal Year 2012-13 NCC budget gap. These reserves remain intact and available to address future budgetary challenges and uncertainties. In accordance with County budget policy, the County intends to increase these reserve funds as the economy returns to historical levels of growth and the budget situation continues to improve.

Health Services Budget

The Department of Health Services ("DHS") provides vital inpatient acute care through four hospitals: LAC+USC Medical Center, Harbor-UCLA Medical Center, Olive View-UCLA Medical Center and Rancho Los Amigos National Rehabilitation Center. Two of the hospitals, LAC+USC Medical Center and Harbor-UCLA Medical Center, operate trauma centers and emergency rooms; Olive View-UCLA Medical Center provides emergency room services; and Rancho Los Amigos National Rehabilitation Center operates as an acute rehabilitation facility. Outpatient services are provided at all four hospitals as well as multiple other facilities, including two Multi-Service Ambulatory Care Centers, six comprehensive health centers, 11 health centers, and over 100 contracted Community Partner clinics located throughout the County. DHS also manages the emergency medical services system for the entire County. In collaboration with the University of Southern California and the University of California at Los Angeles, the County provides training for approximately 1,500 physician residents annually.

As a safety net provider, the County is the provider of last resort for millions of medically indigent County residents. Historically, the cost of providing health services has exceeded the combined total of DHS revenues and the annual subsidies from the County General Fund, which has resulted in an ongoing structural deficit for DHS. By developing new revenue sources, implementing efficiencies and hiring freezes, and using one-time reserve funds, DHS has been able to cover its prior years structural deficits. The 2012-13 Final Adopted Budget included $160.0 million in budgetary savings related to the cost cutting and revenue generating initiatives implemented through the Financial Stabilization Plan.

DHS ended 2011-12 with a budgetary surplus of $27.6 million, which was primarily comprised of unspent funds related to projects that were not completed due to implementation changes or delays. The unspent funds will be carried over to

Fiscal Year 2012-13 to provide continued funding for these projects.

The improvement in the DHS fiscal outlook is largely due to the approval by the Centers for Medicare and Medicaid Services ("CMS") of a five-year Section 1115 Hospital Financing Waiver (the "Waiver") for public hospitals in California, which became effective November 1, 2010. The Waiver permits the Federal government to waive certain Medicaid (referred to as Medi-Cal in California) statutory requirements and allows California to receive federal matching funds for Medicaid services that would otherwise not be eligible for federal funding. Federal health care reform provided the framework for the Waiver by allowing an early implementation of some of the law's coverage expansion provisions. The expanded coverage provisions are expected to reduce DHS' structural deficit by providing coverage for many of its previously uninsured indigent patients who are now able to qualify under the Waiver's early expansion program, thus providing a source of additional revenue.

The new Medicaid Coverage Expansion ("MCE") program provides Medi-Cal coverage for citizen or legal resident uninsured adults, ages 19-64 years, with incomes at or below 133% of the federal poverty level. DHS anticipates that the MCE program, known as Healthy Way LA ("HWLA") in Los Angeles County, will provide the opportunity for early enrollment into Medi-Cal coverage for many of its currently uninsured patients, thereby leading to a significant improvement in the payer mix. In addition, the Waiver provides continued funding to partially finance uncompensated care and provides a new funding source for system improvements at public hospitals through the Delivery System Reform Incentive Pool ("DSRIP").Since the DSRIP revenue is performance-based, DHS is focusing its efforts on developing and implementing the structural and operational changes necessary to meet specific goals and outcomes in order to maximize this funding source. DHS is also allocating significant resources toward a restructuring of its ambulatory care systems in order to maximize service capacity, increase the quality of care, and ensure the best possible outcomes for patients.

In 2011-12, DHS recognized $442.5 million in DSRIP revenue with a related intergovernmental transfer of $221.3 million. A mandated semi-annual report was submitted to the State in March 2012, which indicated that the required performance goals were achieved. DHS received the first DSRIP payment in April 2012. The next semi-annual report was due to the State in September 2012. It is expected that the State will determine that DHS has achieved all of the required performance goals and that the remainder of the proceeds will be received in late 2012.

A significant factor driving many of the recent structural and operational reforms enacted at DHS is the expected implementation of Federal health care reform in 2014. The primary objectives of the Waiver for DHS are to become more efficient, to provide the highest quality of care, and to restructure operations to focus on ambulatory rather than inpatient care. The State's implementation of managed care in most Medi-Cal programs is moving forward, which will require DHS to continue restructuring its operations and developing its ambulatory care system to ensure it is positioned to successfully operate in a managed care environment and under federal health care reform in 2014.

The 2012-13 Final Adopted Budget included a revenue placeholder of $36.1 million. It is expected that increases to the health care benefit plan rates, and increased funding from DSRIP Waiver will provide additional sources of revenue in Fiscal Year 2012-13. There are major changes taking place in the DHS' operations and Medi-Cal revenue streams resulting from the Waiver and DSRIP programs that will ultimately determine how this placeholder is resolved.

General Fund Contributions and Advances

The County maintains separate Enterprise Funds to account for hospital and ambulatory care services in various regions of the County. These funds are commonly referred to as the Hospital Funds (the "Hospital Funds"). The County's General Fund provides financial contributions and cash advances to each of the Hospital Funds. The contributions are direct cash support and are not subject to repayment. The General Fund makes cash advances to the Hospital Funds to provide for the net cash flow requirements of the hospitals. On a daily basis, the County reviews the cash inflows and outflows of the Hospital Funds and adjusts the amount of advances in a manner designed to provide the Hospital Funds with a minimal daily cash position of approximately $10.0 million.

The Federal and State governments are the primary sources of revenues for the Hospital Funds. The County Hospital Funds typically receive cash reimbursement several months after the County has delivered and paid for services. As of June 30, 2012, the balance of General Fund cash advances to the Hospital Funds was approximately $690.2 million, which represents a significant improvement from the $1.016 billion balance as of June 30, 2011.

In addition to the funding sources described above, the County's General Fund has also advanced cash to the Hospital Funds for certain long-term receivables that are owed by the State to the hospitals. The receivables are associated with the Cost Based Reimbursement Clinics ("CBRC") program. Although the CBRC receivables are reliable assets, the collection process is contingent upon annual audits by the State. The State has recently completed the audit for Fiscal Year 2007-08. The State has also increased the CBRC interim reimbursement rate and indicated their intent to accelerate the audit process to achieve the goal of being only one-year in arrears in relation to the current fiscal year. As of June 30, 2012, the overall receivable balance was $195.9 million. The County has recognized an equivalent reserve against the fund balance associated with the CBRC receivable, since it is not currently available to fund the County's budgetary requirements.

Martin Luther King Jr. Hospital

In August 2007, CMS notified the County that Martin Luther King, Jr. Hospital (the "MLK Hospital") had lost its Medicare and Medicaid certification. To remedy this situation, MLK Hospital 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. On October 12, 2007, former Governor Arnold Schwarzenegger signed into law Senate Bill 474 to establish a $100 million annual fund, the South Los Angeles Medical Services Preservation Fund, to stabilize the health services for low-income, under-served residents of South Los Angeles.

The County and the University of California ("UC"), with the involvement of Governor's Office, approved a plan to create a wholly independent, non-profit 501(c)(3) entity to operate a new hospital at the previous MLK Hospital site. The new MLK Hospital will serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients, be integrated with the County's existing network of specialty and primary care ambulatory clinics, and optimize public and private resources to fund the delivery of services. The seven-member MLK Hospital Board of Directors was appointed by the County and UC in August 2010 and is proceeding with efforts to open a new private, non-profit MLK Hospital. Construction of the new MLK Hospital facility is expected to be completed in 2013.

Tobacco Settlement Revenue

In November 1998, the attorneys general of 46 states (including the State of California) and other territories 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 billion through 2025. California will receive 12.76%, or approximately $25.0 billion of the total settlement. While the County's share of the State settlement was expected to average approximately $100.0 million per year, the actual amount of Tobacco Settlement Revenues ("TSRs") received by the County may fluctuate significantly from year to year. Factors that could impact the annual payments to the State include actions of the Federal government, overall declines in smoking participation rates, reduction in cigarette sales and declining market share among the participating manufacturers in the MSA, 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. However, recent actions by certain participating manufacturers have reduced the settlement funding received by the State and may adversely impact future payments. Specifically, a portion of the settlement payments have been withheld or made under protest. Arbitration hearings are currently being held to resolve the issues causing the payment adjustments and protests that began in 2003. The precise amount of payment adjustments to the MSA and the future availability of withheld payments are unknown at this time.

In February 2006, the County issued $319.8 million 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 represents the initial year for the payment of debt service on the Tobacco Bonds. The proceeds from the sale of the Tobacco Bonds were used to finance a portion of the construction costs related to the LAC+USC Medical Center, as well as to partially insure against the risk of a significant reduction of the County's ongoing TSRs as a result of the various factors described above. The use of this fixed percentage of TSRs as security for the repayment of the Tobacco Bonds is not expected to materially impact the DHS programs that rely on such revenues for funding.

In accordance with the terms of the MSA, annual payments are subject to numerous adjustments, offsets and recalculation. In April 2012, the County received $87.3 million in MSA payments from the participating manufacturers (including the 25.9% of the MSA payment pledged as security for the Tobacco Bonds and deposited with a trustee). In 2011 and 2012, the participating manufacturers deposited $881.0 million and an estimated $821.0 million, respectively, in the Disputed Payments Account. The estimated net impact to the County from the disputed payment deposits in 2011 and 2012 is a reduction in TSRs of $13.3 million and $12.4 million, respectively.

Neither the MSA nor the Memorandum of Understanding restricts the use of the County's settlement funds to 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. As of June 30, 2012, the County has received approximately $1.373 billion in TSRs and accrued interest, with approximately $1.272 billion of the collected proceeds disbursed, and $101.2 million remaining in reserves and available for future appropriations. While DHS has identified programmatic uses for projected ongoing TSRs, it continues to develop plans to use the funds currently in reserve, primarily for one-time uses that will help to improve the operational efficiency of the health system.

BUDGET TABLES

The 2012-13 Final Adopted Budget is supported by $3.815 billion in property taxes, $5.009 billion in Federal funding, $5.168 billion in State funding, $0.208 billion in cancelled reserves and designations, $1.566 billion in fund balance and $3.577 billion in other funding sources.

The tables on the following pages provide historical detail on General County budget appropriations, along with a summary and comparison of the 2012-13 Final Adopted Budget with the 2011-12 Final Adopted Budget.

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

Fund	Final 2008-09	Final 2009-10	Final 2010-11	Final 2011-12	Final 2012-13
General Fund	$ 16,273,308	$ 16,368,794	$ 16,380,905	$ 16,229,826	$ 16,750,817
Hospital Enterprise Fund	1,897,508	2,121,468	2,127,184	2,268,712	2,592,117
Total General County Budget	$ 18,170,816	$ 18,490,262	$ 18,508,089	$ 18,498,538	$ 19,342,934

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

	Final 2008-09	Final 2009-10	Final 2010-11	Final 2011-12	Final 2012-13
Requirements					
Social Services	$ 5,166,283	$ 5,503,085	$ 5,707,144	$ 5,539,798	$ 5,572,820
Health	5,322,713	5,338,390	5,424,321	5,600,822	5,952,459
Justice	4,719,253	4,693,943	4,745,700	4,697,762	4,985,441
Other	2,962,567	2,954,844	2,630,924	2,660,156	2,832,214
Total	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**	**$ 19,342,934**
Revenue Sources					
Property Taxes	$ 3,840,369	$ 3,789,308	$ 3,676,161	$ 3,750,746	$ 3,814,906
State Assistance	4,818,285	4,554,097	4,528,710	4,670,351	5,168,427
Federal Assistance	4,104,390	4,730,605	4,868,199	4,712,400	5,008,928
Other	5,407,772	5,416,252	5,435,019	5,365,041	5,350,673
Total	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**	**$ 19,342,934**

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

	Final 2008-09	Final 2009-10	Final 2010-11	Final 2011-12	Final 2012-13
Financing Requirements					
Salaries & Employee Benefits	$ 8,792,005	$ 8,974,526	$ 9,004,826	$ 8,895,017	$ 9,322,969
Services & Supplies	6,192,312	6,350,306	6,530,982	6,706,121	6,869,576
Other Charges	3,233,859	3,350,510	3,503,195	3,621,050	3,734,605
Capital Assets	1,436,772	1,257,509	1,077,873	890,217	1,025,119
Other Financing Uses	985,458	726,958	704,520	640,310	615,357
Residual Equity Transfers Out	181	295	-	-	-
Interbudget Transfers[1]	(1,579,769)	(1,325,677)	(1,452,816)	(1,419,532)	(1,476,794)
Gross Appropriation	$ 19,060,818	$ 19,334,427	$ 19,368,580	$ 19,333,183	$ 20,090,832
Less: Intrafund Transfers	912,753	915,868	946,497	975,236	942,276
Net Appropriation	$ 18,148,065	$ 18,418,559	$ 18,422,083	$ 18,357,947	$ 19,148,556
Reserves					
General Reserve	$ 5,400	$ 3,000	$ -	$ -	$ 10,000
Designations/Other Reserves	17,351	68,703	86,006	140,591	184,378
Total Financing Requirements	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**	**$ 19,342,934**
Available Financing					
Fund Balance	$ 1,808,804	$ 1,713,428	$ 1,628,644	$ 1,601,571	$ 1,565,502
Cancellation of Reserve/Designation	345,500	437,653	409,097	271,027	208,484
Property Taxes: Regular Roll	3,735,359	3,732,264	3,654,517	3,709,801	3,778,085
Supplemental Roll	105,010	57,044	21,644	40,945	36,821
Revenue	12,176,143	12,549,873	12,794,187	12,875,194	13,754,042
Total Available Financing	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**	**$ 19,342,934**

[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 $1.5 billion in 2012-13, from the above table would give the impression that there are more resources than are actually available and artificially inflate General County appropriations to $20.8 billion.

Source: Chief Executive Office

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF FINAL ADOPTED 2011-12 BUDGET TO ADOPTED BUDGET 2012-13
Net Appropriation: By Function
(In thousands)

Function	2011-12 Final Budget (1)	2012-13 Final Budget (2)	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 821,381.0	$ 886,696.0	$ 65,315.0	7.95%
General Services	648,837.0	620,328.0	(28,509.0)	-4.39%
Public Buildings	797,208.0	897,285.0	100,077.0	12.55%
Total General	$ 2,267,426.0	$ 2,404,309.0	$ 136,883.0	6.04%
Public Protection				
Justice	$ 4,405,690.0	$ 4,687,737.0	$ 282,047.0	6.40%
Other Public Protection	263,197.0	217,349.0	(45,848.0)	-17.42%
Total Public Protection	$ 4,668,887.0	$ 4,905,086.0	$ 236,199.0	5.06%
Health and Sanitation	5,586,704.0	5,946,319.0	359,615.0	6.44%
Public Assistance	5,495,787.0	5,539,804.0	44,017.0	0.80%
Recreation and Cultural Services	271,449.0	285,344.0	13,895.0	5.12%
Insurance and Loss Reserve	67,694.0	67,694.0	-	0.00%
Reserves/Designations	140,591.0	194,378.0	53,787.0	38.26%
Total Requirements	**$ 18,498,538.0**	**$ 19,342,934.0**	**$ 844,396.0**	**4.56%**
AVAILABLE FUNDS				
Property Taxes	$ 3,750,746.0	$ 3,814,906.0	$ 64,160.0	1.71%
Fund Balance	1,601,571.0	1,565,502.0	(36,069.0)	-2.25%
Cancelled Prior-Year Reserves	271,027.0	208,484.0	(62,543.0)	-23.08%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 422,147.0	$ 307,812.0	$ (114,335.0)	-27.08%
Homeowners' Exemption	20,500.0	20,500.0	-	0.00%
Public Assistance Subventions	1,633,512.0	1,139,101.0	(494,411.0)	-30.27%
Other Public Assistance	538,857.0	1,116,309.0	577,452.0	107.16%
Public Protection	769,325.0	1,083,227.0	313,902.0	40.80%
Health and Mental Health	888,411.0	1,011,659.0	123,248.0	13.87%
Capital Projects	10,764.0	140,488.0	129,724.0	1205.17%
Other State Revenues	72,069.0	47,809.0	(24,260.0)	-33.66%
Total State Revenues	$ 4,355,585.0	$ 4,866,905.0	$ 511,320.0	11.74%
Federal Revenues				
Public Assistance Subventions	$ 2,285,213.0	$ 2,309,509.0	$ 24,296.0	1.06%
Other Public Assistance	247,226.0	233,943.0	(13,283.0)	-5.37%
Public Protection	233,184.0	221,821.0	(11,363.0)	-4.87%
Health and Mental Health	1,042,427.0	1,346,416.0	303,989.0	29.16%
Capital Projects	13,945.0	12,341.0	(1,604.0)	-11.50%
Other Federal Revenues	45,166.0	53,520.0	8,354.0	18.50%
Total Federal Revenues	$ 3,867,161.0	$ 4,177,550.0	$ 310,389.0	8.03%
Other Governmental Agencies	156,443.0	171,870.0	15,427.0	9.86%
Total Intergovenmental Revenues	$ 8,379,189.0	$ 9,216,325.0	$ 837,136.0	
Fines, Forfeitures and Penalties	226,565.0	217,294.0	(9,271.0)	-4.09%
Licenses, Permits and Franchises	46,620.0	49,893.0	3,273.0	7.02%
Charges for Services	3,005,897.0	3,029,944.0	24,047.0	0.80%
Other Taxes	169,431.0	171,211.0	1,780.0	1.05%
Use of Money and Property	153,481.0	132,488.0	(20,993.0)	-13.68%
Miscellaneous Revenues	331,426.0	421,141.0	89,715.0	27.07%
Operating Contribution from General Fund	562,585.0	515,746.0	(46,839.0)	-8.33%
Total Available Funds	**$ 18,498,538.0**	**$ 19,342,934.0**	**$ 844,396.0**	**4.56%**

(1) Reflects the Final Adopted 2011-12 General County Budget approved by the Board of Supervisors on October 4, 2011.
(2) Reflects the 2012-13 Final Adopted General County Budget approved by the Board of Supervisors on October 2, 2012

COUNTY OF LOS ANGELES
FINAL ADOPTED BUDGET 2011-12 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	$ 821,381.0	$ -	$ 821,381.0
General Services	648,837.0	-	648,837.0
Public Buildings	797,208.0	-	797,208.0
Total General	$ 2,267,426.0	$ -	$ 2,267,426.0
Public Protection			
Justice	$ 4,405,690.0	$ -	$ 4,405,690.0
Other Public Protection	263,197.0	-	263,197.0
Total Public Protection	$ 4,668,887.0	$ -	$ 4,668,887.0
Health and Sanitation	$ 3,317,992.0	$ 2,268,712.0	$ 5,586,704.0
Public Assistance	5,495,787.0	-	5,495,787.0
Recreation and Cultural Services	271,449.0	-	271,449.0
Insurance and Loss Reserve	67,694.0	-	67,694.0
Reserves/Designations	140,591.0	-	140,591.0
Debt Service	-	-	-
Appropriation for Contingency	-	-	-
Total Requirements	**$ 16,229,826.0**	**$ 2,268,712.0**	**$ 18,498,538.0**
AVAILABLE FUNDS			
Property Taxes	$ 3,750,746.0	$ -	$ 3,750,746.0
Fund Balance	1,601,571.0	-	1,601,571.0
Cancelled Prior-Year Reserves	257,864.0	13,163.0	271,027.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 422,147.0	$ -	$ 422,147.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	1,633,512.0	-	1,633,512.0
Other Public Assistance	538,857.0	-	538,857.0
Public Protection	769,325.0	-	769,325.0
Health and Mental Health	845,876.0	42,535.0	888,411.0
Capital Projects	10,764.0	-	10,764.0
Other State Revenues	72,069.0	-	72,069.0
Total State Revenues	4,313,050.0	42,535.0	4,355,585.0
Federal Revenues			
Public Assistance Subventions	$ 2,285,213.0	$ -	$ 2,285,213.0
Other Public Assistance	247,226.0	-	247,226.0
Public Protection	233,184.0	-	233,184.0
Health and Mental Health	818,667.0	223,760.0	1,042,427.0
Capital Projects	13,945.0	-	13,945.0
Other Federal Revenues	45,166.0	-	45,166.0
Total Federal Revenues	$ 3,643,401.0	$ 223,760.0	$ 3,867,161.0
Other Governmental Agencies	156,443.0	-	156,443.0
Total Intergovenmental Revenues	$ 8,112,894.0	$ 266,295.0	$ 8,379,189.0
Fines, Forfeitures and Penalties	224,114.0	2,451.0	226,565.0
Licenses, Permits and Franchises	46,494.0	126.0	46,620.0
Charges for Services	1,807,967.0	1,197,930.0	3,005,897.0
Other Taxes	169,431.0	-	169,431.0
Use of Money and Property	153,308.0	173.0	153,481.0
Miscellaneous Revenues	105,437.0	225,989.0	331,426.0
Operating Contribution from General Fund	-	562,585.0	562,585.0
Total Available Funds	**$ 16,229,826.0**	**$ 2,268,712.0**	**$ 18,498,538.0**

(1) Reflects the Final Adopted 2011-12 General County Budget approved by the Board of Supervisors on October 4, 2011.

COUNTY OF LOS ANGELES
ADOPTED BUDGET 2012-13 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	$ 886,696.0	$ -	$ 886,696.0
General Services	620,328.0	-	620,328.0
Public Buildings	897,285.0	-	897,285.0
Total General	$ 2,404,309.0	$ -	$ 2,404,309.0
Public Protection			
Justice	$ 4,687,737.0	$ -	$ 4,687,737.0
Other Public Protection	217,349.0	-	217,349.0
Total Public Protection	$ 4,905,086.0	$ -	$ 4,905,086.0
Health and Sanitation	$ 3,354,202.0	$ 2,592,117.0	$ 5,946,319.0
Public Assistance	5,539,804.0	-	5,539,804.0
Recreation and Cultural Services	285,344.0	-	285,344.0
Insurance and Loss Reserve	67,694.0	-	67,694.0
Reserves/Designations	194,378.0	-	194,378.0
Appropriation for Contingency	-	-	-
Total Requirements	**$ 16,750,817.0**	**$ 2,592,117.0**	**$ 19,342,934.0**
AVAILABLE FUNDS			
Property Taxes	$ 3,814,906.0	$ -	$ 3,814,906.0
Fund Balance	1,565,502.0	-	1,565,502.0
Cancelled Prior-Year Reserves	180,930.0	27,554.0	208,484.0
	-		
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 307,812.0	$ -	$ 307,812.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	1,139,101.0	-	1,139,101.0
Other Public Assistance	1,116,309.0	-	1,116,309.0
Public Protection	1,083,227.0	-	1,083,227.0
Health and Mental Health	968,042.0	43,617.0	1,011,659.0
Capital Projects	140,488.0	-	140,488.0
Other State Revenues	47,809.0	-	47,809.0
Total State Revenues	4,823,288.0	43,617.0	4,866,905.0
Federal Revenues			
Public Assistance Subventions	$ 2,309,509.0	$ -	$ 2,309,509.0
Other Public Assistance	233,943.0	-	233,943.0
Public Protection	221,821.0	-	221,821.0
Health and Mental Health	867,160.0	479,256.0	1,346,416.0
Capital Projects	12,341.0	-	12,341.0
Other Federal Revenues	53,520.0	-	53,520.0
Total Federal Revenues	$ 3,698,294.0	$ 479,256.0	$ 4,177,550.0
Other Governmental Agencies	171,870.0	-	171,870.0
Total Intergovenmental Revenues	$ 8,693,452.0	$ 522,873.0	$ 9,216,325.0
Fines, Forfeitures and Penalties	216,892.0	402.0	217,294.0
Licenses, Permits and Franchises	49,767.0	126.0	49,893.0
Charges for Services	1,766,191.0	1,263,753.0	3,029,944.0
Other Taxes	171,211.0	-	171,211.0
Use of Money and Property	132,315.0	173.0	132,488.0
Miscellaneous Revenues	159,651.0	261,490.0	421,141.0
Operating Contribution from General Fund	-	515,746.0	515,746.0
Total Available Funds	**$ 16,750,817.0**	**$ 2,592,117.0**	**$ 19,342,934.0**

(1) Reflects the 2012-13 Final Adopted General County Budget approved by the Board of Supervisors on October 2, 2012

FINANCIAL SUMMARY

PROPERTY TAX RATE, VALUATION AND LEVY

Taxes are levied each fiscal year on taxable real and personal property located in the County as of the preceding January 1st. 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 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 where 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, with a ten percent penalty assessed to any delinquent payments. In addition, any property on the secured roll with delinquent taxes as of July 1 is declared tax-defaulted. 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 1st lien date and become delinquent, if unpaid, by August 31st. A ten percent penalty attaches to delinquent property taxes on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1st. 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 2011-12 secured tax roll, and the approximate amounts of their aggregate levies for all taxing jurisdictions within the County are shown below. Property owned by the twenty largest taxpayers had a full cash value of $34,629,198,569 which constitutes only 3.42% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2011-12
Southern California Edison Co.	$62,962,332
Douglas Emmett Residential	38,873,633
BP West CoBP West Coast/ARCO/ Shell Oil Co.	28,933,240
Maguire Properties	27,784,940
Verizon/MCI Communications Services Inc.	23,485,147
Chevron USA Inc./Texaco	23,220,526
AT&T/Pacific Bell/SBC	21,475,350
Trizec Wilshire Center LLC	20,765,369
Exxon/Mobil Corporation	19,900,785
Southern California Gas Company	19,639,786
Conocophillips Co/Union Oil	18,184,850
Participants in Long Beach Unit	15,715,077
Universal Studios LLC	14,945,189
Archstone Smith/Tishman Speyer	14,120,867
Macerich Westside Pavilion	14,019,812
EQP/ERP Limited	13,573,193
Valero Refining Company	11,780,664
Boeing/Hughes/McDonnell Douglas Corp.	11,305,072
Tesoro Refining and Marketing Co.	10,393,626
Plains Exporation and Production Co.	10,141,260
	$421,220,717

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 from Fiscal Years 2007-08 through 2011-12.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2007-08 THROUGH 2011-12

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 %
2007-08	$953,468,123,997	$2,348,085,882	$2,232,305,540	95.07%
2008-09	1,020,346,376,948	2,503,699,652	2,388,838,218	95.41%
2009-10	1,013,549,301,342	2,449,393,435	2,370,955,825	96.80%
2010-11	997,502,481,662	2,423,866,268	2,369,935,057	97.77%
2011-12	1,013,260,968,402	2,471,700,694	2,426,125,703	98.03%

(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.

REDEVELOPMENT AGENCIES

Pursuant to ABX1 26 (the "Redevelopment Dissolution Act"), all redevelopment agencies were dissolved effective February 1, 2012, ABX1 26 bars redevelopment agencies from engaging in new business, provides for their eventual wind down and dissolution, and requires that successor agencies be created to take over from the former agencies. Any tax increment remaining after the payment of enforceable legal obligations, pass-through payments and limited administrative costs will be distributed as property tax revenue to the appropriate taxing entities, including the County general fund. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County was approximately $453.0 million. A more detailed discussion of the redevelopment agency dissolution is provided in the Budgetary Information section of this Appendix A.

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for the Fiscal Years 2007-08 through 2012-13.

COMMUNITY REDEVELOPMENT AGENCY (CRA)
PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE AND TAX ALLOCATIONS
FISCAL YEARS 2007-08 THROUGH 2012-13

Fiscal Year	Full Cash Value Increments [1]	Total Tax Allocations [2]
2007-08	$127,113,321,984	$1,167,170,104
2008-09	142,705,432,962	1,279,129,462
2009-10	140,955,357,917	1,266,067,367
2010-11	136,964,953,487	1,208,208,191
2011-12	137,243,985,288	559,663,200 [3]
2012-13	141,074,221,344	

(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) Total CRA Tax Allocations through January 2012.

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 delays in payments from other governmental agencies and the final due dates for the first and second installments of secured property tax payments being due in December and April, respectively.

As a result of the uneven pattern of revenue receipts, 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 replaced it with a program to manage its cash flow needs by issuing tax and revenue anticipation notes (TRANs) 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, and all notes issued in connection with the County's cash management program have been repaid in accordance with their required maturity dates.

2012-13 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 15, 2012, the County issued the 2012-13 TRANs with an aggregate principal amount of $1.1 billion in three separate series: $300.0 million due February 28, 2013; $400.0 million due March 29, 2013; and $400.0 million due June 28, 2013. The 2012-13 TRANs are general obligations of the County attributable to the 2012-13 fiscal year and are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys of the County.

Under the Resolution and Financing Certificate executed by the County Treasurer and Tax Collector, the County has pledged to deposit sufficient revenues into a Repayment Fund during Fiscal Year 2012-13 for the purpose of repaying the 2012-13 TRANs on their respective maturity dates. The deposits to the Repayment Fund will be made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2012-13 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*

Deposit Date	Deposit Amount
December, 2012	$402,778,000
January, 2013	330,000,000
February, 2013	110,000,000
March, 2013	55,000,000
April, 2013	220,000,000
Total	$1,117,778,000

* Includes $1.1 billion of 2012-13 TRANs principal and 2.00% interest.

The County has always maintained full compliance with its deposit obligations with respect to its TRANs program. The following table illustrates the Unrestricted General Fund Receipts collected on a cash flow basis since Fiscal Year 2007-08.

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

	2007-08	2008-09	2009-10	2010-11	2011-12
Property Taxes	$3,568,098	$3,867,816	$3,768,220	$3,733,822	$3,725,324
Other Taxes	176,349	144,945	154,228	137,907	172,703
Licenses, Permits and Franchises	53,545	52,957	46,825	56,799	58,642
Fines, Forfeitures and Penalties	239,456	261,477	254,428	242,904	218,380
Investment and Rental Income	295,191	204,889	133,640	123,582	111,506
State In-Lieu Taxes	459,242	422,053	424,760	401,679	366,352
State Homeowner Exemptions	21,765	21,827	21,966	21,616	21,505
Charges for Current Services	1,516,390	1,671,756	1,673,098	1,574,709	1,678,238
Other Revenue*	302,248	262,766	192,973	465,163	370,018
TOTAL UNRESTRICTED RECEIPTS	$6,632,284	$6,910,486	$6,670,138	$6,758,181	$6,722,668

Detail may not add due to rounding.
Source: Los Angeles County Chief Executive Office
* Includes Tobacco Settlement Revenue

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 utilize 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 has a cash balance that consists exclusively (except for a small portion related to the County Superior Court) of advances from funds included in the General County Budget.

The last fund group consists of the Hospital Enterprise Funds. The balances in these funds are different 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 TRANs financing.

The Hospital Enterprise Funds generally represent working capital advances from the General Fund and cash generated from the County hospitals. At year-end, the remaining balances are transferred back to the General Fund.

The average daily balances shown for these intrafund 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 significantly throughout the month. The General Fund cash balance also fluctuates during the month, with the third week being the lowest and month-end the highest due to the timing of revenue deposits from the State and the receipt of welfare advances on the last business day of the month.

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

The tables at the end of this Financial Section provide a monthly summary of the funds available to the County for intrafund borrowing in Fiscal Year 2010-11 and Fiscal Year 2011-12.

General Fund Cash Flow Statements

The Fiscal Year 2010-11 and Fiscal Year 2011-12 General Fund Cash Flow Statements are provided at the end of this Financial Summary Section. In Fiscal Year 2010-11, the County had an ending General Fund cash balance of $568 million. In Fiscal Year 2011-12, the County had an ending cash balance in the General Fund of $817 million, which represents a $249 million increase from the previous Fiscal Year.

COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector has the delegated authority to invest funds on deposit in the County Treasury Pool (the "Treasury Pool"). As of August 31, 2012, 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	$7.415
Schools and Community Colleges	11.511
Independent Public Agencies	2.741
Total	$21.667

Of these entities, the involuntary participants accounted for approximately 87.35% and all discretionary participants accounted for 12.65% 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 20, 2012, 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 September 28, 2012 Investment Report, the book value of the Treasury Pool as of August 31, 2012 was approximately $21.667 billion and the corresponding market value was approximately $21.744 billion.

The County maintains a strong system of internal controls for monitoring the cash accounting and investment process. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances on a daily basis. The Compliance Auditor's staff also reviews each investment trade for accuracy and

compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (the "External Auditor") reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of August 31, 2012:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	47.77
Certificates of Deposit	19.73
Commercial Paper	30.30
Bankers Acceptances	0.00
Municipal Obligations	0.08
Corporate Notes & Deposit Notes	2.12
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of August 31, 2012, approximately 43.67% of the investments mature within 60 days, with an average of 619 days to maturity for the entire portfolio.

The County complements its conservative investment policies with a well-established practice of market research and due diligence. The Treasury Pool has not experienced a single investment loss since the onset of the global financial crisis in Fiscal Year 2008-09. Furthermore, the County Investment Officer has never purchased any structured investment vehicles nor any securities with material exposure to sub-prime mortgages. The Treasury Pool was also unaffected by the September 2008 bankruptcy of Lehman Brothers and does not have any outstanding exposure to Lehman Brothers investments.

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, 2011, and the unqualified opinion of Macias Gini & O'Connell LLP are attached hereto as Appendix B. Since 1982, the County CAFRs have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

The County's budget is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements. The 2011-12 Final Adopted Budget included an available (unreserved and undesignated) General Fund balance of $1,601,571,000 as of June 30, 2011.

The 2011-12 Final Adopted Budget uses the fund balance language of the County Budget Act, which has not yet been updated to reflect Governmental Accounting Standards Board (GASB) Statement No. 54. As such, the County has not presented the Statement of Revenue, Expenditures, and Changes in Fund Balancewith the GASB Statement No. 54 terminology for changes in reserves and designations.

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 the budgetary basis of accounting. The major areas of difference are described as follows:

- For budgetary purposes, reserves and designations are recorded as other financing uses at the time they are established. Although designations are not legal commitments, the County recognizes them as a use of budgetary fund balance. Designations that are subsequently cancelled or otherwise made available for appropriations are recorded as other financing sources.

- Under the budgetary basis of accounting, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary accounting 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 of accounting, revenues are not recognized until the qualifying expenditures are incurred.

- 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 a one-year period as of the fiscal 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 in 2005-06, the County sold a portion of its future rights to tobacco settlement revenues. Under the budgetary basis of accounting, the bond proceeds were recognized as revenues. Under the modified accrual basis, the bond proceeds were recorded as a sale of future revenues and were being recognized over the duration of the sale agreement, in accordance with GASB Statement No. 48. This matter is discussed in further detail in Note 10 to the 2010-11 CAFR, under the caption, "Tobacco Settlement Asset-Backed Bonds."

- Under the budgetary basis of accounting, property tax revenues are recognized to the extent that they are collectible within a one-year period as of the fiscal year end. Under the GAAP basis of accounting, 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 of accounting, the effects of such fair value changes have already been recognized as a component of investment income.

- In conjunction with the implementation of GASB Statement No. 45, the County determined that certain assets were held by LACERA (as the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the GAAP basis, the expenditures are adjusted to recognize the OPEB Agency assets at fiscal year end.

The table below provides a reconciliation of the General Fund's June 30, 2011 fund balance (unreserved and undesignated) on a budgetary and GAAP basis.

The tables on the following pages summarize the audited balance sheets for the General Fund since 2006-07 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, 2011 (in thousands of $)

Actual Available (Unreserved and Undesignated) Fund Balance - Budgetary Basis	$1,601,571
Adjustments:	
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP	153,766
Change in receivables for health insurers rebates held in LACERA OPEB Agency Fund	136,142
Accrual of liabilities for accrued vacation and sick leave not required by GAAP	47,379
Change in revenue accruals related to encumbrances	(28,546)
Deferral of property tax receivables	(81,534)
Deferral of sale of tobacco settlement revenue	(257,345)
Change in fair value of Investments	197
Reserve for "Rainy Day" Fund	93,271
Available (Unreserved and Undesignated) Fund Balance - GAAP Basis	$1,664,901

Source: Los Angeles County Auditor-Controller

COUNTY OF LOS ANGELES
BALANCE SHEET AT JUNE 30, 2007, 2008, 2009, 2010 and 2011.
GENERAL FUND-GAAP BASIS (in thousands of $)

	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011*
ASSETS					
Pooled Cash and Investments	$2,668,854	$2,343,525	$1,841,579	$1,689,490	$2,151,267
Other Investments	6,400	6,236	6,099	5,839	16,589
Taxes Receivable	248,095	320,281	301,269	246,288	210,914
Other Receivables	1,357,683	1,825,468	1,907,656	1,808,478	1,763,649
Due from Other Funds	370,124	357,416	326,379	436,441	356,860
Advances to Other Funds	400,280	571,872	825,017	1,018,161	1,063,061
Inventories	42,561	43,906	46,486	44,279	54,145
Total Assets	$5,093,997	$5,468,704	$5,254,485	$5,248,976	$5,616,485
LIABILITIES					
Accounts Payable	$300,087	$252,794	$247,337	$266,916	$286,597
Accrued Payroll	392,779	472,007	504,374	286,407	289,546
Other Payables	86,055	151,700	121,665	454,244	1,039,126
Due to Other Funds	602,358	561,540	495,105	501,705	464,170
Deferred Revenue	338,714	380,322	343,386	346,829	382,897
Advances Payable	278,023	263,500	361,964	382,476	411,508
Third-Party Payor Liability	15,537	12,401	13,836	14,588	20,198
Total Liabilities	$2,013,553	$2,094,264	$2,087,667	$2,253,165	$2,894,042
EQUITY					
Fund Balance (Deficit)					
Reserved/Nonspendable	$478,280	$597,466	$539,851	$784,428	
Unreserved/Restricted					
Designated	1,235,325	1,152,639	971,579	618,899	
Undesignated	1,366,839	1,624,335	1,655,388	1,592,484	
Total Unreserved	2,602,164	2,776,974	2,626,967	2,211,383	-
Nonspendable					$259,127
Restricted					35,377
Committed					
Assigned					763,038
Unassigned					1,664,901
Total Equity	3,080,444	3,374,440	3,166,818	2,995,811	2,722,443
Total Liabilities and Equity	$5,093,997	$5,468,704	$5,254,485	$5,248,976	$5,616,485

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2007, 2008, 2009, 2010 and 2011.
*The County implemented GASB Statement 54 "Fund Balance Reporting and Government Fund Type Definitions" in FY 2010-11. As of June 30, 2011, governmental fund balances are reported in the new required GASB 54 format.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND-GAAP BASIS FISCAL YEARS 2006-07 THROUGH 2010-11 (in thousands of $)

	2006-07	2007-08	2008-09	2009-10	2010-11
REVENUES:					
Taxes	$3,572,932	$3,796,296	$3,970,566	$3,864,654	$3,843,366
Licenses, Permits & Franchises	61,138	58,799	54,877	49,079	56,656
Fines, Forfeitures and Penalties	234,747	251,933	264,375	258,842	244,787
Use of Money and Property	294,511	280,803	183,772	124,049	130,140
Aid from Other Government	7,050,121	7,261,668	7,211,150	7,337,716	7,506,492
Charges for Services	1,467,608	1,695,004	1,654,173	1,659,224	1,641,399
Miscellaneous Revenues	189,636	282,818	198,837	191,878	145,414
TOTAL	$12,870,693	$13,627,321	$13,537,750	$13,485,442	$13,568,254
EXPENDITURES					
General	$854,052	$919,534	$946,008	$859,319	$883,854
Public Protection	3,855,819	4,222,644	4,420,786	4,412,935	4,401,985
Health and Sanitation	2,126,233	2,345,484	2,480,693	2,421,615	2,476,524
Public Assistance	4,410,224	4,619,225	4,796,019	5,025,312	5,217,560
Recreation and Cultural Services	217,221	231,584	242,999	247,094	263,046
Debt Service	294,301	308,207	247,248	271,378	278,477
Capital Outlay	818	97,270	772	2,115	32,598
Total	$11,758,668	$12,743,948	$13,134,525	$13,239,768	$13,554,044
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$1,112,025	$883,373	$403,225	$245,674	$14,210
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to) Other Funds-Net	($771,788)	($780,902)	($612,505)	($419,756)	($340,128)
Sales of Capital Assets	1,111	1,036	886	960	9,027
Capital Leases	818	97,270	772	2,115	43,523
OTHER FINANCING SOURCES (USES)-Net	($769,859)	($682,596)	($610,847)	($416,681)	($287,578)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	$342,166	$200,777	($207,622)	($171,007)	($273,368)
Beginning Fund Balance	2,738,278	3,173,663	3,374,440	3,166,818	2,995,811
Residual Equity Transfers from (to) Other Funds-Net	0	0	0	0	0
Ending Fund Balance	$3,080,444	$3,374,440	$3,166,818	$2,995,811	$2,722,443

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2007, 2008, 2009, 2010 and 2011.

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
FUNDS AVAILABLE FOR INTRAFUND BORROWING

2010-11: 12 MONTHS ACTUAL
2011-12: 12 MONTHS ACTUAL

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: Fiscal Year 2010-11
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010
PROPERTY TAX GROUP						
Tax Collector Trust Fund	89,690	39,073	38,030	301,801	1,046,601	2,108,960
Auditor Unapportioned Property Tax	380,463	214,996	171,119	263,308	709,886	1,477,966
Unsecured Property Tax	167,122	66,662	132,197	148,028	122,325	87,748
Miscellaneous Fees & Taxes	7,837	18,895	26,992	14,068	10,577	10,285
State Redemption Fund	46,810	97,148	110,926	69,634	81,354	55,509
Education Revenue Augmentation	9,300	15,780	0	0	5,624	80,594
State Reimbursement Fund	0	0	0	0	488	10,223
Sales Tax Replacement Fund	2,607	11,321	19,355	19,355	19,768	53,331
Vehicle License Fee Replacement Fund	21,360	84,618	144,659	144,659	147,751	358,924
Property Tax Rebate Fund	(8,794)	(25,317)	(40,774)	(26,374)	(29,886)	(30,434)
Utility User Tax Trust Fund	6,239	6,144	6,378	8,118	5,159	10,750
Subtotal	$ 722,634	$ 529,320	$ 608,882	$ 942,597	$ 2,119,647	$ 4,223,856
VARIOUS TRUST GROUP						
Departmental Trust Fund	414,904	419,967	413,489	416,853	426,502	396,325
Payroll Revolving Fund	50,613	61,932	47,449	52,262	49,129	49,254
Asset Development Fund	38,660	38,673	38,776	38,801	38,855	38,863
Productivity Investment Fund	6,671	6,456	6,387	6,395	6,285	6,245
Motor Vehicle Capital Outlays	2,304	2,304	2,271	2,206	2,206	2,206
Civic Center Parking	499	106	117	168	258	169
Reporters Salary Fund	763	900	1,004	1,000	940	1,145
Cable TV Franchise Fund	8,487	7,948	8,484	8,639	8,611	8,526
Megaflex Long-Term Disability	19,220	19,243	19,207	19,249	19,210	19,161
Megaflex Long-Term Disability & Health	4,944	5,031	5,104	5,195	5,271	5,367
Megaflex Short-Term Disability	21,759	22,146	22,501	22,930	23,425	23,833
Subtotal	$ 568,824	$ 584,706	$ 564,789	$ 573,698	$ 580,692	$ 551,094
HOSPITAL GROUP						
Harbor-UCLA Medical Center	900	149	697	(51)	1,011	76
Olive View-UCLA Medical Center	(1,019)	785	727	91	1,392	3,069
LAC+USC Medical Center	(11,853)	(1,124)	(144)	(3,809)	(620)	3,210
MLK Ambulatory Care Center	(2,124)	298	(377)	(88)	18	(1,565)
Rancho Los Amigos Rehab Center	(263)	495	762	(146)	142	890
LAC+USC Medical Center Equipment	6,147	6,047	6,043	6,046	6,054	6,058
Subtotal	$ (8,212)	$ 6,650	$ 7,708	$ 2,043	$ 7,997	$ 11,738
GRAND TOTAL	**$ 1,283,246**	**$ 1,120,676**	**$ 1,181,379**	**$ 1,518,338**	**$ 2,708,336**	**$ 4,786,688**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2011	February 2011	March 2011	April 2011	May 2011	June 2011	
						PROPERTY TAX GROUP
1,322,395	401,207	549,267	1,591,680	363,756	110,255	**Tax Collector Trust Fund**
387,881	567,741	450,329	1,491,525	1,013,866	519,206	**Auditor Unapportioned Property Tax**
75,919	70,673	65,165	53,753	62,622	80,655	**Unsecured Property Tax**
8,732	7,894	7,736	7,741	7,943	7,964	**Miscellaneous Fees & Taxes**
30,313	34,166	30,949	29,853	17,781	19,557	**State Redemption Fund**
34,629	21,827	1,465	42,136	0	349	**Education Revenue Augmentation**
21,689	1,346	1,346	3,621	23,103	10,355	**State Reimbursement Fund**
83,523	19,323	28,111	55,128	71,154	0	**Sales Tax Replacement Fund**
547,834	146,137	201,127	370,167	460,677	0	**Vehicle License Fee Replacement Fund**
(29,660)	(19,694)	(19,681)	(20,593)	(19,209)	(21,089)	**Property Tax Rebate Fund**
6,113	7,286	12,587	16,721	22,078	21,965	**Utility User Tax Trust Fund**
$ 2,489,368	$ 1,257,906	$ 1,328,401	$ 3,641,732	$ 2,023,771	$ 749,217	**Subtotal**
						VARIOUS TRUST GROUP
399,133	397,959	444,162	422,994	404,032	404,790	**Departmental Trust Fund**
61,002	36,909	45,150	47,850	56,322	41,944	**Payroll Revolving Fund**
38,909	38,948	38,972	39,238	39,494	39,537	**Asset Development Fund**
6,245	6,032	6,190	5,891	5,890	5,645	**Productivity Investment Fund**
2,167	2,164	2,164	2,164	2,164	2,139	**Motor Vehicle Capital Outlays**
266	208	146	54	234	190	**Civic Center Parking**
977	937	1,006	993	959	904	**Reporters Salary Fund**
8,799	8,779	9,266	9,288	9,161	10,004	**Cable TV Franchise Fund**
19,161	19,150	19,189	19,199	19,201	19,237	**Megaflex Long-Term Disability**
5,448	5,500	5,599	5,671	5,769	5,802	**Megaflex Long-Term Disability & Health**
24,167	24,504	24,990	25,400	25,756	26,094	**Megaflex Short-Term Disability**
$ 566,274	$ 541,090	$ 596,834	$ 578,742	$ 568,982	$ 556,286	**Subtotal**
						HOSPITAL GROUP
4,625	2,431	2,859	1,679	(627)	1,210	**Harbor-UCLA Medical Center**
2,060	1,668	1,805	4,447	48	132	**Olive View-UCLA Medical Center**
6,776	7,020	6,412	(5,337)	1,709	9,052	**LAC + USC Medical Center**
(236)	(1,354)	(631)	(1,396)	(585)	(167)	**MLK Ambulatory Care Center**
341	(213)	1,073	174	(163)	1,561	**Rancho Los Amigos Rehab Center**
6,065	6,072	5,881	5,882	5,890	1,375	**LAC+USC Medical Center Equipment**
$ 19,631	$ 15,624	$ 17,399	$ 5,449	$ 6,272	$ 13,163	**Subtotal**
$ 3,075,273	**$ 1,814,620**	**$ 1,942,634**	**$ 4,225,923**	**$ 2,599,025**	**$ 1,318,666**	**GRAND TOTAL**

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: Fiscal Year 2011-12
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011
PROPERTY TAX GROUP						
Tax Collector Trust Fund	63,119	37,569	34,476	313,703	985,919	1,105,096
Auditor Unapportioned Property Tax	424,944	176,780	155,871	205,077	824,123	2,308,144
Unsecured Property Tax	134,975	67,818	133,422	152,165	115,517	82,721
Miscellaneous Fees & Taxes	7,682	7,849	11,662	25,884	19,638	11,159
State Redemption Fund	40,926	71,880	68,451	52,786	29,755	30,925
Education Revenue Augmentation	16,296	15,001	0	0	0	54,496
State Reimbursement Fund	0	0	0	0	481	11,174
Sales Tax Replacement Fund	0	0	0	0	717	40,121
Vehicle License Fee Replacement Fund	11,695	94,496	157,705	157,705	162,067	401,786
Property Tax Rebate Fund	(11,223)	(25,990)	(36,756)	(57,662)	(54,096)	(28,969)
Utility User Tax Trust Fund	7,812	903	6,612	9,063	5,832	11,137
Subtotal	$ 696,226	$ 446,306	$ 531,443	$ 858,721	$ 2,089,953	$ 4,027,790
VARIOUS TRUST GROUP						
Departmental Trust Fund	445,183	444,842	448,248	419,295	436,779	452,918
Payroll Revolving Fund	46,662	45,767	42,822	54,396	43,733	45,290
Asset Development Fund	39,846	39,896	39,911	39,975	40,163	40,176
Productivity Investment Fund	5,173	5,102	5,126	5,129	5,131	5,069
Motor Vehicle Capital Outlays	2,122	2,122	2,122	2,122	2,122	2,122
Civic Center Parking	59	24	169	103	62	202
Reporters Salary Fund	671	977	628	761	1,138	1,036
Cable TV Franchise Fund	9,983	9,719	10,276	10,435	10,454	11,089
Megaflex Long-Term Disability	19,215	19,166	19,078	19,063	18,940	18,834
Megaflex Long-Term Disability & Health	5,882	5,964	6,061	6,136	6,227	6,298
Megaflex Short-Term Disability	26,423	26,802	27,145	27,512	27,919	28,278
Subtotal	$ 601,219	$ 600,381	$ 601,586	$ 584,927	$ 592,668	$ 611,312
HOSPITAL GROUP						
Harbor-UCLA Medical Center	7,992	4,627	3,088	1,069	4,564	194
Olive View-UCLA Medical Center	2,817	2,342	1,248	(4)	2,379	2,634
LAC+USC Medical Center	12,097	13,039	(789)	(85)	1,810	3,254
MLK Ambulatory Care Center	(2,087)	2,258	5,592	4,686	3,846	3,773
Rancho Los Amigos Rehab Center	3,687	890	426	607	225	532
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	$ 24,506	$ 23,156	$ 9,565	$ 6,273	$ 12,824	$ 10,387
GRAND TOTAL	**$ 1,321,951**	**$ 1,069,843**	**$ 1,142,594**	**$ 1,449,921**	**$ 2,695,445**	**$ 4,649,489**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2012	February 2012	March 2012	April 2012	May 2012	June 2012	
						PROPERTY TAX GROUP
763,642	321,402	523,561	1,426,860	210,398	119,600	**Tax Collector Trust Fund**
857,864	582,212	530,333	1,693,093	1,256,420	863,104	**Auditor Unapportioned Property Tax**
72,880	69,983	59,785	52,930	64,689	89,290	**Unsecured Property Tax**
10,472	9,365	8,990	8,640	8,985	8,466	**Miscellaneous Fees & Taxes**
26,752	22,428	21,072	19,799	24,858	24,296	**State Redemption Fund**
28,191	13,511	1,560	85,424	0	558	**Education Revenue Augmentation**
21,403	1,336	1,336	2,459	19,357	8,941	**State Reimbursement Fund**
70,339	3,607	11,820	33,837	56,575	0	**Sales Tax Replacement Fund**
583,435	169,993	219,965	353,938	425,436	0	**Vehicle License Fee Replacement Fund**
(21,139)	(23,796)	(22,635)	(22,393)	(20,911)	(7,043)	**Property Tax Rebate Fund**
3,228	4,217	9,790	3,427	6,273	9,700	**Utility User Tax Trust Fund**
$ 2,417,067	$ 1,174,258	$ 1,365,577	$ 3,658,014	$ 2,052,080	$ 1,116,912	**Subtotal**
						VARIOUS TRUST GROUP
510,226	523,602	561,065	607,768	505,368	458,821	**Departmental Trust Fund**
63,993	39,604	41,073	51,215	42,856	43,712	**Payroll Revolving Fund**
40,197	40,219	40,236	40,336	41,118	41,421	**Asset Development Fund**
4,965	4,947	5,560	5,547	5,545	5,407	**Productivity Investment Fund**
2,122	2,122	2,062	2,018	1,294	991	**Motor Vehicle Capital Outlays**
139	206	153	58	215	118	**Civic Center Parking**
994	400	788	932	804	773	**Reporters Salary Fund**
11,082	10,847	11,071	11,045	10,909	11,442	**Cable TV Franchise Fund**
18,811	18,726	18,653	18,666	18,556	18,517	**Megaflex Long-Term Disability**
6,383	6,429	6,517	6,610	6,683	6,732	**Megaflex Long-Term Disability & Health**
28,535	28,727	29,016	29,458	30,318	30,222	**Megaflex Short-Term Disability**
$ 687,447	$ 675,829	$ 716,194	$ 773,653	$ 663,666	$ 618,156	**Subtotal**
						HOSPITAL GROUP
873	75	(2,562)	1,244	(4,695)	3,097	**Harbor-UCLA Medical Center**
391	(120)	(3,676)	1,630	971	(196)	**Olive View-UCLA Medical Center**
396	1,787	5,955	81	2,126	(490)	**LAC + USC Medical Center**
3,671	3,666	3,454	2,994	2,991	2,834	**MLK Ambulatory Care Center**
37	(1,481)	(358)	812	(1,293)	475	**Rancho Los Amigos Rehab Center**
0	0	0	0	0	0	**LAC+USC Medical Center Equipment**
$ 5,368	$ 3,927	$ 2,813	$ 6,761	$ 100	$ 5,720	**Subtotal**
$ 3,109,882	**$ 1,854,014**	**$ 2,084,584**	**$ 4,438,428**	**$ 2,715,846**	**$ 1,740,788**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2010-11: 12 MONTHS ACTUAL
2011-12: 12 MONTHS ACTUAL

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2010-11
(in thousands of $)

	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010
BEGINNING BALANCE	$ 727,012	$ 1,438,648	$ 1,097,190	$ 529,972	$ 64,668	$ (90,485)
RECEIPTS						
Property Taxes	$ 97,946	$ 97,638	$ 121	$ 50	$ 58,432	$ 962,558
Other Taxes	5,598	19,151	8,842	15,548	8,095	7,935
Licenses, Permits & Franchises	2,339	6,934	3,307	2,238	1,561	2,988
Fines, Forfeitures & Penalties	33,529	24,455	13,267	14,406	24,365	12,475
Investment and Rental Income	22,740	8,603	6,772	11,270	8,547	7,492
Motor Vehicle (VLF) Realignment	26,770	37,556	46,972	34,443	31,394	32,736
Sales Taxes - Proposition 172	52,034	41,966	40,992	40,426	48,643	39,851
Sales Taxes Program Realignment	64,439	64,139	50,224	47,818	54,413	48,090
Other Intergovernmental Revenue	103,644	102,195	89,966	62,921	126,361	211,190
Charges for Current Services	110,636	115,602	86,245	94,405	98,969	229,134
Other Revenue & Tobacco Settlement	110,337	23,626	14,122	33,593	18,329	30,516
Transfers & Reimbursements	7,003	1,442	5,078	13,331	12,217	14,078
Hospital Loan Repayment	40,960	171,783	21,303	109,944	222,498	106,135
Welfare Advances	182,656	301,799	278,348	434,051	443,762	368,050
Mental Health Services Act Funding	113,690	0	0	28,107	62	31,802
Intrafund Borrowings	0	0	0	0	0	0
TRANs Sold	1,500,000	0	0	0	0	0
Total Receipts	$ 2,474,321	$ 1,016,889	$ 665,559	$ 942,551	$ 1,157,648	$ 2,105,030
DISBURSEMENTS						
Welfare Warrants	$ 194,893	$ 212,117	$ 201,988	$ 274,598	$ 226,538	$ 215,643
Salaries	382,098	397,636	380,087	378,373	380,451	389,953
Employee Benefits	567,720	68,039	197,385	146,326	204,457	208,208
Vendor Payments	423,446	351,442	297,977	266,752	318,469	267,194
Loans to Hospitals	0	6,277	60,135	244,375	138,754	107,981
Hospital Subsidy Payments	164,601	303,185	91,827	23,746	8,664	31,892
Transfer Payments	29,927	19,651	3,378	73,685	35,468	7,098
TRANs Pledge Transfer	0	0	0	0	0	465,000
Intrafund Repayment	0	0	0	0	0	0
Total Disbursements	$ 1,762,685	$ 1,358,347	$ 1,232,777	$ 1,407,855	$ 1,312,801	$ 1,692,969
ENDING BALANCE	**$ 1,438,648**	**$ 1,097,190**	**$ 529,972**	**$ 64,668**	**$ (90,485)**	**$ 321,576**
Borrowable Resources (Avg. Balance)	$ 1,283,246	$ 1,120,676	$ 1,181,379	$ 1,518,338	$ 2,708,336	$ 4,786,688
Total Cash Available	$ 2,721,894	$ 2,217,866	$ 1,711,351	$ 1,583,006	$ 2,617,851	$ 5,108,264

*The net change in the outstanding Hospital Loan Balance is an estimated increase of $18.1 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

January 2011	February 2011	March 2011	April 2011	May 2011	June 2011	Total 2010-11	
$ 321,576	$ 484,230	$ 150,599	$ (228,785)	$ (128,164)	$ 628,637		
$ 807,609	$ 166,630	$ 11,981	$ 718,409	$ 803,733	$ 8,715	$ 3,733,822	
21,692	6,834	7,297	7,064	7,804	22,047	137,907	
2,411	8,221	9,177	9,481	4,650	3,492	56,799	
14,271	29,733	17,928	14,873	30,466	13,136	242,904	
9,692	10,447	9,545	7,745	10,518	10,211	123,582	
33,110	30,021	33,879	38,556	27,204	29,038	401,679	
38,219	59,599	52,448	38,993	53,072	45,010	551,253	
46,963	74,900	64,140	46,418	65,698	54,373	681,615	
215,123	99,148	77,020	200,395	191,582	141,041	1,620,586	
151,288	113,870	95,335	193,184	155,365	130,676	1,574,709	
23,652	14,707	26,284	102,196	24,339	43,462	465,163	
18,352	16,920	5,193	9,600	10,223	18,908	132,345	
27,344	49,422	366,636	33,131	400,955	141,690	1,691,801	*
433,834	277,603	309,954	504,088	302,794	433,765	4,270,704	
18,232	20,282	35,586	20,688	32,620	15,263	316,332	
0	0	0	0	0	0	0	
0	0	0	0	0	0	1,500,000	
$ 1,861,792	$ 978,337	$ 1,122,403	$ 1,944,821	$ 2,121,023	$ 1,110,827	$ 17,501,201	
$ 221,420	$ 234,049	$ 227,727	$ 214,733	$ 236,506	$ 230,295	$ 2,690,507	
389,504	388,136	378,366	386,085	375,822	377,097	4,603,608	
183,377	195,503	200,086	164,162	181,838	158,972	2,476,073	
277,491	258,791	311,005	255,870	319,803	264,593	3,612,833	
130,919	82,468	253,899	374,615	182,358	128,077	1,709,858	*
(233)	0	0	(14,991)	0	0	608,691	
91,660	3,021	10,704	76,103	67,895	12,428	431,018	
405,000	150,000	120,000	387,623	0	0	1,527,623	
0	0	0	0	0	0	0	
$ 1,699,138	$ 1,311,968	$ 1,501,787	$ 1,844,200	$ 1,364,222	$ 1,171,462	$ 17,660,211	
$ 484,230	**$ 150,599**	**$ (228,785)**	**$ (128,164)**	**$ 628,637**	**$ 568,002**		
$ 3,075,273	$ 1,814,620	$ 1,942,634	$ 4,225,923	$ 2,599,025	$ 1,318,666		
$ 3,559,503	$ 1,965,219	$ 1,713,849	$ 4,097,759	$ 3,227,662	$ 1,886,668		

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2011-12
(in thousands of $)

	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011
BEGINNING BALANCE	$ 568,002	$ 1,522,684	$ 1,319,842	$ 909,737	$ 419,044	$ 229,984
RECEIPTS						
Property Taxes	$ 88,164	$ 94,297	$ 739	$ 20	$ 42,191	$ 983,893
Other Taxes	27,857	9,037	8,945	16,728	7,342	8,641
Licenses, Permits & Franchises	1,516	5,301	4,126	3,416	2,909	3,926
Fines, Forfeitures & Penalties	32,221	25,197	11,476	13,038	20,961	11,115
Investment and Rental Income	19,885	8,568	6,419	7,635	10,022	8,752
Motor Vehicle (VLF) Realignment	36,843	49,423	38,885	25,190	24,310	25,762
Sales Taxes - Proposition 172	53,248	46,097	45,271	45,561	55,719	51,421
Sales Taxes Program Realignment	67,972	21,680	112,651	66,499	72,187	73,104
Other Intergovernmental Revenue	173,658	236,590	108,855	132,835	139,473	142,555
Charges for Current Services	210,319	97,334	93,124	113,107	98,205	195,245
Other Revenue & Tobacco Settlement	73,412	34,089	9,414	11,242	37,521	20,257
Transfers & Reimbursements	9,116	3,121	121	12,874	6,917	25,721
Hospital Loan Repayment	75,849	295,436	73,226	8,188	279,011	47,351
Welfare Advances	151,882	300,945	266,236	532,541	321,699	271,246
Mental Health Services Act Funding	108,308	0	0	132	29,477	76,750
Intrafund Borrowings	0	0	0	0	0	0
TRANs Sold	1,300,000	0	0	0	0	0
Total Receipts	$ 2,430,250	$ 1,227,115	$ 779,488	$ 989,006	$ 1,147,944	$ 1,945,739
DISBURSEMENTS						
Welfare Warrants	$ 191,872	$ 210,504	$ 234,244	$ 234,444	$ 227,186	$ 213,576
Salaries	387,496	384,254	377,532	377,340	377,731	390,475
Employee Benefits	201,511	208,320	160,560	192,698	200,573	201,840
Vendor Payments	461,093	378,887	228,851	435,688	298,798	263,622
Loans to Hospitals	20,987	33,112	29,972	124,591	169,996	160,570
Hospital Subsidy Payments	194,998	194,873	154,665	31,828	32,168	3,175
Transfer Payments	17,611	20,007	3,769	83,110	30,552	20,300
TRANs Pledge Transfer	0	0	0	0	0	481,729
Intrafund Repayment	0	0	0	0	0	0
Total Disbursements	$ 1,475,568	$ 1,429,957	$ 1,189,593	$ 1,479,699	$ 1,337,004	$ 1,735,287
ENDING BALANCE	**$ 1,522,684**	**$ 1,319,842**	**$ 909,737**	**$ 419,044**	**$ 229,984**	**$ 440,436**
Borrowable Resources(Avg. Balance)	$ 1,321,951	$ 1,069,843	$ 1,142,594	$ 1,449,921	$ 2,695,445	4,649,489
Total Cash Available	$ 2,844,635	$ 2,389,685	$ 2,052,331	$ 1,868,965	$ 2,925,429	$ 5,089,925

*The net change in the outstanding Hospital Loan Balance is an estimated decrease of $326 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

January 2012	February 2012	March 2012	April 2012	May 2012	June 2012	Total 2011-12	
$ 440,436	$ 511,073	$ 182,090	$ (272,434)	$ 297,983	$ 550,740		
$ 820,119	$ 151,453	$ 10,508	$ 718,956	$ 758,325	$ 56,659	$ 3,725,324	
23,131	7,707	7,418	18,734	13,757	23,406	172,703	
122	10,319	4,310	12,667	5,434	4,596	58,642	
12,087	22,076	18,514	14,103	25,826	11,766	218,380	
9,605	9,258	7,159	6,668	8,941	8,594	111,506	
26,824	27,470	27,263	27,233	27,802	29,347	366,352	
39,337	63,675	43,167	44,823	58,875	47,302	594,496	
57,871	86,754	69,712	73,822	134,998	125,549	962,799	
118,874	162,666	173,554	125,251	68,523	220,267	1,803,101	
168,355	79,693	113,041	167,671	162,096	180,048	1,678,238	
16,903	21,174	16,971	90,220	21,499	39,435	392,137	
24,267	27,269	10,041	14,531	10,368	18,694	163,040	
209,756	60,265	91,646	597,361	86,918	253,038	2,078,045	*
351,803	306,114	289,527	328,986	351,612	380,346	3,852,937	
29,482	10,552	26,937	31,892	36,994	17,635	368,159	
0	0	0	0	0	0	0	
0	0	0	0	0	0	1,300,000	
$ 1,908,536	$ 1,046,445	$ 909,768	$ 2,272,918	$ 1,771,968	$ 1,416,682	$ 17,845,859	
$ 206,330	$ 215,056	$ 226,194	$ 202,262	$ 228,970	$ 215,314	$ 2,605,952	
393,825	391,685	381,128	390,614	380,994	386,355	4,619,429	
226,798	223,254	187,984	219,911	218,227	181,902	2,423,578	
304,997	261,361	263,030	288,618	372,531	260,391	3,817,867	
237,049	147,592	231,283	245,700	253,069	98,121	1,752,042	*
0	0	4,167	0	0	0	615,874	
78,900	6,480	5,506	95,396	65,420	7,977	435,028	
390,000	130,000	65,000	260,000	0	0	1,326,729	
0	0	0	0	0	0	0	
$ 1,837,899	$ 1,375,428	$ 1,364,292	$ 1,702,501	$ 1,519,211	$ 1,150,060	$ 17,596,499	
$ 511,073	**$ 182,090**	**$ (272,434)**	**$ 297,983**	**$ 550,740**	**$ 817,362**		
$ 3,109,882	$ 1,854,014	$ 2,084,584	$ 4,438,428	$ 2,715,846	$ 1,740,788		
$ 3,620,955	$ 2,036,104	$ 1,812,150	$ 4,736,411	$ 3,266,586	$ 2,558,150		

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 government buildings and public facilities. The County has not entered into any swap agreements, or other similar interest rate derivative contracts, in connection with its outstanding debt.

OUTSTANDING OBLIGATIONS

As of July 1, 2012, approximately $1.371 billion of intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of $534.8 million of the outstanding debt. Revenues from special districts, special funds and Hospital Enterprise Funds will secure the remaining $835.8 million of outstanding obligations.

The table below identifies the funding sources for the County's debt payments due in 2012-13.

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

2012-13 Payments

Funding Source	2012-13 Payment
Total 2012-13 Payment Obligations	$158,054,319
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	47,285,396
Courthouse Construction Funds	25,709,969
Special Districts/Special Funds	3,285,646
Net 2012-13 General Fund Obligations	$81,773,308

Source: Los Angeles County Auditor-Controller

The principal amount of the County's outstanding intermediate and long-term debt obligations decreased to $1.344 billion as of October 1, 2012, which includes debt issuance and repayment activity in Fiscal Year 2012-13. An additional $1.1 billion in TRANs, $17.0 million in Bond Anticipation Notes, and $400.0 million in Tax-Exempt Commercial Paper Notes were also outstanding as of October 1, 2012. The following table summarizes the outstanding General County debt and note obligations.

SUMMARY OF OUTSTANDING PRINCIPAL

As of October 1, 2012 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	$ 1,100,000.0
Bond Anticipation Notes	17,000.0
Tax-Exempt Commercial Paper	400,000.0
Intermediate & Long-Term Obligations	1,343,684.0
Total Outstanding Principal	$ 2,860,684.0

Source: Los Angeles County Treasurer and Tax Collector and Auditor-Controller

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 deficits, which occur periodically during the fiscal year. Since the program's inception, the County has annually sold varying amounts of tax anticipation notes and tax and revenue anticipation notes (including commercial paper).

Pursuant to a resolution adopted by the Board of Supervisors on May 15, 2012, the County issued $1.1 billion of 2012-13 TRANs on July 2, 2012, with three tranches: $300.0 million due February 28, 2013, $400.0 million due March 29, 2013 and $400.0 million due June 28, 2013. The 2012-13 TRANs are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during Fiscal Year 2012-13, in the amounts, and on the dates specified in the Financial Summary Section under the heading "2012-13 Tax and Revenue Anticipation Notes" of this Appendix A. Deposit obligations to the Repayment Fund for the 2012-13 TRANs will be satisfied by April 2013.

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 October 1, 2012, $17.0 million in BANs are outstanding. The County expects to repay the outstanding BANs in full with the proceeds of intermediate-term bonds to be issued by LAC-CAL on or before December 31, 2013.

Commercial Paper Program

The County has authorized a maximum of $400.0 million of Lease Revenue Commercial Paper Notes (the "Commercial Paper Notes") to finance construction costs on various capital projects. Repayment of the Commercial Paper Notes is secured by four Irrevocable, Direct-Pay Letters of Credit ("LOC") issued by JP Morgan Chase Bank, Bank of America, Wells Fargo Bank and Union Bank, and a lease-revenue financing structure between LAC-CAL and the County, which includes twenty-five County-owned properties pledged as collateral to support the LOC. The four LOC agreements, which expire on April 26, 2013, provide credit enhancement to support the issuance of both tax-exempt and taxable Commercial Paper Notes. As of October 1, 2012, $400.0 million of tax-exempt Commercial Paper Notes are outstanding. The Commercial Paper Notes provide the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which may be refinanced with the issuance of long-term bonds upon completion. Approximately $133.5 million of the proceeds from the sale of the 2012 Lease Revenue Bonds will be used to redeem outstanding Commercial Paper Notes.

INTERMEDIATE AND LONG-TERM OBLIGATIONS

Pension Obligations

The County has periodically issued bonds or certificates to fund its UAAL 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. In July 2010, the County deposited the final principal payment with the trustee in the approximate amount of $118.5 million, which was used to fund the final debt service payment for its maturing pension obligations on June 30, 2011. The County does not presently have any pension obligation debt authorization.

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 July 1, 2012, approximately $1.371 billion 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 2012-13 Adopted Budget contains sufficient appropriations to fund the County's payment obligations in Fiscal Year 2012-13. The County's Board of Supervisors has never failed to appropriate sufficient funding for such obligations, nor has the County abated payments on any of its lease-revenue financings to date.

DEBT RATIOS

The ratio of the General Fund's outstanding debt to the net revenue-producing valuation of the property tax roll (the "Net Local Property Tax Roll") decreased from 0.132% in Fiscal Year 2011-12 to 0.127% in Fiscal Year 2012-13. The following table provides the ratio of the General Fund's outstanding debt to the Net Local Property Tax Roll over the past ten years.

COUNTY OF LOS ANGELES
OUTSTANDING DEBT TO ASSESSED VALUATION AS OF JULY 1

Fiscal Year	Outstanding Principal	Net Local Property Tax Roll	Debt To Value Ratio
2003-04	$3,093,060,550	$695,785,675,323	0.445%
2004-05	2,785,149,946	749,156,125,470	0.372%
2005-06	2,387,949,433	823,746,755,234	0.290%
2006-07	1,786,504,365	913,572,838,291	0.196%
2007-08	1,441,826,104	997,789,741,224	0.145%
2008-09	1,180,113,183	1,067,594,451,410	0.111%
2009-10	972,937,056	1,062,174,404,954	0.092%
2010-11	805,297,030	1,042,339,975,681	0.077%
2011-12	1,397,467,754	1,056,493,252,156	0.132%
2012-13	1,370,642,758	1,079,685,510,076	0.127%

Source: Los Angeles County Assessor and Auditor-Controller

Tobacco Bonds

On February 8, 2006 the California County Tobacco Securitization Agency (the "Agency"), a Joint Exercise of Powers Authority, issued $319.8 million in Tobacco Settlement Asset-Backed Bonds (the "Tobacco Bonds") for the purpose of loaning the proceeds to the Los Angeles County Securitization Corporation (the "Corporation"). The Corporation used the Tobacco Bond proceeds to purchase 25.9% of the County's annual Tobacco Settlement Revenues (the "TSRs") paid by the tobacco companies participating in the Master Settlement Agreement (the "MSA"). The Tobacco Bonds are secured by the 25.9% portion of the annual TSRs, and are not considered a debt obligation of the County.

DPSS Operating Leases

Beginning January 28, 1999 through July 28, 2005, the County entered into several build to suit operating and capital lease agreements with various organizations whereby the County would lease buildings and improvements for use by County Departments including the Department of Public Social Services (the "DPSS Facilities"). In order to facilitate building construction required for the DPSS Facilities, financing was obtained through the sale of Certificates of Participation ("COPs") and Lease Revenue Bonds with the periodic lease payments pledged as security for repayment of the COPs and Bonds. Although these financings are categorized as leases in the County's financial statements, the ultimate obligor for the outstanding debt securities is the County General Fund. The principal amount of the outstanding underlying COPs and Bond obligations decreased to $272.7 million as of October 1, 2012 due to repayment activity in Fiscal Year 2012-13.

COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES

REPORTS AS OF JULY 1, 2012

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 OCTOBER 1, 2012

SUMMARY OF OUTSTANDING GENERAL COUNTY OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2012

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Annual Debt Service
2012-13	$ 81,773,308	$ 47,285,396	$ 25,709,969	$ 3,285,646	$ 158,054,319
2013-14	68,090,998	44,036,553	27,324,194	3,347,721	142,799,467
2014-15	70,021,480	50,719,325	26,513,038	3,415,709	150,669,552
2015-16	53,942,057	48,399,607	25,635,249	3,486,084	131,462,996
2016-17	43,951,208	37,421,774	21,865,780	3,554,834	106,793,595
2017-18	40,644,871	30,514,399	16,975,475	3,625,159	91,759,904
2018-19	41,455,314	30,515,050	16,976,475	3,696,640	92,643,479
2019-20	42,286,836	30,517,285	16,965,725	3,773,750	93,543,595
2020-21	42,225,703	30,479,268	16,957,350	3,846,250	93,508,571
2021-22	43,128,172	30,476,286	16,954,300	3,927,000	94,485,758
2022-23	44,068,146	30,471,106	16,951,625	-	91,490,877
2023-24	21,336,851	30,464,064	16,943,875	-	68,744,790
2024-25	21,329,246	30,452,893	16,933,500	-	68,715,639
2025-26	21,324,622	30,446,102	16,929,000	-	68,699,724
2026-27	21,319,857	30,439,103	16,918,875	-	68,677,835
2027-28	21,231,392	30,431,675	16,906,750	-	68,569,817
2028-29	20,926,862	30,422,010	16,905,750	-	68,254,622
2029-30	20,706,986	30,414,175	16,893,613	-	68,014,774
2030-31	20,699,541	30,403,241	9,432,600	-	60,535,382
2031-32	20,692,657	30,393,130	9,431,488	-	60,517,275
2032-33	20,686,831	30,384,573	6,918,000	-	57,989,404
2033-34	20,678,510	30,372,350	6,918,750	-	57,969,610
2034-35	20,671,547	30,362,124	-	-	51,033,671
2035-36	20,663,546	30,350,372	-	-	51,013,918
2036-37	20,654,663	30,337,325	-	-	50,991,988
2037-38	20,647,344	30,326,574	-	-	50,973,919
2038-39	20,637,744	30,312,475	-	-	50,950,219
2039-40	20,630,169	30,301,348	-	-	50,931,518
2040-41	20,621,310	30,288,336	-	-	50,909,647
2041-42	-	-	-	-	-
Total	$ 947,047,771	$ 957,737,920	$ 379,961,382	$ 35,958,793	$ 2,320,705,864

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2012

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Outstanding Principal
2012-13	$ 534,827,923	$ 554,930,547	$ 252,834,288	$ 28,050,000	$ 1,370,642,758
2013-14	484,873,320	532,744,907	239,074,099	26,040,000	1,282,732,327
2014-15	447,567,848	512,922,824	223,014,357	23,875,000	1,207,380,029
2015-16	407,533,243	485,326,257	207,011,017	21,550,000	1,121,420,517
2016-17	383,051,657	458,763,096	191,140,940	19,050,000	1,052,005,693
2017-18	368,611,095	442,119,969	178,385,000	16,375,000	1,005,491,064
2018-19	357,889,063	431,723,340	170,020,000	13,520,000	973,152,404
2019-20	346,866,443	420,800,187	161,225,000	10,475,000	939,366,630
2020-21	335,526,942	409,323,738	151,990,000	7,225,000	904,065,679
2021-22	316,534,023	397,383,232	142,290,000	3,740,000	859,947,255
2022-23	287,603,559	384,993,545	132,110,000	-	804,707,104
2023-24	256,372,302	372,118,979	121,425,000	-	749,916,281
2024-25	246,679,815	358,714,914	110,200,000	-	715,594,729
2025-26	236,566,357	344,701,032	98,410,000	-	679,677,389
2026-27	225,981,235	330,002,966	86,020,000	-	642,004,202
2027-28	214,900,089	314,585,019	73,005,000	-	602,490,108
2028-29	203,377,909	298,405,545	59,335,000	-	561,118,455
2029-30	191,606,152	281,428,848	44,965,000	-	518,000,000
2030-31	179,476,720	263,613,280	29,895,000	-	472,985,000
2031-32	166,749,828	244,920,172	21,735,000	-	433,405,000
2032-33	153,395,098	225,304,902	13,170,000	-	391,870,000
2033-34	139,380,124	204,719,876	6,750,000	-	350,850,000
2034-35	124,674,529	183,120,471	-	-	307,795,000
2035-36	109,235,780	160,444,220	-	-	269,680,000
2036-37	93,021,347	136,628,653	-	-	229,650,000
2037-38	75,992,750	111,617,250	-	-	187,610,000
2038-39	58,166,190	85,433,810	-	-	143,600,000
2039-40	39,576,097	58,128,903	-	-	97,705,000
2040-41	20,198,169	29,666,831	-	-	49,865,000
2041-42	-	-	-	-	-

Source: Los Angeles County Chief Executive Office
Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2012

Title	Total Debt Service	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds
Long-Term Obligations					
Long-Term Capital Projects					
1993 COPs: Disney Parking Project	$ 13,170,000	$ 13,170,000			
2002 Lease Rev Bonds Ser B:					
Downey Courhouse	1,061,976			$ 1,061,976	
Sheriffs Training Academy	876,686	876,686			
San Fernando Court	1,468,388			1,468,388	
Total 2002 Lease Rev Bonds Ser B	$ 3,407,050	$ 876,686	$ 0	$ 2,530,364	$ 0
2005 Lease Rev Refg Bonds Ser A:					
Music Center Improvements	$ 769,021	$ 769,021			
Alhambra Courthouse	584,001			$ 584,001	
Burbank Courthouse	757,784			757,784	
Ameron Building (Sheriff Headquarters)	2,498,738	2,498,738			
Biscailuz Center	221,082	221,082			
Emergency Operations Center	1,960,526	1,960,526			
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	1,484,754		$ 1,484,754		
Martin Luther King Medical Center - Trauma Center	6,211,313		6,211,313		
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	103,085		103,085		
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	4,384,216		4,384,216		
Rancho Los Amigos Medical Center - Parking Structure	1,636,035		1,636,035		
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	687,303		687,303		
San Fernando Valley Juvenile Hall	973,956	973,956			
LAC/USC Medical Center Marengo Street Parking Garage	2,591,340		2,591,340		
LAX Area Courthouse	6,922,405			6,922,405	
San Fernando Valley Courthouse (Chatsworth)	5,482,222			5,482,222	
Harbor Med Center E.P.S.	0		-		
Total 2005 Lease Rev Refg Bonds Ser A	$ 37,267,779	$ 6,423,323	$ 17,098,046	$ 13,746,411	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	$ 3,285,646				$ 3,285,646
2006 Lease Rev Refg Bonds Ser A:					
East Los Angeles Courthouse	$ 1,194,938			$ 1,194,938	
Lynwood Regional Justice Center	10,390,675	$ 10,390,675			
Men's Central Jail - Twin Towers	9,807,225	9,807,225			
Hutton Building - Registrar / Recorder Headquarters	864,475	864,475			
Pomona Municipal Courthouse	133,000			133,000	
Pitchess Honor Rancho Laundry Expansion	66,500	66,500			
Pitchess Honor Rancho Visitors Center	168,800	168,800			
Mira Loma Men's Medium Security Facility	117,650	117,650			
Temple City Sheriff Station	286,450	286,450			
Van Nuys Courthouse	1,185,450			1,185,450	
Total 2006 Lease Rev Refg Bonds Ser A	$ 24,215,163	$ 21,701,775	$ 0	$ 2,513,388	$ 0
2006 Lease Rev Refg Bonds Ser B:					
Michael D. Antonovich Antelope Valley Courthouse	$ 6,919,806			$ 6,919,806	
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 183,412	$ 183,412			
Patriotic Hall Renovation	296,178	296,178			
Olive View Medical Center ER/TB Unit	341,274		$ 341,274		
Olive View Medical Center Seismic	140,591		140,591		
Harbor/UCLA Surgery/ Emergency	2,138,582		2,138,582		
Harbor/UCLA Seismic Retrofit	329,778		329,778		
Hall of Justice Rehabilitation	1,529,022	1,529,022			
Total 2010 Multiple Capital Projects I, Series A	$ 4,958,837	$ 2,008,612	$ 2,950,226	$ 0	$ 0
2010 Multiple Capital Projects I, Federally Taxable Series B:					
Coroners Expansion/ Refurbishment	$ 1,166,023	$ 1,166,023			
Patriotic Hall Renovation	1,882,916	1,882,916			
Olive View Medical Center ER/TB Unit	2,169,611		$ 2,169,611		
Olive View Medical Center Seismic	893,795		893,795		
Harbor/UCLA Surgery/ Emergency	13,595,795		13,595,795		
Harbor/UCLA Seismic Retrofit	2,096,529		2,096,529		
Hall of Justice Rehabilitation	9,720,589	9,720,589			
Total 2010 Multiple Capital Projects I, Series B	$ 31,525,258	$ 12,769,528	$ 18,755,731	$ 0	$ 0
2011 High Desert Solar Complex (Federally Taxable)	$ 2,406,721	2,406,721			
2012 Refg COPs: Disney Parking Project	$ 2,392,986	2,392,986			
Total Long-Term Capital Projects	$ 129,549,248	$ 61,749,632	$ 38,804,002	$ 25,709,969	$ 3,285,646
Total Long-Term Obligations	$ 129,549,248	$ 61,749,632	$ 38,804,002	$ 25,709,969	$ 3,285,646
Intermediate-Term Obligations					
Equipment					
2009 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 4,388,000	$ 2,632,800	$ 1,755,200		
2011 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 16,815,488	10,089,293	6,726,195		
Total Equipment	$ 21,203,488	$ 12,722,093	$ 8,481,395	$ 0	$ 0
Taxable Bonds					
2009 Lease Rev Bonds Series 2009 (LA Opera)	$ 7,301,583	$ 7,301,583			
Total Intermediate-Term Obligations	$ 28,505,071	$ 20,023,676	$ 8,481,395	$ 0	$ 0
Total Obligations	$ 158,054,319	$ 81,773,308	$ 47,285,397	$ 25,709,969	$ 3,285,646

Source: Los Angeles County Chief Executive Office
Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL BY FUNDING SOURCE
AS OF JULY 1, 2012

Title	Total Outstanding Principal	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds
Long-Term Obligations					
Long-Term Capital Projects					
1993 COPs: Disney Parking Project	$ 27,327,758	$ 27,327,758			
2002 Lease Rev Bonds Ser B:					
Downey Courhouse	4,572,633			$ 4,572,633	
Sheriffs Training Academy	3,774,814	3,774,814			
San Fernando Court	6,322,553			6,322,553	
Total 2002 Lease Rev Bonds Ser B	$ 14,670,000	$ 3,774,814	$ 0	$ 10,895,186	$ 0
2005 Lease Rev Refg Bonds Ser A:					
Music Center Improvements	$ 2,491,181	$ 2,491,181			
Alhambra Courthouse	1,706,798			$ 1,706,798	
Burbank Courthouse	3,155,913			3,155,913	
Ameron Building (Sheriff Headquarters)	5,691,191	5,691,191			
Biscailuz Center	505,685	505,685			
Emergency Operations Center	5,421,817	5,421,817			
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	4,639,093		$ 4,639,093		
Martin Luther King Medical Center - Trauma Center	25,646,917		25,646,917		
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	267,799		267,799		
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	16,025,402		16,025,402		
Rancho Los Amigos Medical Center - Parking Structure	5,981,690		5,981,690		
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	1,764,925		1,764,925		
San Fernando Valley Juvenile Hall	3,556,848	3,556,848			
LAC/USC Medical Center Marengo Street Parking Garage	9,473,353		9,473,353		
LAX Area Courthouse	72,697,978			72,697,978	
San Fernando Valley Courthouse (Chatsworth)	57,573,413			57,573,413	
Harbor Med Center E.P.S.	0		-		
Total 2005 Lease Rev Refg Bonds Ser A	$ 216,600,000	$ 17,666,721	$ 63,799,179	$ 135,134,101	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	$ 28,050,000				$ 28,050,000
2006 Lease Rev Refg Bonds Ser A:					
East Los Angeles Courthouse	$ 5,005,000			$ 5,005,000	
Lynwood Regional Justice Center	31,700,000	$ 31,700,000			
Men's Central Jail - Twin Towers	29,970,000	29,970,000			
Hutton Building - Registrar / Recorder Headquarters	845,000	845,000			
Pomona Municipal Courthouse	130,000			130,000	
Pitchess Honor Rancho Laundry Expansion	65,000	65,000			
Pitchess Honor Rancho Visitors Center	165,000	165,000			
Mira Loma Men's Medium Security Facility	115,000	115,000			
Temple City Sheriff Station	280,000	280,000			
Van Nuys Courthouse	8,680,000			8,680,000	
Total 2006 Lease Rev Refg Bonds Ser A	$ 76,955,000	$ 63,140,000	$ 0	$ 13,815,000	$ 0
2006 Lease Rev Refg Bonds Ser B:					
Michael D. Antonovich Antelope Valley Courthouse	$ 92,990,000			$ 92,990,000	
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 3,805,955	$ 3,805,955			
Patriotic Hall Renovation	6,145,932	6,145,932			
Olive View Medical Center ER/TB Unit	7,081,718		$ 7,081,718		
Olive View Medical Center Seismic	2,917,390		2,917,390		
Harbor/UCLA Surgery/ Emergency	44,377,348		44,377,348		
Harbor/UCLA Seismic Retrofit	6,843,176		6,843,176		
Hall of Justice Rehabilitation	31,728,482	31,728,482			
Total 2010 Multiple Capital Projects I, Series A	$ 102,900,000	$ 41,680,368	$ 61,219,632	$ 0	$ 0
2010 Multiple Capital Projects I, Series B:					
Coroners Expansion/ Refurbishment	$ 25,447,194	$ 25,447,194			
Patriotic Hall Renovation	41,092,631	41,092,631			
Olive View Medical Center ER/TB Unit	47,349,441		$ 47,349,441		
Olive View Medical Center Seismic	19,506,113		19,506,113		
Harbor/UCLA Surgery/ Emergency	296,713,674		296,713,674		
Harbor/UCLA Seismic Retrofit	45,754,510		45,754,510		
Hall of Justice Rehabilitation	212,141,438	212,141,438			
Total 2010 Multiple Capital Projects I, Series B	$ 688,005,000	$ 278,681,262	$ 409,323,738	$ 0	$ 0
2011 High Desert Solar Complex (Federally Taxable)	$ 14,000,000	14,000,000			
2012 Refg COPs: Disney Parking Project	$ 50,675,000	50,675,000			
Total Long-Term Capital Projects	$ 1,312,172,758	$ 496,945,923	$ 534,342,548	$ 252,834,288	$ 28,050,000
Total Long-Term Obligations	$ 1,312,172,758	$ 496,945,923	$ 534,342,548	$ 252,834,288	$ 28,050,000
Intermediate-Term Obligations					
Equipment					
2009 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 4,240,000	$ 2,544,000	$ 1,696,000		
2011 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 47,230,000	28,338,000	18,892,000		
Total Equipment	$ 51,470,000	$ 30,882,000	$ 20,588,000	$ 0	$ 0
Taxable Bonds					
2009 Lease Rev Bonds Series 2009 (LA Opera)	$ 7,000,000	$ 7,000,000			
Total Intermediate-Term Obligations	$ 58,470,000	$ 37,882,000	$ 20,588,000	$ 0	$ 0
Total Obligations	$ 1,370,642,758	$ 534,827,923	$ 554,930,548	$ 252,834,288	$ 28,050,000

Source: Los Angeles County Chief Executive Office
Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS
AS OF OCTOBER 1, 2012

Title	Outstanding Principal	Total Future Payments	2012-13 FY Payment Remaining
Long-Term Obligations			
Long-Term Capital Projects			
1993 COPs: Disney Parking Project	$ 25,547,569	$ 128,430,000	$ 6,585,000
2002 Lease Rev Bonds Series B - 2002 Master Refunding Project	14,670,000	16,972,200	3,407,050
2005 Lease Rev Refg Bonds Series A - 2005 Master Refunding Project	216,600,000	289,518,477	37,267,779
2005 Lease Rev Bonds Series A - 2005 Calabasas Landfill Project	28,050,000	35,958,793	3,285,646
2006 Lease Rev Refg Bonds Series A - 2006 Master Refunding Project	55,780,000	60,249,300	1,262,794
2006 Lease Rev Refg Bonds Series B - 2006 Master Refunding Project	90,450,000	147,457,400	2,167,678
2010 Lease Rev Bonds, Series A - 2010 Multiple Capital Projects I	102,900,000	126,143,050	2,479,419
2010 Lease Rev Bonds, Series B - 2010 Multiple Capital Projects I (Federally Taxable)	688,005,000	1,309,363,340 (1)	15,762,629
2011 Lease Rev Bonds - High Desert Solar Complex (Federally Taxable)	12,536,522	13,358,814 (1)	800,583
2012 Refg COPs: Disney Parking Project	50,675,000	74,766,125	1,266,875
Total Long-Term Capital Projects	$ 1,285,214,090	$ 2,202,217,498	$ 74,285,454
Total Long-Term Obligations	$ 1,285,214,090	$ 2,202,217,498	$ 74,285,454
Intermediate-Term Obligations			
Equipment			
2009 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 4,240,000	$ 4,388,000	$ 4,388,000
2011 Lease Rev Bonds Series A - LAC-CAL Equipment Program	47,230,000	51,534,988	16,815,488
Total Equipment	$ 51,470,000	$ 55,922,988	$ 21,203,488
Taxable Bonds			
2009 Lease Rev Bonds Series 2009 (LA Opera)	$ 7,000,000	$ 7,137,083	$ 7,137,083
Total Intermediate-Term Obligations	$ 58,470,000	$ 63,060,071	$ 28,340,571
Total Obligations	$ 1,343,684,090	$ 2,265,277,569	$ 102,626,025

COPs = Certificates of Participation

(1) Total Future Payments reflects the County's net future payment obligation after receipt of a Federal interest subsidy authorized by the American Recovery and Reinvestment Act (ARRA) of 2009.

Source: Los Angeles County Chief Executive Office
Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES
ESTIMATED OVERLAPPING DEBT STATEMENT AS OF OCTOBER 1, 2012

Full Cash Value (2012-13): $960,510,110,796 (after deducting $141,357,566,413 redevelopment incremental valuation; including unitary utility valuation)

	Applicable %	Debt as of 10/1/12
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		
Los Angeles County Flood Control District	100.000 %	$ 37,195,000
Metropolitan Water District	47.874	94,093,953
Los Angeles Community College District	100.000	3,469,755,000
Other Community College Districts	Various (1)	2,148,894,017
Arcadia Unified School District	100.000	167,948,174
Beverly Hills Unified School District	100.000	175,092,104
Glendale Unified School District	100.000	164,754,986
Long Beach Unified School District	100.000	511,282,292
Los Angeles Unified School District	100.000	10,945,695,000
Pasadena Unified School District	100.000	390,585,000
Pomona Unified School District	100.000	199,716,870
Santa Monica-Malibu Unified School District	100.000	214,987,846
Torrance Unified School District	100.000	183,285,331
Other Unified School Districts	Various (1)	2,758,005,916
High School and School Districts	Various (1)	1,443,588,537
City of Los Angeles	100.000	1,103,285,000
City of Los Angeles Special Tax Lease Revenue Bonds	100.000	20,090,000
City of Industry	100.000	136,645,000
Other Cities	100.000	82,360,000
Special Districts	100.000	4,580,000
Community Facilities Districts	100.000	786,834,619
Los Angeles County Regional Park & Open Space Assessment District	100.000	142,870,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000	131,691,397
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$ 25,313,236,042
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		
Los Angeles County General Fund Obligations	**100.000 %**	**$ 1,447,164,091**
Los Angeles County Office of Education Certificates of Participation	100.000	10,377,239
Community College District Certificates of Participation	Various (2)	54,448,701
Baldwin Park Unified School District Certificates of Participation	100.000	40,915,000
Compton Unified School District Certificates of Participation	100.000	28,625,000
Los Angeles Unified School District Certificates of Participation	100.000	408,171,030
Pomona Unified School District Certificates of Participation	100.000	28,585,000
Other Unified School District Certificates of Participation	Various (2)	146,577,838
High School and School District General Fund Obligations	Various (2)	153,401,390
City of Beverly Hills General Fund Obligations	100.000	205,410,000
City of Los Angeles General Fund and Judgment Obligations	100.000	1,901,655,000
City of Long Beach General Fund Obligations	100.000	202,770,000
City of Long Beach Pension Obligations	100.000	50,205,000
City of Pasadena General Fund Obligations	100.000	487,496,708
City of Pasadena Pension Obligations	100.000	144,687,765
Other Cities' General Fund Obligations	100.000	1,321,265,901
Los Angeles County Sanitation Districts General Fund Obligations	100.000	272,730,952
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 6,904,486,615
Less: **Los Angeles County Lease Revenue Bonds supported by landfill revenues**		**(16,698,164)**
Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds		(4,409,000)
Cities' self-supporting bonds		(178,833,544)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 6,704,545,907
GROSS COMBINED TOTAL DEBT		$ 32,217,722,657 (3)
NET COMBINED TOTAL DEBT		$ 32,017,781,949

(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. Except for Los Angeles Unified School District Qualified Zone Academy Bonds (QZABs) are included based on principal due at maturity.

RATIOS TO 2012-13 ASSESSED VALUATION	
Total Direct and Overlapping Tax and Assessment Debt	2.300 %
RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)	
Gross Combined Direct Debt ($1,447,164,091)	**0.150 %**
Net Combined Direct Debt ($1,430,465,927)	**0.150 %**
Gross Combined Total Debt	3.350 %
Net Combined Total Debt	3.330 %

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: $ 0

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 2011 Gross Product of $557.5 billion, Los Angeles County's economy is larger than that of 45 states and all but 19 countries. Los Angeles County serves as the central trade district for the western United States and the U.S. gateway to the Asian economies, as it has evolved into a leader in international commerce and investments. While still working through the effects of a severe recession, the County's economy experienced continued growth in 2011, with an increase of 3.0% in economic output (as measured by Gross Product), a 4.6% increase in personal income and a 5.7% increase in taxable retail sales. The economic recovery is expected to continue in 2012, with several sectors of the local economy experiencing growth.

Los Angeles County's unemployment rate averaged 12.3% in 2011, which represents a modest improvement from its 2010 unemployment rate of 12.6%. In 2012 and 2013, the job market is expected to show continued improvement, with a projected decline in the unemployment rate to 11.5% and 10.8%, respectively. The significant job losses during the recession of 2008 and 2009 were partially offset by the positive impact of major public and private construction projects. With over $16 billion in voter-approved general obligation bond measures, historically low interest rates and cost-effective financing programs and incentives provided by the Federal government, local governments and school and community college districts have undertaken major capital construction projects.

The increase in sales tax revenue ensuing from the 2008 voter-approved Measure R provides funding for major highway and transit projects that are currently underway throughout the County. In addition, hospitals throughout Los Angeles County are engaged in building programs to meet stricter earthquake standards and other regulatory requirements. These major construction projects, combined with the terminal expansions under way at the two primary sea ports (Los Angeles and Long Beach) and the expansion of the Bradley International Terminal at the Los Angeles International Airport ("LAX"), have provided continued support to a struggling job market in the County.

In terms of its industrial base, diversity continues to be Los Angeles County's greatest strength, with wholesale and retail trade, health care, manufacturing, and leisure and hospitality being the leading employment sectors in the private economy. The Los Angeles Customs District ("LACD"), which includes LAX, Port Hueneme, Port of Los Angeles, and Port of Long Beach, is the largest customs district in the nation. The Los Angeles region is the largest manufacturing center in the nation, with over 365,400 workers employed in this sector in 2011. The two major seaports (Port of Los Angeles and Port of Long Beach) encompass the largest port complex in the nation as measured by cargo tonnage and the number of containers handled, and is ranked sixth largest among world's port facilities.

Quality of Life

Higher Education

Los Angeles County is home to an extensive education system, with 120 colleges and university campuses, including UCLA; five state university campuses; 21 community colleges; prestigious private universities such as USC, Occidental and Claremont College; 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 the California Institute of the Arts, the Art Center College of Design, the Fashion Institute of Design and Merchandising, and the Otis College of Art and Design.

Culture

Los Angeles County is the cultural center of the western United States and has been referred to as the "entertainment capital of the world", offering world-class museums, theaters, and music venues. The County is home to the world's leading movie studios, television networks, recording studios video game developers, publishers and artists, creating one of the largest centers for art and entertainment activity in the nation.

The Performing Arts Center of Los Angeles County, which includes the Dorothy Chandler Pavilion, Ahmanson Theater, Mark Taper Forum and Walt Disney Concert Hall, is one of the three largest performing art venues in the nation. Los Angeles County features more musical and 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.

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 Los Angeles County Museum of Art, the Los Angeles County Museum of Natural History, the Norton Simon Museum, the J. Paul Getty Museum, the Museum of Contemporary Art, and the Huntington Library. Construction on the new Broad Museum of Contemporary Art is underway with an expected completion date in 2013. The 3-story structure is located adjacent to the iconic Walt Disney Concert Hall, and will further strengthen and help establish downtown Los Angeles as a premiere cultural destination on the west coast.

Recreation

With its geographic size, location, topography, mild climate, and 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, 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 the County's 31 miles of public beaches stretching along its 75-mile coastline, with bike enthusiasts 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, sporting venues, motion picture and television studios, 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. 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 9.8 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 26.23% of the total population of California. The demographic profile of the County indicates that 47.7% of the population is Hispanic and 52.3% non-Hispanic, of which, 27.8% are White; 13.7% are Asian-Pacific Islander; 8.7% are African American; and 2.5% are other races. The County is also home to the highest number of foreign–born residents in the nation and has the largest population of persons of Chinese, Filipino, Japanese, Korean, Mexican, Salvadoran and Thai descent outside their native countries. With 97 consulates, Los Angeles County has a larger consular corps than any other U.S. city outside of Washington D.C. with more than 220 languages and cultures represented across the County. It is estimated that 75.9% of the adult population has a high school diploma or higher, and 29% has a bachelor's degree or higher. Table B illustrates the recent historical growth of the County's population.

Employment

The current economic downturn, which started in late 2007, has affected the entire nation and continues to have a significant adverse impact on the local economy. The unemployment rate climbed to 12.6% in 2010 and decreased slightly to 12.3% in 2011. In comparison, the average unemployment rates for the State of California and the nation in 2011 were 11.7% and 9%, respectively. The employment situation in the County showed signs of improvement in 2011, with estimated total net job growth of 15,700 among the various sectors of the local economy. In 2012, total non-farm employment is projected to grow by 0.6% (22,700 jobs), resulting in a lower unemployment rate in the County of 11.5%. Table F details the non-agricultural employment statistics by sector for Los Angeles County from 2007 through 2011.

Personal Income

Total personal income grew in the County by an estimated 4.6% in 2011. The 2011 total personal income of $431 billion represents an estimated 25.6% of the total personal income generated in California. The Los Angeles Economic Development Corporation ("LAEDC") is projecting continued growth in personal income of 3% for 2012 and 2013. Table C provides a summary of the personal income statistics for Los Angeles County from 2007 through 2011.

Consumer Spending

Los Angeles County is a national leader in consumer spending. As reported by LAEDC, the County experienced a 4.8% increase in taxable retail sales in 2011, with continued growth of 6.1% projected for 2012. The $88.7 billion of taxable retail sales in the County in 2011 represents over 24.9% of the total retail sales in California. Table D provides a summary of taxable retail sales activity in Los Angeles County from 2007 through 2011.

Industry

With an estimated annual economic output of $557.5 billion in 2011, Los Angeles County continues to rank among the world's largest economies. Its 2011 Gross Product represents approximately 28.5% of the total economic output in California and 3.8% of the Gross Product of the United States. The County's business environment is distinguished by its diversity and balance and it is recognized as a world leader in technology, electronics, energy, communications, and entertainment. The top industries in the manufacturing sector include computer and electronics, apparel, transportation equipment, fabricated metal products, and food. Table A provides the Gross Product statistics for Los Angeles County from 2007 through 2011.

International Trade

Due to its strategic location, broad transportation network and extensive cargo facilities, Los Angeles County has become the leading center of international trade in the United States. The County's airports and extensive port facilities serve as the gateway for the Southern California region's thriving international trade. The value of two-way trade in the LACD experienced a steady increase from 2001 to 2008, resulting in a record level of $355.8 billion in 2008. In 2010, the LACD handled approximately $346.8 billion worth of international trade, which represents a 22.6% increase from 2009 and a significant improvement from the 20.5% decrease in the value of trade that occurred from 2008 to 2009. With the strong performance of the LACD in 2010, the value of two-way trade recovered close to the record level attained in 2008. In 2011, the LACD handled approximately $386.7 billion worth of international trade, which represents a 11.5% increase compared to 2010. With the strong performance of the LACD in 2011, the value of two-way trade has surpassed the previous record level attained in 2008 by 8.3%. Based on the latest LAEDC projections, international trade is expected to exceed $400 billion this year and continue to grow in 2013. The LACD maintained its ranking as the top customs district in the nation for international trade in 2011, with China, Japan, South Korea, Taiwan and Thailand being the top trading partners. The LAEDC has projected an increase of 3.2% for 2012 in the value of international trade handled through the LACD.

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 LAX, Long Beach Airport and the Bob Hope Airport in Burbank. LAX is ranked as the sixth busiest airport in the world and third in the United States for passenger traffic. In 2011, LAX served 61.8 million passengers, representing a 4.73% increase from the previous year. The 1.8 million tons of air cargo handled at LAX in 2011, and the corresponding value of $80 billion, represents a decrease of 3.8% and 4.8%, respectively from the 2010 levels. A $4.1 billion capital improvement project is currently underway at LAX, which is expected to generate approximately 40,000 local jobs.

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. The combined Los Angeles/Long Beach port complex has been the fastest growing port facility in the United States, and the two ports are reported by LAEDC to be the busiest port complex in the U.S. and western hemisphere, and the eighth busiest in the world. The 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. In 2011, the port complex experienced a 1% decrease in the volume of cargo from 2010, but is projected to return to steady growth in 2012 and 2013.

The Port of Los Angeles is one of the largest man-made harbors in the world. In 2011, it was ranked as the busiest container port in the United States for the twelfth consecutive year, and the sixteenth busiest in the world, as measured by annual container volume. The Port of Los Angeles covers over 7,500 acres and includes 43 miles of waterfront. The Port has 25 passenger and cargo terminals, including facilities to handle automobiles, containers, dry bulk and liquid bulk products. In 2011, the Port handled over 7.9 million TEUs, which represents a 1.4% increase in container volume from 2010.

The Port of Long Beach is also among the world's busiest container ports, and was ranked behind the Port of Los Angeles as the second busiest port in the nation, and the eighteenth busiest in the world in 2011. The Port of Long Beach covers over 3,200 acres with 10 separate piers. In 2011, the port handled over 6.1 million TEUs of container cargo, which represents a decrease of 3.2% from 2010. The decrease in activity was attributed to the loss of one of its seven container terminal customers (Hyundai).

Port Expansion

The Ports of Los Angeles and Long Beach are currently in the process of major ongoing expansion programs 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 higher volumes 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 is a multi-modal and integrated passenger transportation system that 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 services 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"), which is responsible for the planning, design, construction and operation of the public transportation system for Los Angeles County. The Fiscal Year 2011-12 operating budget for the MTA is $4.15 billion, which is funded primarily 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 2011, the Los Angeles region hosted a record high 26.9 million overnight visitors, representing a 4.2% increase from 2010. The newly built hotels in downtown and Hollywood are attracting business as well as leisure travelers to the County. According to the Los Angeles Convention and Visitors Bureau, the Los Angeles region was the third ranked destination for overseas visitors in 2011, with tourists and business travelers spending $15.2 billion (as reported by the Bureau of Economic Analysis), representing a significant increase of 8% from 2010. The new convention center hotel and the higher number of conferences scheduled for 2012 as well as the opening of the Broad Museum and Space Shuttle Endeavor Exhibit at the California Science center in 2013 will help facilitate continued growth in this sector of the local economy.

Real Estate and Construction

The residential housing market in Los Angeles County experienced a significant downturn starting in late 2007. The average annual median price for new and existing homes decreased by nearly 46% from a peak of $532,281 in 2007 to a cyclical low of $290,015 in January 2012. However, the real estate market has stabilized in 2012, and is beginning to show signs of a recovery, as the average median home price increased by 14% to $330,791 in June 2012. Other positive trends also suggest a more stable housing market. After a record high of 105,433 in 2009, notices of default recorded decreased by nearly 39% to 64,490 in 2011, and have leveled off at approximately 5,000 per month over the first two quarters of 2012. Foreclosures, as measured by the number of trustees deeds recorded, decreased by over 28% from a cyclical high of 39,774 in 2008 to 28,590 in 2011. The positive trend continued over the first six months of 2012, as the number of foreclosures averaged only 1,508 per month from January through June.

The commercial real estate sector experienced mixed results in 2011. Construction lending experienced a significant increase of 53.0% from $2.128 billion in 2010 to $3.258 billion in 2011. Office market vacancy rates were unchanged from 2010 to 2011 at 17.0%, which is significantly higher than the 9.7% vacancy rate in 2007, prior to the severe economic downturn. Industrial market vacancy rates experienced slight improvement from 3.2% in 2010 to 2.9% in 2011, but are still nearly two times greater than the 1.5% vacancy rate in 2007.

Despite the severe downturn in the housing market from 2007 to 2011, Los Angeles County has maintained relatively stable assessed valuations. The stability of the property tax base is primarily due to the significant amount "stored value" in the secured property tax roll as a result of Proposition 13. For Fiscal Year 2012-13, the Los Angeles County Assessor is reporting a Net Local Roll of $1.08 trillion, which represents a 2.20% increase from the Net Local Roll of $1.056 trillion in Fiscal Year 2011-12.

GROSS PRODUCT

POPULATION LEVELS

TOTAL PERSONAL INCOME

TAXABLE RETAIL SALES

UNEMPLOYMENT RATES

AVERAGE ANNUAL EMPLOYMENT

SUMMARY OF AIRPORT AND PORT ACTIVITY

VALUE OF INTERNATIONAL TRADE AT MAJOR U.S. CUSTOMS DISTRICTS

TOTAL TONNAGE OF MAJOR WEST COAST PORTS

INTERNATIONAL CONTAINER TRAFFIC AT MAJOR U.S. PORTS

REAL ESTATE AND CONSTRUCTION INDICATORS

BUILDING PERMITS AND VALUATIONS

LARGEST PRIVATE SECTOR EMPLOYERS

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

	2007	2008	2009	2010	2011
Los Angeles County	$535,588	$548,598	$530,021	$543,740	$557,500
State of California	1,874,794	1,911,720	1,847,044	1,901,072	1,958,900
United States	14,029,000	14,291,500	13,939,000	14,526,500	15,094,000
Los Angeles County as a % of California	28.57%	28.70%	28.70%	28.60%	28.46%

Source: Los Angeles Economic Development Corporation - 2012-13 Mid-Year Economic Forecast and Industry Outlook July 2012

TABLE B: POPULATION LEVELS

	2007	2008	2009	2010	2011
Los Angeles County	9,773,900	9,797,000	9,805,000	9,827,000	9,858,000
State of California	36,186,000	36,538,000	36,888,000	37,319,000	37,579,000
Los Angeles County as a % of California	27.01%	26.81%	26.58%	26.33%	26.23%

Source: Los Angeles Economic Development Corporation - 2012-2013 Mid-Year Economic Forecast and Industry Outlook July 2012

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

	2007	2008	2009	2010	2011
Los Angeles County	$400,400	$417,500	$395,000	$410,700	$431,600
Orange County	153,400	155,100	148,400	152,600	159,300
Riverside and San Bernardino Counties	123,000	125,000	123,000	125,800	131,100
Ventura County	37,300	37,500	36,900	37,700	39,300
State of California	1,566,400	1,604,200	1,567,000	1,590,300	1,681,900
Los Angeles County as a % of California	25.56%	26.03%	25.21%	25.83%	25.66%

Source: Los Angeles Economic Development Corporation - 2012-2013 Mid-Year Economic Forecast and Industry Outlook July 2012

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

	2007	2008	2009	2010	2011
Los Angeles County	$96,100	$89,800	$78,400	$82,200	$88,600
State of California	387,000	357,300	311,200	327,900	354,500
Los Angeles County as a % of California	24.83%	25.13%	25.19%	25.07%	24.99%

Source: Los Angeles Economic Development Corporation - 2012-2013 Mid-Year Economic Forecast and Industry Outlook July 2012

TABLE E: UNEMPLOYMENT RATES

	2007	2008	2009	2010	2011
Los Angeles County	5.1%	7.5%	11.6%	12.6%	12.3%
State of California	5.2%	7.2%	11.3%	12.4%	11.7%
United States	4.6%	5.8%	9.3%	9.6%	9.0%

Source: Los Angeles Economic Development Corporation - 2012-2013 Mid-Year Economic Forecast and Industry Outlook July 2012

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

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2007	2008	2009	2010	2011
Government	595.7	603.7	595.8	579.6	565.2
Wholesale & Retail Trade	653.0	640.2	591.5	589.3	598.1
Health Care & Social Assistance	389.7	400.7	404.6	410.9	417.0
Manufacturing	449.2	434.4	389.1	373.2	365.4
Leisure & Hospitality	397.9	401.6	385.6	384.8	392.8
Professional, Scientific & Technical Services	273.9	269.6	250.2	245.6	253.7
Administrative & Support Services	263.7	247.0	215.9	219.6	223.0
Information	209.8	210.3	191.2	191.5	195.6
Transportation & Utilities	165.6	163.1	151.2	150.6	149.9
Finance & Insurance	163.6	153.9	142.3	137.8	137.5
Construction	157.6	145.2	117.3	104.5	103.5
Educational Services	102.9	105.1	110.1	111.1	117.7
Real Estate	80.3	79.4	73.8	71.7	71.9
Management of Enterprises	58.8	56.7	54.4	53.2	54.4
Other	147.1	146.1	137.9	136.7	135.0
Total	4,108.8	4,057.0	3,810.9	3,760.1	3,780.7

Source: Los Angeles Economic Development Corporation - 2012-2013 Mid-Year Economic Forecast and Industry Outlook July 2012

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

Type of Activity	2007	2008	2009	2010	2011
International Air Cargo (Tons)					
Los Angeles International Airport	1,138.6	996.5	916.0	1,125.2	1,080.7
As Percentage of Total Air Cargo	54.80%	55.47%	55.05%	58.40%	58.30%
Total Air Cargo (Tons)					
Los Angeles International Airport	2,077.5	1,796.5	1,663.9	1,926.8	1,853.7
Bob Hope Airport (Burbank)	53.7	42.9	44.4	48.1	49.1
Total	2,131.3	1,839.4	1,708.2	1,974.9	1,902.8
International Air Passengers					
Los Angeles International Airport	17,663.8	16,684.8	15,100.9	15,936.0	16,731.3
As Percentage of Total Passengers	28.29%	27.89%	26.72%	26.98%	27.05%
Total Air Passengers					
Los Angeles International Airport	62,438.6	59,820.8	56,520.9	59,070.1	61,862.5
Bob Hope Airport (Burbank)	5,921.3	5,331.4	4,588.4	4,461.3	4,301.6
Total	68,359.9	65,152.2	61,109.3	63,531.4	66,164.1
Container Volume (TEUs)					
Port of Los Angeles	8,355.0	7,850.0	6,749.0	7,831.9	7,940.5
Port of Long Beach	7,312.5	6,487.8	5,067.6	6,263.5	6,061.1
Total	15,667.5	14,337.8	11,816.6	14,095.4	14,001.6

Source: Los Angeles World Airports, LAX - Statistics; Burbank Airport - Statistics; Port of Los Angeles - Statistics; Port ofLong Beach - Statistics

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

Customs District	2007	2008	2009	2010	2011
Los Angeles, CA	$347,300	$355,800	$282,900	$346,800	$386,700
New York, NY	323,600	353,400	266,700	$326,500	$387,800
Detroit, MI	248,900	236,400	170,800	$219,000	$243,000
Houston, TX	184,700	242,100	165,800	$211,500	$264,600
New Orleans, LA	172,700	214,200	149,800	$191,500	$230,800
Laredo, TX	166,400	173,300	146,000	$184,500	$214,500
Chicago, IL	132,900	153,300	127,800	$160,700	$176,100
Seattle, WA	119,400	120,400	101,500	$111,100	$128,200
Savannah, GA	93,400	101,000	87,200	$108,900	$126,000
San Francisco, CA	111,700	114,100	86,400	$107,300	$119,100

Source: Los Angeles Economic Development Corporation - 2012-2013 Mid-Year Economic Forecast and Industry Outlook July 2012

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

Port	2007	2008	2009	2010	2011
Los Angeles-Long Beach, CA	211,747	201,456	167,866	193,591	199,509
Tacoma, WA	33,753	34,701	28,701	27,507	28,428
Seattle, WA	29,514	26,731	25,070	31,337	29,856
Oakland, CA	29,449	28,416	27,872	29,475	30,285
Portland, OR	23,167	21,683	16,348	19,661	19,140
Kalama, WA	9,624	12,320	9,065	11,653	11,570
San Diego, CA	6,548	5,557	3,506	4,074	4,287
Vancouver, WA	6,173	5,903	5,135	6,110	6,198
Port Hueneme	3,971	3,571	2,998	3,356	4,095

Source: Los Angeles Economic Development Corporation - 2012 International Trade Report May 2012

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

Port	2007	2008	2009	2010	2011
Los Angeles-Long Beach, CA	15,667	14,338	11,817	14,095	14,002
New York, NY	5,299	5,265	4,562	5,292	5,503
Savannah, GA	2,604	2,616	2,357	2,825	2,945
Oakland, CA	2,388	2,236	2,045	2,330	2,343
Houston, TX	1,772	1,795	1,797	1,812	1,866
Norfolk, VA	2,128	2,083	1,745	1,895	1,918
Charleston, SC	1,754	1,636	1,368	1,280	1,380
Seattle, WA	1,974	1,704	1,585	2,140	2,034
Tacoma, WA	1,403	1,861	1,546	1,455	1,489

Source: Los Angeles Economic Development Corporation - 2012 International Trade Report May 2012

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

Indicator	2007	2008	2009	2010	2011
1. Construction Lending (in millions)	$ 6,886	$ 3,520	$ 2,465	$ 2,128	$ 3,258
2. Residential Purchase Lending (in millions)	$ 38,388	$ 22,256	$ 22,111	$ 22,491	$ 20,469
3. New & Existing Median Home Prices	$ 532,281	$ 397,474	$ 321,550	$ 335,363	$ 316,469
4. New & Existing Home Sales	74,917	65,278	81,072	77,313	74,216
5. Notices of Default Recorded	53,414	84,806	105,433	68,603	64,690
6. Unsold New Housing (at year-end)	4,273	3,117	1,629	1,997	1,517
7. Office Market Vacancy Rates	9.7%	12.2%	16.0%	17.0%	17.0%
8. Industrial Market Vacancy Rates	1.5%	2.2%	3.3%	3.2%	2.9%

Source: Real Estate Research Council of Southern California - 2nd Quarter 2012

TABLE L: BUILDING PERMITS AND VALUATIONS

	2007	2008	2009	2010	2011
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	7,509	3,539	2,131	2,439	2,370
b. Multi-Family	12,854	10,165	3,522	5,029	8,033
Total Residential Building Permits	20,363	13,704	5,653	7,468	10,403
Building Valuations					
2. Residential Building Valuations (in millions of $)					
a. Single Family	$ 2,048	$ 1,134	$ 798	$ 922	$ 1,032
b. Multi-Family	2,011	1,409	522	811	1,222
c. Alterations and Additions	1,898	1,411	1,073	1,110	1,122
Residential Building Valuations Subtotal	$ 5,956	$ 3,954	$ 2,393	$ 2,843	$ 3,376
3. Non-Residential Building Valuations (in millions of $)					
a. Office Buildings	$ 716	$ 446	$ 192	$ 133	$ 156
b. Retail Buildings	493	469	222	263	223
c. Hotels and Motels	343	256	11	28	24
d. Industrial Buildings	109	135	40	56	136
e. Alterations and Additions	2,005	2,158	1,658	1,662	1,774
f. Other	230	1,275	2,368	532	280
Non-Residential Building Valuations Subtotal	$ 3,896	$ 4,739	$ 4,491	$ 2,674	$ 2,593
Total Building Valuations (in millions)	$ 9,852	$ 8,693	$ 6,884	$ 5,517	$ 5,969

Source: Real Estate Research Council of Southern California - 2nd Quarter 2012

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

			No. of Employees	
Company (in order of 2011 Ranking)	**Industry**	**Headquarters**	**L.A. County**	**Total**
1 Kaiser Permanente	Health Care Provider	Oakland, CA	33,600	164,098
2 Northrop Grumman Corp.	Aerospace/Defense Contractor	Falls Church, VA	21,000	75,000
3 University of Southern California	Education-Private University	Los Angeles, CA	16,180	16,180
4 Target Corp.	Retailer	Minneapolis, MN	15,000	355,000
5 Ralphs/Food 4 Less (Kroger Co.)	Grocery Retailer	Cincinnati, OH	13,500	N/A
6 Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	12,068	N/A
7 Bank of America Corp.	Banking and Financial Services	Charlotte, NC	12,000	N/A
8 Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	11,520	165,442
9 Providence Health & Services	Health Care	Renton, WA	10,616	N/A
10 The Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	10,250	300,000
11 Vons	Grocery Retailer	Pleasanton, CA	10,152	25,680
12 Wells Fargo	Diversified Financial Services	San Francisco, CA	9,723	275,000
13 Edison International	Electric Utility	Rosemead, CA	9,171	20,117
14 AT&T Inc.	Telecommunications	Dallas, TX	8,500	260,690
15 California Institute of Technology	Private University and Jet Propulsion Lab	Pasadena, CA	8,400	8,400
16 ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	8,300	96,000
17 FedEx Corp.	Shipping and Logistics	Memphis, TN	8,000	290,000
18 Catholic Healthcare West	Hospitals	San Francisco, CA	7,192	55,000
19 JP Morgan Chase	Banking and Financial Services	New York, NY	6,500	250,095
20 Amgen Inc.	Biotechnology	Thousand Oaks, CA	6,200	17,100
21 Costco Wholesale	Membership Chain of Warehouse Stores	Issaquah, WA	5,605	159,913
22 American Apparel, Inc.	Apparel Manufacturer and Retailer	Los Angeles, CA	5,000	11,300
23 Toyota Motor Sales U.S.A. Inc	Auto Manufacturer	Torrance, CA	4,914	29,089
24 UPS	Transportation and Freight	Atlanta, GA	4,761	400,600
25 99 Cents Only Stores	Retailer	Los Angeles, CA	4,503	12,600

N/A - Not Available
Source: Los Angeles Business Journal - The largest employers ranked by employees in L.A. County - September 2011

APPENDIX B

THE COUNTY OF LOS ANGELES AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

COUNTY OF LOS ANGELES

CALIFORNIA

COUNTY OF LOS ANGELES, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
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COUNTY OF LOS ANGELES

CALIFORNIA

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, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Community Development Commission (CDC), Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA), and the Los Angeles County Employees Retirement Association (LACERA), which represent the following percentages of the assets, net assets/ fund balances, and revenues/additions of the following opinion units:

Opinion Unit	Assets	Net Assets/ Fund Balances	Revenues/ Additions
Governmental Activities	2%	2%	1%
Business-type Activities	4%	10%	10%
Discretely Presented Component Unit	100%	100%	100%
Aggregate Remaining Fund Information	66%	68%	17%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for CDC, First 5 LA and LACERA, are based 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, 2011, 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.

As discussed in Notes 2 to the basic financial statements, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 59, *Financial Instruments Omnibus*, effective July 1, 2010.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 21 and the schedules of funding progress on pages 113 and 114 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We and the other auditors do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated in all material respects in relation to the financial statements 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 or provide any assurance on them.

Macias Gini & O'Connell LLP

Los Angeles, California
December 15, 2011

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, 2011. 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 $14.191 billion. However, net assets are classified into three categories and the unrestricted component is negative $5.584 billion. See further discussion on page B-7.

During the current year, the County's net assets decreased by a total of $892 million. Net assets related to governmental activities decreased by $837 million, while net assets related to business-type activities decreased by $55 million. Growth in liabilities associated with postemployment health insurance benefits was $1.550 billion during the current year and continued to have a very significant effect on the County's financial condition and overall decrease in net assets. See further discussion on page B-7.

At the end of the current year, the County's General Fund reported a total fund balance of $2.722 billion. During the current year, the County implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54). New fund balance categories and terminology were introduced by GASB 54 and for the current year, the General Fund reported nonspendable fund balance of $259 million, restricted fund balance of $35 million, assigned fund balance of $763 million, and $1.665 billion of unassigned fund balance.

The County's capital asset balances were $18.214 billion at year-end and increased by $187 million during the year.

During the current year, the County's total long-term debt increased by $330 million. Newly issued and accreted long-term debt of $1.093 billion exceeded bond maturities of $763 million. Pension bonds, which were issued in 1994-1995, reached their final maturity during the current year and were fully redeemed as of June 30, 2011.

Overview of the Basic Financial Statements

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

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

- Discretely Presented Component Unit - Component units are separate entities for which the County is financially accountable. First 5 LA is the only component unit that is discretely presented. As discussed in Note 20 to the basic financial statements, First 5 LA recognized an "extraordinary item" of $424 million in the current year which reduced net assets of this component unit.

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 and other postemployment benefits to employees.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $14.191 billion at the close of the most recent fiscal year.

Summary of Net Assets
As of June 30, 2011 and 2010 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 9,065,797	$ 8,075,688	$ 892,800	$ 461,077	$ 9,958,597	$ 8,536,765
Capital assets	15,563,696	15,452,736	2,650,760	2,574,305	18,214,456	18,027,041
Total assets	24,629,493	23,528,424	3,543,560	3,035,382	28,173,053	26,563,806
Current and other liabilities	2,218,534	1,592,918	179,700	152,393	2,398,234	1,745,311
Long-term liabilities	9,248,193	7,935,891	2,336,010	1,799,682	11,584,203	9,735,573
Total liabilities	11,466,727	9,528,809	2,515,710	1,952,075	13,982,437	11,480,884
Net assets:						
Invested in capital assets, net of related debt	14,484,468	14,271,861	2,242,340	2,293,147	16,726,808	16,565,008
Restricted net assets	2,925,662	1,861,498	122,216	163,820	3,047,878	2,025,318
Unrestricted net assets (deficit)	(4,247,364)	(2,133,744)	(1,336,706)	(1,373,660)	(5,584,070)	(3,507,404)
Total net assets	13,162,766	13,999,615	1,027,850	1,083,307	14,190,616	15,082,922
Total liabilities and net assets	$ 24,629,493	$ 23,528,424	$ 3,543,560	$ 3,035,382	$ 28,173,053	$ 26,563,806

Significant changes in assets and liabilities included the following:

Current and Other Assets

Current and other assets increased by $990 million for governmental activities and by $432 million for business-type activities. For governmental activities, pooled cash and investment balances were higher by $625 million due to investment purchase transactions which took place at the end of the current year and settled in early July 2011. This increase was offset by corresponding liabilities (Other Payables) of like amount. For business-type activities, accounts receivable grew by $220 million and was associated with the County's hospitals. For both governmental and business-type activities, long-term debt was issued in the current year and unspent bond proceeds accounted for $307 million and $235 million of the asset increases, respectively.

Liabilities

Current and other liabilities increased by $626 million for governmental activities, largely due to increases in other payables associated with investment purchase transactions pending settlement at year-end. Long-term liabilities increased by $1.312 billion for governmental activities and by $536 million for business-type activities. This is the fourth year for which the County has reported its other postemployment benefits (OPEB) in accordance with Governmental Accounting Standards Board Statement No. 45. OPEB continued to be funded on a pay-as-you-go basis in the current year and OPEB-related liabilities increased for both governmental and business-type activities by $1.303 billion and $247 million, respectively. An additional factor for the business-type activities was a net increase in long-term debt of $261 million, as new debt was issued for various hospital-related capital facilities and improvements. Specific disclosures related to OPEB and other changes in long-term liabilities are discussed and referenced in Notes 8 and 10 to the basic financial statements.

The County's total net assets consist of the following three components:

Capital Assets, Net of Related Debt

The largest portion of the County's net assets ($16.727 billion) represents its investment in capital assets (i.e., land, structures and improvements, infrastructure, software and equipment, net of related depreciation), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Assets

The County's restricted net assets at year-end were $3.048 billion. Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. Net assets that pertain to the various separate legal entities included in the basic financial statements are also generally restricted because their funding sources require that funds be used for specific purposes.

Unrestricted Net Assets (Deficit)

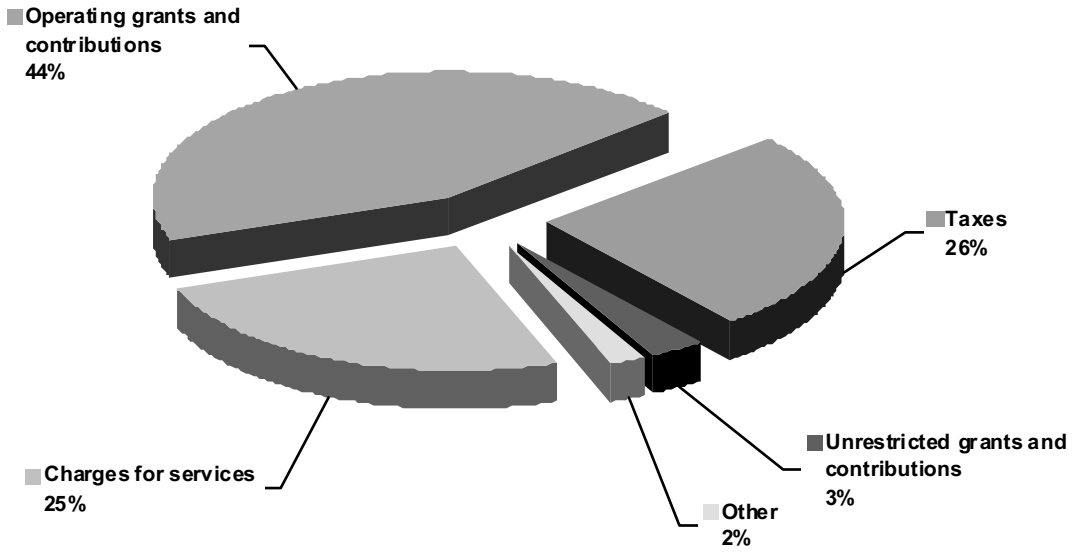
The County's total unrestricted net assets are negative $5.584 billion. Both governmental and business-type activities reported deficits in this category of $4.247 billion and $1.337 billion, respectively. The deficits closely parallel the OPEB related liabilities of $4.466 billion for governmental activities and $882 million for business-type activities. Other unfunded liabilities are also factors, such as workers' compensation, accrued vacation and sick leave, and litigation and self-insurance claims. The ongoing economic downturn and overall difficult budgetary environment has impaired the County's ability to implement a funding plan for OPEB liabilities.

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

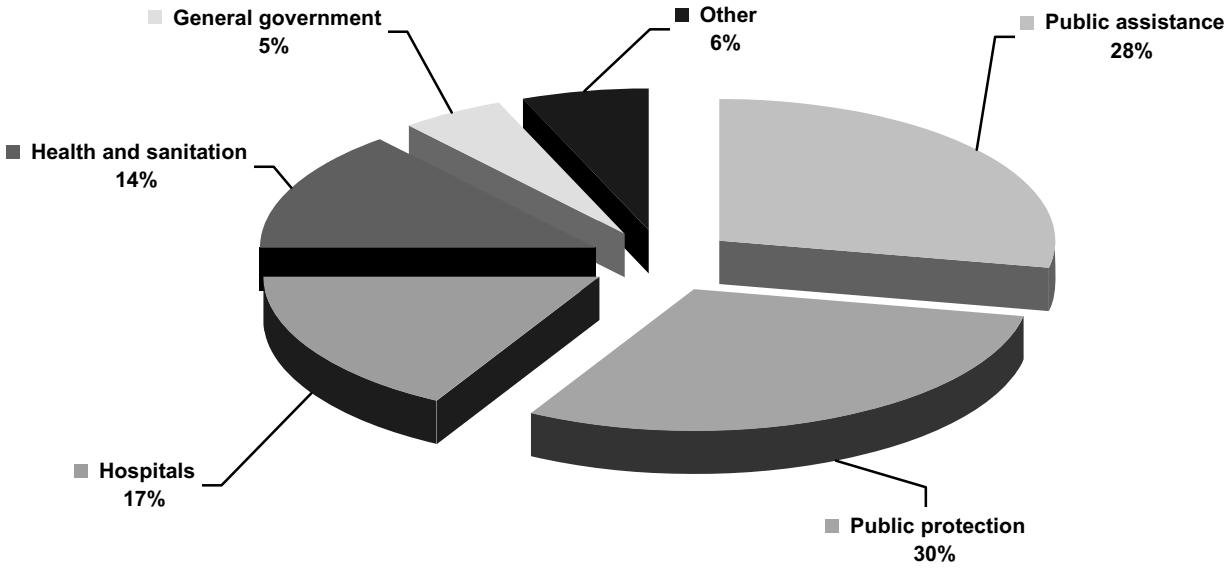
Summary of Changes in Net Assets
For the Years Ended June 30, 2011 and 2010
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	$ 2,657,587	$ 2,685,817	$ 2,283,048	$ 2,169,862	$ 4,940,635	$ 4,855,679
Operating grants and contributions	7,939,142	7,636,509	681,471	317,163	8,620,613	7,953,672
Capital grants and contributions	149,569	115,640	437	2,018	150,006	117,658
General revenues:						
Taxes	5,046,783	5,061,595	4,265	4,415	5,051,048	5,066,010
Unrestricted grants and contributions	677,767	701,521	41	143	677,808	701,664
Investment earnings	80,746	105,878	2,142	2,693	82,888	108,571
Miscellaneous	129,963	132,856	28,232	35,463	158,195	168,319
Total revenues	16,681,557	16,439,816	2,999,636	2,531,757	19,681,193	18,971,573
Expenses:						
General government	1,100,781	1,236,226			1,100,781	1,236,226
Public protection	6,081,466	6,163,910			6,081,466	6,163,910
Public ways and facilities	417,250	352,549			417,250	352,549
Health and sanitation	2,781,183	2,718,876			2,781,183	2,718,876
Public assistance	5,728,637	5,518,036			5,728,637	5,518,036
Education	104,159	101,397			104,159	101,397
Recreation and cultural services	311,422	319,000			311,422	319,000
Interest on long-term debt	134,429	139,824			134,429	139,824
Hospitals			3,541,874	3,394,724	3,541,874	3,394,724
Aviation			4,658	4,742	4,658	4,742
Waterworks			83,592	76,818	83,592	76,818
Community Development Commission			284,048	294,785	284,048	294,785
Total expenses	16,659,327	16,549,818	3,914,172	3,771,069	20,573,499	20,320,887
Excess (deficiency) before transfers	22,230	(110,002)	(914,536)	(1,239,312)	(892,306)	(1,349,314)
Transfers	(859,079)	(895,250)	859,079	895,250		
Changes in net assets	(836,849)	(1,005,252)	(55,457)	(344,062)	(892,306)	(1,349,314)
Net assets – beginning	13,999,615	15,004,867	1,083,307	1,427,369	15,082,922	16,432,236
Net assets – ending	$ 13,162,766	$ 13,999,615	$ 1,027,850	$ 1,083,307	$ 14,190,616	$ 15,082,922

REVENUES BY SOURCE – ALL ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011



EXPENSES BY TYPE – ALL ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011



Governmental Activities

Revenues from governmental activities grew by $242 million (1.5%) over the prior year. The most significant changes in specific revenue sources were experienced in the following areas:

- Program revenues recognized from operating grants and contributions increased by $303 million. The largest program contributing to this increase was in the area of public assistance, where program revenues grew by $157 million. The programs experiencing the most growth in this area were the California Work Opportunities and Responsibilities to Kids (CalWORKs) program and the In-Home Supportive Services (IHSS) program, where revenues increased by $84 million and $30 million, respectively. For IHSS, the additional revenues had the effect of lowering the County's share of costs by $10 million. Health and sanitation program revenues were also higher by $118 million, largely due to State mental health revenues derived from the Mental Health Services Act (Proposition 63). Program revenues for Proposition 63 experienced strong growth for the second consecutive year and the current year amount was $127 million higher than the previous year. Proposition 63 program revenues were again facilitated by the County's submission of qualifying program plans which were approved by the State, enabling the County to qualify for, and receive these revenues. This increase was offset by a $9 million reduction in other federal and State reimbursement grants.

- Capital grants and contributions were $34 million higher than the previous year. State Proposition 1B provides transportation infrastructure funding to local governments, including the County. The County's share of such revenues grew from $29 million in the previous year to $85 million in the current year, a $56 million increase. These State funds are available for street and highway pavement maintenance, drainage facilities, traffic control devices, facilities that expand ridership on transit systems, and capital improvements to address local traffic congestion. The increase from Proposition B was offset by reduced capital contributions of $22 million from various other sources.

- All other categories of revenue were lower in the current year by $95 million. Year-over-year reductions were experienced in charges for services ($28 million), investment earnings ($25 million), unrestricted grants and contributions ($24 million), taxes ($15 million) and miscellaneous revenues ($3 million). Many of these revenue sources are economically sensitive and are also highly representative of the County's core discretionary revenues.

Governmental Activities-Continued

Expenses related to governmental activities increased by $110 million during the current year. The largest portion of the net increase was attributable to the public assistance category, which grew by $211 million. As mentioned previously, the County experienced growth in the CalWORKs and IHSS programs. CalWORKs provides temporary assistance to children and families to meet basic needs and expenses were higher by $82 million. The IHSS program provides home assistance services to aged, blind, or disabled persons and expenses were higher by $20 million. In addition, the County's General Relief (GR) program provides financial assistance to indigent persons who are not eligible for federal or State assistance programs, and to provide emergency assistance to individuals and families in temporary need. The GR program is especially sensitive to overall economic conditions and unemployment and spending increased by $40 million. Offsetting a portion of the increased costs in public assistance, the general government category reported lower expenses of $135 million. This variance was almost entirely due to the inclusion in the previous year of one-time expenses of $117 million on the disposal of 16 courthouse facilities. There were $18 million of other cost savings within general government during the current year.

Business-type Activities

Revenues from business-type activities increased in comparison to the prior year by $468 million (18.5%). The most significant change was in the area of operating grants and contributions, which increased by $364 million, of which $353 million was related to the County's Hospitals. As discussed in Note 13 to the basic financial statements, a new federal funding program known as the Delivery System Reform Incentive Pool (DSRIP) provided nearly $343 million of revenues to the Hospitals. Revenues from charges for services were also higher by $113 million in the current year and this was also associated with the Hospitals, as patient service revenues increased.

Expenses related to business-type activities increased from the previous year by $143 million. The increased expenses were principally related to the Hospitals, where expenses were higher by $147 million. Intergovernmental transfer expenses were $107 million higher and the increase was attributable to the DSRIP program, which incurred $141 million of such costs. Salaries and employee benefits associated with the Hospitals were also higher by $34 million. For all facilities, the average patient census during the current year was slightly higher, at 1,321 patients per day in comparison with 1,313 for the prior year.

Financial Analysis of the County's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined total fund balances of $6.205 billion, an increase of $291 million in comparison with the prior year. Of the total fund balances, $313 million is nonspendable to indicate the extent that funds are not in spendable form or are required to remain intact. An additional $3.209 billion is classified as restricted, $111 million as committed, and $907 million as assigned. The remaining balance of $1.665 billion is classified as unassigned and is entirely associated with the General Fund.

Revenues from all governmental funds for the current year were $16.550 billion, an increase of $224 million (1.4%) from the previous year. Expenditures for all governmental funds in the current year were $15.776 billion, an increase of $319 million (2.1%) from the previous year. In addition, other financing uses exceeded other financing sources by $483 million as compared to $848 million in the prior year.

The General Fund is the County's principal operating fund. During the current year, the fund balance in the General Fund decreased by $273 million (9.1%). At the end of the current fiscal year, the General Fund's total fund balance was $2.722 billion. Of this amount, $259 million is classified as nonspendable, $35 million as restricted, $763 million as assigned and the remaining $1.665 billion is classified as unassigned.

General Fund revenues during the current year were $13.568 billion, an increase of $83 million (0.6%) from the previous year. General Fund expenditures during the current year were $13.554 billion, an increase of $314 million (2.4%) from the previous year. Other financing sources/uses-net was negative $288 million in the current year as compared to negative $417 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Intergovernmental revenues increased overall by $169 million. Within this category, State revenues increased by $256 million, federal revenues declined by $89 million and revenues from other governmental agencies grew by $2 million. State revenue growth of $173 million was largely associated with public assistance programs, which experienced increases in reimbursable costs and where there was a moderate shift in funding from federal to State sources. There was also growth in State revenues for mental health services as well as programs serving children and families. The decrease in federal revenues was principally due to the funding shift previously noted for public assistance programs.

Governmental Funds-Continued

- Miscellaneous revenues were lower by $46 million. The largest factor in this category was tobacco settlement revenues, as the General Fund's share of such revenues went down by $31 million (from $96 million in the previous year to $65 million in the current year). The County partially securitized its tobacco settlement revenues in 2006. Debt service commenced in the current year and $22 million of tobacco settlement revenues were recognized in the debt service fund which was established for this purpose. Overall tobacco settlement revenues recognized by the County were lower in the current year by $9 million.

- Current expenditures increased by $277 million (2.1%) and there were increases in all functional areas except public protection. The most significant increase was in the area of public assistance, where expenditures were higher by $192 million. Costs were notably higher for programs such as "temporary assistance for needy families" and "general relief" and expenditures were higher by $70 million and $40 million, respectively. Program and administrative expenditures grew by $64 million for child welfare services. Expenditures for the category of health and sanitation increased by $55 million as costs for mental health services rose by $45 million, primarily for contracted programs.

The Fire Protection District reported a year-end fund balance of $218 million, which represented an increase of $9 million from the previous year. Revenues decreased by $17 million, as revenues were lower in nearly every categorical area. Expenditures were also lower by $16 million as costs were aligned with the revenue reductions. Transfers out were also reduced by $9 million in the current year.

The Flood Control District reported a year-end fund balance of $157 million, which was $4 million lower than the previous year. Revenues were $11 million lower in the current year and the federal revenue category accounted for $7 million of the reduction. Expenditures decreased by $39 million, or 15%, as there were one-time expenditures incurred in the previous year for special projects and heavy winter rainstorms.

The Public Library Fund reported a year-end fund balance of $43 million, which was $10 million higher than the previous year. Revenues were nearly unchanged from the previous year while expenditures were slightly higher in the current year, increasing by approximately $2 million. There was a net increase of over $7 million for "other financing sources and uses," and was attributable to sales of fixed assets. In the current year, library facilities were sold to a city which was previously served by the County. The city intends to directly provide library services with the facilities acquired from the County.

The Regional Park and Open Space District reported a year-end fund balance of $310 million, which was $15 million higher than the previous year. Current year revenues of $84 million were slightly lower than the previous year amount of $85 million. Expenditures declined by $10 million in the current year, as there were net reductions in grants to eligible agencies.

Proprietary Funds

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

The County's principal proprietary funds consist of four hospital enterprise funds and an additional fund (Martin L. King Jr. Ambulatory Care Center) which was converted from a full-service hospital in 2007-2008 to a multi-service ambulatory care center. As discussed in Note 13 to the basic financial statements, the County merged the Martin L. King Jr. Ambulatory Care Center with the Harbor UCLA Medical Center at the end of the current fiscal year. All of the aforementioned funds incurred a net loss prior to contributions and transfers.

The County is legally required to provide local matching funds to the health care system in order to remain eligible for federal and State assistance. Such funds were provided to the hospitals as operating subsidies from the County General Fund during the year. The amount of subsidy, per facility, ranged from $53 million for Rancho Los Amigos National Rehabilitation Center to $303 million for the LAC+USC Medical Center. The total subsidy amount was $672 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Assets as "transfers in." By comparison, the total General Fund subsidy in the prior year was $687 million.

An additional source of local funding for the Hospitals is the Health Services Measure B Special Revenue Fund ("Measure B Fund"). The Measure B Fund receives voter approved property taxes for trauma and emergency services. In the current year, the Measure B Fund provided transfers to the LAC+USC Medical Center ($107 million), Harbor UCLA Medical Center ($53 million), and Olive View UCLA Medical Center ($42 million). The total amount of current year Measure B transfers ($202 million) were higher than the prior year amount of $193 million.

Waterworks Funds reported year-end net assets of $850 million, a $21 million reduction from the previous year. Current year operating revenues of $58 million were slightly higher than the previous year amount of $56 million. Current year operating expenses of $84 million grew in comparison to the previous year's amount of $77 million.

General Fund Budgetary Highlights

The accompanying basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Budgetary Basis for the County's General Fund. The County's budgetary basis of accounting has not yet incorporated GASB 54 fund balance terminology and is discussed in Notes 1 and 15 to the basic financial statements. There are approximately 100 separate budget units within the General Fund, excluding capital improvement projects, which are individually budgeted. The data presented below represents the net budgetary changes for the General Fund in a highly summarized format. Accordingly, in certain instances, budgets have been increased for programs within a category even though actual amounts have not been realized for the category in its entirety. Under the budgetary basis, there was a net decrease of $27 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	$ (2,252)	$ 3,841,125	$ 3,834,433	$ (6,692)
Intergovernmental revenues	32,571	8,277,478	7,611,594	(665,884)
Charges for services	(13,930)	1,743,401	1,655,633	(87,768)
All other revenues	68,895	561,135	586,750	25,615
Other sources and transfers in	14,749	630,491	396,081	(234,410)
Total	$ 100,033	$ 15,053,630	$ 14,084,491	$ (969,139)

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources approximated $100 million. The most significant changes occurred in the following areas:

- The increase of $69 million related to "all other revenues" was mostly attributable to tobacco settlement revenues of $65 million. The County's policy is to budget tobacco settlement revenues after they have been received. Miscellaneous revenue increases accounted for the remaining $4 million.

- Estimated intergovernmental revenues increased by $33 million. The additional revenues were primarily associated with new federal grants in the areas of emergency preparedness ($15 million) and law enforcement ($10 million). The remaining $8 million consisted of new federal and State grants for a variety of programs.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $969 million, or 6.4%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues, "other sources and transfers in," and charges for services.

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

- Actual intergovernmental revenues were $666 million lower than the amount budgeted. Mental health programs accounted for approximately $230 million of this variance, which experienced lower than anticipated reimbursable costs (particularly for contracted services) and correspondingly lower than expected revenues. Approximately $154 million was associated with social service programs, where reimbursable costs were lower than anticipated due to hiring and promotion delays, reduced spending for services and supplies, and delays in implementing new systems. An additional $145 million pertained to anticipated reimbursement of capital improvement, disaster recovery and homeland security projects and programs that were not completed prior to year-end. Public health related programs experienced shortfalls of $74 million, most of which was associated with federal grants and offset by a comparable amount of cost savings. The remaining variance of $63 million was related to a variety of other programs.

- The actual amount of "other sources and transfers in" was $234 million lower than the amount budgeted. Of this amount, "transfers in" totaling $116 million were assumed in the budget for capital improvements and extraordinary building maintenance projects which did not incur expected costs. In addition, mental health programs funded by the Mental Health Services Act Fund (Proposition 63) did not fully materialize at the budgeted level and "transfers in" were $101 million lower than budgeted. There were various other sources and transfers that comprised the remaining variance of $17 million.

- The amount of actual revenues from charges for services was $88 million lower than the amount budgeted and was associated with a wide variety of services. Anticipated service levels did not materialize as assumed by the budget.

Budgetary Summary - Expenditures/Other Financing Uses

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

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive
General government	$ 22,994	$ 1,582,697	$ 869,544	$ 713,153
Public protection	32,325	4,746,198	4,560,322	185,876
Health and sanitation	(40,412)	2,991,015	2,593,999	397,016
Public assistance	(1,118)	5,647,734	5,324,011	323,723
All other expenditures	3,333	1,250,435	374,643	875,792
Transfers out	25,870	726,316	708,000	18,316
Contingencies	14,179	14,179		14,179
Reserves/designations-net	42,862	(276,300)	(318,955)	42,655
Total	$ 100,033	$ 16,682,274	$14,111,564	$ 2,570,710

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations, reserves and designations were approximately $100 million. As discussed below, the most significant increases and reductions occurred in the following areas:

- Provisions for net reserves and designations were increased during the year by $43 million. At the end of the fiscal year, the designation for health services, which is predominately funded by tobacco settlement revenues, was increased by $96 million. This amount was comprised of tobacco settlement revenues recognized in the current year ($65 million) plus prior year funds that were appropriated, but unexpended ($31 million). The designation for extraordinary maintenance was reduced by $44 million to establish a comprehensive and preventative deferred maintenance program. Miscellaneous decreases of $9 million were made to reserves and other designations.

- Appropriations were reduced for the health and sanitation category by $40 million. Budgeted expenditures for the Managed Care Rate Supplement were reduced by $44 million. This reduction was due to lower than anticipated intergovernmental transfer expenditures associated with the County's Managed Care program.

- Appropriations were increased for the public protection category by $32 million. Of this amount, new grant funds of $15 million were appropriated for emergency preparedness programs. There was $9 million allocated for the closeout of the Office of Public Safety, which merged with the Sheriff's Department. The remaining $8 million was used to supplement the budget of the Probation Department, primarily for systems to handle medical records and case management.

- Appropriations for "transfers out" were increased by $26 million to supplement the amount of fund transfers from the General Fund to various Hospital Funds.

- General government appropriations were increased by $23 million. As previously mentioned, $44 million was added to appropriations for deferred maintenance. This amount was offset by appropriation reductions of $21 million, largely due to funding which shifted from the general government category to capital outlay.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were $2.571 billion lower (approximately 15.4%) than the final total budget of $16.682 billion. There were budgetary savings in all functional expenditure categories. Due to ongoing economic uncertainties, the County remained fiscally prudent in managing appropriations throughout the fiscal year. Savings were achieved through a variety of measures including departmental hiring freezes, reduction in purchases of services and supplies and capital assets, and development of efficiency initiatives. 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 $876 million less than the budgeted amount. Nearly all ($862 million) of this variance was related to the capital outlay category. There were many capital improvements anticipated in the budget that remained in the planning stages and did not incur expenditures during the year. Most of the unused balance has been reestablished in the following year's budget to ensure the continuity of the projects, many of which are multi-year in nature.

- The general government function reported actual expenditures that were $713 million less than the amount budgeted. Of this amount, $542 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations and central non-departmental appropriations. The remaining $171 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.

- Overall expenditures for the health and sanitation category were $397 million less than the budgeted amount. Appropriations related to mental health services exceeded actual expenditures by $285 million, primarily due to less than anticipated costs for contracted services and to a lesser extent, salary savings. The remaining variance was associated with a variety of health care programs administered by the Departments of Public Health Services ($89 million) and Health Services ($23 million).

- Actual public assistance expenditures were $324 million lower than the final budget. Of this amount, $277 million was concentrated in social service, children, and family programs. Administrative costs were lower than anticipated due to overall cost containment efforts, vacant positions, and delays in hiring. There were $33 million of savings related to homeless and housing programs due to delays in carrying out multi-year projects. The remaining variance amount of $14 million was related to other public assistance programs.

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2011 were $18.214 billion (net of depreciation). Capital assets include land, easements, buildings and improvements, equipment, software, and infrastructure. The major infrastructure network elements are roads, sewers, water, flood control, and aviation.

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was $187 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	$ 7,520,029	$ 7,477,362	$ 42,667
Buildings and improvements	3,917,585	3,945,086	(27,501)
Infrastructure	5,044,706	5,059,561	(14,855)
Equipment	496,315	440,147	56,168
Software	294,865	305,035	(10,170)
Capital assets, in progress	940,956	799,850	141,106
Total	$ 18,214,456	$ 18,027,041	$ 187,415

The County's major capital asset initiatives during the current year continued to focus on new facilities and major improvements for the Hospitals. There was significant construction-in-progress at Harbor/UCLA Medical Center, as $65 million was capitalized for surgical facilities and seismic retrofit projects. The net increase in equipment was especially influenced by the public protection category, as helicopters and fire engines were among the items acquired. As of the end of the current year, there were $364 million of capital construction commitments outstanding.

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	Increase (Decrease)
Bonds and Notes Payable	$ 2,508,668	$1,832,774	$ 675,894
Pension Bonds Payable		345,913	(345,913)
Total	$ 2,508,668	$ 2,178,687	$ 329,981

During the current year, the County's liabilities for long-term debt increased by $330 million, or 15.1%. Specific changes related to governmental and business-type activities are presented in Note 10 (Long-Term Obligations) to the basic financial statements. During the current year, significant long-term debt transactions were as follows:

- New debt of $62 million was issued to finance the acquisition of equipment. Equipment debt totaling $15 million was redeemed during the year in accordance with maturity schedules.

- New debt of $791 million was issued to redeem $169 million of commercial paper debt. The remaining $622 million provided funding for various Hospital facility improvements, facilities which support governmental activities, required debt service reserves and bond issuance costs.

- The remaining pension bonds outstanding ($346 million) were redeemed during the current year and there were no pension bond liabilities at the end of the current 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 $1.5 billion in tax and revenue anticipation notes which reached maturity on June 30, 2011, 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	Aa2	AA-	AA-
Pension Bonds	Aa3	A+	
Facilities	A1	A+	A+
Equipment/Non-Essential Leases	A2	A+	A+
Operating/Non-Essential Leases	A2	A+	A
Short-Term	MIG1	SP-1+	F1+
Commercial Paper	P-1	A-1+	
Flood Control District Revenue Bonds	Aa1	AA	AAA
Regional Park and Open Space District Bonds	Aa2	AA	AAA

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

- Moody's upgraded the Facilities rating from A2 to A1 and lowered the rating for Equipment/Non-Essential leases from A1 to A2.

- Fitch assigned an AA- rating for the General Obligation Bonds, upgraded the Facilities rating from A to A+, and upgraded the Flood Control District Revenue Bonds from AA+ to AAA.

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2011-2012 Budget on June 20, 2011. The Budget was adopted based on estimated fund balances that would be available at the end of 2010-2011. The Board updated the Budget on October 4, 2011 to reflect final 2010-2011 fund balances and other pertinent financial information. For the County's General Fund, the 2011-2012 Budget, as updated in October 2011, utilized $1.602 billion of fund balance, which exceeded the previously estimated fund balance of $1.340 billion. Of the additional fund balance of $262 million, $165 million was used to carryover lapsed appropriations and the remaining $97 million was used to fund one-time projects and programs.

The lingering effects of the recession continued to have a noticeable impact on the County's budget. For the 2011-2012 Budget, other factors included the reduction of federal stimulus funding, unavoidable pension and employee health insurance cost increases, and public assistance caseload increases. These factors are offset, in part, by signs of stability with certain key revenue sources. After experiencing a decline for two years in a row, the County's assessed property values are reversing this trend. The County Assessor has released the Net Local Property Tax Roll for 2011-12 and it is 1.36% higher than the previous year. Property tax revenues are the County's single most important source of funding and are vital to programs which rely on discretionary funding sources.

The County's financial outlook continues to be affected by the overall slow economic recovery and ongoing budget problems at the State level. The State Legislative Analyst's Office (LAO) estimates a State budget deficit of approximately $12.8 billion by the time the State Legislature enacts a 2012-2013 State budget plan. Although the anticipated deficit is lower than recent years, it is still significant and requires ongoing monitoring by the County, which remains highly dependent on State funding. One of the State's key 2011-12 budget strategies relies upon the "realignment" of programs by shifting funding, workload and responsibilities from State agencies to counties and especially targets the public protection area. This change potentially impacts the County if the cost of the new responsibilities does not approximate the new revenue streams.

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, 2011 (in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 LA
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	$ 3,518,618	$ 61,464	$ 3,580,082	$ 848,723
Other (Note 1)	1,688,358	36,339	1,724,697	
Total pooled cash and investments	5,206,976	97,803	5,304,779	848,723
Other investments (Note 5)	517,022	61,794	578,816	
Taxes receivable	304,233	965	305,198	
Accounts receivable - net (Note 13)		1,119,894	1,119,894	
Interest receivable	11,589	526	12,115	1,573
Other receivables	1,935,716	248,333	2,184,049	36,744
Internal balances (Note 14)	960,704	(960,704)		
Inventories	112,502	16,610	129,112	
Restricted assets (Note 5)	17,055	307,579	324,634	
Capital assets: (Notes 6 and 9)				
Capital assets, not being depreciated	7,922,641	538,344	8,460,985	2,039
Capital assets, net of accumulated depreciation	7,641,055	2,112,416	9,753,471	11,075
Total capital assets	15,563,696	2,650,760	18,214,456	13,114
TOTAL ASSETS	24,629,493	3,543,560	28,173,053	900,154
LIABILITIES				
Accounts payable	352,641	74,912	427,553	25,553
Accrued payroll	334,904	70,413	405,317	
Other payables	1,043,955	12,773	1,056,728	426,895
Accrued interest payable	26,845	20,577	47,422	
Unearned revenue	37,935	803	38,738	
Advances payable	422,254	222	422,476	
Noncurrent liabilities: (Note 10)				
Due within one year	713,030	200,731	913,761	48
Due in more than one year	8,535,163	2,135,279	10,670,442	338
TOTAL LIABILITIES	11,466,727	2,515,710	13,982,437	452,834
NET ASSETS				
Invested in capital assets, net of related debt (Notes 6 and 10)	14,484,468	2,242,340	16,726,808	13,114
Restricted for:				
Capital projects	103,479		103,479	
Debt service	56,910	59,026	115,936	
Permanent trust	2,733		2,733	
General government	555,342		555,342	
Public protection	461,749		461,749	
Public ways and facilities	455,070	49,305	504,375	
Health and sanitation	670,628		670,628	
Recreation	315,713		315,713	
Community development	284,000	13,885	297,885	
Other	20,038		20,038	434,206
Unrestricted (deficit)	(4,247,364)	(1,336,706)	(5,584,070)	
TOTAL NET ASSETS	$ 13,162,766	$ 1,027,850	$ 14,190,616	$ 447,320

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, 2011 (in thousands)

FUNCTIONS		PROGRAM REVENUES		
PRIMARY GOVERNMENT:	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	$ 1,100,781	$ 451,082	$ 53,514	$ 16,406
Public protection	6,081,466	1,308,388	1,090,638	34,759
Public ways and facilities	417,250	28,568	211,376	98,183
Health and sanitation	2,781,183	635,950	1,926,693	221
Public assistance	5,728,637	48,892	4,653,590	
Education	104,159	5,002	1,730	
Recreation and cultural services	311,422	179,705	1,601	
Interest on long-term debt	134,429			
Total governmental activities	16,659,327	2,657,587	7,939,142	149,569
Business-type activities:				
Hospitals	3,541,874	2,210,619	394,840	
Aviation	4,658	3,586	1,398	437
Waterworks	83,592	57,747	177	
Community Development Commission	284,048	11,096	285,056	
Total business-type activities	3,914,172	2,283,048	681,471	437
Total primary government	$ 20,573,499	$ 4,940,635	$ 8,620,613	$ 150,006
COMPONENT UNIT -				
First 5 LA	$ 150,402	$	$ 137,175	$

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

EXTRAORDINARY ITEM -
- State of California - AB 99 liability (Note 20)

TRANSFERS - NET

Total general revenues, extraordinary item and transfers

CHANGE IN NET ASSETS

NET ASSETS, JULY 1, 2010

NET ASSETS, JUNE 30, 2011

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

NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS				
PRIMARY GOVERNMENT			COMPONENT UNIT	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 LA	FUNCTIONS
				PRIMARY GOVERNMENT:
				Governmental activities:
$ (579,779)	$	$ (579,779)		General government
(3,647,681)		(3,647,681)		Public protection
(79,123)		(79,123)		Public ways and facilities
(218,319)		(218,319)		Health and sanitation
(1,026,155)		(1,026,155)		Public assistance
(97,427)		(97,427)		Education
(130,116)		(130,116)		Recreation and cultural services
(134,429)		(134,429)		Interest on long-term debt
(5,913,029)		(5,913,029)		Total governmental activities
				Business-type activities:
	(936,415)	(936,415)		Hospitals
	763	763		Aviation
	(25,668)	(25,668)		Waterworks
	12,104	12,104		Community Development Commission
	(949,216)	(949,216)		Total business-type activities
(5,913,029)	(949,216)	(6,862,245)		Total primary government
				COMPONENT UNIT -
			$ (13,227)	Total - First 5 LA
				GENERAL REVENUES:
				Taxes:
4,482,394	4,265	4,486,659		Property taxes
58,361		58,361		Utility users taxes
332,777		332,777		Voter approved taxes
45,117		45,117		Documentary transfer taxes
53,427		53,427		Other taxes
74,707		74,707		Sales and use taxes, levied by the State
				Grants and contributions not restricted
677,767	41	677,808		to special programs
80,746	2,142	82,888	12,005	Investment earnings
129,963	28,232	158,195	290	Miscellaneous
				EXTRAORDINARY ITEM -
			(424,389)	State of California - AB 99 liability (Note 20)
(859,079)	859,079			TRANSFERS - NET
5,076,180	893,759	5,969,939	(412,094)	Total general revenues, extraordinary item and transfers
(836,849)	(55,457)	(892,306)	(425,321)	CHANGE IN NET ASSETS
13,999,615	1,083,307	15,082,922	872,641	NET ASSETS, JULY 1, 2010
$ 13,162,766	$ 1,027,850	$ 14,190,616	$ 447,320	NET ASSETS, JUNE 30, 2011

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
ASSETS:				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	$ 568,691	180,870	145,784	41,740
Other (Note 1)	1,582,576	24,970	10,696	2,209
Total pooled cash and investments	2,151,267	205,840	156,480	43,949
Other investments (Notes 4 and 5)	16,589			120
Taxes receivable	210,914	50,483	14,767	7,016
Interest receivable	2,238	580	466	133
Other receivables	1,761,411	27,164	5,146	1,489
Due from other funds (Note 14)	356,860	6,050	8,254	3,420
Advances to other funds (Note 14)	1,063,061		6,601	
Inventories	54,145	14,121		1,285
TOTAL ASSETS	$ 5,616,485	304,238	191,714	57,412
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 286,597	6,228	1,951	1,507
Accrued payroll	289,546	27,878		3,147
Other payables	1,039,126	2,235		415
Due to other funds (Note 14)	464,170	13,740	15,879	4,317
Deferred revenue	382,897	36,399	16,780	5,033
Advances payable	411,508			
Notes payable				
Third party payor liability (Notes 10 and 13)	20,198			
TOTAL LIABILITIES	2,894,042	86,480	34,610	14,419
FUND BALANCES (Notes 2 and 19):				
Nonspendable	259,127	14,121		1,285
Restricted	35,377	203,637	157,104	7,049
Committed				
Assigned	763,038			34,659
Unassigned	1,664,901			
TOTAL FUND BALANCES	2,722,443	217,758	157,104	42,993
TOTAL LIABILITIES AND FUND BALANCES	$ 5,616,485	304,238	191,714	57,412

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

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				ASSETS:
				Pooled cash and investments: (Notes 1 and 5)
$ 305,671	2,248,974		$ 3,491,730	Operating (Note 1)
3,505	59,796		1,683,752	Other (Note 1)
309,176	2,308,770		5,175,482	Total pooled cash and investments
	688,943	(197,285)	508,367	Other investments (Notes 4 and 5)
2,948	18,105		304,233	Taxes receivable
976	7,048		11,441	Interest receivable
4,931	77,920		1,878,061	Other receivables
451	316,520		691,555	Due from other funds (Note 14)
	15,056		1,084,718	Advances to other funds (Note 14)
	32,926		102,477	Inventories
$ 318,482	3,465,288	(197,285)	$ 9,756,334	TOTAL ASSETS
				LIABILITIES AND FUND BALANCES
				LIABILITIES:
$ 745	44,949		$ 341,977	Accounts payable
	92		320,663	Accrued payroll
	231		1,042,007	Other payables
2,006	350,722		850,834	Due to other funds (Note 14)
5,650	35,850		482,609	Deferred revenue
	9,746		421,254	Advances payable
	71,264		71,264	Notes payable
	824		21,022	Third party payor liability (Notes 10 and 13)
8,401	513,678		3,551,630	TOTAL LIABILITIES
				FUND BALANCES (Notes 2 and 19):
	38,676		313,209	Nonspendable
310,081	2,692,526	(197,285)	3,208,489	Restricted
	111,363		111,363	Committed
	109,045		906,742	Assigned
			1,664,901	Unassigned
310,081	2,951,610	(197,285)	6,204,704	TOTAL FUND BALANCES
$ 318,482	3,465,288	(197,285)	$ 9,756,334	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, 2011 (in thousands)

Fund balances - total governmental funds (page B-29)			$ 6,204,704
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not reported in governmental funds:			
Land and easements	$	7,265,882	
Construction-in-progress		656,759	
Buildings and improvements - net		2,672,612	
Equipment - net		265,616	
Intangible software - net		250,357	
Infrastructure - net		4,319,929	15,431,155
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	$	220,041	
Long-term receivables		272,185	492,226
Accrued interest payable is not recognized in governmental funds.			(26,640)
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)	$	(1,656,115)	
Capital lease obligations		(181,095)	
Accrued vacation/sick leave		(796,644)	
Workers' compensation		(1,749,882)	
Litigation/self-insurance		(117,292)	
Pollution remediation obligations		(28,095)	
OPEB obligation		(4,273,527)	(8,802,650)
Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net assets.			(136,029)
Net assets of governmental activities (page B-25)			$ 13,162,766

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, 2011 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
REVENUES:				
Taxes	$ 3,843,366	618,519	97,233	71,683
Licenses, permits and franchises	56,656	12,705	595	
Fines, forfeitures and penalties	244,787	5,807	1,824	752
Revenue from use of money and property:				
Investment income (Note 5)	54,665	645	1,003	196
Rents and concessions (Note 9)	74,993	112	6,377	12
Royalties	482		798	
Intergovernmental revenues:				
Federal	3,289,984	11,574	3,642	170
State	4,108,280	12,146	2,126	2,084
Other	108,228	30,029	6,366	1,532
Charges for services	1,641,399	168,000	113,998	3,310
Miscellaneous	145,414	648	2,594	1,219
TOTAL REVENUES	13,568,254	860,185	236,556	80,958
EXPENDITURES:				
Current:				
General government	883,854			
Public protection	4,401,985	834,238	220,811	
Public ways and facilities				
Health and sanitation	2,476,524			
Public assistance	5,217,560			
Education				109,952
Recreation and cultural services	263,046			
Debt service:				
Principal	78,046	3,815		847
Interest and other charges	194,445	8,239		1,849
Capital leases	5,986	2,796		288
Capital outlay	32,598			
TOTAL EXPENDITURES	13,554,044	849,088	220,811	112,936
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,210	11,097	15,745	(31,978)
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 14)	422,680		41	38,552
Transfers out (Note 14)	(762,808)	(2,438)	(20,227)	(4,303)
Issuance of debt (Note 10)				
Proceeds for capital leases (Note 9)	43,523			
Sales of capital assets	9,027	297	70	7,587
TOTAL OTHER FINANCING SOURCES (USES)	(287,578)	(2,141)	(20,116)	41,836
NET CHANGE IN FUND BALANCES	(273,368)	8,956	(4,371)	9,858
FUND BALANCES, JULY 1, 2010	2,995,811	208,802	161,475	33,135
FUND BALANCES, JUNE 30, 2011	$ 2,722,443	217,758	157,104	42,993

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

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				REVENUES:
$	324,453		$ 4,955,254	Taxes
	10,322		80,278	Licenses, permits and franchises
884	87,089		341,143	Fines, forfeitures and penalties
				Revenue from use of money and property:
2,553	32,037	(10,515)	80,584	Investment income (Note 5)
	30,165		111,659	Rents and concessions (Note 9)
	5		1,285	Royalties
				Intergovernmental revenues:
	175,335		3,480,705	Federal
	856,407		4,981,043	State
	16,230		162,385	Other
80,152	130,038		2,136,897	Charges for services
	68,732		218,607	Miscellaneous
83,589	1,730,813	(10,515)	16,549,840	TOTAL REVENUES
				EXPENDITURES:
				Current:
	14,245		898,099	General government
	59,803		5,516,837	Public protection
	340,886		340,886	Public ways and facilities
	152,292		2,628,816	Health and sanitation
	169,645		5,387,205	Public assistance
	598		110,550	Education
32,614	7,264		302,924	Recreation and cultural services
				Debt service:
	152,453	(25,375)	209,786	Principal
	75,877	(10,515)	269,895	Interest and other charges
			9,070	Capital leases
	68,994		101,592	Capital outlay
32,614	1,042,057	(35,890)	15,775,660	TOTAL EXPENDITURES
50,975	688,756	25,375	774,180	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES):
	178,199		639,472	Transfers in (Note 14)
(36,168)	(684,366)		(1,510,310)	Transfers out (Note 14)
	326,363		326,363	Issuance of debt (Note 10)
			43,523	Proceeds for capital leases (Note 9)
	751		17,732	Sales of capital assets
(36,168)	(179,053)		(483,220)	TOTAL OTHER FINANCING SOURCES (USES)
14,807	509,703	25,375	290,960	NET CHANGE IN FUND BALANCES
295,274	2,441,907	(222,660)	5,913,744	FUND BALANCES, JULY 1, 2010
$ 310,081	2,951,610	(197,285)	$ 6,204,704	FUND BALANCES, JUNE 30, 2011

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, 2011 (in thousands)

Net change in fund balances - total governmental funds (page B-33)		$ 290,960
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	$ 366,201	
Less - current year depreciation expense	(338,926)	27,275
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.		(1,898)
Contribution of capital assets is not recognized in the governmental funds.		46,937
Revenue timing differences result in more revenue in government-wide statements.		27,033
Issuance of long-term debt provides revenue in the governmental funds, but increases long-term liabilities in the statement of net assets.		(369,886)
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	$ 82,039	
Certificates of participation	99,040	
Assessment bonds	25,375	
Other long-term notes, loans and capital leases	13,302	219,756
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	$ 70,544	
Change in litigation/self-insurance	38,112	
Change in pollution remediation obligations	(3,340)	
Change in accrued vacation/sick leave	(8,885)	
Change in OPEB liability	(1,246,891)	
Change in accrued interest payable	(12,579)	
Change in accretion of tobacco settlement bonds	(12,495)	
Change in accretion of pension bonds	157,468	
Transfer of capital assets from governmental fund to enterprise fund	(2,564)	(1,020,630)
The change in the net pension obligation (an asset) is not recognized in governmental funds.		(35,832)
The portion of internal service funds that is reported with governmental activities.		(20,564)
Change in net assets of governmental activities (page B-27)		$ (836,849)

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, 2011 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 3,843,377	3,841,125	3,834,433	(6,692)
Licenses, permits and franchises	45,938	45,938	56,656	10,718
Fines, forfeitures and penalties	224,625	227,005	244,787	17,782
Revenue from use of money and property:				
Investment income	57,578	58,696	58,815	119
Rents and concessions	59,453	59,633	59,206	(427)
Royalties	236	236	482	246
Intergovernmental revenues:				
Federal	3,966,011	4,006,440	3,337,489	(668,951)
State	4,137,895	4,129,949	4,164,899	34,950
Other	141,001	141,089	109,206	(31,883)
Charges for services	1,757,331	1,743,401	1,655,633	(87,768)
Miscellaneous	104,410	169,627	166,804	(2,823)
TOTAL REVENUES	14,337,855	14,423,139	13,688,410	(734,729)
EXPENDITURES:				
Current:				
General government	1,559,703	1,582,697	869,544	(713,153)
Public protection	4,713,873	4,746,198	4,560,322	(185,876)
Health and sanitation	3,031,427	2,991,015	2,593,999	(397,016)
Public assistance	5,648,852	5,647,734	5,324,011	(323,723)
Recreation and cultural services	267,383	283,613	269,419	(14,194)
Debt service-				
Interest	14,542	14,542	14,542	
Capital outlay	965,177	952,280	90,682	(861,598)
TOTAL EXPENDITURES	16,200,957	16,218,079	13,722,519	(2,495,560)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,863,102)	(1,794,940)	(34,109)	1,760,831
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	8,508	8,508	9,027	519
Transfers in	607,234	621,983	387,054	(234,929)
Transfers out	(700,446)	(726,316)	(708,000)	18,316
Appropriation for contingencies		(14,179)		14,179
Changes in reserves and designations	319,162	276,300	318,955	42,655
OTHER FINANCING SOURCES (USES) - NET	234,458	166,296	7,036	(159,260)
NET CHANGE IN FUND BALANCE	(1,628,644)	(1,628,644)	(27,073)	1,601,571
FUND BALANCE, JULY 1, 2010 (Note 15)	1,628,644	1,628,644	1,628,644	
FUND BALANCE, JUNE 30, 2011 (Note 15)	$		1,601,571	1,601,571

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, 2011 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 607,303	616,856	616,606	(250)
Licenses, permits and franchises	7,765	7,765	12,705	4,940
Fines, forfeitures and penalties	5,849	5,849	5,807	(42)
Revenue from use of money and property:				
Investment income	900	900	1,483	583
Rents and concessions	81	81	112	31
Intergovernmental revenues:				
Federal	15,086	18,153	11,574	(6,579)
State	11,795	11,795	12,146	351
Other	32,716	32,716	30,029	(2,687)
Charges for services	177,834	177,834	168,000	(9,834)
Miscellaneous	414	424	648	224
TOTAL REVENUES	859,743	872,373	859,110	(13,263)
EXPENDITURES:				
Current-Public protection:				
Salaries and employee benefits	766,933	767,415	738,165	(29,250)
Services and supplies	131,159	141,786	96,629	(45,157)
Other charges	6,798	6,898	4,738	(2,160)
Capital assets	16,013	17,881	11,567	(6,314)
TOTAL EXPENDITURES	920,903	933,980	851,099	(82,881)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(61,160)	(61,607)	8,011	69,618
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	104	104	297	193
Transfers out	(2,438)	(2,438)	(2,438)	
Appropriation for contingencies		(9,553)		9,553
Changes in reserves and designations	(30,325)	(20,325)	(18,349)	1,976
OTHER FINANCING SOURCES (USES) - NET	(32,659)	(32,212)	(20,490)	11,722
NET CHANGE IN FUND BALANCE	(93,819)	(93,819)	(12,479)	81,340
FUND BALANCE, JULY 1, 2010 (Note 15)	93,819	93,819	93,819	
FUND BALANCE, JUNE 30, 2011 (Note 15)	$		81,340	81,340

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, 2011 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 98,200	98,200	96,828	(1,372)
Licenses, permits and franchises	630	630	595	(35)
Fines, forfeitures and penalties	1,500	1,500	1,824	324
Revenue from use of money and property:				
Investment income	3,001	3,001	1,824	(1,177)
Rents and concessions	7,275	7,275	6,377	(898)
Royalties	400	400	798	398
Intergovernmental revenues:				
Federal			3,642	3,642
State	841	841	2,126	1,285
Other	5,648	5,648	6,366	718
Charges for services	111,384	111,384	113,943	2,559
Miscellaneous	1,435	1,435	2,594	1,159
TOTAL REVENUES	230,314	230,314	236,917	6,603
EXPENDITURES:				
Current-Public protection:				
Services and supplies	173,739	179,406	175,553	(3,853)
Other charges	19,942	19,942	19,639	(303)
Capital assets	52,865	26,422	21,259	(5,163)
Capital outlay	5	781	779	(2)
TOTAL EXPENDITURES	246,551	226,551	217,230	(9,321)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,237)	3,763	19,687	15,924
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	300	300	70	(230)
Transfers in	40	40	40	
Transfers out	(2,583)	(2,583)	(1,159)	1,424
Appropriation for contingencies	(618)	(618)		618
Changes in reserves and designations	4,475	(15,525)	(11,305)	4,220
OTHER FINANCING SOURCES (USES) - NET	1,614	(18,386)	(12,354)	6,032
NET CHANGE IN FUND BALANCE	(14,623)	(14,623)	7,333	21,956
FUND BALANCE, JULY 1, 2010 (Note 15)	14,623	14,623	14,623	
FUND BALANCE, JUNE 30, 2011 (Note 15)	$		21,956	21,956

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, 2011 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 70,101	71,491	71,541	50
Fines, forfeitures and penalties			752	752
Revenue from use of money and property:				
Investment income	400	400	349	(51)
Rents and concessions	20	20	12	(8)
Intergovernmental revenues:				
Federal	350	350	170	(180)
State	1,879	1,879	2,084	205
Other	1,351	1,351	1,532	181
Charges for services	2,898	2,898	3,310	412
Miscellaneous	1,491	1,491	1,219	(272)
TOTAL REVENUES	78,490	79,880	80,969	1,089
EXPENDITURES:				
Current-Education:				
Salaries and employee benefits	79,769	79,769	73,284	(6,485)
Services and supplies	60,002	55,724	37,047	(18,677)
Other charges	373	3,071	3,047	(24)
Capital assets	726	951	622	(329)
TOTAL EXPENDITURES	140,870	139,515	114,000	(25,515)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(62,380)	(59,635)	(33,031)	26,604
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	1	1	7,587	7,586
Transfers in	50,110	49,440	38,552	(10,888)
Transfers out	(3,433)	(4,533)	(4,303)	230
Appropriation for contingencies	(22)	(1,412)		1,412
Changes in reserves and designations	800	1,215	2,058	843
OTHER FINANCING SOURCES (USES) - NET	47,456	44,711	43,894	(817)
NET CHANGE IN FUND BALANCE	(14,924)	(14,924)	10,863	25,787
FUND BALANCE, JULY 1, 2010 (Note 15)	14,924	14,924	14,924	
FUND BALANCE, JUNE 30, 2011 (Note 15)	$		25,787	25,787

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, 2011 (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	$ 818	818	884	66
Revenue from use of money and property-				
Investment income	5,738	5,738	4,072	(1,666)
Charges for services	81,908	81,908	79,799	(2,109)
TOTAL REVENUES	88,464	88,464	84,755	(3,709)
EXPENDITURES:				
Current-Recreation and cultural services:				
Services and supplies	5,282	5,282	5,118	(164)
Other charges	192,149	192,149	26,156	(165,993)
TOTAL EXPENDITURES	197,431	197,431	31,274	(166,157)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(108,967)	(108,967)	53,481	162,448
OTHER FINANCING SOURCES (USES):				
Transfers in	82,324	82,324	73,768	(8,556)
Transfers out	(117,821)	(117,821)	(109,936)	7,885
Appropriation for contingencies	(14,780)	(14,780)		14,780
Changes in reserves and designations	(5,504)	(5,404)	(3,527)	1,877
OTHER FINANCING SOURCES (USES) - NET	(55,781)	(55,681)	(39,695)	15,986
NET CHANGE IN FUND BALANCE	(164,748)	(164,648)	13,786	178,434
FUND BALANCE, JULY 1, 2010 (Note 15)	165,189	165,189	165,189	
FUND BALANCE, JUNE 30, 2011 (Note 15)	$ 441	541	178,975	178,434

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, 2011 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
ASSETS					
Current assets:					
Pooled cash and investments: (Notes 1 and 5)					
Operating (Note 1)	$ 959	566	7,156		239
Other (Note 1)	10,728	9,078	14,199		1,906
Total pooled cash and investments	11,687	9,644	21,355		2,145
Other investments (Note 5)					
Taxes receivable					
Accounts receivable - net (Note 13)	347,319	200,477	441,951		111,523
Interest receivable	184	13	162		3
Other receivables	14,001	13,207	22,273		3,978
Due from other funds (Note 14)	81,554	37,741	119,589		21,317
Advances to other funds (Note 14)					
Inventories	4,230	3,905	7,213		1,259
Total current assets	458,975	264,987	612,543		140,225
Noncurrent assets:					
Restricted assets (Note 5)	249,047	11,126	43,786		844
Other receivables (Note 13 and 14)	51,744	58,616	60,680		23,487
Capital assets: (Notes 6 and 9)					
Land and easements	3,276	15,171	18,183		217
Buildings and improvements	272,319	152,939	1,078,864		187,179
Equipment	101,169	39,674	153,574		15,195
Intangible - software	15,352	13,878	18,158		5,085
Infrastructure					
Construction in progress	143,583	76,015	782		8,609
Less accumulated depreciation	(236,561)	(115,214)	(277,281)		(108,642)
Total capital assets - net	299,138	182,463	992,280		107,643
Total noncurrent assets	599,929	252,205	1,096,746		131,974
TOTAL ASSETS	1,058,904	517,192	1,709,289		272,199
LIABILITIES					
Current liabilities:					
Accounts payable	20,958	11,070	30,120		3,851
Accrued payroll	21,467	12,911	30,249		5,786
Other payables	4,277	1,985	3,600		1,082
Accrued interest payable	17,031	3,280	65		168
Due to other funds (Note 14)	51,061	26,804	58,980		14,919
Advances from other funds (Note 14)	338,853	228,934	388,680		104,059
Advances payable			222		
Unearned revenue			39		
Current portion of long-term liabilities (Note 10)	39,334	16,714	125,507		15,792
Total current liabilities	492,981	301,698	637,462		145,657
Noncurrent liabilities:					
Accrued vacation and sick leave (Note 10)	43,171	22,579	52,725		10,184
Bonds and notes payable (Note 10)	422,137	76,855	8,483		20,825
Capital lease obligations (Notes 9 and 10)					
Workers' compensation (Notes 10 and 17)	76,634	22,830	114,228		21,049
Litigation and self-insurance (Notes 10 and 17)	25,808	1,063	45,581		566
OPEB obligation (Notes 8 and 10)	250,302	168,136	383,794		79,366
Third party payor liability (Notes 10 and 13)	52,229	28,668	126,521		25,418
Total noncurrent liabilities	870,281	320,131	731,332		157,408
TOTAL LIABILITIES	1,363,262	621,829	1,368,794		303,065
NET ASSETS					
Invested in capital assets, net of related debt (Notes 6 and 10)	114,198	109,898	893,453		81,318
Restricted:					
Debt service		1,323	43,721		
Public ways and facilities					
Community development commission					
Unrestricted (deficit)	(418,556)	(215,858)	(596,679)		(112,184)
TOTAL NET ASSETS (DEFICIT) (Note 3)	$ (304,358)	(104,637)	340,495		(30,866)

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				ASSETS
				Current assets:
				Pooled cash and investments: (Notes 1 and 5)
$ 44,195	7,394	$ 60,509	$ 27,843	Operating (Note 1)
419	4	36,334	4,611	Other (Note 1)
44,614	7,398	96,843	32,454	Total pooled cash and investments
	61,794	61,794	8,655	Other investments (Note 5)
965		965		Taxes receivable
10,405	8,219	1,119,894		Accounts receivable - net (Note 13)
141	23	526	148	Interest receivable
347		53,806	9,157	Other receivables
718	1	260,920	77,655	Due from other funds (Note 14)
1,308		1,308		Advances to other funds (Note 14)
3		16,610	10,025	Inventories
58,501	77,435	1,612,666	138,094	Total current assets
				Noncurrent assets:
		304,803	19,831	Restricted assets (Note 5)
		194,527		Other receivables (Note 13 and 14)
				Capital assets: (Notes 6 and 9)
11,273	206,027	254,147		Land and easements
119,091	172,670	1,983,062	1,734	Buildings and improvements
675	3,431	313,718	269,828	Equipment
1,345		53,818		Intangible - software
1,152,300	43,495	1,195,795		Infrastructure
40,655	14,553	284,197		Construction in progress
(524,196)	(183,151)	(1,445,045)	(127,953)	Less accumulated depreciation
801,143	257,025	2,639,692	143,609	Total capital assets - net
801,143	257,025	3,139,022	163,440	Total noncurrent assets
859,644	334,460	4,751,688	301,534	TOTAL ASSETS
				LIABILITIES
				Current liabilities:
3,256	4,689	73,944	11,632	Accounts payable
		70,413	14,241	Accrued payroll
	1,829	12,773	1,948	Other payables
		20,544	238	Accrued interest payable
5,433	1,749	158,946	20,350	Due to other funds (Note 14)
	3,500	1,064,026	22,000	Advances from other funds (Note 14)
		222		Advances payable
507	257	803	54	Unearned revenue
22	399	197,768	30,308	Current portion of long-term liabilities (Note 10)
9,218	12,423	1,599,439	100,771	Total current liabilities
				Noncurrent liabilities:
	133	128,792	38,957	Accrued vacation and sick leave (Note 10)
24	46,696	575,020	66,240	Bonds and notes payable (Note 10)
			124	Capital lease obligations (Notes 9 and 10)
		234,741	35,108	Workers' compensation (Notes 10 and 17)
		73,018	2,291	Litigation and self-insurance (Notes 10 and 17)
		881,598	192,466	OPEB obligation (Notes 8 and 10)
		232,836		Third party payor liability (Notes 10 and 13)
24	46,829	2,126,005	335,186	Total noncurrent liabilities
9,242	59,252	3,725,444	435,957	TOTAL LIABILITIES
				NET ASSETS
801,097	240,873	2,240,837	75,129	Invested in capital assets, net of related debt (Notes 6 and 10)
				Restricted:
	13,911	58,955	503	Debt service
49,305		49,305		Public ways and facilities
	13,885	13,885	2,837	Community development commission
	6,539	(1,336,738)	(212,892)	Unrestricted (deficit)
$ 850,402	275,208	1,026,244	$ (134,423)	TOTAL NET ASSETS (DEFICIT) (Note 3)
		1,606		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ 1,027,850		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, 2011 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
OPERATING REVENUES:					
Net patient service revenues (Note 13)	$ 549,342	409,671	971,546	96,945	182,434
Rentals					
Charges for services					
Other (Note 13)	76,007	41,641	199,757	75,351	30,851
TOTAL OPERATING REVENUES	625,349	451,312	1,171,303	172,296	213,285
OPERATING EXPENSES:					
Salaries and employee benefits	461,958	346,778	806,525	115,447	159,751
Services and supplies	116,712	57,730	220,068	29,740	26,732
Other professional services	132,796	122,448	322,479	65,098	37,086
Depreciation and amortization (Note 6)	4,170	5,683	26,852	4,176	3,119
Medical malpractice	4,219	1,917		210	2,926
Rent	5,629	3,932	6,318	996	1,802
TOTAL OPERATING EXPENSES	725,484	538,488	1,382,242	215,667	231,416
OPERATING LOSS	(100,135)	(87,176)	(210,939)	(43,371)	(18,131)
NONOPERATING REVENUES (EXPENSES):					
Taxes					
Interest income	376	190	936	116	36
Interest expense	(22,757)	(6,991)	(7,765)	(3,469)	(3,494)
Intergovernmental transfers expense (Note 13)	(102,398)	(62,237)	(210,911)		(27,219)
Intergovernmental revenues:					
State					
Federal					
Other					
TOTAL NONOPERATING REVENUES (EXPENSES)	(124,779)	(69,038)	(217,740)	(3,353)	(30,677)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(224,914)	(156,214)	(428,679)	(46,724)	(48,808)
Capital contributions	1,723	781			60
Transfers in (Note 14)	221,348	157,933	411,815	109,353	55,661
Transfers out (Note 14)	(62,255)	(31,726)			(6,220)
CHANGE IN NET ASSETS	(64,098)	(29,226)	(16,864)	62,629	693
TOTAL NET ASSETS (DEFICIT), JULY 1, 2010	(240,260)	(75,411)	357,359	(62,629)	(31,559)
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2011	$ (304,358)	(104,637)	340,495		(30,866)

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				OPERATING REVENUES:
$		$ 2,209,938	$	Net patient service revenues (Note 13)
	14,302	14,302	27,933	Rentals
57,747	380	58,127	443,077	Charges for services
118	822	424,547		Other (Note 13)
57,865	15,504	2,706,914	471,010	TOTAL OPERATING REVENUES
				OPERATING EXPENSES:
		1,890,459	387,208	Salaries and employee benefits
58,450	285,494	794,926	53,068	Services and supplies
2,693	620	683,220	32,709	Other professional services
22,443	2,536	68,979	33,315	Depreciation and amortization (Note 6)
		9,272		Medical malpractice
		18,677		Rent
83,586	288,650	3,465,533	506,300	TOTAL OPERATING EXPENSES
(25,721)	(273,146)	(758,619)	(35,290)	OPERATING LOSS
				NONOPERATING REVENUES (EXPENSES):
4,265		4,265		Taxes
411	77	2,142	193	Interest income
(6)	(56)	(44,538)	(2,498)	Interest expense
		(402,765)		Intergovernmental transfers expense (Note 13)
				Intergovernmental revenues:
21	4	25		State
192	285,628	285,820	1,400	Federal
5		5		Other
4,888	285,653	(155,046)	(905)	TOTAL NONOPERATING REVENUES (EXPENSES)
(20,833)	12,507	(913,665)	(36,195)	INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS
	437	3,001		Capital contributions
	132	956,242	18,397	Transfers in (Note 14)
(144)		(100,345)	(3,456)	Transfers out (Note 14)
(20,977)	13,076	(54,767)	(21,254)	CHANGE IN NET ASSETS
871,379	262,132		(113,169)	TOTAL NET ASSETS (DEFICIT), JULY 1, 2010
$ 850,402	275,208		$ (134,423)	TOTAL NET ASSETS (DEFICIT), JUNE 30, 2011
		(690)		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ (55,457)		CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE B-27)

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from patient services	$ 520,873	363,087	970,513	62,641	179,643
Rentals received					
Cash received from charges for services					
Other operating revenues	76,019	41,643	199,763	75,353	30,856
Cash received for services provided to other funds	7,544	10,052	22,990	7,475	788
Cash paid for salaries and employee benefits	(419,593)	(309,391)	(743,934)	(114,130)	(145,549)
Cash paid for services and supplies	(86,635)	(76,241)	(229,755)	(12,038)	(22,431)
Other operating expenses	(147,654)	(127,786)	(331,880)	(66,712)	(41,253)
Cash paid for services from other funds	(31,154)	(25,586)	(69,499)	(19,238)	(11,518)
Net cash provided by (required for) operating activities	(80,600)	(124,222)	(181,802)	(66,649)	(9,464)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash advances received from other funds	383,044	291,204	772,144	146,868	143,219
Cash advances paid/returned to other funds	(380,252)	(255,500)	(777,385)	(128,762)	(149,899)
Interest paid on pension bonds	(1,069)	(927)	(2,804)	(1,191)	(769)
Interest paid on advances	(1,495)	(1,376)	(3,172)	(596)	(695)
Intergovernmental transfers	(102,398)	(62,237)	(210,911)		(27,219)
Intergovernmental receipts					
Transfers in	221,348	157,933	411,815	58,100	55,661
Transfers out	(11,002)	(31,726)			(6,220)
Net cash provided by noncapital financing activities	108,176	97,371	189,687	74,419	14,078
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from taxes					
Capital contributions					
Proceeds from bonds and notes	393,689	82,368	89,048	7,256	2,919
Interest paid on capital borrowing	(3,530)	(1,408)	(1,923)	(2,010)	(2,377)
Principal payments on bonds and notes	(140,757)	(44,865)	(58,994)	(18,484)	(6,508)
Principal payments on capital leases					
Acquisition and construction of capital assets	(57,370)	(10,128)	(1,851)	(5,472)	(1,558)
Net cash provided by (required for) capital and related financing activities	192,032	25,967	26,280	(18,710)	(7,524)
CASH FLOWS FROM INVESTING ACTIVITIES -					
Interest income received	201	188	860	116	35
Net increase (decrease) in cash and cash equivalents	219,809	(696)	35,025	(10,824)	(2,875)
Cash and cash equivalents, July 1, 2010	40,925	21,466	30,116	10,824	5,864
Cash and cash equivalents, June 30, 2011	$ 260,734	20,770	65,141		2,989

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:
$		$ 2,096,757	$	Cash received from patient services
	13,555	13,555	27,679	Rentals received
58,382	4,397	62,779	33,960	Cash received from charges for services
118	822	424,574		Other operating revenues
		48,849	393,983	Cash received for services provided to other funds
	(22,119)	(1,754,716)	(355,956)	Cash paid for salaries and employee benefits
(58,104)	(263,998)	(749,202)	(54,464)	Cash paid for services and supplies
(2,693)	(620)	(718,598)	(32,709)	Other operating expenses
		(156,995)		Cash paid for services from other funds
(2,297)	(267,963)	(732,997)	12,493	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:
	3,500	1,739,979		Cash advances received from other funds
		(1,691,798)		Cash advances paid/returned to other funds
		(6,760)	(1,304)	Interest paid on pension bonds
		(7,334)		Interest paid on advances
		(402,765)		Intergovernmental transfers
218	286,941	287,159	1,400	Intergovernmental receipts
	132	904,989	18,397	Transfers in
(144)		(49,092)	(3,456)	Transfers out
74	290,573	774,378	15,037	Net cash provided by noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:
4,250		4,250		Proceeds from taxes
	437	437		Capital contributions
	43,716	618,996	62,000	Proceeds from bonds and notes
(6)	(56)	(11,310)	(1,072)	Interest paid on capital borrowing
(21)	(350)	(269,979)	(14,680)	Principal payments on bonds and notes
			(32)	Principal payments on capital leases
(21,873)	(25,577)	(123,829)	(68,924)	Acquisition and construction of capital assets
(17,650)	18,170	218,565	(22,708)	Net cash provided by (required for) capital and related financing activities
467	66	1,933	175	CASH FLOWS FROM INVESTING ACTIVITIES - Interest income received
(19,406)	40,846	261,879	4,997	Net increase (decrease) in cash and cash equivalents
64,020	28,346	201,561	55,943	Cash and cash equivalents, July 1, 2010
$ 44,614	69,192	$ 463,440	$ 60,940	Cash and cash equivalents, June 30, 2011

Continued…

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:					
Operating loss	$ (100,135)	(87,176)	(210,939)	(43,371)	(18,131)
Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:					
Depreciation and amortization	4,170	5,683	26,852	4,176	3,119
Other revenues (expenses) - net	16,607	(24,665)	(297)	(8,691)	(90)
(Increase) decrease in:					
Accounts receivable - net	(49,842)	(67,879)	(71,608)	(14,194)	(20,172)
Other receivables	243	(1,225)	1,259	77	(58)
Due from other funds	17,925	32,696	40,873	9,084	6,965
Inventories	(1)	(83)	(190)	(217)	(60)
Net pension obligation	2,109	1,829	5,537	2,350	1,518
Increase (decrease) in:					
Accounts payable	(955)	1,663	6,894	(658)	166
Accrued payroll	410	483	377	(23)	87
Other payables	32	84	160	(71)	(10)
Accrued vacation and sick leave	774	342	(647)	(225)	(68)
Due to other funds	(16,716)	(21,010)	(85,587)	8,032	(7,228)
Unearned revenue			(153)		
Pension bonds payable	(14,096)	(12,229)	(37,015)	(15,709)	(10,147)
Workers' compensation liability	(1,353)	(1,190)	(8,905)	(3,279)	(737)
Litigation and self-insurance liability	(5,010)	511	(3,083)	(408)	561
OPEB obligation	56,021	48,068	103,084	16,296	23,559
Third party payor liability	9,217	(124)	51,586	(19,818)	11,262
TOTAL ADJUSTMENTS	19,535	(37,046)	29,137	(23,278)	8,667
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ (80,600)	(124,222)	(181,802)	(66,649)	(9,464)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-					
Assets acquired from capital leases	$				
Capital contributions	1,723	781			60
TOTAL	$ 1,723	781			60
NONCASH NON-CAPITAL FINANCING ACTIVITIES-					
Transfers between MLK Ambulatory Care Center and Harbor-UCLA Medical Center	$ (51,253)			51,253	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:					
Pooled cash and investments	$ 11,687	9,644	21,355		2,145
Other investments					
Restricted assets	249,047	11,126	43,786		844
TOTAL	$ 260,734	20,770	65,141		2,989

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
$ (25,721)	(273,146)	$ (758,619)	$ (35,290)	Operating loss
				Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:
22,443	2,536	68,979	33,315	Depreciation and amortization
30	(50)	(17,156)	(1,222)	Other revenues (expenses) - net
				(Increase) decrease in:
(10,405)	(8,219)	(242,319)		Accounts receivable - net
8,933	11,764	20,993	(1,867)	Other receivables
2,105	4	109,652	(12,766)	Due from other funds
(3)		(554)	61	Inventories
		13,343	2,576	Net pension obligation
				Increase (decrease) in:
(502)	(923)	5,685	(1,208)	Accounts payable
		1,334	336	Accrued payroll
	(260)	(65)	19	Other payables
	(76)	100	120	Accrued vacation and sick leave
821	1,452	(120,236)	(7,423)	Due to other funds
2	(279)	(430)	(415)	Unearned revenue
		(89,196)	(17,210)	Pension bonds payable
		(15,464)	(2,809)	Workers' compensation liability
	(766)	(8,195)	605	Litigation and self-insurance liability
		247,028	55,671	OPEB obligation
		52,123		Third party payor liability
23,424	5,183	25,622	47,783	TOTAL ADJUSTMENTS
$ (2,297)	(267,963)	$ (732,997)	$ 12,493	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-
$		$	$ 154	Assets acquired from capital leases
		2,564		Capital contributions
$		$ 2,564	$ 154	TOTAL
				NONCASH NON-CAPITAL FINANCING ACTIVITIES-
$		$	$	Transfers between MLK Ambulatory Care Center and Harbor-UCLA Medical Center
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:
$ 44,614	7,398	$ 96,843	$ 32,454	Pooled cash and investments
	61,794	61,794	8,655	Other investments
		304,803	19,831	Restricted assets
$ 44,614	69,192	$ 463,440	$ 60,940	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 5)	$ 57,088	$ 16,103,099	$ 1,304,177
Other investments: (Note 5)		67,391	302
Stocks	20,454,549		
Bonds	9,648,959		
Short-term investments	1,355,772		
Commodities	1,004,662		
Real estate	3,316,258		
Mortgages	174,476		
Alternative assets	3,975,579		
Cash collateral on loaned securities	1,693,349		
Taxes receivable			668,952
Interest receivable	134,088	48,507	13,069
Other receivables	914,250		
TOTAL ASSETS	42,729,030	16,218,997	$ 1,986,500
LIABILITIES			
Accounts payable	1,523,681		
Other payables (Note 5)	1,753,338	577,833	
Due to other governments			1,986,500
TOTAL LIABILITIES	3,277,019	577,833	$ 1,986,500
NET ASSETS			
Held in trust for pension benefits and investment trust participants	$ 39,452,011	$ 15,641,164	

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

COUNTY OF LOS ANGELES
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS
ADDITIONS:		
Contributions:		
Pension trust contributions:		
Employer	$ 944,174	$
Member	463,743	
Contributions to investment trust funds		39,728,870
Total contributions	1,407,917	39,728,870
Investment earnings:		
Investment income	1,579,009	107,485
Net increase in the fair value of investments	5,426,883	
Securities lending income (Note 5)	6,468	
Total investment earnings	7,012,360	107,485
Less - Investment expenses:		
Expense from investing activities	79,642	
Expense from securities lending activities (Note 5)	2,360	
Total net investment expense	82,002	
Net investment earnings	6,930,358	107,485
Miscellaneous	591	
TOTAL ADDITIONS	8,338,866	39,836,355
DEDUCTIONS:		
Salaries and employee benefits	37,173	
Services and supplies	13,432	
Benefit payments	2,247,073	
Distributions from investment trust funds		40,422,311
Miscellaneous	23,065	
TOTAL DEDUCTIONS	2,320,743	40,422,311
CHANGE IN NET ASSETS	6,018,123	(585,956)
NET ASSETS HELD IN TRUST, JULY 1, 2010	33,433,888	16,227,120
NET ASSETS HELD IN TRUST, JUNE 30, 2011	$ 39,452,011	$ 15,641,164

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), which was established in 1852, is a legal subdivision of the State of California (State) charged with general governmental powers. The County's powers are exercised through an elected five member Board of Supervisors (Board) which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by the Governmental Accounting Standards Board (GASB), these basic financial statements include both those of the County and its component units. The component units discussed below are included primarily because the Board is financially accountable for them.

Blended Component Units

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Unit

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

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

Component Unit Financial Statements

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

Government-wide Financial Statements

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements-Continued

Net assets are classified into the following three categories: 1) invested in capital assets, net of related debt; 2) restricted and 3) unrestricted. Net assets are reported as restricted when they have external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2011, the restricted net assets balances were $2.93 billion and $122.22 million for governmental activities and business-type activities, respectively. For governmental activities, $683.25 million was restricted by enabling legislation.

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

Fund Financial Statements

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

The County reports the following major governmental funds:

General Fund

The General Fund is available for any authorized purpose and is used to account for and report all financial resources not accounted for and reported in another fund.

Fire Protection District Fund

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

Flood Control District Fund

The Flood Control District Fund is used to account for the control and conservation of flood, storm and other waste waters, to conserve such waters for beneficial and useful purposes, and to protect the harbors, waterways, public highways and property located within the District from damage from such flood and storm waters. Funding comes primarily from the District's statutory share of the Countywide tax levy and benefit assessments (charges for services).

Public Library Fund

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Regional Park and Open Space District Fund

The Regional Park and Open Space District Fund is used to account for the grant programs designed to preserve beaches, parks, and wild lands, to acquire and renovate new and existing recreational facilities, and to restore rivers, streams, and trails in the County. Funding comes primarily from voter-approved assessments, charges for services and long-term debt proceeds.

The County's major enterprise funds consist of 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:

Harbor-UCLA Medical Center

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

Olive View-UCLA Medical Center

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

LAC+USC Medical Center

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

Martin Luther King, Jr. Ambulatory Care Center

The Martin Luther King, Jr. Multi-Service Ambulatory Care Center (MLK-MACC), formerly known as Martin Luther King, Jr.-Harbor Hospital, provides urgent care services, comprehensive outpatient services, including, primary, specialty and subspecialty services in surgery, medicine, pediatrics, obstetrics, HIV/AIDS, and dental services. At the end of the current fiscal year, the MLK Ambulatory Care Center Enterprise Fund was merged with the Harbor-UCLA Medical Center Enterprise Fund.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Waterworks Funds

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

The following fund types have also been reported:

Internal Service Funds

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

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.

Agency Funds

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

Basis of Accounting

The government-wide, proprietary, pension 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers revenues to be available if collectible within one year after year-end, except for property taxes, which are considered available to the extent that they are collectible within 60 days after year-end. When property taxes are measurable but not available, the collectible portion (taxes levied less estimated uncollectibles) are recorded as deferred revenue in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims (including workers' compensation) and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital 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 13, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data

In accordance with the provisions of Sections 29000-29144 of the Government Code of the State of California (Government Code), commonly known as the County Budget Act, the County prepares and adopts a budget on or before October 2 for each fiscal year. Budgets are adopted for the major governmental funds and certain nonmajor governmental funds on a basis of accounting which is different from generally accepted accounting principles (GAAP). Annual budgets were not adopted for the JPAs, Public Buildings and the LACSC debt service funds, the capital project funds and the permanent funds.

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled on the object level for all budget units within the County, except for capital asset expenditures, which are controlled on the sub-object level. The total budget exceeds $25 billion and is currently controlled through the use of approximately 400 separate budget units. There were no excesses of expenditures over the related appropriations within any fund for the year ended June 30, 2011. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control.

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

Note 15 describes the differences between the budgetary basis of accounting and GAAP. A reconciling schedule is also presented for the major governmental funds.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed at 100% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization. The total 2010-2011 assessed valuation of the County of Los Angeles approximated $1.055 trillion.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

The County is divided into 11,769 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 5.

Deposits and investments are reflected in the following asset accounts:

Pooled Cash and Investments

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

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

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, 2011 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 5. These restricted assets are presented as noncurrent assets and are generally associated with long-term bonds payable.

Inventories

Inventories, which consist of materials and supplies held for consumption, are valued at cost using the average cost basis. The inventory costs of the governmental funds are accounted for as expenditures when the inventory items are consumed. Reported inventories are categorized as nonspendable fund balance as required by GASB 54 because these amounts are not available for appropriation and expenditure.

Of the amounts reported as inventories in the governmental activities, $32,926,000 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets

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

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

The County's capitalization thresholds are $5,000 for equipment, $100,000 for buildings and improvements, $1 million for software intangible assets, $100,000 for non-software intangible assets, and $25,000 for infrastructure assets. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation or amortization, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations. Specific disclosures related to capital assets appear in Note 6. Amortization for software and other intangible assets is included in the reporting of depreciation.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 to 50 years
Equipment	2 to 35 years
Software	5 to 25 years
Infrastructure	15 to 100 years

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

Advances Payable

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Vacation and Sick Leave Benefits

Vacation pay benefits accrue to employees ranging from 10 to 20 days per year depending on years of service and the benefit plan. Sick leave benefits accrue at the rate of 10 to 12 days per year for union represented employees depending on years of service. Non-represented employees accrue at a rate of up to 8 days per year depending on the benefit plan. 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).

Long-term Debt

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental funds financial statements, bond premiums, discounts, and issuance costs, are recognized in the period issued. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. Interest is reported as an expenditure in the period in which the related payment is made. The matured portion of long-term debt (i.e. portion that has come due for payment) is reported as a liability in the fund financial statements of the related fund.

Fund Balances

In the fund financial statements, the governmental funds report the classification of fund balance in accordance with GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” The reported fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Specific details related to Fund Balances appear in Note 19.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balances-Continued

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

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

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

The Board of Supervisors establishes, modifies, or rescinds fund balance commitments and assignments by passage of ordinance or resolution, respectively. This is done through the adoption of the budget and subsequent amendments that occur throughout the fiscal year.

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

Cash Flows

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

Use of Estimates

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

Reclassification

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

2. NEW PRONOUNCEMENTS

As discussed below, the County implemented the following Governmental Accounting Standards Board (GASB) Statements in the 2010-2011 fiscal year:

Government Accounting Standards Board Statement No. 54

For the fiscal year ended June 30, 2011, the County implemented GASB Statement No. 54 (GASB 54), "Fund Balance Reporting and Governmental Fund Type Definitions."

GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and it clarifies the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in Notes 1 and 19.

GASB 54 also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. The definitions of the General Fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are also clarified by the provisions in this statement. There were no changes in fund types as a result of GASB 54.

Governmental Accounting Standards Board Statement No. 59

GASB Statement No. 59 (GASB 59), "Financial Instruments Omnibus", was implemented by the County for the year ended June 30, 2011. This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. Except for LACERA, GASB 59 did not have an impact to the County's pooled and other investments. The County will apply GASB 59 as appropriate in the future.

LACERA implemented the provisions and disclosure requirements of GASB 59. The Pension Trust Fund excludes allocated insurance contracts and annuities from fair value as they have named beneficiaries. Also, the current practice on deposit and investment risk disclosures was amended to indicate that interest rate risk information should be disclosed only for debt investment pools. GASB 59 did not have an impact to LACERA's Financial Statements. The overall effect on the implementation of GASB 59 for LACERA was to provide additional information in the disclosure of allocated insurance contracts and annuities.

3. NET ASSET DEFICITS

The following funds had net asset deficits at June 30, 2011 (in thousands):

	Accumulated Deficit
Enterprise Funds:	
Harbor-UCLA Medical Center	$ 304,358
Olive View-UCLA Medical Center	104,637
Rancho Los Amigos National Rehab Center	30,866
Internal Service Fund-	
Public Works	147,083

3. NET ASSET DEFICITS-Continued

The Enterprise and Internal Service Funds' deficits result primarily from the recognition of certain liabilities including accrued vacation and sick leave, Other Postemployment Benefits (OPEB) obligation, 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.

4. ELIMINATIONS

The Regional Park and Open Space District (RPOSD), a blended component unit, is authorized to issue assessment bonds to acquire and improve recreational land and facilities. These bonds are secured by voter-approved property tax assessments. The RPOSD executed a financing agreement with the Public Works Financing Authority, another blended component unit referred to in the basic financial statements as "Joint Powers Authorities" (JPAs). Under the terms of the agreement, the RPOSD sold $510,185,000 of bonds in 1997 that were acquired as an investment by the JPAs. The JPAs financed this investment from proceeds of a simultaneous issuance of an equivalent amount of bonds as a public offering. The structure of the publicly offered JPA bonds was designed to match the RPOSD's bonds relative to principal and interest maturities and interest rates. This series of transactions was conducted to facilitate the issuance of RPOSD related bonds and to minimize the County's overall interest cost. Pursuant to the financing agreement with the JPAs, the RPOSD has pledged all available tax assessments necessary to ensure the timely payment of principal and interest on the bonds issued by the JPAs. The 1997 bonds were partially refunded in 2004-2005 and the remaining 1997 bonds were fully refunded in 2007-2008. The transactions between the two component units have been accounted for as follows:

Fund Financial Statements

At June 30, 2011, the governmental fund financial statements reflect an investment asset (referred to as "Other Investments") held by the JPAs of $197,285,000 that has been recorded in the Nonmajor Governmental Funds. The governmental fund financial statements do not reflect a liability for the related bonds payable ($197,285,000), 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 ($197,285,000) and investment earnings and interest expense ($10,515,000 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 $197,285,000, that were publicly issued, are included among the liabilities presented in the Government-wide Financial Statements. Disclosures related to those outstanding bonds appear in Note 10 and are captioned "Assessment Bonds."

5. CASH AND INVESTMENTS

Investments in the County's cash and investment pool, other cash and investments, and Pension Trust Fund investments, are stated at fair value. Aggregate pooled cash and investments and other cash and investments are as follows at June 30, 2011 (in thousands):

			Restricted Assets		
	Pooled Cash and Investments	Other Investments	Pooled Cash and Investments	Other Investments	Total
Governmental Funds	$ 5,175,482	$ 508,367	$	$	$ 5,683,849
Proprietary Funds	129,297	70,449	67,246	257,388	524,380
Fiduciary Funds (excluding Pension Trust Fund)	17,407,276	67,693			17,474,969
Pension Trust Fund	57,088	41,623,604			41,680,692
Component Unit	848,723				848,723
Total	$ 23,617,866	$42,270,113	$ 67,246	$ 257,388	$ 66,212,613

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, 2011, the carrying amount of the County's deposits was $121,622,000 and the balance per various financial institutions was $119,539,000. The County's deposits are not exposed to custodial credit risk since all of its deposits are either covered by federal depository insurance or collateralized with securities held by the County or its agent in the County's name, in accordance with California Government Code Section 53652.

At June 30, 2011, the carrying amount of Pension Trust Fund deposits was $160,223,000. 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, municipalities, asset-backed securities, mortgaged-backed securities, bankers' acceptances, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, negotiable certificates of deposits, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, floating rate notes, time deposits, shares of beneficial interest of a Joint Powers Authority that invests in authorized securities, shares of beneficial interest issued by diversified management companies known as money market mutual funds (MMF) registered with the Securities and Exchange Commission, State and local agency investment funds, mortgage pass-through securities, and guaranteed investment contracts. The investments are managed by the County Treasurer who reports on a monthly basis to the Board of Supervisors. In addition, Treasury investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial reviews, and annual financial reporting.

5. CASH AND INVESTMENTS-Continued

Investments-Continued

As permitted by the Government Code, the County Treasurer developed, and the Board adopted, an Investment Policy that further defines and restricts the limits within which the County Treasurer may invest. The table below identifies the investment types that are authorized by the County, along with the related concentration of credit limits:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Notes, Bills and Bonds	None	None	None
U.S. Agency Securities	None	None	None
Local Agency Obligations	5 years	10%*	10%*
Bankers' Acceptances	180 days	40%	$500 million*
Commercial Paper	270 days	40%	$750 million*
Certificates of Deposit	3 years*	30%	$500 million*
Corporate Medium-Term Notes	3 years*	30%	$500 million*
Repurchase Agreements	30 days*	$1 billion*	$500 million*
Reverse Repurchase Agreements	92 days	$500 million*	$250 million*
Securities Lending Agreements	92 days	20%*	None
Money Market Mutual Funds	NA	15%*	10%
State of California's Local Agency Fund (LAIF)	N/A	$50 million**	None
Asset-Backed Securities	5 years	20%	$500 million*

*Represents restriction in which the County's Investment Policy is more restrictive than the California Government Code.

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

Investments held by the County Treasurer are stated at fair value, except for certain non-negotiable securities that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates such as repurchase agreements, money market mutual funds, mortgage trust deeds, Los Angeles County securities, guaranteed investment contracts and investments in the Local Agency Investment Fund. The fair value of pooled investments is determined and provided by the custodian bank based on quoted market prices at month-end. The method used to determine the value of participants' equity withdrawn is based on the book value, which is amortized cost, of the participants' percentage participation at the date of such withdrawals.

At June 30, 2011, the County had open trade commitments with various brokers to purchase investments totaling $1,527,852,000 with settlement dates subsequent to year-end. These investments have been included in Pooled Cash and Investments-Other and corresponding liabilities have been recorded as Other Payables.

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

5. 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 and Note I of LACERA's Report on Audited Financial Statements for the year ended June 30, 2011.

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-four percent (84%) 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 Purpose Investments (SPI) have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's investment pool and is reported in the Specific Investment Trust Fund. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer must follow.

County pooled and other investments (excluding Pension Trust Fund other investments) at June 30, 2011 (in thousands) are as follows:

	Fair Value
U.S. Agency securities	$ 11,833,261
U.S. Treasury securities	1,738,746
Negotiable certificates of deposit	3,125,165
Commercial paper	6,767,119
Corporate and deposit notes	657,622
Bankers' acceptances	24,997
Municipal bonds	5,165
Los Angeles County securities	77,000
Money market mutual funds	107,492
Local Agency Investment Fund	63,610
Mortgage trust deeds	499
Other	55,786
Cash with Trustee	10,925
Total	$ 24,467,387

Pension Trust Fund investments are reported in the basic financial statements at fair value at June 30, 2011 (in thousands) and are as follows:

	Fair Value
Domestic and international equity	$ 21,987,675
Fixed income	11,179,207
Real estate	3,316,258
Private equity	3,975,579
Commodities	1,004,662
Total	$ 41,463,381

5. CASH AND INVESTMENTS-Continued

Investments-Continued

The Pension Trust Fund also had deposits with the Los Angeles County Treasury Pool at June 30, 2011 totaling $57,088,000. The Pension Trust Fund portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of total investments.

The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2011 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. Agency securities	$ 11,788,428	$ 11,787,368	0.25%-7.88%	07/01/11-07/22/16	3.16
U.S. Treasury securities	1,738,336	1,733,068	0.24%-4.75%	09/22/11-06/30/16	0.95
Negotiable certificates of deposit	3,125,165	3,125,110	0.12%-0.80%	07/01/11-04/20/12	0.15
Commercial paper	6,767,119	6,767,414	0.12%-0.25%	07/01/11-08/22/11	0.06
Corporate and deposit notes	647,368	643,881	0.14%-6.38%	07/20/11-01/08/13	0.60
Los Angeles County securities	77,000	77,000	0.51%-0.68%	06/30/12-06/30/13	1.81
Bankers' acceptances	24,997	24,996	0.24%	07/25/11	0.07
Deposits	80,205	80,205			
	$ 24,248,618	$ 24,239,042			

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

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
Local Agency Investment Fund	$ 63,610	$ 63,510	0.00% - 12.50%	07/01/11-08/25/37	0.65
Corporate and deposit notes	10,254	10,254		09/21/15-11/09/15	4.29
Mortgage trust deeds	499	499	2.25% - 5.50%	08/01/12-04/01/17	3.44
Municipal bonds	5,165	5,165	5.00%	09/02/21	10.18
U.S. Agency securities	44,833	44,806	0.04% - 2.77%	07/01/11-03/22/16	3.36
U.S. Treasury bonds	107	86	7.25%	05/15/16	4.88
U.S. Treasury notes	1	1	4.88%	07/31/11	0.08
U.S. Treasury bills	302	302	0.10%	12/08/11	0.44
Money market mutual funds	107,492	107,492	0.01% - 0.21%	07/01/11-05/16/12	0.23
Other	55,786	55,786			
Cash with Trustee	10,925	10,925			
Deposits	41,417	41,417			
	$ 340,391	$ 340,243			

5. 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 County's Investment policy limits most investment maturities to three years, with the exception of commercial paper and bankers' acceptances which are limited to 270 days and 180 days, respectively. In addition, U.S. Treasury Notes, Bills, and Bonds may have maturities beyond five years. The County Treasurer manages equity and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding all investments to maturity. The County's investment guidelines limit the weighted average maturity of its portfolios to a target of less than 1.5 years. Of the Pooled Cash and Investments and Other Investments at June 30, 2011, 52.61% have a maturity of six months or less, 9.39% have a maturity of between six and twelve months, and 38% have a maturity of more than one year.

As of June 30, 2011, variable-rate notes comprised 1.23% of the Treasury Pool and Other Investment portfolios. The notes are tied to one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable-rate coupon resets back to the market rate on a periodic basis. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset.

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank, except for Bond Anticipation Notes, certain long-term debt proceeds issued by Los Angeles County entities, investment in the State's Local Agency Investment Fund, and mortgage trust deeds which are held in the County Treasurer's vault. Securities are not held in broker accounts. At June 30, 2011, 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 (NRSROs). For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's) while an issuer of long-term debt shall be rated no less than an "A." All investments purchased in the fiscal year met the credit rating criteria in the Investment Policy, at the issuer level. While the NRSROs rated the issuer of the investments purchased, it did not in all instances rate the investment itself (e.g. commercial paper, corporate and deposit notes, and negotiable certificates of deposit). For purposes of reporting credit quality distribution of investments in the following table, some investments are reported as not rated. At June 30, 2011, a portion of the County's other investments was invested in the State of California's Local Agency Investment Fund which is unrated as to credit quality.

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

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 2.21% of the investment pool's daily investment balance. For commercial paper, the highest issuer limit was $750 million, or 3.32% of the investment pool's daily investment balance.

The Pool and SPI had the following U.S. Agency securities in a single issuer that represent 5 percent or more of total investments at June 30, 2011 (in thousands):

Issuer	Pool
Federal Farm Credit Bank	$ 2,003,437
Federal Home Loan Bank	3,511,507
Federal Home Loan Mortgage Corp	3,006,301
Federal National Mortgage Association	3,259,337

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, 2011:

	S & P	Moody's	% of Portfolio
Pooled Cash and Investments:			
Commercial paper	Not Rated	Not Rated	28.00%
Corporate and deposit notes			
	AA	Aa1	0.35%
	A+	Aa3	0.04%
	AA+	Aa2	0.73%
	AA+	Aa3	0.22%
	AA-	Aa3	0.27%
	Not Rated	Not Rated	1.07%
Bankers' Acceptances	Not Rated	Not Rated	0.10%
Los Angeles County securities	A+	A1	0.32%
Negotiable certificates of deposit	Not Rated	Not Rated	12.93%
U.S. Agency securities	AAA	Aaa	47.33%
	Not Rated	Not Rated	1.45%
U.S. Treasury securities	Not Rated	Aaa	5.25%
	Not Rated	Not Rated	1.94%
			100.00%

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

Other Investments:			
Local Agency Investment Fund	Not Rated	Not Rated	21.28%
Corporate and deposit notes	Not Rated	Not Rated	3.43%
Mortgage trust deeds	AA-	Aa2	0.17%
Municipal bonds	AA-	Aa2	1.73%
U.S. Agency securities	AAA	Aaa	4.91%
	AAA	Not Rated	10.07%
	Not Rated	Not Rated	0.01%
U.S. Treasury securities	Not Rated	Aaa	0.01%
	Not Rated	Not Rated	0.13%
Money market mutual funds	AAA	Aaa	9.42%
	Not Rated	Aaa-mf	1.72%
	Not Rated	Not Rated	24.81%
Other	Not Rated	Not Rated	22.31%
			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, 2011 was 1.34%.

A separate financial report is issued for the Treasurer's Pool. The most current report, as of June 30, 2010, is available on the Treasurer's website, and the report as of June 30, 2011, is in progress. The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2011 (in thousands):

Statement of Net Assets	
Net assets held in trust for all pool participants	$ 24,248,618
Equity of internal pool participants	$ 8,675,120
Equity of external pool participants	15,573,498
Total equity	$ 24,248,618
Statement of Changes in Net Assets	
Net assets at July 1, 2010	$ 23,588,130
Net change in investments by pool participants	660,488
Net assets at June 30, 2011	$ 24,248,618

The unrealized gain on investments held in the Treasurer's Pool was $9,576,000 as of June 30, 2011. 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.

5. CASH AND INVESTMENTS-Continued

Reverse Repurchase Agreements-Continued

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.

Floating Rate Notes

The California Government Code permits the County Treasurer to purchase floating rate notes, that is, any instruments that have a coupon interest rate that is adjusted periodically due to changes in a base or benchmark rate. The County's investment guidelines limit the amount of floating rate notes to 10% of the Los Angeles County Treasury Pool portfolio and prohibit the purchase of inverse floating rate notes and hybrid or complex structured investments. As of June 30, 2011, there were approximately $297,000,000 in floating rate notes.

Derivatives

LACERA utilizes forward currency contracts to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. At June 30, 2011, forward currency contracts receivable and payable totaled $8,858,281,000 and $8,910,819,000, respectively.

LACERA's Investment Policy Statement and Investment Manager Guidelines allow the limited use of other investment derivatives by certain investment managers. Detailed derivative disclosures are included in Note I of LACERA's Report on Audited Financial Statements for the year ended June 30, 2011.

Securities Lending Transactions

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

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

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

5. CASH AND INVESTMENTS-Continued

Securities Lending Transactions-Continued

At year-end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2011, 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, 2011.

As of June 30, 2011, the fair value of securities on loan was $1.66 billion. The value of the cash collateral received for those securities was $1.69 billion and the non-cash collateral was $3.27 million. Securities lending assets (Other Investments) and liabilities (Other Payables) of $1.6 billion are recorded in the Pension Trust Fund. Pension Trust Fund income, net of expenses, from securities lending was $4.1 million for the year ended June 30, 2011.

For the year ended June 30, 2011, 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, 2011 (in thousands):

	County	Pension Trust Fund	Total
Deposits	$ 121,622	$ 160,223	$ 281,845
Investments	24,467,387	41,463,381	65,930,768
	$ 24,589,009	$ 41,623,604	$ 66,212,613

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 is as follows (in thousands):

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 2,402,387	3,334	(2,634)	$ 2,403,087
Easements	4,832,583	30,287	(75)	4,862,795
Software in progress	3,913	21,300	(689)	24,524
Construction in progress-buildings and improvements	140,129	130,808	(59,990)	210,947
Construction in progress-infrastructure	452,620	185,807	(217,139)	421,288
Subtotal	$ 7,831,632	371,536	(280,527)	$ 7,922,641

6. CAPITAL ASSETS-Continued

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets, being depreciated:				
Buildings and improvements	$ 4,063,464	77,752	(26,052)	$ 4,115,164
Equipment	1,203,138	175,874	(61,312)	1,317,700
Software	381,398	24,501		405,899
Infrastructure	7,234,438	125,213	(27)	7,359,624
Subtotal	12,882,438	403,340	(87,391)	13,198,387
Less accumulated depreciation for:				
Buildings and improvements	(1,382,640)	(73,214)	14,275	(1,441,579)
Equipment	(868,618)	(108,763)	56,865	(920,516)
Software	(123,044)	(32,498)		(155,542)
Infrastructure	(2,887,032)	(152,689)	26	(3,039,695)
Subtotal	(5,261,334)	(367,164)	71,166	(5,557,332)
Total capital assets, being depreciated, net	7,621,104	36,176	(16,225)	7,641,055
Governmental activities capital assets, net	$15,452,736	407,712	(296,752)	$15,563,696
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 211,383	11,755		$ 223,138
Easements	31,009			31,009
Software in progress	723	2,776	(1,345)	2,154
Construction in progress-buildings and improvements	145,176	91,072	(3,433)	232,815
Construction in progress-infrastructure	57,289	29,456	(37,517)	49,228
Subtotal	445,580	135,059	(42,295)	538,344
Capital assets, being depreciated:				
Buildings and improvements	1,976,338	6,937	(213)	1,983,062
Equipment	328,166	13,084	(3,743)	337,507
Software	52,473	1,345		53,818
Infrastructure	1,162,156	34,278	(639)	1,195,795
Subtotal	3,519,133	55,644	(4,595)	3,570,182
Less accumulated depreciation for:				
Buildings and improvements	(712,076)	(27,178)	192	(739,062)
Equipment	(222,539)	(21,958)	6,121	(238,376)
Software	(5,792)	(3,518)		(9,310)
Infrastructure	(450,001)	(21,402)	385	(471,018)
Subtotal	(1,390,408)	(74,056)	6,698	(1,457,766)
Total capital assets, being depreciated, net	2,128,725	(18,412)	2,103	2,112,416
Business-type activities capital assets, net	$ 2,574,305	116,647	(40,192)	$ 2,650,760
Total Capital Assets, net	$18,027,041	524,359	(336,944)	$18,214,456

6. CAPITAL ASSETS-Continued

Depreciation Expense

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

Governmental activities:	
General government	$ 21,615
Public protection	160,421
Public ways and facilities	86,286
Health and sanitation	15,490
Public assistance	32,259
Education	2,732
Recreation and cultural services	20,123
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	28,238
Total depreciation expense, governmental activities	$ 367,164
Business-type activities:	
Hospitals	$ 44,000
Aviation	1,633
Waterworks	22,443
Community Development Commission	903
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	5,077
Total depreciation expense, business-type activities	$ 74,056

The business-type activities included equipment transfers from the County's General Fund to each Hospital Fund. For hospitals, the amount of the transfers exceeded the amount of deletions by $2.9 million which lowered the business-type equipment deletions amount. Capital contributions totaling $2.6 million are shown in the statement of revenues, expenses and changes in fund net assets for each of the Hospital Funds.

The State Trial Court Facilities Act (SB 1732, Chapter 1082 of 2002), as amended by later statutes, authorized the County to enter into agreements with the State of California for the transfer of responsibility for and title to court facilities, as well as for the joint occupancy of those court facilities. Administrative oversight of court operations was transferred from the County to the State in 1998, pursuant to State legislative action at that time. The Trial Court Facilities Act is a continuation of this process. Although the County is required to make ongoing "maintenance of effort" payments to the State for the transferred facilities, the amount is fixed and the County will no longer be responsible for costs which exceed the fixed amount due to inflation and other factors.

In fiscal year 2010-11, the County recorded two courthouse transfers of land, buildings, and improvements to the State, which resulted in a loss on the sale of capital assets used in governmental activities. The loss of $9.3 million is reported as a general government expense in the government-wide statement of activities.

6. CAPITAL ASSETS-Continued

Discretely Presented Component Unit

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2011 was as follows (in thousands):

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets, not being depreciated-				
Land	$ 2,039			$ 2,039
Capital assets, being depreciated:				
Buildings and improvements	11,922	99		12,021
Equipment	2,251	195	(47)	2,399
Subtotal	14,173	294	(47)	14,420
Less accumulated depreciation for:				
Buildings and improvements	(1,226)	(240)		(1,466)
Equipment	(1,580)	(346)	47	(1,879)
Subtotal	(2,806)	(586)	47	(3,345)
Total capital assets being depreciated, net	11,367	(292)		11,075
Component unit capital assets, net	$ 13,406	(292)		$ 13,114

7. PENSION PLAN

Plan Description

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

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

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

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

7. PENSION PLAN-Continued

Plan Description-Continued

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

Funding Policy

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

The following employer rates were in effect for 2010-2011:

July 1, 2010 - September 30, 2010	A	B	C	D	E
General Members	17.28%	10.62%	9.88%	10.48%	10.45%
Safety Members	27.83%	20.35%			

October 1, 2010 - June 30, 2011	A	B	C	D	E
General Members	19.40%	12.74%	12.23%	12.65%	12.67%
Safety Members	29.46%	22.69%			

The rates were determined by the actuarial valuation performed as of June 30, 2009 and June 30, 2010, respectively. The June 30, 2010 actuarial valuation was 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 2010-2011, the County contributed the full amount of the ARC.

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation for 2010-2011, computed in accordance with GASB 27, were as follows (in thousands):

Annual required contribution (ARC):	
County	$ 944,062
Non-County entities	112
Total ARC	944,174
Interest on net pension obligation (asset)	(4,011)
Adjustment to ARC	55,762
Annual pension cost	995,925
Contributions made:	
County	944,062
Non-County entities	112
Total contributions	944,174
Cost in excess of contributions	51,751
Net pension obligation (asset), July 1, 2010	(51,751)
Net pension obligation (asset), June 30, 2011	$ 0

7. PENSION PLAN-Continued

Annual Pension Cost and Net Pension Obligation-Continued

Trend Information (in thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2009	$ 890,393	95.1%	$ (103,501)
June 30, 2010	895,453	94.2%	(51,751)
June 30, 2011	995,925	94.8%	0

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the funded ratio was determined to be 83.3%. The actuarial value of assets was $38.8 billion, and the actuarial accrued liability (AAL) was $46.6 billion, resulting in an unfunded AAL of $7.8 billion. The covered payroll was $6.7 billion and the ratio of the unfunded AAL to the covered payroll was 116.6%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The annual required contribution was calculated using the entry age normal method. The most recent actuarial valuation also assumed an annual investment rate of return of 7.75%, and projected salary increases ranging from 4.26% to 10.24%, with both assumptions including a 3.5% inflation factor. Additionally, the valuation assumed post-retirement benefit increases of between 2% and 3%, in accordance with the provisions of the specific benefit options. The actuarial value of assets was determined utilizing a five-year smoothed method based on the difference between the expected market value and the actual market value of assets as of the valuation date. The assumptions remained the same from the last actuarial valuation completed in 2009.

The County contribution rate to finance the unfunded AAL (effective for the 2010-2011 fiscal year, as determined by the June 30, 2010, actuarial valuation) was equal to 6.47% of payroll (using the level percentage of payroll amortization method, over a 30-year closed period) plus the normal cost rate of 9.84%, for a total rate of 16.31% 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.

Pension Obligation Bonds

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.

7. PENSION PLAN-Continued

Pension Obligation Bonds-Continued

For the year ended June 30, 2011, the combined principal and interest payments for the bonds were $372,130,000. For governmental activities, the total debt service was $276,174,000. For business-type activities, the total debt service was $95,956,000. The Pension Obligation Bonds were fully redeemed on July 30, 2010.

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

LACERA administers a cost-sharing, multi-employer defined benefit Other Postemployment Benefit (OPEB) plan on behalf of the County. As indicated in Note 7-Pension Plan, because the non-County entities are immaterial to its operations, the disclosures herein are made as if LACERA was a single employer defined benefit plan.

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

LACERA issues a stand-alone financial report that includes the required information for the OPEB plan. The report is available at its offices located at Gateway Plaza, 300 North Lake Avenue, Pasadena, California 91101-4199.

Funding Policy

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

Health care benefits include medical, dental, vision, Medicare Part B reimbursement and death benefits. In addition to these retiree health care benefits, the County provides long-term disability benefits to employees, and these benefits have been determined to fall within the definition of OPEB, per GASB 45. These long-term disability benefits provide for income replacement if an employee is unable to work because of illness or injury. Specific coverage depends on the employee's employment classification, chosen plan and, in some instances years of service.

A trust fund has not been established for the retiree health benefits or the long-term disability benefits. The County's contribution is on a pay-as-you-go basis. During the 2010-2011 fiscal year, the County made payments to LACERA totaling $375.6 million for retiree health care benefits. Included in this amount was, $35.5 million for Medicare Part B reimbursements and $7.0 million in death benefits. Additionally, $34.9 million was paid by member participants. The County also made payments of $35.3 million for long-term disability benefits.

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Annual OPEB Cost and Net OPEB Obligation

The County's Annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The OPEB cost and OPEB obligation were determined by the OPEB health care actuarial valuation as of July 1, 2010, and the OPEB long-term disability actuarial valuation as of July 1, 2009. The following table shows the ARC, the amount actually contributed and the net OPEB obligation (in thousands):

	Retiree Health Care	LTD	Total
Annual OPEB required contribution (ARC)	$ 1,853,600	$ 61,460	$1,915,060
Interest on Net OPEB obligation	185,393	4,507	189,900
Adjustment to ARC	(141,506)	(3,005)	(144,511)
Annual OPEB cost (expense)	1,897,487	62,962	1,960,449
Less: Contributions made (pay-as-you-go)	375,587	35,272	410,859
Increase in Net OPEB obligation	1,521,900	27,690	1,549,590
Net OPEB obligation, July 1, 2010	3,707,862	90,139	3,798,001
Net OPEB obligation, June 30, 2011	$ 5,229,762	$ 117,829	$5,347,591

Retiree Health Care Trend Information (in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 1,567,194	23.3%	$ 2,404,239
June 30, 2010	1,687,657	22.8%	3,707,862
June 30, 2011	1,897,487	19.8%	5,229,762

LTD Trend Information (in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 61,300	51.9%	$ 61,144
June 30, 2010	62,479	53.6%	90,139
June 30, 2011	62,962	56.0%	117,829

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date for OPEB health care benefits, the funded ratio was 0%. The actuarial value of assets was zero. The actuarial accrued liability (AAL) was $22.9 billion, resulting in an unfunded AAL of $22.9 billion. The covered payroll was $6.7 billion and the ratio of the unfunded AAL to the covered payroll was 342.62%.

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Funded Status and Funding Progress-Continued

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

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

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continued revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

While the actuarial valuations for OPEB health care and OPEB long-term disability benefits were prepared by two different firms, they both used the same methods and assumptions, with one exception noted below. The projected unit credit cost method was used. Both valuations assumed an annual investment rate of return of 5%, an inflation rate of 3.5% per annum and projected general wage increase~~s~~ of 4%. The increases in salary due to promotions and longevity do not affect the amount of the OPEB program benefits. An actuarial asset valuation was not performed. Finally, the OPEB valuation report used the level percentage of projected payroll over a rolling (open) 30-year amortization period. The OPEB Long-Term Disability valuation report used the level dollar of projected payroll over a rolling (open) 30-year amortization period.

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

	Initial Year	Ultimate
LACERA Medical Under 65	8.09%	5.05%
LACERA Medical Over 65	6.81%	5.05%
Firefighters Local 1014 (all)	6.55%	5.05%
Part B Premiums	8.25%	4.95%
Dental (all)	2.43%	4.50%

9. LEASES

Operating Leases

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2011 (in thousands):

Year Ending June 30	Governmental Activities
2012	$ 75,868
2013	62,060
2014	44,711
2015	35,441
2016	15,540
2017-2021	42,571
2022-2026	17,895
2027-2031	15,783
Total	$ 309,869

Rent expenses related to operating leases were $88,204,000 for the year ended June 30, 2011.

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, 2011 (in thousands):

Year Ending June 30	Governmental Activities
2012	$ 20,781
2013	24,792
2014	23,438
2015	20,052
2016	19,479
2017-2021	89,797
2022-2026	84,296
2027-2031	71,466
2032-2036	45,915
2037-2041	9,519
Total	409,535
Less: Amount representing interest	228,275
Present value of future minimum lease payments	$ 181,260

The following is a schedule of property under capital leases by major classes at June 30, 2011 (in thousands):

	Governmental Activities
Land	$ 17,279
Buildings and improvements	153,513
Equipment	43,800
Accumulated depreciation	(33,237)
Total	$ 181,355

9. LEASES-Continued

Capital Leases-Continued

Future rent revenues to be received from noncancelable subleases are $1,206,000 as of June 30, 2011.

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 86 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 24 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 56 years and are accounted for in the General Fund.

The land carrying value of the Asset Development Project ground leases and the Marina del Rey Project area leases is $403,790,000. The carrying value of the capital assets associated with the golf course and regional park operating leases is not determinable.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2011 (in thousands):

Year Ending June 30	Governmental Activities
2012	$ 42,990
2013	40,158
2014	38,281
2015	37,381
2016	36,856
Thereafter	1,305,656
Total	$ 1,501,322

The following is a schedule of rental income for these operating leases for the year ended June 30, 2011 (in thousands):

	Governmental Activities
Minimum rentals	$ 41,810
Contingent rentals	18,559
Total	$ 60,369

The minimum rental income is a fixed amount based on the lease agreements. The contingent rental income is a percentage of revenue above a certain base for the Asset Development leases or a calculated percentage of the gross revenue less the minimum rent payment for the other leases.

10. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans payable, pension bonds payable (see Note 7), OPEB (see Note 8), capital lease obligations (see Note 9) and other liabilities which are payable from the General, Special Revenue, Debt Service, Enterprise and Internal Service Funds.

A summary of bonds, notes and loans payable recorded within governmental activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2011
Los Angeles County Flood Control District Refunding Bonds 2.5% to 5.0%	$ 143,195	$ 38,010
Los Angeles County Flood Control District Revenue Bonds 4.0% to 4.12%	20,540	15,785
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3.0% to 5.25%	275,535	211,302
Community Development Commission (CDC) Notes Payable, .45% to 6.67%	75,296	43,733
NPC Bond Anticipation Notes, 0.510% to 0.676%	67,468	67,468
NPC Bonds 2.0% to 5.0%	17,778	7,700
Marina del Rey Loans Payable, 4.5% to 4.7%	23,500	18,783
Public Buildings Certificates of Participation, 2.0% to 6.841%	1,278,468	916,386
Commercial paper, 0.11% to 0.27%	71,264	71,264
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds, 5.25% to 6.65%	319,827	412,116
Total	$ 2,292,871	$ 1,802,547

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

	Original Par Amount of Debt	Balance June 30, 2011
NPC Bond Anticipation Notes, 0.510% to 0.676%	$ 9,532	$ 9,532
NPC Bonds, 2.0% to 5.0%	6,247	2,705
Public Buildings Certificates of Participation, 2.0% to 6.841%	610,607	542,406
Commercial Paper, 0.11% to 0.27%	104,736	104,736
Waterworks District Bonds, 3.3% to 8.0%	280	46
Community Development Commission Mortgage Notes, 0.00% to 7.3%	55,122	46,696
Total	$ 786,524	$ 706,121

10. LONG-TERM OBLIGATIONS-Continued

General Obligation Bonds

Waterworks Districts issued general obligation bonds to finance water system projects. Revenue for retirement of such bonds is provided from ad valorem taxes on property within the jurisdiction of the governmental unit issuing the bonds. Principal and interest requirements on general obligation long-term debt for Waterworks District bonds are as follows (in thousands):

Year Ending June 30	Business-type Activities Principal	Business-type Activities Interest
2012	$ 22	$ 3
2013	24	1
Total	$ 46	$ 4

Assessment Bonds

The Regional Park and Open Space District issued voter approved assessment bonds in 1997, some of which were advance refunded in 2004-2005 and the remainder in 2007-2008, to fund the acquisition, restoration, improvement and preservation of beach, park, wildlife and open space resources within the District. As discussed in Note 4, the bonds were purchased by the Public Works Financing Authority (Authority) and similar bonds were issued as a public offering. The bonds issued by the Authority are payable from the pledged proceeds of annual assessments levied on parcels within the District's boundaries.

The bonds mature in fiscal year 2019-2020. Annual principal and interest payments of the bonds are expected to require less than 50% of annual assessment revenues. Total principal and interest remaining on the bonds is $234,793,000, not including unamortized bond premiums. Principal and interest for the current year and assessment revenues were $35,890,000 and $80,152,000, respectively.

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

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2012	$ 26,560	$ 9,270
2013	27,855	7,925
2014	29,255	6,497
2015	30,735	4,998
2016	32,270	3,422
2017-2021	50,610	5,396
Subtotal	197,285	$ 37,508
Add: Unamortized Bond Premiums	14,017	
Total Assessment Bonds	$ 211,302	

10. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation

The County has issued certificates of participation (COPs) through various financing entities that have been established by, and are component units of, the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed. During the 2010-2011 fiscal year, the County issued COPs of $790,905,000 to finance $578,750,000 of various capital improvements, to redeem $168,705,000 of outstanding commercial paper debt, and to fund debt service reserves of $43,450,000. The allocation of debt between Governmental Activities and Business-type Activities was $320,362,000 and $470,543,000, respectively.

The County has pledged net revenues from the Calabasas Landfill for the payment of the Calabasas Landfill Project Revenue bonds, included here in the Public Buildings COPS, issued in 2005 and maturing in 2022. To the extent that the net available revenues, in the amount of $713,000, are insufficient to cover the debt payments in any fiscal year, the County has pledged to make the debt payments from any source of legally available funds. The County paid $2,446,000 of the current fiscal year debt payment of $3,159,000. Total principal and interest remaining on the bonds is $39,178,000.

Principal and interest requirements on COPs (Flood Control District Refunding bonds and Revenue bonds, NPC bonds, and Public Buildings COPs for Governmental Activities and NPC bonds and Public Buildings COPs for Business-type Activities) are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2012	$ 76,328	$ 58,890	$ 14,028	$ 44,610
2013	82,087	52,133	13,203	37,576
2014	51,489	49,193	13,201	36,965
2015	56,288	47,336	21,629	36,390
2016	41,794	45,961	20,938	35,435
2017-2021	137,504	227,289	58,689	156,241
2022-2026	156,005	125,152	67,380	136,971
2027-2031	122,212	87,276	85,083	109,429
2032-2036	95,463	51,467	108,292	73,342
2037-2041	93,021	18,317	136,629	26,904
Subtotal	912,191	$ 763,014	539,072	$ 693,863
Accretions	73,583			
Unamortized Bond Premiums	22,297		4,791	
Unamortized Loss	(28,942)			
Total Certificates of Participation	$ 979,129		$ 543,863	

10. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds

In 2006, the County entered into a Sale Agreement with the Los Angeles County Securitization Corporation (LACSC) under which the County relinquishes to the LACSC a portion of its future tobacco settlement revenues (TSRs) for the next 40 years. The County received from the sold TSRs a lump sum payment of $319,827,000 and a residual certificate in exchange for the rights to receive and retain 25.9% of the County's TSRs through 2046. The residual certificate represented the County's ownership interest in excess TSRs to be received by the LACSC during the term of the Sale Agreement. Residuals through 2011 were $131,514,000. The total TSRs sold, based on the projected payment schedule in the Master Settlement Agreement and adjusted for historical trends, was estimated to be $1,438,000,000. The estimated present value of the TSRs sold, net of the expected residuals and assuming a 5.7% interest rate at the time of the sale, was $309,230,000. In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Bonds, neither the California County Tobacco Securitization Agency, the County, nor the LACSC has any liability to make up any such shortfall.

Principal and interest requirements (in thousands) for the Tobacco Settlement Asset-Backed bonds are as follows:

Year Ending	Governmental Activities	
June 30	Principal	Interest
2012	$	$ 20,863
2013		20,863
2014		20,863
2015		20,863
2016		20,863
2017-2021	53,915	104,317
2022-2026		85,680
2027-2031	46,370	75,859
2032-2036	62,196	69,311
2037-2041	53,157	46,592
2042-2046	97,824	26,956
Subtotal	313,462	$ 513,030
Accretions	98,654	
Total Tobacco Settlement Asset-Backed Bonds	$ 412,116	

Notes, Loans, and Commercial Paper

Bond Anticipation Notes (BANS) are issued by the Los Angeles County Capital Assets Leasing Corporation (LACCAL 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. During the 2010-2011 fiscal year, LACCAL issued additional BANS in the amount of $56,368,000, as reflected in Governmental Activities and $5,632,000 as reflected in Business-type Activities.

10. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Commercial Paper-Continued

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 2010-2011 fiscal year, CDC issued additional notes payable in the amount of $6,001,000 as reflected in Governmental Activities and $43,716,000 as reflected in Business-type Activities.

Marina del Rey loans were obtained from the California Department of Boating and Waterways for the restoration and renovation of the marina seawall. The loans are secured by Marina del Rey lease revenue and by Los Angeles County Music Center parking revenues.

Tax-exempt commercial paper notes (TECP) are issued by the County to pay for the construction costs of various County construction projects. Repayment of the TECP is secured by four irrevocable direct-pay letters of credit and a sublease of twenty-four County-owned properties. The letters of credit were issued for a three-year period and have a termination date of April 26, 2013. The combined total of the four letters of credit is $411,835,000, which consists of a $400,000,000 principal component and a $11,835,000 interest component. The respective letters of credit were issued by the following banks: JP Morgan ($180,178,000), Bank of America ($77,219,000), Wells Fargo ($77,219,000), and Union Bank ($77,219,000). The County is required to pay an annual fee equal to 1.25% of the above amounts for the letters of credit issued by JPMorgan, Bank of America, and Wells Fargo. For Union Bank, the County pays a fee equal to 0.95% of the utilized amount the letter of credit and 0.50% of the unutilized amount of the letter of credit. Pursuant to the underlying lease, 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. During the 2010-2011 fiscal year, the County issued TECP which are reflected as notes payable in the amount of $71,264,000 for Governmental Activities and $104,736,000 for Business-type Activities. The average interest rate on TECP in the 2010-2011 fiscal year was 0.327%.

Principal and interest requirements on CDC Notes payable, NPC BANS, Commercial Paper 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	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2012	$ 93,561	$ 2,965	$ 106,836	$ 1,536
2013	56,829	2,758	15,180	1,946
2014	3,691	2,556	570	1,873
2015	3,880	2,356	590	1,856
2016	3,957	711	610	1,834
2017-2021	19,795	8,320	4,493	8,718
2022-2026	14,041	3,222	4,470	7,761
2027-2031	4,246	387	5,700	6,527
2032-2036			7,435	4,790
2037-2041			9,685	2,542
Indeterminate maturity			6,643	247
Total	$ 200,000	$ 23,275	$ 162,212	$ 39,630

10. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions

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

	Governmental Activities		Business-type Activities	
Debt Type	Principal	Interest	Principal	Interest
General Obligation Bonds	$	$	$ 46	$ 4
Assessment Bonds	197,285	37,508		
Certificates of Participation	912,191	763,014	539,072	693,863
Tobacco Settlement Asset-Backed Bonds	313,462	513,030		
Notes, Loans, and Commercial Paper	200,000	23,275	162,212	39,630
Subtotal	1,622,938	$1,336,827	701,330	$ 733,497
Add: Accretions	172,237			
Unamortized Bond Premiums	36,314		4,791	
Less: Unamortized Loss on Advance Refunding of Debt	(28,942)			
Total Bonds and Notes Payable	$1,802,547		$ 706,121	

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.

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, 2011, the amount of outstanding bonds and certificates of participation considered defeased was $26,740,000. All of this amount was related to governmental activities.

10. 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, 2011 (in thousands):

	Balance July 1, 2010	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2011	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 1,476,585	468,453	142,491	$ 1,802,547	$ 205,874
Pension bonds payable (Note 7)	256,717		256,717		
Capital lease obligations (Note 9)	148,073	43,677	10,490	181,260	5,479
Accrued vacation and sick leave	829,099	84,168	75,163	838,104	62,028
Workers' compensation liability (Note 17)	1,864,864	221,688	295,041	1,791,511	314,917
Litigation and self-insurance liability (Note 17)	156,924	11,743	49,006	119,661	99,216
Pollution remediation obligation (Note 18)	24,755	6,133	2,793	28,095	4,494
OPEB obligation (Note 8)	3,163,431	1,302,562		4,465,993	
Third party payor liability	15,443	7,909	2,330	21,022	21,022
Total governmental activities	$ 7,935,891	2,146,333	834,031	$ 9,248,193	$ 713,030
Business-type activities:					
Bonds and notes payable	$ 356,189	624,628	274,696	$ 706,121	$ 121,827
Pension bonds payable (Note 7)	89,196		89,196		
Accrued vacation and sick leave	139,389	12,700	12,600	139,489	10,697
Workers' compensation liability (Note 17)	294,551	23,890	39,354	279,087	44,346
Litigation and self-insurance liability (Note 17)	100,784	10,559	18,754	92,589	19,571
OPEB obligation (Note 8)	634,570	247,028		881,598	
Third party payor liability (Note 13)	185,003	92,867	40,744	237,126	4,290
Total business-type activities	$ 1,799,682	1,011,672	475,344	$ 2,336,010	$ 200,731

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 2010-2011, thereby increasing liabilities for Bonds and Notes Payable by $11,595,000 for governmental activities. Amounts accreted for Pension Bonds in previous years were paid during 2010-2011 thereby decreasing liabilities for Pension Bonds Payable for governmental and business-type activities by $168,783,000 and $58,644,000, respectively, for interest accretions. Note 17 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance liabilities.

11. SHORT-TERM DEBT

On July 1, 2010, the County issued $1,500,000,000 of short-term Tax and Revenue Anticipation Notes Series A and B at an effective interest rate of .85%. 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 2010. The notes matured and were redeemed on June 30, 2011.

12. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2011, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $68,114,000 and limited obligation improvement bonds totaling $9,199,000. The bonds were issued to finance the cost of various construction activities and infrastructure improvements which have a regional or direct benefit to the related property owners.

The bonds do not constitute an indebtedness of the County and are payable solely from special taxes and benefit assessments collected from property owners within the districts. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County and neither the full faith and credit of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

The County functions as an agent for the districts and bondholders. Debt service transactions related to the various bond issues are reported in the agency funds. Construction activities are reported in the Improvement Districts' Capital Projects Fund.

Residential Mortgage Revenue Bonds

Residential Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single family residences in the County. The purpose of this program is to provide low interest rate home mortgage loans to persons who are unable to qualify for conventional mortgages at market rates. Multi-Family Mortgage Revenue Bonds have been issued to provide permanent financing for apartment projects located in the County to be partially occupied by persons of low or moderate income. The amount of Mortgage Revenue Bonds outstanding as of June 30, 2011, was $334,109,000.

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.

12. 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, 2011, the amount of industrial development and other conduit bonds outstanding was $29,275,000.

13. HOSPITAL AND OTHER PROGRAM REVENUES

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Medi-Cal Demonstration Projects

During FY 2010-11, there were three distinctive funding periods under the Medi-Cal Demonstration Projects:

1. The original five year Demonstration Project effective for the period September 1, 2005 through August 31, 2010 (Demonstration Year (DY) 1 – DY 5);
2. The Extension Period effective for the period September 1, 2010 through October 31, 2010; and
3. The new five year Demonstration Project (Bridge to Reform) effective for the period November 1, 2010 through October 31, 2015 (DY 6 – DY 10).

The Demonstration Projects apply to funding Statewide (which currently includes 21 county and University of California hospitals, identified as Designated Public Hospitals, and private and non-designated public safety net hospitals that serve large numbers of Medi-Cal patients).

The Demonstration Projects restructure inpatient hospital fee-for-service (FFS) revenues and Disproportionate Share Hospital (DSH) revenues, as well as the financing method by which the State draws down federal matching funds.

Under the Demonstration Projects, revenues for the public hospitals are comprised of: 1) FFS cost-based reimbursement for inpatient hospital services; 2) DSH payments and 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP), which was capped Statewide at $565.5 million ($97.7 million for the first four months plus $467.8 million for the second eight months) in FY 2010-11. The non-federal share of these three types of payments is provided by the public hospitals rather than the State, through certified public expenditures (CPE), and for DSH, intergovernmental transfers whereby the hospital would utilize its local funding for services to draw down the federal financial participation (FFP).

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Projects -Continued

The federal medical assistance percentage (FMAP) which establishes the matching amount for the FFS cost-based reimbursement was as follows for FY 2010-11:

July 1, 2010 through December 31, 2010 at 61.59%
January 1, 2011 through March 31, 2011 at 58.77%
April 1, 2011 through June 30, 2011 at 56.88%

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

For the DSH and SNCP distributions, the CPEs of all the public hospitals are used in the aggregate to draw down the federal match. It is therefore possible for one hospital to receive the federal match that results from another hospital's CPE. In this situation, the first hospital is referred to as a "recipient" hospital, while the second is referred to as a "donor" hospital. A recipient hospital is required to "retain" the FFP amounts resulting from donated CPEs.

The County also provides funding for the State's share of the DSH program by transferring funds to the State. These transferred funds, referred to as Intergovernmental Transfers (IGTs) are used by the State to draw down federal matching funds. The combined IGTs sent to the State by each Hospital Enterprise Fund, plus the matching federal funds, are utilized by the State to provide supplemental funding for the Demonstration Project.

The Demonstration Projects restrict the amount of IGTs that may be used for DSH payments. A hospital's IGT may be used to draw federal DSH funding, but only with respect to DSH payments made to that hospital, and the gross amount of such IGT funded payments (non-federal plus federal match) may not exceed 75% of the hospital's uncompensated care costs. The gross IGT funded DSH payment must be "retained" by the recipient hospital fund.

The County recognizes the funding received under the Demonstration Projects by each hospital as net patient services revenue as reflected in the Statement of Revenues, Expenses, and Changes in Net Assets. The IGTs are reflected as non-operating expenses by each Hospital in the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

The IGTs paid during FY 2010-11 include payments for services provided in FYs 2009-10 and 2010-11. The estimated Medi-Cal Demonstration Project net revenues include amounts collected and accrued for FY 2010-11 and over/under-realization of revenues for FY 2005-06 through FY 2009-10. The amounts below are in thousands:

	Program			Intergovernmental
	Medi-Cal FFS	DSH	SNCP	Transfers Expense
Harbor-UCLA	$ 72,894	$ 104,509	$ 74,719	$ 62,907
Olive View-UCLA	67,727	71,628	38,659	38,488
LAC+USC	135,797	180,852	127,544	138,707
M. L. King	471	1,478	223	0
Rancho	46,177	32,566	32,384	16,296
Total	$ 323,066	$ 391,033	$ 273,529	$ 256,398

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

DY 1 – DY 5 Baseline Funding

A public hospital's baseline level is determined and satisfied on a hospital-specific basis. The baseline for the first four months of 2010-11 program year is established by comparing each hospital's Medi-Cal inpatient costs, uninsured inpatient costs, and uninsured outpatient costs from FY 2004-05 to those from FY 2009-10, and applying the resulting growth as an adjustment to the FY 2004-05 baseline. The State estimates the aggregate baseline funding for the Statewide designated public hospitals to be $866.5 million for the four month period.

The estimated FY 2010-11's four month baseline for the County hospitals is as follows (in thousands):

	July - Oct. 2010 Baseline Amount *
Harbor-UCLA Medical Center	$ 67,380
Olive View-UCLA Medical Center	43,623
LAC+USC Medical Center	137,991
Rancho Los Amigos National Rehabilitation Center	33,842
Total	$ 282,836

* Baseline funding does not apply to the remaining eight months of FY 2010-11.

The three funding components 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 is based on the applicable FMAP rate which is applied to 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 are 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 and shortfalls between Medi-Cal psychiatric and Medi-Cal managed care payments and costs. The Demonstration Projects allocate almost all of these funds to public hospitals. The State estimates the aggregate value of federal DSH funds for the Statewide designated public hospitals to be $1.097 billion as of June 30, 2011.

3) SNCP Distributions: These federal payments are made to public hospitals and clinics for uncompensated care delivered to uninsured patients.

DY 6 – DY 10 Bridge to Reform Funding

On November 2, 2010, Centers for Medicare & Medicaid Services (CMS) approved for California a new Medi-Cal Demonstration Project, entitled California's Bridge to Healthcare Reform (Waiver 11-W-00193/9) under the authority of section 1115(a) of the Social Security Act for the period November 1, 2010 through October 31, 2015. The agreement "waives" certain Medicaid requirements in order to test new strategies and demonstration projects that can improve care and care delivery.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

DY 6 – DY 10 Bridge to Reform Funding-Continued

Public hospital systems will provide the financing through their counties and lead the implementation of expanding Medicaid and other health coverage to low income people and transforming care so that it is more coordinated, efficient and patient-centered. Support for public hospital systems from the waiver falls into the following areas:

Coverage Expansion – Low Income Health Program or Healthy Way LA

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

For Los Angeles County, this program is called Healthy Way LA (HWLA) - Matched and in FY 2010-11 (8 month period), an estimated $63.3 million of HWLA and $5.8 million of HWLA administrative revenues were recognized.

Delivery System Reform Incentive Pool

The new Waiver establishes the Delivery System Reform Incentive Pool (DSRIP) which will tie federal funding to milestones in care delivery improvements. To obtain funding under the DSRIP, public hospital systems must submit a five-year plan showing how they will accomplish desired results, and will be required to achieve significant milestones that will be approved by the State and CMS. The amounts below, in thousands, were recorded as “other operating revenues” in FY 2010-11:

	DSRIP Revenues	Intergovernmental Transfers Expense
Harbor-UCLA	$ 51,057	$ 36,057
Olive View-UCLA	28,999	21,999
LAC+USC	162,579	72,674
M. L. King	74,000	0
Rancho	26,065	10,565
Total	$ 342,700	$ 141,295

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

DY 6 – DY 10 Bridge to Reform Funding-Continued

Support Costs for Uncompensated Care

The Safety Net Care Pool funding will continue to provide partial reimbursement for the costs of care to the uninsured, helping public hospitals to continue to provide essential services to those in need.

Managed Care for Seniors and Persons with Disabilities (SPDs)

Under the Waiver, the State of California will require Medi-Cal beneficiaries who are Seniors and Persons with Disabilities (SPDs) to enroll in managed care plans, rather than using a fee for service system, in an effort to provide more coordinated care and contain costs.

Reported CPEs Subject to Audit

All CPEs reported by each hospital will be subject to State and federal audit and final reconciliation. If at the end of the final reconciliation process, it is determined that a hospital's claimed CPEs resulted in an overpayment of federal funds to the State, the hospital may be required to return the overpayment whether or not the County's hospital received the federal matching funds.

Medi-Cal Physician State Plan Amendment (Physician SPA)

Prior to July 1, 2005, Medi-Cal inpatient physician professional services (including non-physician practitioners) provided by Los Angeles County were reimbursed as part of an all-inclusive fixed contract rate per-diem. Effective July 1, 2005, public hospitals were no longer paid a fixed rate but were reimbursed under the Demonstration Project. The Demonstration Project payment for inpatient and other facility services is under State Plan Amendment 05-21, and excluded professional services. California State Plan Amendment 05-23 allows professional services to be paid similarly to the inpatient hospital services under the Demonstration Project. Hospitals are allowed to claim federal reimbursement for unreimbursed costs of Medi-Cal professional services (Hospital Inpatient, Emergency Room, and Psychiatric services) which is matched at the applicable FMAP rate for the year.

Net revenues of $37.2 million were recognized during FY 2010-11 and included over/under-realization of revenues associated with FY 2005-06 through FY 2009-10.

State Senate Bill 474 (SB 474)

South Los Angeles Medical Services Preservation Fund

On October 12, 2007, SB 474 established an annual fund to stabilize health services for low-income, underserved populations of South Los Angeles. The "South Los Angeles Medical Services Preservation Fund" is intended to address the regional impact of the closure of the MLK-Harbor Hospital (currently MLK-MACC). Funding for this program ended on October 31, 2010 and for the year ended June 30, 2011, the County's hospitals recognized revenues of $36.4 million from this program.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

State Senate Bill 474 (SB 474)-Continued

Intergovernmental Transfers for Private Hospital Supplemental Fund

SB 474 also requires the County to make IGTs to the State to fund the non-federal share of increased Medi-Cal payments to those private hospitals that serve the South Los Angeles population formerly served by MLK-Harbor Hospital. An IGT expense of $5.0 million was recorded as health care expenditures in the County's General Fund for the year ended June 30, 2011.

Other Medi-Cal Programs

Cost Based Reimbursement Clinics (CBRC)

CBRC reimburses at 100 percent of allowable costs for outpatient services provided to Medi-Cal beneficiaries at the County's hospital-based clinics, Multi-Service Ambulatory Care Centers (MACC) and health centers (excluding clinics that provide predominately public health services). The Department-wide CBRC revenues in FY 2010-11 were $158.6 million. As of June 30, 2011, the County estimated that approximately $194.5 million of CBRC accounts receivable would not be collectable within 12 months and this amount is classified as a non-current asset in the Proprietary Fund statements for each Hospital.

Medi-Cal Cost Report Settlements

All of the FY 2006-07 CBRC audit reports were issued and total audit settlements of $62.8 million were paid to the County. The informal level appeal hearing between DHS and the State Office of Administrative Hearing Appeals for FY 2006-07 is scheduled for October 25, 2011.

The State auditors are in the process of auditing the FY 2007-08 CBRC cost reports and anticipate the issuance of the finalized audit reports beginning December 2011.

Medi-Cal Managed Care Rate Supplement

The State received permission from CMS to continue the Medi-Cal Managed Care rate supplements paid to L.A. Care and Health Net for the period October 1, 2009 through September 30, 2010. The supplement is funded by an IGT made by the County. The County does not receive managed care payments directly from the State; rather, the State contracts with L.A. Care and Health Net, which then subcontract for services with various provider networks, including DHS' Community Health Plan and providers. We expect the State to make another proposal, to CMS, to extend this program for the period October 1, 2010 through September 30, 2011 and DHS has submitted a non-binding letter to continue participating in this program.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Rate Supplement-Continued

For L.A. Care and Health Net, the total estimated revenues and related estimated IGTs recorded in FY 2010-11, less prior year accruals, are follows (in thousands):

	Program Revenues	Intergovernmental Transfers Expense
L.A. Care		
Current Year	$ 17,281	$ 6,797
Prior Year over/(under)	(8,573)	(3,372)
Total L.A. Care	8,708	3,425
Health Net		
Current Year	8,307	3,287
Prior Year over/(under)	(3,798)	(1,640)
Total Health Net	4,509	1,647
Totals	$ 13,217	$ 5,072

Coverage Initiative

On April 10, 2007, the State awarded the County an allocation of federal funding to implement its Healthy Way LA Program under the Health Care Coverage Initiative (CI). In addition to patient care services, the County may claim administrative and case management costs associated with the CI program. In FY 2010-11, for the four month period (July 1, 2010 through October 31, 2010), an estimated $12.1 million of CI revenues and $10.4 million of CI administrative revenues were recognized. The program will be replaced with the LIHP program effective July 1, 2011.

Revenues from the various Medi-Cal programs (i.e., FFS, DSH, SNCP, CBRC, AB 915, SB 1732, etc.) represent approximately 80% of the hospitals' patient care revenue for the year ended June 30, 2011.

American Recovery and Reinvestment Act of 2009

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (ARRA), a major economic stimulus and fiscal relief package. The ARRA's biggest financial impact to the County comes from the temporary increase in the FMAP, which results in additional federal revenue provided for non-administrative Medicaid costs. California's FMAP was increased from 50% to 61.59% effective from October 1, 2008 through December 31, 2010. In addition, the FMAP rates were increased to 58.77% for January 1, 2011 through March 31, 2011 and 56.88% for the period April 1, 2011 through June 30, 2011. For fiscal year ended June 30, 2011, the County recognized revenues of $53.7 million from the FMAP increases.

Medicare Program

Services to inpatient Medicare program beneficiaries are primarily paid under prospectively determined rates-per-discharge based upon diagnostic related groups (DRGs). Certain other services to Medicare beneficiaries are reimbursed based on a fee schedule or other rates.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicare Program-Continued

Medicare audits have been ongoing at all hospitals. The initial notices of program reimbursement (NPR) have not been issued for all hospitals for recent fiscal years due to CMS Ruling No. CMS-1498-R, which related to a revision to the methodology used to determine Medicare DSH payments. Before the initial NPR can be issued, CMS will revise the data matching process in recalculating the hospital's Medicare SSI fraction that determines a portion of the Disproportionate Share payment adjustment for each hospital. The remaining issues, other than the Medicare DSH SSI fraction issue, have been reviewed and completed for all hospitals through FY 2002-03.

For FY 2003-04, the Medicare audits for the former Martin Luther King Jr./Drew Medical Center (MLK), Harbor-UCLA Medical Center (H-UCLA MC), Rancho Los Amigos National Rehabilitation Center (RLANRC), and Olive View-UCLA Medical Center (OV-UCLA MC) have been completed. The audit for LAC+USC Medical Center (LAC+USC MC) has been completed except for the Medicare SSI fraction issue.

For FY 2004-05, the audits have been completed and the NPRs issued for MLK and OV-UCLA MC only. Except for the Medicare SSI fraction issue, the FY 2004-05 audits have been completed for H-UCLA MC and RLANRC. The Medicare audit is in progress for LAC+USC MC.

For FY 2005-06, the audits have been completed and NPRs issued for MLK and OV-UCLA MC only. Except for the Medicare SSI fraction issue, the FY 2005-06 audit has been completed for RLANRC. Audits are in progress for LAC+USC MC and H-UCLA MC.

For FY 2006-07, the audits for MLK, RLANRC and OV-UCLA MC have been completed and the NPRs have been issued. The audit is in progress for H-UCLA MC. The audit for LAC+USC MC has not been scheduled.

For FY 2007-08, the audits for RLANRC and OV-UCLA MC have been completed except for the Medicare SSI fraction issue. The audits for LAC+USC MC and H-UCLA MC have not been scheduled. Effective August 16, 2007, MLK ceased to be certified as a participant in the Medicare program and will not undergo a hospital Medicare audit for FY 2007-08 due to low Medicare utilization.

For FY 2008-09, the Medicare audit has been completed, except for the Medicare SSI fraction issue for RLANRC. The OV-UCLA MC audit is in progress. Audits for LAC+USC MC and H-UCLA MC have not been scheduled.

For FY 2009-10, the audits are in progress for RLANRC and OV-UCLA MC. Audits for LAC+USC MC and H-UCLA MC have not been scheduled.

Revenues from the Medicare program represent approximately 6% of patient care revenue for the year ended June 30, 2011.

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.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Accounts Receivable-net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts as of June 30, 2011 (in thousands):

	H-UCLA	OV-UCLA	LAC+USC	Rancho	Total
Accounts receivable	$1,463,794	$ 789,659	$ 2,009,053	$ 463,408	$ 4,725,914
Less: Allowance for Uncollectible amounts	1,116,475	589,182	1,567,102	351,885	3,624,644
Accounts Receivable - Net	$ 347,319	$ 200,477	$ 441,951	$ 111,523	$ 1,101,270

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 collection efforts by the Department, by the Treasurer-Tax Collector, or by an outside collection agency. Determinations of charity care may be made prior to, at the time of service, or any time thereafter.

The total amount of such charity care provided by the hospitals for the fiscal year ended June 30, 2011, based on established rates, is as follows (in thousands):

Charges forgone	$1,961,961
Less: Federal and State subventions	0
Net charges forgone	$1,961,961

Hospital Fee Program (HFP)

The California Hospital Fee Program (AB 1383) and its amending legislation (AB 1653) were signed into law by the Governor of California and became effective on January 1, 2010 and September 8, 2010, respectively. HFP covers the period beginning April 1, 2009 and expired on December 31, 2010. The legislation contains two components:

- The Quality Assurance Fee Act which governs the hospital fee paid by participating hospitals (public hospitals, certain small and rural hospitals, most specialty hospitals, and long term care hospitals are exempt), and
- The Medi-Cal Hospital Provider Stabilization Act which governs the supplemental Medi-Cal payments to providers from the fund established to accumulate assessed hospital fees and matching federal funds. The legislation allows for fee-for-service and managed health care supplemental payments to private hospitals, designated public hospitals, and non-designated public hospitals. The designated public hospitals will also receive direct grants under the Program.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Hospital Fee Program (HFP)-Continued

The legislation also allows the State to retain and use a portion of the direct grants allocated to the designated public hospitals with a provision that the State allocates an equal amount of federal funds available under the Medi-Cal Hospital/Uninsured Care Demonstration Project to the designated public hospitals. The designated public hospital must have incurred sufficient expenditures so that the full amount allocated can be received as federal matching funds.

During the 7 quarters approved under this program, the non-federal funds for the managed care capitation rate increases were obtained from the provider fee.

On October 7, 2010 and December 20, 2010, CMS approved the implementation of the Program and the request to amend contacts with our local managed health care plans to receive managed health care supplemental payment plan, respectively.

During FY 2010-11, the Hospitals recognized the following revenues (in thousands):

Direct Grant	$ 28,442
SNCP	126,998
Managed Care	35,959
Total	$ 191,399

Hospital Provider Fee - Medi-Cal Hospital Rate Stabilization Act of 2011 (SB 90)

On April 13, 2011, the Governor signed SB 90 (Steinberg), which continued the hospital provider fee (January 1, 2011 - June 30, 2011). The only available participation for the "designated public hospitals" during the 6 month period is in the managed care component and will be financed by Intergovernmental Transfers (IGTs). On May 18, 2011 CMS approved the State plan amendment 11-006 effective January 1, 2011.

Four agreements will be required: two between DHS and DHCS, one between DHS and L.A. Care, and one between DHS and Health Net. For the year ended June 30, 2011, revenues of $10.7 million and IGT of $4.6 million were recognized for this program.

Martin Luther King, Jr.

Martin Luther King, Jr. Multi-Services Ambulatory Care Center

At the end of the current fiscal year, the Martin Luther King, Jr. Multi-Services Ambulatory Care Center (MLK-MACC) Enterprise Fund was merged with the Harbor-UCLA Medical Center Enterprise Fund (H/UCLA) as indicated in Note 1. During FY 2010-11, MLK-MACC completed a full year operating cycle. Net assets deficit of $46.7 million was transferred to H/UCLA on June 30, 2011.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Martin Luther King, Jr-Continued

Martin Luther King, Jr. Hospital

The County and the University of California ("UC"), with the State, have created a wholly independent, non-profit 501(c)(3), the Martin Luther King, Jr. – Los Angeles Healthcare Corporation, to operate a new hospital at the MLK-MACC site. The new hospital would: i) serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients and ii) be integrated with the County's existing network of specialty and primary care ambulatory clinics. The seven-member MLK Hospital Board of Directors was appointed by the County and UC effective on August 10, 2010 and is proceeding with efforts to open the new MLK Hospital. Construction of the new hospital facility at the MLK-MACC site is expected to be completed by early 2013.

14. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables have been eliminated in the government-wide financial statements, except for “internal balances” that are reflected between the governmental and business-type activities. Interfund receivables and payables have been recorded in the fund financial statements. Such amounts arise due to the exchange of goods or services (or subsidy transfers) between funds that were pending the transfer of cash as of June 30, 2011.

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, 2011 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 13,324
	Flood Control District	6,065
	Public Library	4,306
	Regional Park and Open Space District	2,006
	Internal Service Funds	6,321
	Waterworks Enterprise Funds	1,881
	Harbor-UCLA Medical Center	44,690
	Olive View-UCLA Medical Center	22,270
	LAC+USC Medical Center	56,619
	Rancho Los Amigos Nat’l Rehab Center	13,613
	Nonmajor Enterprise Funds	51
	Nonmajor Governmental Funds	185,714
		356,860
Fire Protection District	General Fund	5,589
	Flood Control District	1
	Internal Service Funds	1
	Nonmajor Governmental Funds	459
		6,050

14. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Flood Control District	General Fund	$ 1,629
	Internal Service Funds	3,678
	Waterworks Enterprise Funds	307
	Nonmajor Enterprise Funds	68
	Nonmajor Governmental Funds	2,572
		8,254
Public Library	General Fund	2,821
	Nonmajor Governmental Funds	599
		3,420
Regional Park and Open Space District	General Fund	3
	Nonmajor Governmental Funds	448
		451
Internal Service Funds	General Fund	19,204
	Fire Protection District	102
	Flood Control District	9,495
	Waterworks Enterprise Funds	3,245
	Harbor-UCLA Medical Center	1,328
	Olive View-UCLA Medical Center	732
	LAC+USC Medical Center	111
	Rancho Los Amigos Nat'l Rehab Center	571
	Nonmajor Enterprise Funds	165
	Nonmajor Governmental Funds	42,702
		77,655
Waterworks Enterprise Funds	General Fund	190
	Internal Service Funds	521
	Nonmajor Governmental Funds	7
		718
Harbor-UCLA Medical Center	General Fund	52,427
	Fire Protection District	40
	Internal Service Funds	36
	Olive View-UCLA Medical Center	545
	LAC+USC Medical Center	2,118
	Rancho Los Amigos Nat'l Rehab Center	41
	Nonmajor Governmental Funds	26,347
		81,554

14. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Olive View-UCLA Medical Center	General Fund	$ 16,611
	Fire Protection District	208
	Harbor-UCLA Medical Center	37
	LAC+USC Medical Center	31
	Rancho Los Amigos Nat'l Rehab Center	7
	Nonmajor Governmental Funds	20,847
		37,741
LAC+USC Medical Center	General Fund	57,199
	Fire Protection District	19
	Harbor-UCLA Medical Center	4,750
	Olive View-UCLA Medical Center	3,231
	Rancho Los Amigos Nat'l Rehab Center	687
	Nonmajor Governmental Funds	53,703
		119,589
Rancho Los Amigos Nat'l Rehab Center	General Fund	21,124
	Fire Protection District	47
	Olive View-UCLA Medical Center	26
	LAC+USC Medical Center	99
	Nonmajor Governmental Funds	21
		21,317
Nonmajor Enterprise Funds	Internal Service Funds	1
Nonmajor Governmental Funds	General Fund	287,373
	Flood Control District	318
	Public Library	11
	Internal Service Funds	9,792
	Harbor-UCLA Medical Center	256
	LAC+USC Medical Center	2
	Nonmajor Enterprise Funds	1,465
	Nonmajor Governmental Funds	17,303
		316,520
Total Interfund Receivables/Payables		$ 1,030,130

14. INTERFUND TRANSACTIONS-Continued

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the Public Library and the 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, 2011 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Public Library	$ 38,552
	Internal Service Funds	104
	Harbor-UCLA Medical Center	143,327
	Olive View-UCLA Medical Center	116,201
	LAC+USC Medical Center	303,172
	M.L. King Ambulatory Care Center	56,893
	Rancho Los Amigos Nat'l Rehab Center	52,524
	Nonmajor Governmental Funds	52,035
		762,808
Fire Protection District	Nonmajor Governmental Funds	2,438
Flood Control District	Internal Service Funds	1,117
	Nonmajor Governmental Funds	19,110
		20,227
Public Library	General Fund	3,157
	Nonmajor Governmental Funds	1,146
		4,303
Regional Park and Open Space District	Nonmajor Governmental Funds	36,168
Internal Service Funds	General Fund	3,363
	Nonmajor Governmental Funds	93
		3,456
Waterworks Enterprise Funds	Internal Service Funds	144
Harbor-UCLA Medical Center	General Fund	12,493
	M. L. King Ambulatory Care Center	46,724
	Rancho Los Amigos Nat'l Rehab Center	3,009
	Nonmajor Governmental Funds	29
		62,255

14. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Olive View-UCLA Medical Center	General Fund	$ 6,033
	Harbor-UCLA Medical Center	19,066
	LAC+USC Medical Center	1,355
	M.L. King Ambulatory Care Center	4,292
	Nonmajor Governmental Funds	980
		31,726
Rancho Los Amigos Nat'l Rehab Center	Harbor-UCLA Medical Center	6,220
Nonmajor Governmental Funds	General Fund	397,634
	Flood Control District	41
	Internal Service Funds	17,032
	Harbor-UCLA Medical Center	52,735
	Olive View-UCLA Medical Center	41,732
	LAC+USC Medical Center	107,288
	M.L. King Ambulatory Care Center	1,444
	Rancho Los Amigos Nat'l Rehab Center	128
	Nonmajor Enterprise Funds	132
	Nonmajor Governmental Funds	66,200
		684,366
Total Interfund Transfers		$1,614,111

Interfund Transactions

The General Fund, along with other funds that receive services from the Public Works Internal Service Fund, makes short-term advances to ensure sufficient cash is available to fund operations. In addition, the General Fund makes short-term and long-term advances to assist the Hospital Funds in meeting their cash flow requirements. The County estimates that a portion of Hospital revenue is not collectible within one year and has identified long-term receivables in each Hospital Enterprise Fund. To assist the Hospital Funds in meeting their cash flow requirements, the General Fund provided a $194.5 million long-term advance and classified a corresponding amount of fund balance as nonspendable balance.

Advances from/to other funds at June 30, 2011 are as follows (in thousands):

Receivable Fund	Payable Fund	Short-Term	Long-Term	Total
General Fund	Internal Service Funds	$ 2,535	$	$ 2,535
	Harbor-UCLA Medical Center	287,109	51,744	338,853
	Olive View-UCLA Medical Center	170,318	58,616	228,934
	LAC+USC Medical Center	328,000	60,680	388,680
	Rancho Los Amigos Nat'l Rehab Center	80,572	23,487	104,059
		868,534	194,527	1,063,061

14. INTERFUND TRANSACTIONS-Continued

Interfund Transactions-Continued

Receivable Fund	Payable Fund	Short-Term	Long-Term	Total
Flood Control District	Internal Service Funds	6,601		6,601
Waterworks Enterprise Funds	Internal Service Funds	1,308		1,308
Nonmajor Governmental Funds	Internal Service Funds	11,556		11,556
	Nonmajor Enterprise Funds	3,500		3,500
		15,056		15,056
Total Interfund Advances		$ 891,499	$ 194,527	$1,086,026

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

The County's Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual on Budgetary Basis for the major governmental funds has been prepared on the budgetary basis of accounting, which is different from GAAP.

The Budget adopted by the County for FY 2010-2011 uses the fund balance language of the County Budget Act, which has not yet been updated to reflect GASB Statement 54. As such, the County has not presented the Statement of Revenue, Expenditures, and Changes in Fund Balances-Budget and Actual in using GASB Statement 54 terminology for changes in reserves and designations.

The amounts presented for the governmental fund statements are based on the modified accrual basis of accounting and differ from the amounts presented on a budgetary basis of accounting. The major areas of difference are as follows:

- For budgetary purposes, reserves and designations are recorded as other financing uses at the time they are established. Although designations are not legal commitments, the County recognizes them as uses of budgetary fund balance. Designations that are subsequently cancelled or otherwise made available for appropriation are recorded as other financing sources.

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

- For the General Fund, obligations for accrued 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.

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

- In conjunction with the sale of Tobacco Settlement Asset-Backed bonds in 2005-06, the County sold 25.9% of its future tobacco settlement revenues. Under the budgetary basis, the proceeds were recognized as revenues. Under the modified accrual basis, the proceeds were recorded as a sale of future revenues and were being recognized over the duration of the sale agreement, in accordance with GASB Statement No. 48. This matter is also discussed in Note 10, under the caption, "Tobacco Settlement Asset-Backed Bonds."

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

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

- In conjunction with implementing GASB 45, the County determined that certain assets were held by LACERA (the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis, the expenditures are adjusted to recognize the OPEB Agency assets at June 30, 2011.

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	$ 1,601,571	$ 81,340	$ 21,956	$ 25,787	$ 178,975
Reserves and designations	1,150,813	147,592	140,436	18,493	131,695
Subtotal	2,752,384	228,932	162,392	44,280	310,670
Adjustments:					
Accrual of estimated liability for litigation and self-insurance claims	153,766	(544)		25	
Accrual of vacation and sick leave benefits	47,379				
Deferral of sale of tobacco settlement revenue	(257,345)				
Change in revenue accruals	(109,883)	(18,759)	(5,288)	(2,620)	(589)
Change in OPEB	136,142	8,129		1,308	
Subtotal	(29,941)	(11,174)	(5,288)	(1,287)	(589)
Fund balance - GAAP basis	$ 2,722,443	$ 217,758	$ 157,104	$ 42,993	$ 310,081

16. COMMITMENTS AND CONTINGENCIES

Construction Commitments

At June 30, 2011, there were contractual commitments of approximately $195.6 million for various general government construction projects and approximately $168.6 million for various hospital construction projects that were financed by bonds and commercial paper.

LACERA Capital Commitments

At June 30, 2011, LACERA had outstanding capital commitments to various investment managers, approximating $2,670,000,000. Subsequent to June 30, 2011, LACERA funded $432,000,000 of these capital commitments.

Community Development Commission-Redevelopment Agency

On June 29, 2011, the State Legislature and the Governor approved two Redevelopment Agency bills, ABX1 26 and ABX1 27, into law. As calculated by the State, under the ABX1 26 and ABX1 27 legislation, the County has an outstanding commitment to pay the State $1.8 million in 2012 and $430,000 in 2013. There is pending lawsuit challenging the constitutionality of ABX1 26 and ABX1 27 and seeking a stay.

Encumbrances

The County uses “encumbrances” to control expenditure commitments for the year. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve portion of applicable appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. As of June 30, 2011, the encumbrance balances for the governmental funds (in thousands) are reported as follows:

	Restricted	Committed	Assigned	Total
General Fund	$	$	$ 381,624	$ 381,624
Fire Protection District	14,673			14,673
Flood Control District	72,111			72,111
Public Library			10,143	10,143
Regional Park and Open Space District	59,889			59,889
Nonmajor Governmental Funds	130,148	13,077		143,225
Total Encumbrances	$ 276,821	$ 13,077	$ 391,767	$ 681,665

17. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as aviation, employee fidelity, boiler and machinery in certain structures, art objects, catastrophic hospital general liability, volunteer, special events, public official bond, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been no settlements related to these programs that exceeded insurance coverage in the last three years. The County also has insurance on most major structures. Losses did not exceed coverage in 2008-2009, 2009-2010 or 2010-2011.

17. RISK MANAGEMENT-Continued

The County retains the risk for all other loss exposures. Major areas of risk include workers' compensation, medical malpractice, law enforcement, theft and damage to property including natural disasters, errors and omissions, and torts. Expenditures are accounted for in the fund whose operations resulted in the loss. Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The County utilizes actuarial studies, historical data, and individual claims reviews to estimate these liabilities. The liabilities include estimable incremental claim adjustment expenses, net of salvage, and subrogation of approximately 10% of the total liabilities. They do not include other claim adjustment costs because the County does not believe it is practical or cost effective to estimate them.

As indicated in the following table, the County's workers' compensation liabilities as of June 30, 2011 were approximately $2.071 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2011. Approximately $117,376,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2011, the County's best estimate of these liabilities is $2.3 billion. Changes in the reported liability since July 1, 2009 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
2009-2010				
Workers' Compensation	$ 2,115,981	$ 367,362	$(323,928)	$ 2,159,415
Other	218,824	106,006	(67,122)	257,708
Total 2009-2010	$ 2,334,805	$ 473,368	$(391,050)	$ 2,417,123
2010-2011				
Workers' Compensation	$ 2,159,415	$ 245,578	$(334,395)	$ 2,070,598
Other	257,708	22,302	(67,760)	212,250
Total 2010-2011	$ 2,417,123	$ 267,880	$(402,155)	$ 2,282,848

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $150 million are reasonably possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

18. POLLUTION REMEDIATION

GASB 49 establishes accounting and reporting guidelines for the recognition and measurement of pollution remediation obligations (liabilities).

The County is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the County's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., Regional Water Quality Board, State Department of Toxic Control, California Coastal Commission) notified the County of the need for remedial action. In addition, the County conducts its own environmental monitoring and this activity identifies pollution sites and matters requiring further investigation and possible remediation. Once the County is aware of these conditions, it commences monitoring, assessment, testing and/or clean up activities, and recognizes pollution remediation obligations when estimates can reasonably be determined.

18. POLLUTION REMEDIATION-Continued

The types of pollution that have been identified include leaking underground storage tanks, water, groundwater and soil contamination, asbestos and lead paint contamination, methane gas detection and excessive levels of other contaminants. Remediation efforts include developing remediation and feasibility studies, source identification studies, site testing, sampling and analysis, ground water clean up, and removal of storage tanks, asbestos tiles and other hazardous materials.

As of June 30, 2011, the County's estimated pollution remediation obligations totaled $28.095 million. These obligations were all associated with the County's government-wide governmental activities. Obligations of enterprise and internal service funds were immaterial. The estimated liabilities were determined by project managers, based on historical cost information for projects of the same type, size and complexity and measured at their current value. In subsequent periods, the County will adjust estimated obligations when new information indicates that such changes are required. At this time, the County has determined there are no estimated recoveries reducing the obligations.

19. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned as described in Note 1. A detailed schedule of fund balances for all the major and nonmajor governmental funds at June 30, 2011 (in thousands) are as follows:

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Nonmajor Governmental Funds
Fund Balances:						
Nonspendable:						
Inventories	$ 54,145	14,121		1,285		32,926
Long-term receivables	204,982					3,500
Permanent fund principal						2,250
Total nonspendable	259,127	14,121		1,285		38,676
Restricted for:						
General government	32,171					
Public protection	3,206	203,637	157,104			300,825
Public ways and facilities						458,916
Health and sanitation						670,628
Public assistance						252,705
Education						437
Recreation and cultural services				7,049	310,081	5,632
Capital projects						343,383
Debt service						659,517
Endowments and annuities						483
Total restricted	35,377	203,637	157,104	7,049	310,081	2,692,526
Committed to:						
General government						23
Public protection						22,106
Education						15,578
Capital projects						73,656
Total committed						111,363

19. FUND BALANCES-Continued

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Nonmajor Governmental Funds
Assigned to:						
General government	336,386					77,408
Public protection	132,225					6,168
Health and sanitation	234,838					4,671
Public assistance	50,018					
Education				34,659		
Recreation and cultural services	7,322					20,687
Capital projects						111
Imprest cash	2,249					
Total assigned	763,038			34,659		109,045
Unassigned	1,664,902					
Total Fund Balances	$ 2,722,443	217,758	157,104	42,993	310,081	2,951,610

Reserve for "Rainy Day" Fund

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

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

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

20. EXTRAORDINARY ITEM – DISCRETELY PRESENTED COMPONENT UNIT

On March 24, 2011, the Governor signed Assembly Bill 99 ("AB 99") into law. AB 99 established the Children and Families Health and Human Services Fund (the "CFHHSF"). As specified in the legislation, the CFHHSF will be used, upon appropriation, by the California State Legislature for health and human services. The bill requires $1.0 billion of the combined state and local children and families funds to be deposited in the CFHHSF for the 2011-12 fiscal year. The amount required from each First 5 Commission represents 50% of the fund balance as of June 30, 2010. For First 5 LA, the AB 99 liability amount is $424,389,000 and is due by June 30, 2012. In accordance with the legislation, no 2012-13 Commission revenues will be paid until the full AB 99 payment is made. Accordingly, the Commission has accrued the AB 99 obligation as a liability at June 30, 2011. The expense has been recorded as an extraordinary item. A lawsuit has been filed by the Commission against the State challenging that the AB 99 violates the intent of Proposition 10.

21. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 1, 2011, the County issued $300,000,000; $500,000,000; and $500,000,000 in 2011-2012 TRANS Series A, B, and C, which will mature on the following, dates: February 29, 2012, March 30, 2012, and June 29, 2012. The TRANS are collateralized by taxes and other revenues attributable to the 2011-2012 fiscal year and were issued in the form of Fixed Rate Notes at effective interest rates of 0.32%, 0.34%, and 0.40%, respectively.

Tax-Exempt Commerical Paper

On August 18, 2011, the Los Angeles County Capital Asset Leasing Corporation issued an additional $30,000,000 in tax-exempt commercial paper. The proceeds are being used to fund capital requirements of various capital projects. The commercial paper, which was initially issued at an average rate of 0.18%, is secured by a long-term lease of County real estate and a letter of credit.

Taxable Qualified Energy Conservation Bond

On August 31, 2011, the County entered into a $14,000,000 Taxable Qualified Energy Conservation Bond (QECB) Equipment Lease/Purchase Agreement via a private placement with Bank of America Leasing & Capital, LLC. The rental payments are due on February 28th and August 31st of each year. Proceeds of the bond are being used to lease, acquire, and install Energy Conservation Equipment on County-owned land. The QECB bonds have a maturity date of August 31, 2028 and has a yield of 1.02% (after the 3.10% federal tax credit rate).

Capital Asset Leasing Corporation Lease Revenue Bond Anticipation Notes

On September 27, 2011 and November 1, 2011, the Corporation issued a $3,500,000 and a $7,000,000 Bond Anticipation Note with an initial interest rate of 0.525% and 0.536% respectively. The rates are adjustable on January 2 and July 1, of each year. The notes were purchased by the Los Angeles County Treasury Pool and are due on June 30, 2014. Proceeds of the notes are being used to purchase equipment. The notes are to be paid from the proceeds of lease revenue bonds.

LACERA Investment Rate of Return

On October 12, 2011, LACERA's Board of Investments voted to lower the rate of return assumption used in the actuarial valuation from the current 7.75%. Beginning July 1, 2012, the rate of return will move from 7.75% to 7.70%. On July 1, 2013, the rate will move to 7.60%, and on July 1, 2014, the rate will move to 7.50%. The estimated effect to the County is to increase the contribution to LACERA by $15.6 million in FY 2012-13.

First 5 LA AB 99 Lawsuit

On November 21, 2011, the State of California Superior Court ("Court") ruled that AB 99 is invalid and that transferring the decision-making from the local communities to the State legislature is inconsistent with Proposition 10. Under the Court ruling, First 5 LA, would no longer be obligated to transfer $424,389,000 to the State by June 30, 2012. Although the Court ruling is favorable to First 5 LA, the Court ruling is subject to appeal by the State of California. As such, there is no change to the extraordinary item and corresponding AB99 Liability as reported on the financial statements.

21. SUBSEQUENT EVENTS-Continued

Capital Asset Leasing Corporation Lease Revenue Bonds

On December 21, 2011, the Corporation is expected to issue Lease Revenue Bonds in the aggregate principal amount of $55,475,000 with a true interest cost of 1.28%. The proceeds of the bonds will be used to redeem certain bond anticipation notes, whose proceeds were originally used to finance the acquisition of equipment. The bonds mature serially December 1st and June 1st of each year, and interest is payable on December 1st and June 1st.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Los Angeles County Employees Retirement Association
Schedule of Funding Progress-Pension Plan
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/08	$ 39,662,361	$ 41,975,631	$ 2,313,270	94.5%	$ 6,123,888	37.8%
06/30/09	39,541,865	44,468,636	4,926,771	88.9%	6,547,616	75.2%
06/30/10	38,839,392	46,646,838	7,807,446	83.3%	6,695,439	116.6%

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)
Schedule of Funding Progress-Other Postemployment Benefits
(Dollar amounts in thousands)

Retiree Health Care

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2006	$ 0	$ 20,301,800	$ 20,301,800	0%	$ 5,205,804	389.98%
July 1, 2008	0	20,901,600	20,901,600	0%	6,123,888	341.31%
July 1, 2010	0	22,939,800	22,939,800	0%	6,695,439	342.62%

Long-Term Disability

July 1, 2007	$ 0	$ 929,265	$ 929,265	0%	$ 5,615,736	16.55%
July 1, 2009	0	951,797	951,797	0%	6,547,616	14.54%
July 1, 2011	0	1,018,898	1,018,898	0%	6,695,439	15.22%

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

COUNTY OF LOS ANGELES

CALIFORNIA

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Site Lease, the Sublease and the Indenture are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2010 Bonds are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

Definitions

"2010 Project" means the capital improvement projects described in the Master Indenture and the acquisition, construction, improvement, rehabilitation or replacement of other facilities the County deems a priority.

"2012 Project" means the capital improvement projects described in the First Supplemental Indenture and the acquisition, construction, improvement, rehabilitation or replacement of other facilities the County deems a priority.

"Act" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 et seq. of the California Government Code.

"Additional Bonds" means Bonds other than Series 2010 Bonds issued under the Indenture in accordance with the provisions thereof.

"Additional Project" means, to the extent identified by the County as such, the public facilities to be acquired and constructed with the proceeds of Additional Bonds.

"Additional Rental Payments" means all amounts payable by the County as Additional Rental Payments pursuant to the Sublease.

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (b) the scheduled principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year); provided, however, that, in connection with the calculation of the Reserve Requirement, including any calculation of Average Annual Debt Service and/or Maximum Annual Debt Service in connection therewith, the interest due on the Outstanding Bonds in each Bond Year shall be net of any subsidy expected to be received from the United States with respect to such Bonds or the interest thereon (whether or not such subsidy is to be paid to the Trustee).

"Authority" means the Los Angeles County Public Works Financing Authority, a joint powers authority organized and existing under the laws of the State of California.

"**Authority Event of Default"** means an event described as such in the Sublease.

"Authorized Authority Representative" means any member of the Board of Directors of the Authority or the Treasurer of the Authority, and any other Person authorized by the Board of Directors of the Authority or the Treasurer of the Authority to act on behalf of the Authority under or with respect to the Indenture.

"Authorized County Representative" means the Treasurer and Tax Collector of the County or any authorized deputy or designee thereof, and any other Person authorized by the Board of Supervisors of the

County or the Treasurer and Tax Collector of the County to act on behalf of the County under or with respect to the Indenture.

"Authorized Denominations" means, with respect to the Bonds, $5,000 and any integral multiple thereof.

"Average Annual Debt Service" means the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

"Base Rental Deposit Date" means the fifth Business Day next preceding each Interest Payment Date.

"Base Rental Payments" means all amounts payable to the Authority by the County as Base Rental Payments pursuant to the Sublease.

"Beneficial Owners" means those individuals, partnerships, corporations or other entities for whom the Participants have caused the Depository to hold Book-Entry Bonds.

"Bond Year" means each twelve-month period beginning on July I in each year and extending to the next succeeding June 30, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on June 30, 2011.

"Bonds" means the Los Angeles County Public Works Financing Authority Lease Revenue Bonds issued under the Indenture, and includes the Series 2010 Bonds and any Additional Bonds.

"Book-Entry Bonds" means the Bonds of a Series registered in the name of the nominee of DTC, or any successor securities depository for such Series of Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

"Business Day" means a day other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city or cities in which the Office of the Trustee is located are authorized or required by law to be closed, and (c) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed.

"Cede & Co." means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to Book-Entry Bonds.

"Closing Date" means, as appropriate to the context, the Series 2010 Closing Date, the Series 2012 Closing Date and/or the closing date(s) for any series of Additional Bonds.

"Code" means the Internal Revenue Code of 1986.

"Continuing Disclosure Certificate" means, as appropriate to the context, each Continuing Disclosure Certificate, of the County, with respect to the Series 2010 Bonds, the Series 2012 Bonds and/or any series of Additional Bonds.

"Costs of Issuance" means all the costs of issuing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Sublease, the Site Lease, the Bonds and any preliminary official statement and final official statement pertaining to the Bonds, rating agency fees, CUSIP Service Bureau charges, market study fees, financial advisory fees, legal fees and expenses of counsel with respect to the financing of the Project, initial fees and expenses of the administrator of the financing of the Project, the initial fees and expenses of the Trustee and its counsel, any premium for a municipal bond insurance policy insuring payments of debt service on Additional Bonds, and

other fees and expenses incurred in connection with the issuance and delivery of the Bonds or the implementation of the financing of the Project, to the extent such fees and expenses are approved by the County.

"Costs of Issuance Fund" means the fund by that name established pursuant to the Indenture.

"County" means the County of Los Angeles, a county and political subdivision of the State of California.

"Defeasance Securities" means (a) non-callable direct obligations of the United States of America ("United States Treasury Obligations"), (b) evidences of ownership of proportionate interests in future interest and principal payments on United States Treasury Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Treasury Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated, (c) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (d) securities eligible for "AAA" defeasance under then existing criteria of S&P or Moody's, or any combination thereof.

"Depository" means the securities depository acting as Depository pursuant to the Indenture.

"DTC" means The Depository Trust Company, New York, New York and its successors.

"Event of Default" means an event described as such in the Sublease or the Indenture, as applicable.

"Fitch" means Fitch, Inc., its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"High Desert Multi-Service Ambulatory Care Center" means that certain real property, including the improvements thereto, made subject to the Site Lease and the Sublease in connection with the issuance of the Series 2012 Bonds.

"Indenture" means the Master Indenture, dated as of November 1, 2010, as amended and supplemented by the First Supplemental Indenture, dated as of October 1, 2012, each by and among the Authority, the County and the Trustee, as it may from time to time be amended or supplemented in accordance with the provisions thereof.

"Independent Insurance Consultant" means a nationally recognized independent actuary, insurance company or broker that has actuarial personnel experienced in the area of insurance for which the County is to be self-insured, as may from time to time be designated by the County.

"Interest Account" means the account by that name within the Payment Fund established pursuant to the Indenture.

"Interest Payment Date" means, as appropriate to the context, the Series 2010 Interest Payment Date, the Series 2012 Interest Payment Date and the interest payment dates for any series of Additional Bonds.

"Laws and Regulations" means, with respect to the Property, any applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property.

"Lease Revenues" means all Base Rental Payments payable by the County pursuant to the Sublease, including any prepayments thereof, any Net Proceeds and any amounts received by the Trustee as a result of or in connection with the Trustee's pursuit of remedies under the Sublease upon a Sublease Default Event.

"Letter of Representations" means the letter of the Authority delivered to and accepted by the Depository on or prior to the delivery of the Bonds as Book-Entry Bonds setting forth the basis on which the Depository serves as depository for such Book-Entry Bonds, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute Depository.

"Los Angeles County+USC Medical Center" means that certain property known as the Los Angeles County+USC Medical Center located in the County of Los Angeles and described in Exhibit A of the Master Sublease.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year, including the Bond Year the calculation is made.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"Net Proceeds" means any insurance proceeds or condemnation award paid with respect to any of the Property, which proceeds or award, after payment therefrom of all reasonable expenses incurred in the collection thereof, are in an amount greater than $50,000.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

"OES Lien" means the existing lien encumbering the Property evidenced by the Statement Concerning Lien Encumbering Property, made as of December 27, 1999, by the County in favor of the Office of Emergency Services of the State of California, recorded as Document No. 99 2371514 of the Official Records of the County of Los Angeles.

"Office of the Trustee" means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Authority and the County in writing.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority.

"Original Purchaser" means, as appropriate to the context, the Series 2010 Original Purchaser, the Series 2012 Original Purchaser and the original purchasers for any series of Additional Bonds.

"Outstanding" means, when used as of any particular time with reference to Bonds, subject to the provisions of the Indenture, all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds previously canceled by the Trustee or delivered to the Trustee for cancellation, (b) Bonds paid or deemed to have been paid within the meaning of the provisions of the Indenture described under the heading "INDENTURE -Defeasance -Bonds Deemed To Have Been Paid," and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Owner" means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Participants" means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Bonds as securities depository.

"Payment Fund" means the fund by that name .established in accordance with the Indenture.

"Permitted Encumbrances" means, with respect to the Property (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may, pursuant to provisions of the Sublease described under the heading "SUBLEASE -Representations And Warranties; Covenants And Agreements -Taxes," permit to remain unpaid, (b) the Sublease, (c) the Site Lease, (d) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law, (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions. which exist of record as of the Closing Date, (f) the OES Lien, and (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the Closing Date which the County certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture and to which the Authority consents in writing.

"Permitted Investments" means any of the following to the extent then permitted by the general laws of the State of California applicable to investments by counties:

(1) (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated (collectively "United States Obligations"). These include, but are not necessarily limited to:

- U.S. Treasury obligations
  - All direct or fully guaranteed obligations
- Farmers Home Administration
  - Certificates of beneficial ownership
- General Services Administration
  - Participation certificates
- U.S. Maritime Administration
  - Guaranteed Title XI financing
- Small Business Administration
  - Guaranteed participation certificates
- Guaranteed pool certificates
- Government National Mortgage Association (GNMA)
  - GNMA -guaranteed mortgage-backed securities
  - GNMA -guaranteed participation certificates
- U.S. Department of Housing & Urban Development
  - Local authority bonds

(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 $500million and having "A" or better rating for the issuer's long-term debt as provided by Moody's, S&P, or Fitch and "P-l", "A-1", "F1" or better rating for the issuer's short-term debt as provided by Moody's, S&P, or Fitch, respectively.

(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. 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 U.S. Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) and whose fund has received the highest possible rating from S&P and at least one other Rating Agency.

(7) 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.

(8) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(a) the municipal obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(9) 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 (ii) above.

(l0) Investment agreements and guaranteed investment contracts with issuers having a 1ong-term debt rating of at least "A-" or "Aa3" by S&P or Moody's, respectively.

"Person" means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Principal Account" means the account by that name within the Payment Fund established pursuant to the Indenture.

"Principal Payment Date" means a date on which the principal of the Bonds becomes due and payable, either as a result of the maturity thereof or by mandatory sinking fund redemption.

"**Project**" means, as appropriate, the 2010 Project, the 2012 Project and any Additional Project.

"Project Costs" means all costs of acquiring, constructing and installing the Project, including but not limited to:

(a) all costs which the County shall be required to pay to a seller or any other Person under the terms of any contract or contracts for the purchase of any portion of the Project;

(b) all costs which the County shall be required to pay a contractor or any other Person for the acquisition, construction and installation of any portion of the Project;

(c) obligations of the County incurred for services (including obligations payable to the County for actual out-of-pocket expenses of the County) in connection with the acquisition, construction and installation of the Project, including reimbursement to the County for all advances and payments made in connection with the Project prior to or after issuance of the Bonds;

(d) the actual out-of-pocket costs of the County for test borings, surveys, estimates and preliminary investigations therefor, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Project, including administrative expenses under the Sublease and under the Indenture relating to the acquisition, construction and installation of the Project;

(e) Costs of Issuance, to the extent amounts for the payment thereof are not available in the Costs of Issuance Fund; and

(f) any sums required to reimburse the Authority or the County for advances made by the Authority or the County for any of the above items or for any other costs incurred and for work done by the Authority or the County which are properly chargeable to the Project.

"Project Fund" means the fund by that name established pursuant to the Indenture.

"Property" means the real property described in the Sublease and the improvements thereto, including the Los Angeles County+USC Medical Center, the High Desert Multi-Service Ambulatory Care Center and the additional or substituted property hereinafter subject to the Sublease.

"Rebate Fund" means the fund by that name established pursuant to the Indenture.

"Rebate Requirement" has the meaning ascribed thereto in the Tax Certificate.

"Record Date" means the 15th calendar day of the month preceding each Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established pursuant to the Indenture.

"Registration Books" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

"Rental Payments" means, collectively, the Base Rental Payments and the Additional Rental Payments.

"Rental Period" means the period from the Closing Date through June 30, 2011 and, thereafter, the twelve-month period commencing on July 1 of each year during the term of the Sublease.

"Reserve Fund" means the fund by that name established pursuant to the Indenture.

"Reserve Requirement" means, as of the date of any calculation, the least of (a) 10% of the original aggregate principal amount of the Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service, and (c) 125% of Average Annual Debt Service.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, except that if such entity shall no longer perform the functions of a securities rating agency for any reason, the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"Scheduled Termination Date" means August 1, 2042.

"Series" means the each initial series of Bonds executed, authenticated and delivered on the date of initial issuance of the Bonds and identified pursuant to the Indenture as the Series 2010A Bonds and the Series 2010B Bonds, and any Additional Bonds issued pursuant to a Supplemental Indenture and identified as a separate Series of Bonds.

"Series 2010 Bonds" means the Series 2010A Bonds and the Series 2010B Bonds.

"Series 2010 Closing Date" means the date upon which the Series 2010 Bonds are delivered to the Original Purchaser thereof, being November 23, 2010.

"Series 2010ABonds" means the Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects I), 2010 Series A (Tax-Exempt), issued under the Indenture.

"Series 2010B Bonds" means the Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects I), 2010 Series B (Build America Bonds/Recovery Zone Economic Development Bonds), issued under the Indenture.

"Series 2010 Interest Payment Date" means each February 1 and August 1, commencing August 1, 2011, so long as any Series 2010 Bonds remain Outstanding.

"Series 2010 Original Purchaser" means Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of itself and on behalf of Barclays Capital Inc., Wells Fargo Bank, N.A., Blaylock Robert Van, LLC, Stone & Youngberg LLC and Wedbush Securities, being the original purchasers of the Series 2010 Bonds from the Authority.

"Series 2010 Tax Certificate" means, as applicable, the Tax Certificate and Agreement executed by the Authority and the County at the time of issuance of the Series 2010A Bonds and the Tax Certificate executed by the Authority and the County at the time of issuance of the Series 2010B Bonds, relating to the requirements of Section 148 of the Code, each as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

"Series 2012 Bonds" means the Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects II), Series 2012 issued pursuant to the Indenture.

"Series 2012 Closing Date" means the date upon which the Series 2012 Bonds are delivered to the Original Purchaser thereof, being October 18, 2012.

"Series 2012 Interest Payment Date" means each February 1 and August 1, commencing August 1, 2013, so long as any Series 2012 Bonds remain Outstanding.

"Series 2012 Original Purchaser" means Citigroup Global Markets Inc., on behalf of itself and on behalf of J.P. Morgan Securities LLC, Goldman, Sachs & Co., and such other co-underwriters as may be selected by the Treasurer and Tax Collector of the County or any authorized deputy thereof and the Treasurer of the Authority prior to the sale of the Series 2012 Bonds, being the original purchasers of the Series 2012 Bonds from the Authority.

"Series 2012 Tax Certificate" means the Tax Certificate and Agreement executed by the Authority and the County at the time of issuance of the Series 2012 Bonds relating to the requirements of Section 148 of the Code, each as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

"Site Lease" means the Master Site Lease, dated as of November 1, 2010, as amended by the First Amendment to Site Lease, dated as of October 1, 2012, each by and between the County and the Authority, as it may from time to time be amended in accordance with the provisions thereof and of the Sublease.

"Sublease" means the Master Sublease Agreement, dated as of November 1, 2010, as amended by the First Amendment to Sublease, dated as of October 1, 2012, each by and between the County and the Authority, as it may from time to time be amended in accordance with the provisions thereof.

"Sublease Default Event" means an event of default pursuant to and as described in the Sublease.

"Supplemental Indenture" means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Tax Certificate" means, as appropriate to the context, the Series 2010 Tax Certificate, the Series 2012 Tax Certificate and the Tax Certificate relating to any series of Additional Bonds.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, including interest on the Series 2010A Bonds, that such interest is excluded from the gross income of the

holders thereof for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Trustee" means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or any successor thereto as Trustee under the Indenture substituted in its place as provided therein.

"Verification Report" means, with respect to the deemed payment of Bonds pursuant to clause (ii)(B) of paragraph (a) of the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid," a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment satisfy the requirements of clause (ii)(B) of paragraph (a) of the provisions of the Indenture described under the heading "INDENTURE – Defeasance -Bonds Deemed To Have Been Paid."

"Written Certificate of the Authority" means a written certificate signed in the name of the Authority by an Authorized Representative of the Authority. Any such certificate may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Written Certificate of the County" means a written certificate signed in the name of the County by an Authorized Representative of the County. Any such certificate may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Written Request of the Authority" means a written request signed in the name of the Authority by an Authorized Representative of the Authority. Any such request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Written Request .of the County" means a written request signed in the name of the County. by an Authorized Representative of the County. Any such request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

SITE LEASE

Lease of the Property; Rental

Lease of Property. The County leases to the Authority, and the Authority leases from the County, for the benefit of the Owners of the Bonds, the Property, subject only to Permitted Encumbrances, to have and to hold for the term of the Site Lease.

Rental. The Authority shall pay to the County as and for rental of the Property under the Site Lease, an amount set forth in the Site Lease(the "Site Lease Payment"). The Site Lease Payment shall be paid from the proceeds of the Series 2010 Bonds; provided, however, that in the event the available proceeds of the Series 2010 Bonds are not sufficient to enable the Authority to pay such amount in full, the remaining amount of the Site Lease Payment shall be reduced to an amount equal to the amount of such available proceeds.

The County shall deposit the Site Lease Payment in one or more separate funds or accounts to be held and administered for the purpose of financing the Project. The Authority and the County find and determine that the amount of the Site Lease Payment does not exceed the fair market value of the leasehold interest in the

Property which is conveyed under the Site Lease by the County to the Authority. No other amounts of rental shall be due and payable by the Authority for the use and occupancy of the Property under the Site Lease.

Quiet Enjoyment

The parties intend that the Property will be leased back to the County pursuant to the Sublease for the term thereof. It is further intended that, to the extent provided in the Site Lease and in the Sublease, if an event of default occurs under the Sublease, the Authority, or its assignee, will have the right, for the then remaining term of the Site Lease to relet the Property for the term of the Sublease. Subject to any rights the County may have under the Sublease (in the absence of an event of default) to possession and enjoyment of the Property, the County covenants and agrees that it will not take any action to prevent the Authority from having quiet and peaceable possession and enjoyment of the Property during the term of the Site Lease and will, at the request of the Authority and at the County's cost, to the extent that it may lawfully do so, join in any legal action in which the Authority asserts its right to such possession and enjoyment.

Special Covenants and Provisions

Waste. The Authority agrees that at all times that it is in possession of the Property, it will not commit, suffer or permit any waste on the Property, and that it will not willfully or knowingly use or permit the use of the Property for any illegal purpose or act.

Further Assurances and Corrective Instruments. The County and the Authority agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements to the Site Lease and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property leased or intended so to be or for carrying out the expressed intention of the Site Lease, the Indenture and the Sublease.

Waiver of Personal Liability. All liabilities under the Site Lease on the part of the Authority shall be solely liabilities of the Authority as a joint powers authority, and the County releases each and every director, officer and employee of the Authority of and from any personal or individual liability under the Site Lease. No director, officer or employee of the Authority shall at any time or under any circumstances be individually or personally liable under the Site Lease to the County or to any other party whomsoever for anything done or omitted to be done by the Authority under the Site Lease.

All liabilities under the Site Lease on the part of the County shall be solely liabilities of the County as a governmental entity, and the Authority releases each and every member, officer and employee of the County of and from any personal or individual liability under the Site Lease. No member, officer or employee of the County shall at any time or under any circumstances be individually or personally liable under the Site Lease to the Authority or to any other party whomsoever for anything done or omitted to be done by the County under the Site Lease.

Taxes. The County covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Property.

Right of Entry. The County reserves the right for any of its duly authorized representatives to enter upon the Property at any reasonable time to inspect the same.

Representations of the County. The County represents and warrants to the Authority and the Trustee as follows:

(a) the County has the full power and authority to enter into, to execute and to deliver the Site Lease, and to perform all of its duties and obligations thereunder, and has duly authorized the execution of the Site Lease;

(b) except for Permitted Encumbrances, the Property is not subject to any dedication, easement, right of way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the use of the Property for governmental purposes as contemplated by the County;

(c) all taxes, assessments or impositions of any kind with respect to the Property, except current taxes, have been paid in full; and

(d) the Property is necessary to the County in order for the County to perform its governmental functions.

Representations of the Authority. The Authority represents and warrants to the County and the Trustee that the Authority has the full power and authority to enter into, to execute and to deliver the Site Lease, and to perform all of its duties and obligations thereunder, and has duly authorized the execution and delivery of the Site Lease.

Assignment, Selling and Subleasing

Assignment, Selling and Subleasing. The Site Lease may be assigned or sold, and the Property may be subleased, as a whole or in part, by the Authority, without the necessity of obtaining the consent of the County, if an event of default occurs under the Sublease. The Authority shall, within 30 days after such an assignment, sale or sublease, furnish or cause to be furnished to the County a true and correct copy of such assignment, sublease or sale, as the case may be.

The Authority shall assign all of its rights under the Site Lease to the Trustee appointed pursuant to the Indenture.

Restrictions on County. The County agrees that, except with respect to Permitted Encumbrances, it will not mortgage, sell, encumber, assign, transfer or convey the Property or any portion thereof during the term of the Site Lease.

Improvements

Title to all improvements made on the Property during the term of the Site Lease shall vest in the County.

Term; Termination

Term. The term of the Site Lease shall commence as of the date of commencement of the term of the Sublease and shall remain in full force and effect from such date to and including August 1, 2042, unless such term is extended or sooner terminated as provided in the Site Lease.

Extension; Early Termination. If, on August 1, 2042, the Bonds shall not be fully paid, or provision therefor made in accordance with the Indenture, or the Indenture shall not be discharged by its terms, or if the Rental Payments payable under the Sublease shall have been abated at any time, then the term of the Site Lease shall be automatically extended until the date upon which all Bonds shall be fully paid, or provision therefor made in accordance with Article IX of the Indenture, and the Indenture shall be discharged by its terms, except that the term of the Site Lease shall in no event be extended more than ten years. If, prior to August 1, 2042, all Bonds shall be fully paid, or provisions therefor made in accordance with the Indenture, and the Indenture shall be discharged by its terms, the term of the Site Lease shall end simultaneously therewith.

Action on Default. In each and every case upon the occurrence and during the continuance of a default by the Authority under the Site Lease, the County shall have all the rights and remedies permitted by law, except the County, to the extent permitted by law, waives any and all rights to terminate the Site Lease.

Miscellaneous

Binding Effect. The Site Lease shall inure to the benefit of and shall be binding upon the County, the Authority and their respective successors and assigns.

Severability. In the event any provision of the Site Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of the Site Lease.

Amendments; Substitution and Release. The Site Lease may be amended, changed, modified, altered or terminated only in accordance with the provisions of the Sublease. The County shall have the right to substitute alternate real property for the Property or to release portions of the Property as provided in the Sublease.

Assignment. The Authority and County acknowledge that the Authority has assigned its right, title and interest in and to the Site Lease to the Trustee pursuant to the Indenture. The County consents to such assignment. The County consents to the Indenture and acknowledges and agrees to the rights of the Trustee as set forth therein.

SUBLEASE

Lease of Property; Term

Lease of Property. The Authority leases to the County and the County leases from the Authority the Property, on the terms and conditions set forth in the Lease Agreement, subject to all Permitted Encumbrances.

The leasing of the Property by the County to the Authority pursuant to the Site Lease shall not effect or result in a merger of the County's leasehold estate in the Property as lessee under the Sublease and its fee estate in the Property as lessor under the Site Lease, and the Authority shall continue to have a leasehold estate in the Property pursuant to the Site Lease throughout the term thereof and of the Sublease. The Sublease shall constitute a sublease with respect to the Property. The leasehold interest in the Property granted by the County to the Authority pursuant to the Site Lease is and shall be independent of the Sublease and the Sublease shall not be an assignment or surrender of the leasehold interest in the Property granted to the Authority under the Site Lease.

Term; Occupancy. The term of the Sublease shall commence on the Closing Date and shall end on the Scheduled Termination. Date, unless such term is extended or sooner terminated as provided in the ' Sublease. If, on the Scheduled Termination Date, all of the Bonds shall not be fully paid or deemed to have been paid in accordance with the provisions the Indenture, or any Rental Payments shall remain due and payable or shall have been abated at any time, then the term of the Sublease shall be extended until the date upon which all of the Bonds shall be fully paid or deemed to have been paid in accordance with the provisions of the Indenture, and all Rental Payments due and payable shall have been paid in full; provided, however, that the term of the Sublease shall in no event be extended more than ten years beyond the Scheduled Termination Date. If, prior to the Scheduled Termination Date, all of the Bonds shall be fully paid or deemed to have been paid in accordance with the provisions of the Indenture, and all Rental Payments due and payable shall have been paid in full, the term of the Sublease shall end simultaneously therewith.

The County shall take possession of the Property on the Closing Date.

Rental Payments

Base Rental Payments. *General*. The Rental Payments, including Base Rental Payments, for each Rental Period shall be paid by the County to the Authority for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during such Rental Period.

The obligation of the County to pay the Base Rental Payments does not constitute a debt of the County or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State of California is obligated to levy or pledge any form of taxation or for which the County or the State of California has levied or pledged any form of taxation.

Base Rental Payments. Subject to the provisions of the Sublease described under the heading "SUBLEASE – Rental Payments – Rental Abatement," the County shall, on each Base Rental Deposit Date, pay to the Authority a Base Rental Payment in an amount equal to the principal of, and interest on, the Bonds due and payable on the next succeeding Principal Payment Date or Interest Payment Date, as applicable, including any such principal due and payable by reason of mandatory sinking fund redemption of the Bonds; provided, however, that the amount of such Base Rental Payment shall be reduced by the amount, if any, available in the Payment Fund, the Principal Account or the Interest Account on such Base Rental Deposit Date to pay such principal of, or interest on, the Bonds.

Payments other than Regularly Scheduled Payments. If the term of the Sublease shall have been extended pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Lease Of The Property; Term – Term; Occupancy," the obligation of the County to pay Rental Payments shall continue to and including the Base Rental Deposit Date preceding the date of termination of the Sublease (as so extended pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Lease Of Property; Term – Term; Occupancy"). Upon such extension, the Base Rental Payments payable during such extended term shall be established so that such Base Rental Payments will in the aggregate be sufficient to pay the unpaid principal of, and interest accrued and to accrue on, the Bonds; provided, however, that the Rental Payments payable in any Rental Period shall not exceed the annual fair rental value of the Property.

Additional Rental Payments. The County shall also pay, as Additional Rental Payments, such amounts as shall be required for the payment of the following:

(a) all taxes and assessments of any type or nature charged to the Authority or the County or affecting the Property or the respective interests or estates of the Authority or the County therein;

(b) all reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Sublease or to defend the Authority and its members, officers, agents and employees;

(c) insurance premiums for all insurance required pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Insurance;"

(d) any amounts with respect to the Bonds required to be rebated to the federal government in accordance with section 148(f) of the Code; and

(e) all other payments required to be paid by the County under the provisions of the Sublease or the Indenture.

Amounts constituting Additional Rental Payments payable under the Sublease shall be paid by the County directly to the person or persons to whom such amounts shall be payable. The County shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the County stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Fair Rental Value. The parties to the Sublease have agreed and determined that the Rental Payments are not in excess of the fair rental value of the Property.

Payment Provisions. Each installment of Base Rental Payments payable under the Sublease shall be paid in lawful money of the United States of America to or upon the order of the Authority at the Principal Office of the Trustee, or such other place or entity as the Authority shall designate. Notwithstanding any dispute between the Authority and the County, the County shall make all Rental Payments when due without deduction or offset of any kind and shall not withhold any Rental Payments pending the final resolution of such dispute. In the event of a determination that the County was not liable for said Rental Payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent Rental Payments due under the Sublease or refunded at the time of such determination.

Appropriations Covenant. The County covenants to take such action as may be necessary to include all Rental Payments due under the Sublease in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The covenants on the part of the County contained in this paragraph shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform such covenants.

Rental Abatement. Except as otherwise specifically provided in this paragraph, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property, Rental Payments due the Sublease with respect to the Property shall be abated to the extent that the annual fair rental value of the portion of the Property in respect of which there is no substantial interference is less than the annual Rental Payments, in which case Rental Payments shall be abated only by an amount equal to the difference. The County waives the benefits of California Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Sublease by virtue of any such interference, and the Sublease shall continue in full force and effect. The amount of such abatement shall be agreed upon by the County and the Authority. The County and the Authority shall provide the Trustee with a certificate setting forth the amount of such abatement and the basis therefor. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed, and the term of the Sublease shall be extended as described in the provisions of the Sublease described under the heading "SUBLEASE -Lease Of Property; Term -Term; Occupancy;"provided, however, that such term shall in no event be extended more than ten years beyond the Scheduled Termination Date. Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments shall not be abated as provided above but, rather, shall be payable by the County as a special obligation payable solely from said funds and accounts.

Representations and Warranties; Covenants and Agreements

Power and Authority of the County. The County represents and warrants to the Authority that (a) the County has the full power and authority to enter into, to execute and to deliver the Sublease, the Site Lease and the Indenture, and to perform all of its duties and obligations under the Sublease and thereunder, and has duly authorized the execution and delivery of the Sublease, the Site Lease and the Indenture, and (b) the Property is zoned for use for governmental related facilities.

Power and Authority of the Authority. The Authority represents and warrants to the County that the Authority has the full power and authority to enter into, to execute and to deliver the Sublease, the Site Lease and the Indenture, and to perform all of its duties and obligations thereunder, and has duly authorized the execution and delivery of the Sublease, the Site Lease and the Indenture.

Net-Net-Net Lease. The Sublease shall be, and shall be deemed and construed to be, a "net-net-net lease" and the Rental Payments shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever and notwithstanding any dispute between the County and the Authority.

Disclaimer of Warranties. THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE COUNTY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE PROPERTY OR A DEALER THEREIN, THAT THE COUNTY LEASES THE PROPERTY AS IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COUNTY.

Quiet Enjoyment. So long as no Event of Default shall have occurred and be continuing, the County shall at all times during the term of the Sublease peaceably and quietly have, hold and enjoy the Property without suit, trouble or hindrance from the Authority.

Right of Entry. The Authority shall have the right to enter upon and. to examine and inspect the Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations under the Sublease, and for all other lawful purposes.

Use of the Property; Covenant with respect to OES Lien. The County shall not use, operate or maintain the Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Sublease. In addition, the County agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Property) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Property; provided, however, that the County may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Authority, adversely affect the estate of the Authority in and to any of the Property or its interest or rights under the Sublease.

Unless the County shall have substituted alternate real property for the Los Angeles County+USC Medical Center pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Assignment and Subletting; Substitution Or Release; Title – Substitution or Release of the Property," so long as the OES Lien is effective, the County shall not take any action, or fail to take any action, if such action or failure to take such action would cause a "change in function" or a "change in status" of the Los Angeles County+USC Medical Center, within the meaning of the provisions of the OES Lien, to occur.

Maintenance and Utilities. As part of the consideration for rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the County, and the County shall pay for or otherwise arrange for the payment of all utility services supplied to the Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the County. In exchange for the Rental Payments, the Authority agrees to provide only the Property.

Additions to Property. Subject to the provisions of the Sublease described under the heading "SUBLEASE – Representations And Warranties; Covenants And Agreements – Liens," the County and any sublessee shall, at its own expense, have the right to make additions, modifications and improvements to the

Property. To the extent that the removal of such additions, modifications or improvements would not cause material damage to the Property, such additions, modifications and improvements shall remain the sole property of the County or such sublessee, and neither the Authority nor the Trustee shall have any interest therein. Such additions, modifications and improvements shall . not in any way damage the Property or cause it to be used for purposes other than those authorized under the provisions of state and federal law, and the Property, upon completion of any addition, modification or improvement made pursuant to this paragraph, shall be of a value which is at least equal to the value of the Property immediately prior to the making of such addition, modification or improvement.

Installation of County's Equipment. The County and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon the Property. All such items shall remain the sole property of the County or such sublessee, and neither the Authority nor the Trustee shall have any interest therein. The County or such sublessee may remove or modify such equipment or other personal property at any time, provided that such party shall repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items, and the Property, upon completion of any installation, modification or removal made pursuant to this paragraph, shall be of a value which is at least equal to the value of the Property immediately prior to the making of such installation, modification or removal. Nothing in the Sublease shall prevent the County or any sublessee from purchasing items to be installed pursuant to this paragraph under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Property.

Taxes. The County shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Authority or the County or affecting the Property or the respective interests or estates therein; provided; however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as and when the same become due.

Upon notice to the Authority and the Trustee, the County or any sublessee may, at the County's or such sublessee's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the County or such sublessee that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority in the Property will be materially endangered or the Property, or any part thereof, will be subject to loss or forfeiture, in which event the County or such sublessee shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

Liens. In the event the County shall at any time during the term of the Sublease cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Property, the County shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon or about the Property and which may be secured by a mechanics', materialmen's or other lien against the Property or the Authority's interest therein, and shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the County desires to contest any such lien, it may do so as long as such contest is in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the County shall forthwith pay and discharge said judgment.

Compliance with Law, Regulations, Etc. The County represents and warrants that, after due inquiry, it has no knowledge and has not given or received any written notice indicating that the Property or the use

thereof or any practice, procedure or policy employed by it in the conduct of its business materially violates any Laws and Regulations.

No Condemnation. The County shall not exercise the power of condemnation with respect to the Property. If for any reason the foregoing covenant shall be held by a court of competent jurisdiction to be unenforceable and the County condemns the Property or if the County breaches such covenant, the County agrees that the value of the County' s leasehold estate under the Sublease in the Property shall be not less than the greater of (a) the amount sufficient to redeem the Bonds pursuant to the Indenture if the Bonds are then subject to redemption, or (b) the amount sufficient to defease the Bonds to the first available redemption date in accordance with the Indenture if the Bonds are not then subject to redemption.

Authority's Purpose. So long as any Bonds are Outstanding, the Authority shall not engage in any activities inconsistent with the purposes for which the Authority is organized, as set forth in the agreement pursuant to which the Authority was created.

Insurance

Public Liability and Property Damage Insurance; Workers' Compensation Insurance. (a) The County shall maintain or cause to be maintained, throughout the term of the Sublease, a standard comprehensive general liability insurance policy or policies in protection of the County, the Authority and their respective members, officers,. agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for' damages for bodily and personal injury, death or property damage occasioned by reason of the use or ownership of the Property. Said policy or policies shall provide coverage in the minimum liability limits of $1,000,000 for personal injury to or death of each person and $3,000,000 for personal injury to or deaths of two or more persons in a single accident or event, and in a minimum amount of $500,000 for damage to property (subject to a deductible clause of not to exceed $100,000) resulting from a single accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any ,other liability insurance coverage carried or required to be carried by the County, and may be maintained in whole or in part in the form of self-insurance by the County, provided that such self-insurance complies with the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Self Insurance." The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid.

(b) The County shall maintain or cause to be maintained, throughout the term of the Sublease, workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the California Labor Code, or any act enacted ,as an amendment or supplement thereto or, in lieu thereof, such workers' compensation insurance to cover all persons employed by the County in connection with the Property and to cover full liability for compensation under any such act. The insurance required under this paragraph may be maintained in whole or in part in the form of self-insurance, provided that such self-insurance complies with the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Self Insurance."

(c) The County shall maintain or cause to be maintained casualty insurance insuring the Property against fire, lightning and all other risks covered by an extended coverage endorsement (excluding earthquake) to the full insurable value of the Property, subject to a $100,000 loss deductible provision. Full insurable value shall be evaluated at least every five years by an Independent Insurance Consultant or the County's Risk Manager and shall not be less than the aggregate principal amount of the Outstanding Bonds. The insurance required under this paragraph (c) may be maintained in whole or in part in the form of self-insurance, provided that such self-insurance complies with the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Self Insurance."

(d) The County shall maintain rental interruption insurance. to cover. the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered pursuant to paragraph (c) above in an amount not less than an amount equal to two times Maximum Annual Debt Service. The insurance required under this paragraph (d) may not be maintained in whole or in part in the form of self-insurance.

(e) The insurance required by the provisions under the Sublease described under the heading "SUBLEASE – Insurance – Public Liability and Property Damage Insurance; Workers' Compensation Insurance" shall be provided by insurers rated "A" or better by Fitch, A.M. Best Company or S&P.

Additional Insurance Provision; Form of Policies. The County shall pay or cause to be paid when due the premiums for all insurance policies required by the Sublease described under the heading "SUBLEASE – Insurance – Public Liability and Property Damage Insurance; Workers' Compensation Insurance." All such policies shall provide that the Trustee shall be given 30 days notice of the expiration thereof, any intended cancellation thereof or any reduction in the coverage provided thereby. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

The County shall, following receipt of a written request of the Trustee, cause to be delivered to the Trustee on or before August 15 of each year, commencing August 15, 2011, a schedule of the insurance policies being maintained in accordance with the Sublease and a Written Certificate of the County stating that such policies are in full force and effect and that the County is in full compliance with the requirements of the provisions of the Sublease described under the heading "SUBLEASE – Insurance." The Trustee shall be entitled to rely upon said Written Certificate of the County as to the County's compliance with the provisions of the Sublease described under the heading "SUBLEASE – Insurance." The Trustee shall not be responsible for the sufficiency of the coverage or the amounts of such policies.

Self-Insurance. Insurance provided through a California joint powers authority of which the County is a member or with which the County contracts for insurance shall be deemed to be self-insurance for purposes of the Sublease. Any self-insurance maintained by the County pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Insurance" must be approved in writing by an Independent Insurance Consultant or the County's Risk Manager.

Title Insurance. The County shall provide, at its own expense, one or more CLTA title insurance policies for the Property, in the aggregate amount of not less than the aggregate principal amount of the Bonds. Said policy or policies shall insure (a) the fee interest of the County in the Property, (b) the Authority's ground leasehold estate in the Property under the Site Lease, and (c) the County's leasehold estate under the Sublease in the Property, subject only to Permitted Encumbrances; provided, however, that one or more of said estates may be insured through an endorsement to such policy or policies. All Net Proceeds received under said policy or policies shall be deposited with the Trustee and applied as provided in the provisions of the Indenture described under the heading "SUBLEASE – net proceeds and title insurance; covenants – Title Insurance." So long as any of the Bonds remain Outstanding, each policy of title insurance obtained pursuant thereto or required thereby shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Owners.

Eminent Domain

If all of the Property (or portions thereof such that the remainder is not usable for public purposes by the County) shall be taken under the power of eminent domain, the term of the Sublease shall cease as of the day that possession shall be so taken. If less than all of the Property shall be taken under the power of eminent domain and the remainder is usable for public purposes by the County at the time of such taking, then the Sublease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the Rental Payments in accordance

with the provisions of the Sublease described under the heading "SUBLEASE – Rental Payments – Rental Abatement." So long as any Bonds shall be Outstanding, any award made in eminent domain proceedings for the taking of the Property, or any portion thereof, shall be paid to the Trustee and applied to the redemption of Bonds as provided in the Indenture. Any such award made after all of the Bonds, and all other amounts due under the Indenture and under the Sublease, have been fully paid, shall be paid to the County.

Right to Redeem Bonds

(a) The County shall have the right to cause the Bonds to be redeemed pursuant to, and in accordance with the provisions of, the Indenture by providing the Trustee with funds sufficient for such purpose (which funds may be derived by the County from any source) and giving notice of the County's exercise of such right as provided in paragraph (b) below.

(b) In order to exercise its right to cause Bonds to be redeemed pursuant to paragraph (a) above, the County shall give written notice to the Trustee of its intention to exercise such right, specifying the date on which such redemption shall be made, which date shall be not less than 45 days from the date such notice is given (unless otherwise agreed by the Trustee), and specifying the Series, maturities and amounts of Bonds to be redeemed.

(c) The County shall have the right to cause Bonds to be deemed to have been paid pursuant to, and in accordance with the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid" by providing the Trustee with funds sufficient for such purpose (which funds may be derived by the County from any source) and providing and delivering, or causing to be provided and delivered the other items required pursuant to the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid" to be provided or delivered in connection with such deemed payment.

Assignment and Subletting; Substitution or Release; Title

Assignment and Subleasing. Neither the Sublease nor any interest of the County under the Sublease shall be sold, mortgaged, pledged, assigned, or transferred by the County by voluntary act or by operation of law or otherwise; provided, however, that the Property may be subleased in whole or in part by the County, but only subject to the following conditions, which are made conditions precedent to any such sublease:

(a) the Sublease and the obligation of the County to make all Rental Payments under the Sublease shall remain the primary obligation of the County;

(b) the County shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;

(c) no such sublease by the County shall cause the Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State of California;

(d) any sublease of the Property by the County shall explicitly provide that such sublease is subject to all rights of the Authority under the Sublease, including the right to re-enter and re-let the Property pursuant to the terms of the Sublease upon a default by the County under the Sublease; and

(e) the County shall have filed or caused to be filed with the Authority and the Trustee an Opinion of Counsel to the effect that such sublease will not, in and of itself, cause the interest on Tax-Exempt Bonds to be included in gross income for federal income tax purposes.

Substitution or Release of the Property. Subject to the provisions of the Sublease described under this heading entitled "Substitution or Release of the Property," the County shall have the right to substitute alternate real property for any portion of the Property or to release a portion of the Property from the Sublease. All costs and expenses incurred in connection with any such substitution or release shall be borne by the County. Notwithstanding any substitution or release pursuant to the provisions of the Sublease described under this heading entitled "Substitution or Release of the Property," there shall be no reduction in or abatement of the Base Rental Payments due from the County under the Sublease as a result of such substitution or release. Any such substitution or release of any portion of the Property shall be subject to the following conditions, which are made conditions precedent to such substitution or release:

(a) a qualified employee of the County or an independent certified real estate appraiser selected by the County shall have found (and shall have delivered a certificate to the Trustee setting forth its findings) that (i) the sum of Base Rental Payments plus Additional Rental Payments due under the Sublease in any Rental Period is not in excess of the annual fair rental value of the Property, as constituted after such substitution or release, and (ii) the Property, as constituted after such substitution or release, has a useful life equal to or greater than the maximum remaining term of the Sublease (including extensions thereof under the provisions of the Sublease described under the heading "SUBLEASE – Lease of Property; Term – Term; Occupancy").

(b) the County shall have obtained or caused to be obtained a CLTA title insurance policy or policies with respect to any substituted property in the amount of the fair market value of such substituted property (which fair market value shall have been determined by a qualified employee of the County or an independent certified real estate appraiser), of the type and with the endorsements described in the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Title Insurance;"

(c) the County shall have filed or caused to be filed with the Trustee an Opinion of Counsel to the effect that such substitution or release will not, in and of itself, cause the interest on Tax-Exempt Bonds to be included in gross income for federal income tax purposes;

(d) the County shall have given, or shall have made arrangements for the giving of, any notice of the occurrence of such substitution or release required to be given pursuant to paragraph (x) of subsection (a) of Section 5 of the Continuing Disclosure Certificate;

(e) the County, the Authority and the Trustee shall have executed, and the County shall have caused to be recorded with the county recorder of the county in which the Property is located, any document necessary to reconvey to the County the portion of the Property being substituted or released and to include any substituted real property in the description of the Property contained in the Sublease and in the Site Lease; and

(f) the County shall have certified to the Trustee that the substituted real property is essential for performing the County's governmental functions.

Title to Property. Upon the termination or expiration of the Sublease, and the first date upon which no Bonds are any longer Outstanding, all right, title and interest in and to the Property shall vest in the County. Upon any such termination or expiration, the Authority shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Events of Default and Remedies

Events of Default. The occurrence, from time to time, of any one or more of the following events shall constitute an Event of Default under the Sublease:

(a) the failure of the County to pay any Rental Payment payable under the Sublease when the same becomes due and payable, time being expressly declared to be of the essence in the Sublease;

(b) the failure by the County to observe and perform any of the other covenants, agreements or conditions on its part in the Sublease contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the County by the Trustee, the Authority or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if, in the reasonable opinion of the County, the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the County within such 30 day period and the County shall thereafter diligently and in good faith cure such failure in a reasonable period of time, provided, further, however, that the period of time for such cure shall not exceed 90 days without the prior written consent of the Authority;

(c) except as otherwise expressly permitted by the Sublease, the assignment or transfer, either voluntarily or by operation of law or otherwise, of the County's interest in the Sublease or any part thereof without the written consent of the Authority;

(d) the abandonment of the Property by the County; or

(e) the commencement by the County of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Action on Default. (a) In each and every case during the continuance of an Event of Default under the Sublease, the Authority shall have the right, without terminating the Sublease, (i) to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions of the Sublease to be kept or performed by the County, regardless of whether or not the County has abandoned the Property, or (ii) to exercise any and all rights of entry and re-entry upon the Property; provided that there shall be no right of entry or re-entry with respect to the Los Angeles County+USC Medical Center so long as the OES Lien remains effective. The County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Sublease to be kept or performed by the County and, if the Property is not re-let, to pay the full amount of the Rental Payments to the end of the term of the Sublease or, in the event that the Property is re-let, to pay any deficiency in Rental Payments that results therefrom; provided that there shall be no right of re-let with respect to the Los Angeles County+USC Medical Center so long as the OES Lien remains effective. The County further agrees to pay said Rental Payments and/or Rental Payment deficiency punctually at the same time and in the same manner as provided for the payment of Rental Payments under the Indenture, notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Sublease, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property. Should the Authority elect to re-enter as provided in the Sublease, the County irrevocably appoints the Authority as the agent and attorney-in-fact of the County to re-let the Property, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Property and to place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the County, and the County indemnifies and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Property and removal and storage of such property by

the Authority or its duly authorized agents in accordance with the provisions contained in the Sublease. The County agrees that the terms of the Sublease constitute full and sufficient notice of the right of the Authority to re-let the Property in the event of such re-entry without effecting a surrender of the Sublease, and further agrees that no acts of the Authority in effecting such re-letting shall constitute a surrender or termination of the Sublease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise. The County further agrees to pay the Authority the cost of any alterations or additions to the Property necessary to place the Property in condition for re-letting immediately upon notice to the County of the completion and installation of such additions or alterations. The term "re-let" or "re-letting" as used in this Section shall include, but not be limited to, re-letting by means of the operation by the Authority of the Property.

(b) The County waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Property as provided in the Sublease and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the County, or any other person, that may be in or upon the Property.

(c) NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THE SUBLEASE, THE AUTHORITY EXPRESSLY WAIVES ANY RIGHT TO TERMINATE THE SUBLEASE REGARDLESS OF WHETHER OR NOT THE COUNTY HAS ABANDONED THE PROPERTY. Without limiting the generality of the foregoing, the Authority expressly waives the right to receive any amount from the County pursuant to California Civil Code Section 1951.2(a)(3).

Other Remedies. In addition to the other remedies provided for in the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default" of the Sublease and subject to the provisions of paragraph (c) of the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default," during the continuance of an Event of Default under the Sublease, the Authority shall be entitled to proceed to protect and enforce the rights vested in the Authority by the Sublease or by law. The provisions of the Sublease and the duties of the County and of its board, officers or employees shall be enforceable by the Authority by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing and subject to the provisions of paragraph (c) of the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default," the Authority shall have the right to bring the following actions:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the County or any board member, officer or employee thereof, and to compel the County or any such board member, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Sublease;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the County and its board, officers and employees to account as if it or they were the trustee or trustees of an express trust.

No Acceleration. Notwithstanding anything to the contrary contained in the Sublease, the Authority shall have no right to accelerate Rental Payments upon the occurrence or continuance of a default or an Event of Default under the Sublease.

Remedies Not Exclusive. Subject to the provisions of paragraph (c) of the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default," no remedy therein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Sublease

existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. If any statute or rule of law validly shall limit the remedies given to the Authority under the Sublease, the Authority nevertheless shall, subject to the provisions of paragraph (c) of the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default," be entitled to whatever remedies are allowable under any statute or rule of law.

Waiver. No delay or omission of the Authority to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein, and every power and remedy given by the Sublease to the Authority may be exercised from time to time and as often as may be deemed expedient. A waiver of a particular default or Event of Default shall not be deemed to be a waiver of any other default or Event of Default or of the same default or Event of Default subsequently occurring. The acceptance of Rental Payments under the Sublease shall not be, or be construed to be, a waiver of any term, covenant or condition of the Sublease.

Attorney's Fees. In the event the Authority shall prevail in any action brought to enforce any of the terms and provisions of the Sublease, the County agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority under the Sublease.

Authority Event of Default; Action on Authority Event of Default. The failure by the Authority to observe and perform any covenants, agreements or conditions on its part in the Sublease contained, if such failure shall have continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Authority and the Trustee, by the County, shall constitute an Authority Event of Default under the Sublease; provided, however, that if, in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 60 day period, such failure shall not constitute an Authority Event of Default if corrective action is instituted by the Authority within such 60 day period and the Authority shall thereafter diligently and in good faith cure such failure in a reasonable period of time. In each and every case upon the occurrence and during the continuance of an Authority Event of Default by the Authority under the Sublease, the County shall have all the rights and remedies permitted by law.

Amendments

The Sublease and the Site Lease, and the rights and obligations of the County and the Authority thereunder, may be amended at any time by an amendment thereto, which shall become binding upon execution by the County and the Authority, but only with the prior written consent of the Owners of a majority of the aggregate principal amount of Bonds then Outstanding, exclusive of Bonds disqualified as provided in the provisions of the Indenture described under the heading "INDENTURE – Miscellaneous – Disqualified Bonds." No such amendment shall (i) extend the payment date of any Base Rental Payment or reduce the amount of any Base Rental Payment without the prior written consent of the Owner of each Bond so affected, (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required for any amendment of the Sublease or the Site Lease to become binding without the prior written consent of the Owners of all the Bonds then Outstanding, or (iii) amend the provisions of the Sublease described under the heading "INDENTURE – Amendments – Amendments" without the prior written consent of the Owners of all the Bonds then Outstanding.

The Sublease and the Site Lease, and the rights and obligations of the County and the Authority thereunder, may also be amended at any time by an amendment thereto, which shall become binding upon execution by the County and the Authority, without the written consents of any Owners, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the County or the Authority therein contained other covenants and agreements thereafter to be observed, or to surrender any right or power therein reserved to or conferred upon the County or the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in therein or in regard to questions arising thereunder which the County or the Authority may deem desirable or necessary and not inconsistent with the Sublease;

(iii) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(iv) to provide for the substitution or release of a portion of the Property in accordance with the provisions of the Sublease described under the heading "SUBLEASE ¬Assignment And Subletting; Substitution Or Release; Title -Substitution or Release of the Property;"

(v) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of interest on Tax-Exempt Bonds or maintain any federal interest subsidies expected to be received with respect to any Bonds; or

(vi) to make such other changes in the Sublease or therein as the County or the Authority may deem desirable or necessary, and which shall not materially adversely affect the interests of the Owners.

Miscellaneous

Authority Not Liable. The Authority and its directors, officers, agents and employees, shall not be liable to the County or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Property. To the extent permitted by law, the County shall, at its expense, indemnify and hold the Authority and its directors, officers, agents and employees harmless against and from any and all claims by or on behalf of any Person arising from the acquisition, construction, occupation, use, operation, maintenance, possession, conduct or management of any work done in or about the Property or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the Property or the occupancy or use thereof, but excepting the negligence or willful misconduct of the persons or entity seeking indemnity. In no event shall the Authority be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Sublease or the County's use of the Property.

Assignment to Trustee; Effect. The parties to the Sublease understand and agree that, upon the execution and delivery of the Indenture (which is occurring simultaneously with the execution and delivery of the Sublease), all right, title and interest of the Authority in and to the Sublease will be sold, assigned and transferred to the Trustee for the benefit of the Owners of the Bonds. The County consents to such sale, assignment and transfer. Upon the execution and delivery of the Indenture, references in the operative provisions of the Sublease to the Authority shall be deemed to be references to the Trustee, as assignee of the Authority.

Validity and Severability. If for any reason any one or more of the agreements, covenants or terms of the Sublease shall . be held by a court of competent jurisdiction to be void, voidable or unenforceable by the County or by the Authority, all of the remaining agreements, covenants and terms of the Sublease shall nonetheless continue in full force and effect. If for any reason it is held by such a court that any agreement, covenant or term of the Sublease required to be observed or performed by the County, including the covenant to pay Rental Payments, is unenforceable for the full term of the Sublease, then and in such event the Sublease is and shall be deemed to be a lease from year to year under which the Rental Payments are to be paid by the County annually in consideration of the right of the County to possess, occupy and use the Property, and all of the other agreements, covenants and terms of the Sublease, except to the extent that such agreements, covenants and terms are contrary to or inconsistent with such holding, shall remain in full force and effect.

INDENTURE

The Bonds

Conditions for the Issuance of Additional Bonds. The Authority may at any time issue one or more Series of Additional Bonds payable from Lease Revenues as provided in the Indenture on a parity with all other Bonds theretofore issued under the Indenture, but only subject to the following conditions, which are made conditions precedent to the issuance of such Additional Bonds:

(a) neither the Authority nor the County shall be in default under the Indenture, the Sublease or the Site Lease;

(b) the issuance of such Additional Bonds shall have been authorized under and pursuant to the Act and under and pursuant to the Indenture and shall have been provided for by a Supplemental Indenture which shall specify the following:

(i) the purposes for which such Additional Bonds are to be issued; provided, that the proceeds of the sale of such Additional Bonds shall be applied only for one or more of the following purposes: (A) providing funds to pay costs of County facilities (including capitalized interest), (B) providing funds to refund any Bonds issued under the Indenture or other obligations of the County, (C) providing funds to pay Costs of Issuance incurred in connection with the issuance of such Additional Bonds, and (D) providing funds to make any deposit to the Reserve Fund required pursuant to paragraph (c) below;

(ii) the principal amount and designation of such Series of Additional Bonds and the denomination or denominations of the Additional Bonds, which shall be Authorized Denominations;

(iii) that such Additional Bonds shall be payable as to interest on the Interest Payment Dates, except that the first installment of interest may be payable on either February 1 or August 1

(iv) the date, the maturity date or dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, that (A) the serial Bonds of such Series of Additional Bonds shall be payable as to principal annually on August I of each year in which principal falls due, and the term Bonds of such Series of Additional Bonds shall have annual mandatory sinking fund redemptions on August 1, (B) all Additional Bonds of a Series of like maturity shall be identical in all respects, except as to number or denomination, and (C) serial maturities of serial Bonds or mandatory sinking fund redemptions for term Bonds, or any combination thereof, shall be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates;

(v) the redemption premiums and terms, if any, for such Additional Bonds;

(vi) the form of such Additional Bonds; and

(vii) such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Indenture;

(c) upon the issuance of such Additional Bonds, the amount on deposit in the Reserve Fund shall be at least equal to the Reserve Requirement; and

(d) upon the issuance of such Additional Bonds, the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of the issuance of such Additional Bonds, plus Additional Rental Payments, in any Rental Period shall not be in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of such Additional Bonds (evidence of the satisfaction of such condition shall be made by a Written Certificate of the County).

Procedure for the Issuance of Additional Bonds. Whenever the Authority and the County shall determine to authorize the issuance of any Additional Bonds, the Authority, the County and the Trustee shall enter into a Supplemental Indenture satisfying the conditions of the provisions in the Indenture described under the heading "INDENTURE – The Bonds – Conditions for the Issuance of Additional Bonds." Before such Additional Bonds shall be issued, the Authority and the County shall file or cause to be filed with the Trustee the following:

(a) an Opinion of Counsel setting forth (i) that counsel rendering such opinion has examined the Supplemental Indenture, the amendment to the Sublease, if any, and the amendment to the Site Lease, if any, (ii) that the issuance of the Additional Bonds has been duly authorized by the Authority, (iii) that the execution and delivery of the Supplemental Indenture and, if any, the amendments to the Sublease and the Site Lease have been duly authorized, executed and delivered by the Authority and the County, (iv) that upon execution and delivery of such Supplemental Indenture and any such amendments to the Sublease and the Site Lease, the Indenture, as amended and supplemented by such Supplemental Indenture, and, if so amended, the Sublease and the Site Lease, as amended by such amendments, will be valid and binding obligations of the Authority and the County, and (v) that the execution and delivery of the Supplemental Indenture and, if any, the amendments to the Sublease and the Site Lease, in and of themselves, do not adversely affect the exclusion from gross income for federal income tax purposes of interest on Outstanding Tax-Exempt Bonds;

(b) a Written Certificate of the Authority that the requirements of the provisions of the Indenture described under the heading "INDENTURE – The Bonds – Conditions for the Issuance of Additional Bonds" have been met;

(c) a Written Certificate of the County that the requirements of the provisions of the Indenture described under the heading "INDENTURE – The Bonds – Conditions for the Issuance of Additional Bonds" have been met, which shall include a certification as to the fair rental value of the Property, after giving effect to any amendments to the Sublease and the Site Lease entered into .in connection with the issuance of the Additional Bonds and taking into account the use of proceeds of such Additional Bonds;

(d) certified copies of the resolutions of the Board of Directors of the Authority and the Board of Supervisors of the County authorizing the execution and delivery of the Supplemental Indenture and, if any, the amendments to the Sublease and the Site Lease;

(e) executed counterparts or duly authenticated copies of the Supplemental Indenture and, if any, the amendments to the Sublease and the Site Lease, with satisfactory evidence that any such amendments to the Sublease and the Site Lease have been duly recorded in the appropriate records of the county in which the Property is located;

(f) certified copies of the policies of insurance required by the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Public Liability and Property Damage Insurance; Workers' Compensation Insurance" or certificates thereof, which shall evidence that the amounts of the insurance required under paragraphs (c) and (d) of the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Public Liability and Property Damage Insurance; Workers' Compensation Insurance" have been increased, if applicable, to cover the amount of such Additional Bonds; and

(g) a CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type and with the endorsements described in the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Title Insurance."

Upon the delivery to the Trustee of the foregoing instruments and upon the Trustee's being satisfied from an examination of said instruments that all of the documents required by the provisions of the Indenture described under the heading "INDENTURE – The Bonds – Procedure for the Issuance of Additional Bonds" have been delivered, the Trustee shall authenticate such Additional Bonds, and shall deliver such Additional Bonds to, or upon the request of, the Authority.

Registration Books. The Trustee shall keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall be available for inspection and copying by the Authority and the County upon reasonable notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as provided in the Indenture.

Pledge and Assignment; Funds and Accounts

Pledge and Assignment. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Lease Revenues and all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund) are thereby pledged to the payment of the principal of and interest on the Bonds as provided therein, and the Lease Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding. Said pledge shall constitute a first lien on such assets.

In order to secure the pledge of the Lease Revenues, the Authority sells, assigns and transfers to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the Owners, all of its right, title and interest in and to the Site Lease and the Sublease, including, without limitation, the right to receive Base Rental Payments and the right to exercise any remedies provided in the Sublease in the event of a default by the County thereunder; provided, however, that the Authority shall retain the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Sublease. The Trustee accepts said assignment for the benefit of the Owners, subject to the provisions of the Indenture.

The Trustee shall be entitled to and shall receive all of the Base Rental Payments, and any Base Rental Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

Project Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Project Fund." Within the Project Fund, the Trustee shall establish and maintain various accounts and subaccounts for the various components of the Project. On the Closing Date, the Trustee shall deposit in each subaccount or account of the Project Fund the amount required to be deposited therein pursuant to the Indenture.

(b) The moneys in each account and subaccount within the Project Fund shall be used and withdrawn by the Trustee from time to time to pay Project Costs upon submission to the Trustee of a Written Request of the County substantially in the form attached to the Indenture. Upon receipt of each such Written

Request of the County, the Trustee shall pay the amount set forth in such Written Request of the County as directed by the terms thereof.

(c) Moneys on deposit in any account or subaccount within the Project Fund may be transferred: (1) to any other account or subaccount within the Project Fund established for the same series of Bonds or (2) to another account or subaccount within the Project Fund established for a separate series of Bonds so long as such transfer, in the Opinion of Bond Counsel, does not adversely affect the tax status of the Bonds.

(d) Upon completion of the Project, the County shall file with the Trustee a Written Certificate of the County notifying the Trustee of such completion. Upon the filing of such Written Certificate of the County, all amounts remaining on deposit in the Project Fund shall be transferred to the Interest Account and used to pay interest on the Bonds in accordance with the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Payment Fund," and upon such transfer the Project Fund shall be closed.

(e) If the Project Fund has been closed in accordance with the provisions of the Indenture, the Project Fund shall be reopened and reestablished by the Trustee in connection with the issuance of any Additional Bonds, if so provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued. There shall be deposited in the Project Fund the portion, if any, of the proceeds .of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Costs of Issuance Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Costs of Issuance Fund." On the Closing Date, the Trustee shall deposit in the Costs of Issuance Fund the amount required to be deposited therein pursuant to the Indenture.

(b) The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay Costs of Issuance upon submission to the Trustee of a Written Request of the County substantially in the form attached to the Indenture. Upon receipt of each such Written Request of the County, the Trustee shall pay the amount set forth in such Written Request as directed by the terms thereof

(c) On the date that is six months after the Closing Date, the Trustee shall transfer any amounts then remaining in the Costs of Issuance Fund to one or more accounts or subaccounts within the Project Fund as directed in a Written Request of the County, and upon such transfer the Costs of Issuance Fund shall be closed.

(d) If the Costs of Issuance Fund has been closed in accordance with the provisions of the Indenture, the Costs of Issuance Fund shall be reopened and reestablished by the Trustee in connection with the issuance of any Additional Bonds, if so provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued. There shall be deposited in the Costs of Issuance Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Payment Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Payment Fund." Within the Payment Fund, the Trustee shall establish and maintain a separate account designated the "Interest Account" and a separate account designated the "Principal Account."

(b) All Lease Revenues received by the Trustee shall be deposited by the Trustee in the Payment Fund; provided, however, that Net Proceeds, other than those constituting proceeds of rental interruption insurance received with respect to the Property, shall not be deposited in the Payment Fund but, rather, shall be applied as provided in the Indenture. There shall additionally be deposited in the Payment Fund amounts transferred from the Reserve Fund pursuant to paragraph (c) of the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Reserve Fund."

(c) The Trustee, on each Interest Payment Date, shall transfer from the Payment Fund to the Interest Account an amount equal to the interest on the Bonds coming due on such Interest Payment Date. Moneys in the Interest Account shall be withdrawn and used by the Trustee for the purpose of paying interest on the Bonds as and when due and payable.

(d) The Trustee, on each Principal Payment Date, shall transfer from the Payment Fund to the Principal Account an amount equal to the principal of the Bonds, including principal due and payable by reason of mandatory sinking fund redemption, coming due on such date. Moneys in the Principal Account shall be withdrawn and used by the Trustee for the purpose of paying principal of the Bonds, including principal due and payable by reason of mandatory sinking fund redemption, as and when due and payable.

Redemption Fund. The Trustee shall establish and maintain a special fund designated the "Redemption Fund." The Trustee shall deposit in the Redemption Fund any amounts received from the County in connection with the County's exercise of its right pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Eminent Domain; Right To Redeem – Right to Redeem Bonds" to cause Bonds to be optionally redeemed. Additionally, the Trustee shall deposit in the Redemption Fund any amounts required to be deposited therein pursuant to the Indenture. Amounts in the Redemption Fund shall be disbursed therefrom by the Trustee for the payment of the redemption price of, and accrued interest on, Bonds redeemed pursuant to the Indenture.

Reserve Fund. (a) The Trustee shall establish and maintain a special fund designated the "Reserve Fund." On the Closing Date, the Trustee shall deposit in the Reserve Fund the amount required to be deposited therein pursuant to the Indenture. There shall additionally be deposited in the Reserve Fund, in connection with the issuance of Additional Bonds, the amount required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

(b) In the event that, on the second Business Day prior to a date on which the Trustee is to transfer money from the Payment Fund to the Interest Account pursuant to paragraph (c) of the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Payment Fund" or to the Principal Account pursuant to paragraph (d) of the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Payment Fund", amounts in the Payment Fund are insufficient for such purpose, the Trustee shall withdraw from the Reserve Fund, to the extent of any funds therein, the amount of such insufficiency, and shall transfer any amounts so withdrawn to the Payment Fund.

(c) In the event of any transfer from the Reserve Fund, the Trustee shall, within two Business Days thereafter, provide written notice to the Authority and the County of the amount and the date of such transfer or claim; provided, however, that such notice need not be provided if such transfer is made pursuant to paragraphs (e) or (f) below.

(d) If the amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement, the first of Base Rental Payments thereafter received from the County under the Sublease and not needed to pay the principal of and interest on the Bonds on the next Interest Payment Date or Principal Payment Date shall be used to increase the amount on deposit in the Reserve Fund so that the amount on deposit in the Reserve Fund shall equal the Reserve Requirement.

(e) If, as a result of the payment of principal of or interest on the Bonds, the Reserve Requirement is reduced, amounts on deposit in the Reserve Fund in excess of such reduced Reserve Requirement shall be transferred to the Payment Fund.

(f) On any date on which Bonds are defeased in accordance with the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid," the Trustee shall, if so directed in a Written Request of the County, transfer any moneys in the Reserve Fund in excess of

the Reserve Requirement resulting from such defeasance to the entity or fund so specified in such Written Request of the County, to be applied to such defeasance.

(g) Moneys, if any, on deposit in the Reserve Fund shall be withdrawn and applied by the Trustee for the final payments of principal of and interest on the Bonds.

Rebate Fund. (a) The Trustee shall establish and maintain a special fund designated the "Rebate Fund." There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate, as specified in a Written Request of the Authority or a Written Request of the County. All. money at any time deposited in the .Rebate Fund shall be held. by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United• States of America. Notwithstanding defeasance of the Bonds pursuant to the provisions of the Indenture described under the heading "INDENTURE – Defeasance" or anything to the contrary contained therein, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Rebate Fund" and by the Tax Certificate (which is incorporated into the Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority or the County, and shall have no liability or responsibility to enforce compliance by the Authority or the County with the terms of the Tax Certificate. The Trustee may conclusively rely upon the determinations, calculations and certifications of the Authority or the County required by the Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the calculations of the Authority or the County.

(b) Any funds remaining in the• Rebate Fund after payment in full of all of the Bonds and after payment of any amounts described in the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Rebate Fund", shall, upon receipt by the Trustee of a Written Request of the County, be withdrawn by the Trustee and remitted to the County.

Investments. (a) Except as otherwise provided in the Indenture, any moneys held by the Trustee in the funds and accounts established thereunder shall be invested by the Trustee upon the Written Request of the County, received at least two Business Days prior to the investment date, only in Permitted Investments, and in the absence of such direction shall be invested by the Trustee in Permitted Investments described in clause (6) of the definition thereof. The Trustee may act as principal or agent in the acquisition or disposition of any such investment. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Investments." The Trustee shall sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for redemption. Permitted Investments that are registerable securities shall be registered in the name of the Trustee.

(b) Investments purchased with funds on deposit in the Payment Fund shall mature not later than the payment date immediately succeeding the investment. Investments purchased with funds on deposit in the Redemption Fund shall be invested in Permitted Investments described in clause (l)(a) of the definition thereof that mature on or prior to the redemption date on which such funds are to be applied to the redemption of Bonds. Investments purchased with funds on deposit in the Project Fund shall mature not later than the dates upon which such funds shall be needed to be expended for the payment of Project Costs. Notwithstanding anything to the contrary contained in the Indenture, investments purchased with funds on deposit in the Reserve Fund shall have an average aggregate weighted term to maturity of not greater than five years.

(c) Investments (except investment agreements) in any fund or account established under the Indenture shall be valued, exclusive of accrued interest (i) not less often than annually nor more often than

monthly, and (ii) upon any draw upon the Reserve Fund. All investments of amounts deposited in any fund or account established under the Indenture shall be valued at the market value thereof.

(d) Any interest or profits received with respect to investments held in any of the funds or accounts established under the Indenture (other than the Reserve Fund) shall be retained therein. Any interest or profits received with respect to investments held in the Reserve Fund shall be, until the date the Written Certificate of the County required by paragraph (d) of the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Project Fund" is filed with the Trustee, transferred to the Project Fund and, thereafter, shall be transferred to the Interest Account. Notwithstanding the foregoing, any such transfer or disbursement shall be made from the Reserve Fund only if and to the extent that, after such transfer, the amount on deposit in the Reserve Fund is at least equal to the Reserve Requirement.

(e) The Authority and the County acknowledges that to the extent that regulations of the Comptroller of the Currency grant the Authority or the County the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, to the extent permitted by law, the Authority and the County specifically waives receipt of such confirmations. The Trustee shall furnish the Authority and the County periodic transaction statements that include detail for all investment transactions made by the Trustee under the Indenture.

Net Proceeds and Title Insurance; Covenants

Application of Net Proceeds. If the Property or any portion thereof shall be damaged or destroyed, subject to the further requirements of the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance; Covenants – Application of Net Proceeds," the County shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the County elects not to repair or replace the Property or the affected portion thereof in accordance with the provisions of the Indenture.

The Net Proceeds of any insurance (other than Net Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Property or a portion thereof shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special account and made available for and, to the extent necessary, shall be applied to the cost of repair or replacement of the Property or the affected portion thereof upon receipt of a Written Request of the County, together with invoices therefor. Pending such application, such proceeds may, pursuant to a Written Request of the County, be invested by the Trustee in Permitted Investments that mature not later than such times as moneys are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the County shall, within 60 days of the occurrence of the event of damage or destruction, notify the Trustee in writing as to whether the County intends to replace or repair the Property or the portions of the Property which were damaged or destroyed. If the County does intend to replace or repair the Property or portions thereof, the County shall deposit with the Trustee the full amount of any insurance deductible to be credited to the special account referred to above.

If such damage, destruction or loss was such that there resulted a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments results from such damage or destruction pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Rental Payments – Rental Abatement," then the County shall be required either to (a) apply sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Property or the portions thereof which have been damaged to the condition which existed prior to such damage or destruction, or (b) apply sufficient funds from the insurance proceeds and other legally available funds to the redemption (i) of all of the Outstanding Bonds, or (ii) of such portion of the Outstanding Bonds as shall result in the remaining, non-abated Base Rental Payments being sufficient to pay, as and when

due, the principal of and interest on the Bonds that will remain Outstanding after such redemption. If the County is required to apply funds from the insurance proceeds and other legally available funds to the redemption of Bonds in accordance with clause (b) above, the County shall direct the Trustee, in a Written Request of the County, to transfer the funds to be applied to such redemption to the Redemption Fund and the Trustee shall transfer such funds to the Redemption Fund. Any proceeds of any insurance, including the proceeds of any self-insurance remaining after the portion of the Property which was damaged or destroyed is restored to and made available to the County in substantially the same condition and annual fair rental value as that which existed prior to the damage or destruction as required by clause (a) above, or the redemption of Bonds as required by clause (b) above, in each case as evidenced by a Written Certificate of the County to such effect, shall be deposited in the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement. If the County is not required to replace or repair .the Property, or the affected portion thereof, as set forth in clause (a) above, or to use such amounts to redeem Bonds as set forth in clause (b) above, then such proceeds shall be deposited in the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement. Any amounts not required to be so deposited into the Reserve Fund shall, if there is first delivered to the Trustee a Written Certificate of the County to the effect that the annual fair rental value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Sublease in the then current Rental Period or any subsequent Rental Period and the fair replacement value of the Property after such damage or destruction is at least equal to the sum of the then unpaid principal components of Base Rental Payments, be paid to the County to be used for any lawful purpose.

The proceeds of any award in eminent domain shall be deposited by the Trustee in the Redemption Fund and applied to the redemption of Bonds pursuant to the provisions of the Indenture.

Title Insurance. Net Proceeds of any policy of title insurance received by the Trustee in respect of the Property shall be applied and disbursed by the Trustee as follows:

(a) if the County determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Rental Payments payable by the County under the Sublease, such proceeds shall, upon Written Request of the County, be remitted to the County and used for any lawful purpose thereof; or

(b) if the County determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement in whole or in part of Rental Payments payable by the County under the Sublease, then the County shall, in a Written Request of the County, direct the Trustee to, and the Trustee shall immediately deposit such proceeds in the Redemption Fund and such proceeds shall be applied to the redemption of Bonds in the manner provided in the provisions of the Indenture.

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal of, and premium, if any, and interest on the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of the Base Rental Payments and other assets pledged for such payment as provided in the Indenture and received by the Authority or the Trustee.

Compliance with Indenture. The Authority and the County shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be complied with, kept, observed and performed by them.

Compliance with Site Lease and Sublease. The Authority and the County shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Site Lease and the Sublease required to be complied with, kept, observed and performed by them and, together with

the Trustee, shall enforce the Site Lease and the Sublease against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations. The Authority, the County and the Trustee shall faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege owned or acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Other Liens. The County shall keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens (other than the OES Lien) of whatever nature or character, and free from any claim or liability which materially impairs the County in conducting its business or utilizing the Property, and the Trustee at its option (after first giving the County thirty days' written notice to comply therewith and failure of the County to so comply within such thirty-day period) may defend against any and all actions or proceedings, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the County from liability for or on account of any of its agreements and covenants contained in the Indenture, or from its obligation under the Indenture to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

So long as any Bonds are Outstanding, none of the Trustee, the Authority or the County shall create or suffer to be created any pledge of or lien on the amounts on deposit in any of the funds or accounts created under the Indenture, other than the pledge and lien thereof.

The Authority and the Trustee shall not encumber the Property other than in accordance with the Site Lease, the Sublease and the Indenture.

Prosecution and Defense of Suits. The County shall promptly, upon request of the Trustee or any Owner, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Property or any part thereof, whether existing or developing, shall prosecute all actions, suits or other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee and every Owner harmless from all cost, damage, expense or loss, including attorneys ' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

Accounting Records and Statements. The Trustee shall keep proper accounting records in which complete and correct entries shall be made of all transactions . of the Trustee relating to the receipt, deposit and disbursement of the Lease Revenues, and such accounting records shall be available for inspection by the Authority and the County at reasonable hours and under reasonable conditions. The Trustee shall, upon written request, make copies of the foregoing available, at the Owner's expense, to any Owner or its agent duly authorized in writing.

Recordation. The County shall record, or cause to be recorded, with the appropriate county recorder, the Sublease and the Site Lease, or memoranda thereof, and a memorandum of the assignment of the County's right, title and interest in and to the Site Lease and the Sublease pursuant to the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Pledge and Assignment."

Tax Covenants. (a) Neither the Authority nor the County shall take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Series 2011 Bonds and the Series 2012 Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, each of the Authority and the County shall comply with the requirements of the Tax Certificate, which is incorporated in the Indenture as if fully set forth therein. This covenant shall survive payment in full or defeasance of the Series 2011 Bonds and the Series 2012 Bonds.

(b) In the event that at any time the Authority or the County is of the opinion that for purposes of the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance Covenants – Tax Covenants" it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established under the Indenture, the Authority or the County shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance Covenants – Tax Covenants," if the Authority or the County shall provide to the Trustee an Opinion of Counsel to the effect that any specified action required under the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance Covenants – Tax Covenants" is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series 2011 Bonds and the Series 2012 Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance Covenants – Tax Covenants" and of the Tax Certificate, and the covenants under the Indenture shall be deemed to be modified to that extent.

Continuing Disclosure. The County shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the County to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default under the Indenture; provided, however, that the Trustee, at the written direction of any Participating Underwriter or the holders of at least 25% of the aggregate principal amount of Outstanding Series 2011 Bonds and the holders of at least 25% of the aggregate principal amount of Outstanding Series 2012 Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Trustee, or any holder or Beneficial Owner of the Series 2011 Bonds and Series 2012 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the Authority and the County shall promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by the Indenture, the Site Lease or the Sublease.

Events of Default and Remedies

Events of Default. The occurrence, from time to time, of any one or more of the following events shall constitute an Event of Default under the Indenture:

(a) failure to pay any installment of principal of any Bond as and when the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise;

(b) failure to pay any installment of interest on any Bond as and when the same shall become due and payable;

(c) a Sublease Default Event shall have occurred and be continuing;

(d) failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Authority by the Trustee, the County or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if, in the reasonable opinion of the Authority, the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Authority within such 30 day period and the Authority shall thereafter diligently and in good faith cure such failure in a reasonable period of time;

(e) failure by the County to observe and perform any of the covenants, agreements or conditions on its part in the Indenture contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the County by the Trustee, the Authority or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if, in the reasonable opinion of the County, the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the County within such 30 day period and the County shall thereafter diligently and in good faith cure such failure in a reasonable period of time; or

(f) the Authority or the County shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Action on Default. In each and every case during the continuance of an Event of Default, the Trustee may and, at the direction of the Owners of not less than a majority of the aggregate principal amount of Bonds then Outstanding (and upon indemnification of the Trustee to its reasonable satisfaction as provided in the Indenture), shall, upon notice in writing to the Authority and the County, exercise any of the remedies granted to the Authority under the Sublease and, in addition, take whatever action at law or in equity may appear necessary or desirable to protect and enforce any of the rights vested in the Trustee or the Owners by the Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the provisions of the Indenture described under the heading "INDENTURE – Events Of Default And Remedies – Other Remedies of the Trustee."

Other Remedies of the Trustee. During the continuance of an Event of Default, the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or the County or any member, director, officer or employee thereof, and to compel the Authority or the County or any such member, director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Indenture or in the Bonds;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee or the Owners; or

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the Authority or the County, or both, to account as if it or they were the trustee or trustees of an express trust.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given thereunder existing in law or in equity or by statute or otherwise and may

be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Application of Amounts After Default. If an Event of Default shall occur and be continuing, all Lease Revenues and any other funds thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) to the payment of all amounts then due for interest on the Bonds, ratably without preference or priority of any kind, according to the amounts of interest on such Bonds due and payable, with interest on the overdue interest at the rate borne by the respective Bonds; and

(c) to the payment of all amounts then due for principal of the Bonds, ratably without preference or priority of any kind, according to the amounts of principal of the Bonds due and payable, with interest on the overdue principal at the rate borne by the respective Bonds.

Power of Trustee to Enforce. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of the Indenture.

Bond Owners Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture; provided, however, that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and, provided, further, that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

Limitation on Bond Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers before granted or to institute such suit, action or proceeding in its own name, (c) such Owner or said Owners shall have tendered to the Trustee indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners, or to enforce any right under the Bonds, the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such

right shall be instituted, had and maintained in the manner provided and for the benefit and protection of all Owners, subject to the provisions of the Indenture.

Termination of Proceedings. If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner; then, subject to any such adverse determination, the Trustee, such Owner, the Authority and the County shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken. In case any proceedings taken by the Trustee or any one or more Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owner, then in every such case the Trustee, such Owner, the Authority and the County, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Trustee, the Owners, the Authority and the County shall continue as though no such proceedings had been taken.

No Waiver of Default. No delay or omission of the Trustee or of any Owner to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein, and every power and remedy given by the Indenture to the Trustee or to the Owners may be exercised from time to time and as often as may be deemed expedient.

The Trustee

Duties and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Removal and Resignation of the Trustee. The Authority and the County may by an instrument in writing, remove the Trustee initially a party to the Indenture and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Indenture and any successor thereto if at any time (a) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate principal amount of the Bonds at the time Outstanding (or their attorneys duly authorized in writing), or (b) the Trustee shall cease to be eligible in accordance with the following sentence, and shall appoint a successor Trustee. The Trustee and any successor Trustee shall be a commercial bank with trust powers having a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 (or be part of a bank holding company with a combined capital and Surplus of at least $50,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the provisions of the Indenture described under the heading "INDENTURE – The Trustee – Removal and Resignation of the Trustee" the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the Authority and the County and by giving notice, by first class mail, postage prepaid, of such resignation to the Owners at their addresses appearing on the Registration Books. Upon receiving such notice of resignation, the Authority and the County shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the Authority and the County do not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the County, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the

successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and the County and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless, at the written request of the Authority, the County or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture.

Any corporation, association or agency into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, provided that such entity meets the combined capital and surplus requirements of the provisions of the Indenture described under the heading "INDENTURE – The Trustee – Removal and Resignation of the Trustee," ipso facto, shall be and become successor trustee under . the Indenture and vested with all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Indenture, anything therein to the contrary notwithstanding.

Compensation and Indemnification of the Trustee. The County shall from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered under the Indenture and reimburse the Trustee for all its reasonable advances and expenditures (which shall not include "overhead expenses" except as such expenses are included as a component of the Trustee's stated annual fees) under the Indenture, including but not limited to advances to and reasonable fees and reasonable expenses of accountants, agents, appraisers, consultants or other experts, and counsel not directly employed by the Trustee but an attorney or firm of attorneys retained by the Trustee, employed by it in the exercise and performance of its rights and obligations under the Indenture; provided, however, that the Trustee shall not have any lien for such compensation or reimbursement against any moneys held by it in any of the funds or accounts established under the Indenture.

The County shall, to the extent permitted by law, indemnify and save the Trustee harmless against any liabilities, costs, claims or expenses, including those of its attorneys, which it may incur in the exercise and performance of its powers and duties under the Indenture and under any related documents, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful misconduct. The duty of the County to indemnify the Trustee shall survive the termination and discharge of the Indenture.

Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the Indenture, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall be under no obligation to exercise any of the rights, or powers vested in it by the Indenture at the request or direction of any of the Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee security or indemnity, reasonably satisfactory to the Trustee, against the, reasonable costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. Under no circumstances shall the Trustee request or be entitled to indemnification from the County for taking actions required by and in accordance with the Indenture, including, but not limited to, causing payments of principal of and interest on the Bonds to be made

to the Owners thereof and carrying out redemptions of the Bonds in accordance with the terms of the Indenture. The Trustee may consult with counsel, who may be counsel to the Authority or the County, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it under the Indenture in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the Bonds or the Sublease or for statements made in the preliminary or final official statement relating to the Bonds, or of the title to the Property.

Except as otherwise expressly provided in the Indenture, no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture or in the exercise of any of its rights or powers thereunder.

Whenever in the administration of its rights and obligations under the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Written Certificate of the Authority or a Written . Certificate of the County, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it deems reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Indenture. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Authority or the County, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Authority or the County as freely as if it were not the Trustee under the Indenture.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers of the Indenture and perform any rights and obligations required of it thereunder by or through agents, attorneys or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its rights and obligations under the Indenture, and the Trustee shall not be answerable for the negligence or misconduct of any such agent, attorney or receiver selected by it with reasonable care; provided, however, that in the event of any negligence or misconduct of any such attorney, agent or receiver, the Trustee shall diligently pursue all remedies of the Trustee against such agent, attorney or receiver. The Trustee shall not be liable for any error of judgment made by it in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be answerable for the exercise of any trusts or powers under the Indenture or for anything whatsoever in connection with the funds established thereunder, except only for its own willful misconduct, negligence or breach of an obligation thereunder.

The Trustee may, on behalf of the Owners, intervene in any judicial proceeding to which the Authority or the County is a party and which, in the opinion of the Trustee and its counsel, affects the Bonds or the security therefor, and shall do so if requested in writing by the Owners of at least 5% of the aggregate principal amount of Bonds then Outstanding, provided the Trustee shall have no duty to take such action unless it has been indemnified to its reasonable satisfaction against all risk or liability arising from such action.

Supplemental Indentures

Supplemental Indentures. (a) The Indenture and the rights and obligations of the Authority, the County, the Trustee and the Owners under the Indenture may be modified or amended at any time by a

Supplemental Indenture, which the Authority, the County and the Trustee may enter into when the prior written consents of the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the provisions of the Indenture described under the heading "INDENTURE – Miscellaneous – Disqualified Bonds" are filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bond, reduce the amount of principal thereof or the rate of interest thereon or, alter the redemption provisions with respect thereto without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, without the consent of the Owners of all of the Bonds then Outstanding, or (iii) permit the creation of any lien on the Lease Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Lease Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all Bonds then Outstanding, or (iv) amend the provisions of the Indenture described under the heading "INDENTURE – Supplemental Indentures – Supplemental Indentures" without the prior written consent of the Owners of all Bonds then Outstanding.

(b) The Indenture and the rights and obligations of the Authority, the County, the Trustee and the Owners thereunder may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the County and the Trustee may enter into without the consent of any Owners for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority or the County in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority or the County;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture or in regard to questions arising thereunder which the Authority or the County may deem desirable or necessary and not inconsistent with the Indenture;

(iii) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which .such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the indenture;

(iv) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of interest on Tax-Exempt Bonds or maintain any federal interest subsidies expected to be received with respect to any Bonds; and

(v) for any other reason, provided such amendment or supplement does not adversely affect the rights or interests of the Owners; provided, however, that the Authority, the County and the Trustee may rely in entering into any such amendment or supplement upon an Opinion of Counsel stating that the requirements of this paragraph have been met with respect to such amendment or supplement.

(c) Promptly after the execution by the Authority, the County and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the Authority or the County), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

Effect of Supplemental Indenture. Upon the execution and delivery of any Supplemental Indenture entered into pursuant to paragraphs (a) or (b) above, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the County, the Trustee and the Owners shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the effective date of any Supplemental Indenture pursuant to the provisions of the Indenture described under the heading "INDENTURE – Supplemental Indentures" may and, if the Authority or the County so determines, shall bear a notation by endorsement or otherwise in form approved by the Authority, the County and the Trustee as to any modification or amendment provided for in such Supplemental Indenture and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date, and presentation of such Bond for such purpose at the Office of the Trustee, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority, the County and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date, and presentation of such Bond for such purpose at the Office of the Trustee, such a new Bond in equal principal amount of the same Series, interest rate and maturity shall be exchanged for such Owner's Bond so surrendered.

Amendment of Particular Bonds. The provisions of the provisions of the Indenture described under the heading "INDENTURE – Supplemental Indentures" shall not prevent any Owner from accepting any amendment or modification as to any particular Bond owned by it, provided that due notation thereof is made on such Bond.

Defeasance

Discharge of Indenture. (a) If (i) the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated in the Indenture, and (ii) all other amounts due and payable under the Indenture and under the Sublease shall have been paid, then the Owners shall cease to be entitled to the pledge of the Lease Revenues and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority and the County under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority and the County all such instruments as may be necessary or 'desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the County all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of and interest and premium, if any, on the Bonds.

(b) Subject to the provisions of paragraph (a) above, when any Bond shall have been paid and if, at the time of such payment, each of the Authority and the County shall have kept, performed and observed all of the covenants .and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by it or on its part on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bond and such Bond shall cease to be entitled to the pledge of the Lease Revenues and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority and the County under the Indenture shall cease, terminate, become void and be completely discharged and satisfied as to such Bond.

(c) Notwithstanding the discharge and satisfaction of the Indenture or the discharge and satisfaction of the Indenture in respect of any Bond, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated,

destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owners and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest and premium, if any, on the Bonds, to pay to the Owners of the Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the discharge and satisfaction of the Indenture, the provisions of the provisions of the Indenture described under the heading "INDENTURE – The Trustee – Compensation and Indemnification of the Trustee" relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Authority, the County and the Trustee.

Bonds Deemed To Have Been Paid. (a) If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bond and the payment of the interest thereon to the maturity or redemption date thereof, such Bond shall be deemed to have been paid within the meaning and with the effect provided in the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Discharge of Indenture." Any Outstanding Bond shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the provisions of the Indenture described under the heading "INDENTURE – Defeasance -Discharge of Indenture" if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Indenture notice of redemption of such Bond on said redemption date, said notice to be given in accordance with the provisions of the Indenture, (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient, or (B) Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the interest to become due on such Bond on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bond, and (iii) in the event such Bond is not by its terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the owners of such Bond that the deposit required by clause (ii) above has been made with the Trustee and that such Bond is deemed to have been paid in accordance with the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid" and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bond. Neither the money nor the Defeasance Securities deposited with the Trustee pursuant to this paragraph in connection with the deemed payment of Bonds, nor principal or interest payments on any such Defeasance Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for and pledged to, the payment of the principal of and, premium, if any, and interest on such Bonds.

(b) No Bond shall be deemed to have been paid pursuant to clause (ii)(B) of paragraph (a) above unless the Authority or the County shall cause to be delivered (A) an executed copy of a Verification Report with respect to such deemed payment, addressed to the Authority, the County and the Trustee, (B) a copy of the escrow agreement entered into in connection with the deposit pursuant to clause (ii)(B) of paragraph (a) above resulting in such deemed payment, which escrow agreement shall provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification Report and no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report, and (C) a copy of an Opinion of Counsel, dated the date of such deemed payment and addressed to the Authority, the County and the Trustee, to the effect that such Bond has been paid within the meaning and with the effect expressed in the Indenture, and all agreements, covenants and other obligations of the Authority and the County under the Indenture as to such Bond have ceased, terminated, become void and been completely discharged and satisfied.

(c) The Trustee may seek and is entitled to rely upon (i) an Opinion of Counsel reasonably satisfactory to the Trustee to the effect that the conditions precedent to a deemed payment pursuant to clause (ii) of paragraph (a) above have been satisfied, and (ii) such other opinions, certifications and

computations, as the Trustee may reasonably request, of accountants or other financial consultants concerning the matters described in paragraph (b) above.

Unclaimed Moneys. Any moneys held by the Trustee in trust for the payment and discharge of the principal of, or premium or interest on, any Bonds which remain unclaimed for two years after the date when such principal, premium or interest has become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when such principal, premium or interest become payable, shall, at the Written Request of the Authority, be repaid by the Trustee to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the County for the payment of such principal, premium or interest.

Miscellaneous

Benefits of Indenture Limited to Parties. Nothing contained in the Indenture, expressed or implied, is intended to give to any Person other than the Authority, the County and the Trustee and the Owners any claim, remedy or right under or pursuant to the Indenture, and any agreement, condition, covenant or term required in the Indenture to be observed or performed by or on behalf of the Authority or the County shall be for the sole and exclusive benefit of the Trustee and the Owners.

Successor Deemed Included in all References to Predecessor. Whenever the Authority, the County or the Trustee, or any officer thereof, is named or referred to in the Indenture, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority, the County or the Trustee, or such officer, and all agreements, conditions, covenants and terms required by the Indenture to be observed or performed by or on behalf of the Authority, the County or the Trustee, or any officer thereof, shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Indenture to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or its attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which such notary public or other officer purports to act that the Person signing such declaration, request or other instrument or writing acknowledged to such notary public or other officer the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Bond and the amount, payment date, number and date of owning the same may be proved by the Registration Books.

Any declaration, request or other instrument in writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Authority, the County or the Trustee in good faith and in accordance therewith.

Waiver of Personal Liability. Notwithstanding anything contained in the Indenture to the contrary, no member, officer or employee of the Authority or the County shall be individually or personally liable for the payment of any moneys, including without limitation, the principal of or interest on the Bonds, but nothing contained in the Indenture shall relieve any member, officer or employee of the Authority or the County from the performance of any official duty provided by any applicable provisions of law, by the Sublease or by the Indenture.

Acquisition of Bonds by Authority or County. All Bonds acquired by the Authority or the County, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority or the County, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the County, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this paragraph if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the County. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Money Held for Particular Bonds. The money held by the Trustee for the payment of the principal of or premium or . interest on particular Bonds due on any date (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, ' be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Unclaimed Moneys," but without any liability for interest thereon.

Funds and Accounts. Any fund or account required to be established and maintained pursuant to the Indenture by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund, but all such records with respect to .all such funds and accounts shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations under the Indenture.

The Trustee may commingle any of the moneys held by it under the Indenture for investment purposes only; provided, however, that the Trustee shall account separately for the moneys in each fund or account established pursuant to the Indenture.

COUNTY OF LOS ANGELES

CALIFORNIA

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 Authority, the County and the Underwriters take no responsibility for the completeness or accuracy thereof. The Authority, the County and the Underwriters 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 Series 2012 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2012 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2012 Bonds, 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 Series 2012 Bonds. The Series 2012 Bonds 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 security certificate will be issued for each maturity of the Series 2012 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 a Standard & Poor's rating of AA+. 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**.

Purchases of the Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 Bond ("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 Series 2012 Bonds 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 Series 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 Bonds 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 Series 2012 Bonds 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 Series 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 Bonds 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 Series 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2012 Bond documents. For example, Beneficial Owners of the Series 2012 Bonds may wish to ascertain that the nominee holding the Series 2012 Bonds 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 Series 2012 Bonds within an issue 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 Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Series 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2012 Bonds 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 Authority or the Trustee, 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 Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, 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.

DTC may discontinue providing its services as depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the

event that a successor depository is not obtained, Series 2012 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2012 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

NONE OF THE AUTHORITY, THE COUNTY, THE UNDERWRITERS OR THE TRUSTEE 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 SERIES 2012 BONDS FOR PREPAYMENT.

None of the Authority, the County or the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Series 2012 Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2012 Bond certificates will be printed and delivered. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

COUNTY OF LOS ANGELES

CALIFORNIA

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Los Angeles (the "County") in connection with the issuance of the Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects II), Series 2012 (the "Bonds") by the Los Angeles County Public Works Financing Authority (the "Authority"). The Bonds are being issued pursuant to the Master Indenture, dated as of November 1, 2010, by and among the County, the Authority and U.S. Bank National Association, as trustee (the "Trustee"), as amended and supplemented by the First Supplemental Indenture, dated as of October 1, 2012, by and among the County, the Authority and the Trustee (as so amended and supplemented, the "Indenture"). The County covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission ("S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the County, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than February 1 after the end of the County's fiscal year, commencing with the report for the County's June

30, 2012 fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to said date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the County) file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the County for the preceding fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the County's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the County, the Annual Report shall also include the following:

(1) Assessed valuations, tax levies and delinquencies for real property located in the County for the fiscal year of the County most recently ended;

(2) Summary financial information on revenues, expenditures and fund balances for the fiscal year of the County most recently ended;

(3) Summary financial information on the proposed and adopted budgets of the County for the current fiscal year and any changes in the adopted budget;

(4) Summary of aggregate annual debt obligations of the County as of the beginning of the current fiscal year;

(5) Summary of annual outstanding principal obligations of the County as of the beginning of the current fiscal year; and

(6) The ratio of the County's outstanding debt to total assessed valuations as of the most recently ended fiscal year of the County.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been made available to the public on the MSRB's website. The County shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

(1) Principal and interest payment delinquencies;

(2) Unscheduled draws on debt service reserves reflecting financial difficulties;

(3) Unscheduled draws on credit enhancements reflecting financial difficulties;

(4) Substitution of credit or liquidity providers, or their failure to perform;

(5) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(6) Tender offers;

(7) Defeasances;

(8) Rating changes; or

(9) Bankruptcy, insolvency, receivership or similar event of the obligated person.
Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(1) Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(2) Modifications to rights of Bond holders;

(3) Optional, unscheduled or contingent Bond calls;

(4) Release, substitution, or sale of property securing repayment of the Bonds;

(5) Non-payment related defaults;

(6) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(7) Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) which the County determines would be material under applicable federal securities laws, the County shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in a filing with the MSRB.

SECTION 8. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the County.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 11. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Los Angeles or in U.S. District Court in or nearest to the County of Los Angeles. The sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: October 18, 2012.

COUNTY OF LOS ANGELES

By: _____

Mark J. Saladino,
Treasurer and Tax Collector

CONTINUING DISCLOSURE EXHIBIT A

FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: County of Los Angeles

Name of Bond Issue: Los Angeles County Public Works Financing Authority
Lease Revenue Bonds (Multiple Capital Projects II), Series 2012

Date of Issuance: October 18, 2012

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the County, dated the Date of Issuance. [The County anticipates that the Annual Report will be filed by _____.]

Dated:_____

COUNTY OF LOS ANGELES

By: _____

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

COUNTY OF LOS ANGELES

CALIFORNIA

Upon delivery of the Series 2012 Bonds, Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, proposes to issue an approving opinion in substantially the following form:

Los Angeles County Public Works Financing Authority
Los Angeles, California

County of Los Angeles
Los Angeles, California

Ladies and Gentlemen:

We have acted as Bond Counsel to the Los Angeles County Public Works Financing Authority (the "Authority") in connection with the issuance and delivery of $339,410,000 principal amount of Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (Multiple Capital Projects II), Series 2012 (the "Series 2012 Bonds"). The Series 2012 Bonds are issued pursuant to the provisions of Articles 1 through 4 of Chapter 5 of Division 7, Title 1 of the Government Code (commencing with Section 6500) and pursuant to the Master Indenture, dated as of November 1, 2010, as amended and supplemented by the First Supplemental Indenture, dated as of October 1, 2012 (collectively, the "Indenture"), each by and among the County of Los Angeles (the "County"), the Authority and U.S. Bank National Association, as trustee (the "Trustee").

In rendering this opinion, we have reviewed the record of the actions taken by the Authority and the County in connection with the issuance and delivery of the Series 2012 Bonds. We have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of such documents, instruments, or corporate records, and have made such investigation of law, as we have considered necessary or appropriate for the purpose of this opinion.

We are of the opinion that:

1. The Series 2012 Bonds constitute the valid and binding special obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture.

2. The Indenture has been duly executed and delivered by the Authority, constitutes the valid and binding obligation of the Authority and is enforceable against the Authority in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2012 Bonds, of all of the Lease Revenues (as defined in the Indenture) and all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund described in the Indenture), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Master Site Lease, dated as of November 1, 2010, as amended by the First Amendment to Site Lease, dated as of October 1, 2012 (collectively, the "Site Lease"), each by and between the County, as lessor, and the Authority, as lessee, the Master Sublease, dated as of November 1, 2010, as amended by the First Amendment to Sublease, dated as of October 1, 2012 (collectively, the "Sublease"), by and between the Authority, as lessor, and the County, as lessee, and the Indenture have been duly executed and delivered by the County, constitute the valid and binding obligations of the County and are enforceable against the County in accordance with their respective terms.

4. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Series 2012 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 the Internal Revenue Code of 1986, as

amended (the "Code") and (ii) interest on the Series 2012 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certification of fact, and statements of reasonable expectations made by the Authority and the County in connection with the Series 2012 Bonds, and we have assumed compliance by the Authority and the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2012 Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2012 Bonds in order that, for Federal income tax purposes, interest on the Series 2012 Bonds be not included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Series 2012 Bonds, restrictions on the investment of proceeds of the Series 2012 Bonds prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2012 Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Series 2012 Bonds, the Authority and the County will execute a Tax Certificate (the "Tax Certificate") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Authority and the County covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Series 2012 Bonds will, for Federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 4 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Series 2012 Bonds, and (ii) compliance by the Authority and the County with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

5. Under existing statutes, interest on the Series 2012 Bonds is exempt from State of California personal income taxes.

Except as stated in paragraphs 4 and 5 above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the Series 2012 Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Series 2012 Bonds.

This letter is furnished by us as Bond Counsel and is solely for your benefit and it is not to be used, circulated, quoted, or otherwise referred to for any purposes other than the issuance and delivery of the Series 2012 Bonds and may not be relied upon by any other person or entity without our express written permission, except that references may be made to it in any list of closing documents pertaining to the issuance and delivery of the Series 2012 Bonds.

The foregoing opinions are qualified to the extent that the enforceability of the Sublease, Site Lease and Indenture may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies and are subject to general principals of equity (regardless of whether such enforceability is considered in equity or at law).

Very truly yours,

COUNTY OF LOS ANGELES

CALIFORNIA

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY • LEASE REVENUE BONDS (MULTIPLE CAPITAL PROJECTS II), SERIES 2012

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