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

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest evidenced by the 2012 Refunding Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Special Counsel, interest evidenced by the 2012 Refunding Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest evidenced by, the 2012 Refunding Certificates. See "TAX MATTERS" herein.

$50,675,000
COUNTY OF LOS ANGELES
2012 Refunding Certificates of Participation
(Disney Concert Hall Parking Garage)

Dated: Date of Delivery **Due: As shown on the inside cover page**

The County of Los Angeles 2012 Refunding Certificates of Participation (Disney Concert Hall Parking Garage) (the "2012 Refunding Certificates") are being executed and delivered pursuant to the Trust Agreement, dated as of January 1, 1993 (the "Original Trust Agreement"), as amended and supplemented by the Supplemental Trust Agreement No. 1, dated as of December 1, 1998 (the "First Supplemental Trust Agreement") and the Supplemental Trust Agreement No. 2, dated as of March 1, 2012 (the "Second Supplemental Trust Agreement" and, together with the Original Trust Agreement and the First Supplemental Trust Agreement, the "Trust Agreement"), each by and between the County of Los Angeles, California (the "County") and U.S. Bank National Association, as successor trustee thereunder (the "Trustee"). Principal and interest payments represented by the 2012 Refunding Certificates and the outstanding certificates of participation executed and delivered under the Trust Agreement are payable from base rental payments ("Base Rental") to be made by the County under the Garage Sublease, dated as of December 23, 1992 (the "Original Sublease"), by and between the County and the Parking Authority of the County of Los Angeles (the "Authority"), as amended by the Amendment No. 1 to Garage Sublease, dated as of December 1, 1998 (the "First Amendment to Sublease") and the Amendment No. 2 to Garage Sublease, dated as of March 1, 2012 (the "Second Amendment to Sublease" and, together with the Original Sublease and the First Amendment to Sublease, the "Sublease"), each such amendment by and among the County, the Authority and the Trustee, in consideration for the use of certain real property (the "Leased Premises"). The County is required under the Sublease to pay Base Rental from any source of legally available funds. The County has covenanted under the Sublease to make all Base Rental and Additional Rental (herein defined) provided for therein, to take such action as may be necessary to include all Base Rental and Additional Rental due under the Sublease in its annual budget and to make the necessary annual appropriations for all such Base Rental and Additional Rental. The County's obligation to make Base Rental is subject to abatement during any period in which, by reason of material damage, destruction, theft or condemnation of the Leased Premises or any portion thereof, or any defect in title to the Leased Premises, there is substantial interference with the use and right of possession by the County of the Leased Premises or any portion thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2012 REFUNDING CERTIFICATES" herein.

The proceeds of the 2012 Refunding Certificates will be used to (i) refund all of the County of Los Angeles Certificates of Participation (1998 Disney Parking Refunding Project) and (ii) pay certain costs of issuance incurred in connection with the 2012 Refunding Certificates. See "PLAN OF REFINANCING" and "ESTIMATED SOURCES AND USES OF PROCEEDS OF THE 2012 REFUNDING CERTIFICATES" herein.

Ownership interests in the 2012 Refunding Certificates may be purchased in denominations of $5,000 and any integral multiple thereof. The 2012 Refunding Certificates will be dated their date of delivery and are payable with respect to interest semiannually each March 1 and September 1, commencing on September 1, 2012. The 2012 Refunding Certificates 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 2012 Refunding Certificates. Ownership interests in the 2012 Refunding Certificates may be purchased in book-entry form only. Principal and interest with respect to the 2012 Refunding Certificates 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 2012 Refunding Certificates. See APPENDIX D – "Book-Entry Only System" attached hereto.

The 2012 Refunding Certificates are subject to prepayment prior to maturity, as described herein. See "THE 2012 REFUNDING CERTIFICATES – Prepayment of the 2012 Refunding Certificates" herein.

THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL AND ADDITIONAL RENTAL UNDER THE SUBLEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL OR ADDITIONAL RENTAL CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2012 REFUNDING CERTIFICATES" herein.

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

The 2012 Refunding Certificates are offered when, as and if issued, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Special Counsel to the County. Certain legal matters will be passed upon for the Authority and the County by County Counsel and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. It is anticipated that the 2012 Refunding Certificates will be available for delivery through the facilities of DTC in New York, New York on or about March 21, 2012.

Wells Fargo Securities **De La Rosa & Co.**

Dated: March 6, 2012

MATURITY SCHEDULE

$50,675,000
County of Los Angeles
2012 Refunding Certificates of Participation
(Disney Concert Hall Parking Garage)

Maturity Date	Principal Amount	Interest Rate	Yield	CUSIP†
September 1, 2020	$ 4,410,000	5.00%	2.75%	54466YCG2
March 1, 2021	4,420,000	5.00	2.92	54466YCH0
September 1, 2021	9,970,000	5.00	3.02	54466YCJ6
March 1, 2022	9,970,000	5.00	3.12	54466YCK3
September 1, 2022	10,950,000	5.00	3.17	54466YCL1
March 1, 2023	10,955,000	5.00	3.34	54466YCM9

† Copyright 2012, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the County and are included solely for the convenience of the registered owners of the applicable 2012 Refunding Certificates. Neither the County nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable 2012 Refunding Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2012 Refunding Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance and other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2012 Refunding Certificates.

MAP AND DIRECTIONS
WALT DISNEY CONCERT HALL
PARKING GARAGE

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES

2012 Refunding Certificates of Participation
(Disney Concert Hall Parking Garage)

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
Acting County Counsel

Wendy L. Watanabe
Auditor-Controller

Mark J. Saladino
Treasurer and Tax Collector

Public Resources Advisory Group
Financial Advisor

U.S. Bank National Association
Trustee and Escrow Agent

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. 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 2012 Refunding Certificates 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 2012 Refunding Certificates. 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 County, and other sources that are believed by 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 2012 Refunding Certificates made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof. 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.

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.

IN CONNECTION WITH THE OFFERING OF THE 2012 REFUNDING CERTIFICATES, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2012 REFUNDING CERTIFICATES 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 2012 REFUNDING CERTIFICATES 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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$50,675,000
County of Los Angeles
2012 Refunding Certificates of Participation
(Disney Concert Hall Parking Garage)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the 2012 Refunding Certificates being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the "State") and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein have the respective meanings assigned to them in the Trust Agreement or the Sublease. See APPENDIX C – "Summary of Principal Legal Documents" attached hereto.

General

This Official Statement, including the cover page, the inside cover page and the appendices attached hereto (the "Official Statement"), provides certain information concerning the execution, delivery and sale of the County of Los Angeles 2012 Refunding Certificates of Participation (Disney Concert Hall Parking Garage) (the "2012 Refunding Certificates"). The 2012 Refunding Certificates are being executed and delivered pursuant to the Trust Agreement, dated as of January 1, 1993 (the "Original Trust Agreement"), as amended and supplemented by the Supplemental Trust Agreement No. 1, dated as of December 1, 1998 (the "First Supplemental Trust Agreement") and the Supplemental Trust Agreement No. 2, dated as of March 1, 2012 (the "Second Supplemental Trust Agreement" and, together with the Original Trust Agreement and the First Supplemental Trust Agreement, the "Trust Agreement"), each by and between the County of Los Angeles, California (the "County") and U.S. Bank National Association, as successor trustee thereunder (the "Trustee").

The proceeds of the 2012 Refunding Certificates will be used to (i) refund all of the County of Los Angeles Certificates of Participation (1998 Disney Parking Refunding Project) (the "1998 Refunding Certificates") and (ii) pay certain costs of issuance incurred in connection with the 2012 Refunding Certificates. See "PLAN OF REFINANCING" and "ESTIMATED SOURCES AND USES OF PROCEEDS OF THE 2012 REFUNDING CERTIFICATES" herein.

Terms of the 2012 Refunding Certificates

Ownership interests in the 2012 Refunding Certificates may be purchased in denominations of $5,000 and any integral multiple thereof. The 2012 Refunding Certificates will be dated their date of delivery and are payable with respect to interest semiannually each March 1 and September 1, commencing on September 1, 2012.

The 2012 Refunding Certificates 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 2012 Refunding Certificates. Ownership interests in the 2012 Refunding Certificates may be purchased in book-entry form only. Principal and interest with respect to the 2012 Refunding Certificates 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 2012 Refunding Certificates . See APPENDIX D – "Book-Entry Only System" attached hereto.

The 2012 Refunding Certificates are subject to prepayment prior to maturity, as described herein. See "THE 2012 REFUNDING CERTIFICATES – Prepayment of the 2012 Refunding Certificates" herein.

Security and Sources of Payment for the 2012 Refunding Certificates

The County has fee title in certain parcels of property located at the southwest corner of First Street and Grand Avenue in the City of Los Angeles (the "Garage Parcel"), a portion of which is subject to a public street right-of-way. Pursuant to the Garage Site Lease, dated as of December 23, 1992 (the "Site Lease"), by and between the County and the Parking Authority of the County of Los Angeles (the "Authority"), the County leased the Garage Parcel to the Authority. Pursuant to the Garage Sublease, dated as of December 23, 1992 (the "Original Sublease"), by and between the County and the Authority, the Authority agreed to design, acquire, construct, install and deliver a multi-level, subterranean parking garage (the "Garage") and certain related facilities and street improvements (the "Street Improvements" and, together with the Garage, the "Project") and lease the Garage and sublease the Garage Parcel (collectively, the "Leased Premises") to the County. The Garage became operational in March 1996 and has maintained uninterrupted operation to date. See "DESCRIPTION OF THE LEASED PREMISES" herein.

Principal and interest payments represented by the 2012 Refunding Certificates and the outstanding certificates of participation executed and delivered under the Trust Agreement (together with any additional certificates of participation (the "Additional Certificates") to be executed and delivered pursuant to the Trust Agreement, the "Certificates") are payable from base rental payments ("Base Rental") to be made by the County under the Original Sublease, as amended by the Amendment No. 1 to Garage Sublease, dated as of December 1, 1998 (the "First Amendment to Sublease") and the Amendment No. 2 to Garage Sublease, dated as of March 1, 2012 (the "Second Amendment to Sublease" and, together with the Original Sublease and the First Amendment to Sublease, the "Sublease"), each by and among the County, the Authority and the Trustee, in consideration for the use of the Leased Premises. The payments of Base Rental are scheduled to be sufficient to pay principal and interest represented by the Certificates when due. The County is required under the Sublease to pay Base Rental from any source of legally available funds. The County has covenanted under the Sublease to make all Base Rental and certain additional rental payments ("Additional Rental") provided for therein and to take such action as may be necessary to include all Base Rental and Additional Rental due under the Sublease in its annual budget and to make the necessary annual appropriations for all such Base Rental and Additional Rental. To secure the performance of its obligation to pay Base Rental, the County has agreed pursuant to the Sublease to deposit the Base Rental payable on March 1 of any year with the Trustee on or before January 15 of such year and to deposit the Base Rental payable on September 1 of any year with the Trustee on or before July 15 of such year, in each case for application by the Trustee in accordance with the terms of the Trust Agreement.

The County's obligation to pay Base Rental is independent of the revenue generated by the Garage, the Garage Parcel or the concert hall attached thereto and any sublease of any portion of the Garage, the Garage Parcel or the concert hall attached thereto. The County has not pledged the revenues from the Garage, the Garage Parcel or the concert hall, if any, to the payment of Base Rental.

Pursuant to the Garage Assignment Agreement, dated as of January 1, 1993 (the "Original Assignment Agreement"), as confirmed by the Garage Assignment Agreement, dated as of December 1, 1998 (the "1998 Assignment Agreement"), and the Garage Assignment Agreement, dated as of March 1, 2012 (together with the Original Assignment Agreement and the 1998 Assignment Agreement, the "Assignment Agreement"), each by and between the Authority and the Trustee, the Authority has assigned all of its right, title and interest in and to the Site Lease and the Sublease (other than its rights to indemnification and its rights to payment of its expenses), including all rights to receive Base Rental under the Sublease, to the Trustee.

The County's obligation to make Base Rental is subject to abatement during any period in which, by reason of material damage, destruction, theft or condemnation of the Leased Premises or any portion thereof, or any defect in title to the Leased Premises, there is substantial interference with the use and right of possession by the County of the Leased Premises or any portion thereof.

The obligation of the County to pay Base Rental and Additional Rental under the Sublease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the County to pay Base Rental or Additional Rental constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

See "SECURITY AND SOURCES OF PAYMENT FOR THE 2012 REFUNDING CERTIFICATES" herein and APPENDIX C – "Summary of Principal Legal Documents" attached hereto.

Outstanding Parity Certificates

Upon the execution and delivery of the 2012 Refunding Certificates and the refinancing described herein, there will be outstanding under the Trust Agreement the 2012 Refunding Certificates and the County of Los Angeles Certificates of Participation (1993 Disney Parking Project) (the "1993 Certificates"). The 1993 Certificates are payable on parity with the 2012 Refunding Certificates. The 1993 Certificates were executed and delivered in the original aggregate principal amount of $116,044,695.50 and a portion of the 1993 Certificates was advance refunded and defeased with the proceeds of the 1998 Refunding Certificates. As of March 1, 2012, the 1993 Certificates will be outstanding at the accreted value of $99,014,819 and the 1998 Refunding Certificates will be outstanding at the principal amount of $57,975,000. All of the 1998 Refunding Certificates will be refunded with proceeds of the 2012 Refunding Certificates. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2012 REFUNDING CERTIFICATES" herein.

Reserve Fund

A reserve fund (the "Reserve Fund") has been established under the Trust Agreement and pledged to pay principal, accreted value and interest represented by the Certificates, including the 2012 Refunding Certificates. The Reserve Fund is funded in the amount of $11,318,526.43, being the "Reserve Requirement," which is defined, as of any date of calculation, as an amount equal to the least of (i) $11,318,526.43 (the initial deposit therein upon the execution and delivery of the 1993 Certificates), (ii) 10% of the initial aggregate amount of the Certificates, (iii) the maximum semi-annual Base Rental payable by the County under the Sublease in the then current Lease Year or any future Lease Year, and (iv) 125% of average annual Base Rental payable in each year between the date of calculation and the end of the Lease Year. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2012 REFUNDING CERTIFICATES – Reserve Fund" herein.

Additional Certificates

Under the Trust Agreement, the County may from time to time, by a supplement or amendment to the Trust Agreement, authorize one or more series of Additional Certificates, evidencing additional undivided proportionate interests in the Sublease, including the right to receive Base Rental thereunder on a parity with the Outstanding Certificates; provided, however, that the County may authorize a series of

Additional Certificates under the Trust Agreement only (1) for the purpose of making repairs to or replacements of the Leased Premises following an event of damage, destruction, condemnation or theft or discovery of a title defect affecting all or a portion of the Leased Premises, or (2) for the purpose of providing funds to refund any Outstanding Certificates executed and delivered under the Trust Agreement provided that, upon delivery of such Additional Certificates, Base Rental in each Lease Year, evidenced by all Certificates to be Outstanding after the execution of such Additional Certificates, shall be less than or equal to Base Rental in such Lease Year, evidenced by all Certificates Outstanding immediately prior to the delivery of such Additional Certificates. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2012 REFUNDING CERTIFICATES – Additional Certificates” herein and APPENDIX C – “Summary Principal Legal Documents – Trust Agreement – Amendments – Additional Certificates” attached hereto.

The County

The County is located in the southern coastal portion of 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” attached hereto.

The Authority

The Authority is a parking authority established by the County in 1970 pursuant to the California Streets and Highways Code. The Board of Supervisors of the County serves as the governing board of the Authority. The Authority may acquire or enter into possession of land for a parking facility, issue bonds and enter into any contract for the acquisition, construction, or operation of a parking facility.

Continuing Disclosure

Pursuant to the Continuing Disclosure Certificate to be executed in connection with the execution and delivery of the 2012 Refunding Certificates, 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, no later than ten (10) business days after their occurrence, notice of certain events. These covenants have been made in order to assist the Underwriters of the 2012 Refunding Certificates 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” herein and APPENDIX E – “Form of Continuing Disclosure Certificate” attached hereto. 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.

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.

PLAN OF REFINANCING

The 2012 Refunding Certificates are being executed and delivered by the County to provide for the prepayment of all of the outstanding 1998 Refunding Certificates on April 20, 2012 (the "Prepayment Date") at a prepayment price equal to 100% of the principal evidenced thereby plus the accrued but unpaid interest component thereof to the Prepayment Date (the "Prepayment Price"). Pursuant to the Disney Concert Hall Parking Escrow Agreement, dated as of March 1, 2012 (the "Escrow Agreement"), between the County and U.S. Bank National Association, as escrow agent thereunder (the "Escrow Agent"), a portion of the proceeds of the 2012 Refunding Certificates in an amount sufficient to pay the Prepayment Price for the 1998 Refunding Certificates on the Prepayment Date will be deposited in the Escrow Fund (the "Escrow Fund") to be established and held by the Escrow Agent under the Escrow Agreement.

DESCRIPTION OF THE LEASED PREMISES

The Leased Premises consist of the Garage Parcel and the Garage. The Garage Parcel consists of certain parcels of property located at the southwest corner of First Street and Grand Avenue in the City of Los Angeles, a portion of which is subject to a public street right-of-way. The County owns and holds fee simple title to the Garage Parcel, subject to the Site Lease and the Sublease. The Garage is an approximately 900,000 square foot multilevel, subterranean parking garage with approximately 2,180 car parking spaces currently in service. The Garage provides parking for the Walt Disney Concert Hall, which contains 2,265 audience seats, hosts more than 170 performances annually, and is the home of the Los Angeles Philharmonic and the Los Angeles Master Chorale. It is estimated that the Walt Disney Concert Hall attracts more than one million visitors to downtown Los Angeles on an annual basis. The Garage also serves as juror parking for certain nearby court facilities and as visitor parking for several nearby entertainment venues. The Garage became operational in March 1996 and has maintained uninterrupted operation to date.

The Sublease provides that the County may sublease all or any portion of the Leased Premises and that the County shall at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Sublease, notwithstanding any subletting or granting of concessions which may be made. The County has subleased a portion of the Leased Premises to The California Institute of the Arts ("CalArts"), which has built a theatre and certain other improvements on the subleased premises (the "CalArts Improvements"). Pursuant to the sublease between the County and CalArts, the CalArts Improvements vested in the County upon completion in 2003. The CalArts Improvements do not materially affect the use and operation of the Leased Premises by the County. Pursuant to the Sublease, the County has covenanted that it will not sublease or permit the use of all or any portion of the Leased Premises to or by any person so as to cause the portion of any component of the Base Rental designated as and comprising interest to be included in gross income for Federal income tax purposes or to be subject to State personal income taxes. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2012 REFUNDING CERTIFICATES – Sublease of Leased Premises," "RISK FACTORS – Tax Exempt Status of Project Users" and "TAX MATTERS" herein.

The County's obligation to pay Base Rental is independent of the revenue generated by the Garage, the Garage Parcel or the Walt Disney Concert Hall attached thereto and any sublease of any portion of the Garage, the Garage Parcel or the Walt Disney Concert Hall attached thereto.

The County has not pledged the revenues from the Garage, the Garage Parcel or the Walt Disney Concert Hall, if any, to the payment of Base Rental.

Under the terms of the Trust Agreement, the County may release portions of, or substitute other property for, the property included in the Leased Premises. See APPENDIX C – "Summary of Principal Legal Documents – Trust Agreement – Amendments to Sublease, Site Lease and Assignment Agreement" and "– Sublease – Release and Substitution" herein.

ESTIMATED SOURCES AND USES OF PROCEEDS OF THE 2012 REFUNDING CERTIFICATES

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

Sources of Funds:	
Principal Amount of the 2012 Refunding Certificates	$50,675,000.00
Net Original Issue Premium	8,090,187.85
TOTAL SOURCES	$58,765,187.85
Uses of Funds:	
Prepayment of the 1998 Refunding Certificates	$58,349,678.16
Costs of Issuance[1]	415,509.69
TOTAL USES	$58,765,187.85

(1) Includes underwriters' discount, title insurance costs, rating agency fees, special counsel fees, financial advisor fees, printing costs and other miscellaneous expenses.

THE 2012 REFUNDING CERTIFICATES

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

General

The Certificates, including the 2012 Refunding Certificates, represent undivided proportionate interests in the Sublease, including the right to receive Base Rental payments to be made by the County thereunder. The 2012 Refunding Certificates will be delivered in fully registered form only and, when executed and delivered, will be registered in the name of DTC. DTC will act as securities depository of the 2012 Refunding Certificates and all payments due with respect to the 2012 Refunding Certificates will be made to DTC or its nominee. Ownership interests in the 2012 Refunding Certificates may be purchased in book-entry form only. See APPENDIX D – "Book-Entry Only System" attached hereto.

The 2012 Refunding Certificates will be dated their date of delivery and interest represented thereby will accrue from such date. Ownership interests in the 2012 Refunding Certificates may be purchased in denominations of $5,000 or any integral multiple thereof. Interest represented by the 2012 Refunding Certificates will be computed on the basis of a 360-day year composed of 12 months of 30 days each and is payable on March 1 and September 1 of each year, commencing on September 1, 2012. The 2012 Refunding Certificates will mature on the dates and in the principal amounts, and the interest represented thereby shall be computed at the rates, all as set forth on the inside cover page of this Official Statement.

Prepayment of the 2012 Refunding Certificates

Mandatory Prepayment. The 2012 Refunding Certificates are subject to mandatory prepayment prior to maturity, as a whole or in part on any date, at a prepayment price equal to the principal amount thereof plus accrued but unpaid interest to the prepayment date, without premium from amounts deposited with the Trustee for such prepayment following an event of damage, destruction, theft or taking of the Leased Premises or a portion thereof or as a result of a title defect with respect to the Leased Premises or a portion thereof if, as a result of such damage, destruction, theft, taking or defect, an abatement of rent will occur under the Sublease and, in the event of damage, destruction, theft or title defect, the County elects not to remove the title defect or repair or replace the Leased Premises or the affected portion thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2012 REFUNDING CERTIFICATES – Insurance" herein in APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Trust Agreement – Repair or Replacement; Application of Property Insurance Proceeds and Condemnation Awards" and "– Title Insurance" attached hereto.

Selection of 2012 Refunding Certificates for Prepayment. Whenever less than all of the outstanding 2012 Refunding Certificates are to be prepaid, the County may direct the principal amount of each maturity of 2012 Refunding Certificates to be prepaid. Within a maturity, the Trustee shall select 2012 Refunding Certificates for prepayment by lot. Prepayment by lot will be in such manner as the Trustee shall determine; provided, however, the portion of any 2012 Refunding Certificate to be prepaid shall be in the principal amount of $5,000 or any integral multiple thereof and all 2012 Refunding Certificates to remain Outstanding after any prepayment in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Prepayment. Whenever prepayment is authorized or required pursuant to the Trust Agreement, the Trustee will give notice ("Prepayment Notice") of the prepayment of the 2012 Refunding Certificates. Such Prepayment Notice will specify: (i) the 2012 Refunding Certificates or designated portions thereof (in the case of prepayment of the 2012 Refunding Certificates in part but not in whole) which are to be prepaid, (ii) the date of prepayment, (iii) the place or places where the prepayment will be made, including the name and address of any paying agent, (iv) the prepayment price, (v) the CUSIP numbers (if any) assigned to the 2012 Refunding Certificates to be prepaid, (vi) the certificate numbers of the 2012 Refunding Certificates to be prepaid in whole or in part and, in the case of any 2012 Refunding Certificate to be prepaid in part only, the amount of such 2012 Refunding Certificate to be prepaid, and (vii) the original issue date and stated maturity date of each 2012 Refunding Certificate to be prepaid in whole or in part. Such Prepayment Notice will further state that on the specified date there shall become due and payable upon each 2012 Refunding Certificate or portion thereof being prepaid the prepayment price, together with interest accrued but unpaid to the prepayment date, and that from and after such date, if sufficient funds are available for prepayment, interest with respect thereto shall cease to accrue and be payable.

At least 30 but not more than 45 days prior to the prepayment date, the Prepayment Notice shall be given to the respective Owners of 2012 Refunding Certificates designated for prepayment by first-class mail, postage prepaid, at their addresses appearing on the Certificate Register as of the close of business on the day before such notice is given. Neither failure to receive any Prepayment Notice nor any defect in such Prepayment Notice so given shall affect the sufficiency of the proceedings for the prepayment of such 2012 Refunding Certificates.

Effect of Notice of Prepayment. The 2012 Refunding Certificates to be prepaid shall become due and payable on the date of prepayment set forth in the Prepayment Notice with respect thereto. If on such prepayment date money for the prepayment of all the 2012 Refunding Certificates to be prepaid, together with interest to such prepayment date, shall be held by the Trustee so as to be available therefor on such prepayment date, and if a Prepayment Notice shall have been given as described above, then from and after such prepayment date, interest with respect to the 2012 Refunding Certificates to be prepaid shall cease to accrue and become payable. All money held by or on behalf of the Trustee for the prepayment of 2012 Refunding Certificates shall be held in trust for the account of the Owners of the 2012 Refunding Certificates so to be prepaid. All 2012 Refunding Certificates paid at maturity or prepaid prior to maturity shall be canceled upon surrender thereof and delivered to or upon the order of the County.

2012 Refunding Certificates No Longer Outstanding. When any 2012 Refunding Certificate or portion thereof, which has been duly called for prepayment prior to maturity under the provisions of the Trust Agreement, or with respect to which irrevocable instructions to call for prepayment prior to maturity at the earliest prepayment date have been given to the Trustee and sufficient moneys shall be held by the Trustee irrevocably in trust for the payment of the prepayment price of such 2012 Refunding Certificate or portion thereof, and accrued interest with respect thereto to the date fixed for prepayment, all as provided in the Trust Agreement, then such 2012 Refunding Certificate or portion thereof shall no longer be deemed Outstanding under the provisions of the Trust Agreement. If the County shall acquire any 2012 Refunding Certificate by purchase or otherwise, such 2012 Refunding Certificate shall no longer be deemed Outstanding and shall be surrendered to the Trustee for cancellation.

Purchase of 2012 Refunding Certificates. Moneys held in the Principal Account and the Prepayment Account of the Certificate Fund may be used to reimburse the County for the purchases of 2012 Refunding Certificates that would otherwise be subject to prepayment from such moneys upon the delivery of such 2012 Refunding Certificates to the Trustee for cancellation at least ten days prior to the date on which the Trustee is required to select 2012 Refunding Certificates for prepayment. The purchase price of any 2012 Refunding Certificates purchased by the County under the Trust Agreement shall not exceed the applicable prepayment price of the 2012 Refunding Certificates which would be prepaid but for the operation of the provision described in this paragraph (accrued interest to be paid from the Interest Account of the Certificate Fund). Any such purchase must be completed prior to the time notice would otherwise be required to be given to prepay the related 2012 Refunding Certificates. All 2012 Refunding Certificates so purchased shall be cancelled by the Trustee and applied as a credit against the obligation to prepay such 2012 Refunding Certificates from such moneys.

SECURITY AND SOURCES OF PAYMENT FOR THE 2012 REFUNDING CERTIFICATES

Base Rental Payments; Abatement

The Certificates, including the 2012 Refunding Certificates, represent undivided proportionate interests in the Sublease, including the right to receive Base Rental to be made by the County thereunder. The payments of Base Rental are scheduled to be sufficient to pay principal and interest represented by the Certificates when due. The Base Rental, portions of which are designated as principal and portions of which are designated as interest, are to be made from legally available funds of the County. Amounts to pay Base Rental will be appropriated from any legally available funds of the County. The County has covenanted in the Sublease to take such action as may be necessary to include all Base Rental and Additional Rental in its annual budget and to make the necessary annual appropriations therefor, except to the extent such payments are abated. The covenants on the part of the County contained in the Sublease shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the ministerial 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 such official duty of such officials to enable the County to carry out and perform the covenants and agreements on the part of the County contained in the Sublease.

The County's obligation to pay Base Rental is independent of the revenue generated by the Garage, the Garage Parcel or the Walt Disney Concert Hall attached thereto and any sublease of any portion of the Garage, the Garage Parcel or the Walt Disney Concert Hall attached thereto. The County has not pledged the revenues from the Garage, the Garage Parcel or the Walt Disney Concert Hall, if any, to the payment of Base Rental.

The Sublease grants the County the right, subject to certain conditions of the Sublease and the Trust Agreement, to purchase the Authority's right, title and interest in the Leased Premises or any portion thereof, but only if the County is not in default under the Sublease or the Trust Agreement and only in the manner provided in the Sublease. The proceeds of any such purchase would be applied to the prepayment of Certificates and, following such purchase, the principal and interest components of the Base Rental for the Leased Premises will be recalculated in order to take such purchase into account. See APPENDIX C – "Summary of Principal Legal Documents – Sublease – Option to Purchase" attached hereto.

THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL AND ADDITIONAL RENTAL UNDER THE SUBLEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATON OR RESTRICTION.

Base rental payments will be abated during any period in which, by reason of material damage, destruction, theft or condemnation of the Leased Premises or any portions thereof, or defect in title to the Leased Premises, there is a substantial interference with the use and right of possession of the County of the Leased Premises or any portion thereof. If any event resulting in abatement has occurred, amounts received from rental interruption insurance, amounts held by the Trustee in the Reserve Fund and amounts which may otherwise be legally available to the County and deposited with the Trustee for the purpose of making payments in respect of the Certificates will be available to make Base Rental payments; provided, however, that amounts held by the Trustee in the Certificate Fund which are attributable to Base Rental which has been abated will not be available to make Base Rental payments. In any such event which results in abatement, the amount of abatement will be such that the resulting total rental in any Lease Year during which such interference continues does not exceed the total fair rental value of the remaining portions of the Leased Premises not damaged, destroyed, stolen, condemned or affected by the title defect. The resulting rental payments will be applied first to the payment of Base Rental and second to the payment of Additional Rental. Such abatement will continue for the period commencing with the date on which there is substantial interference with the County's right to use or possess the Leased Premises or a portion thereof and ending with the restoration of the Leased Premises or the affected portion to tenantable condition. See "RISK FACTORS – Abatement" herein.

To secure the performance of its obligation to pay Base Rental, the County has agreed pursuant to the Sublease to deposit the Base Rental payable on March 1 of any year with the Trustee on or before January 15 of such year and to deposit the Base Rental payable on September 1 of any year with the Trustee on or before July 15 of such year, in each case for application by the Trustee in accordance with the terms of the Trust Agreement. In the event any such date of deposit is not a Business Day, such deposit shall be made on the next succeeding Business Day. The following table sets forth the aggregate Base Rental Payments to be made by the County under the Sublease.

SCHEDULE OF BASE RENTAL PAYMENTS[1]

Certificate Payment Date	1993 Certificates Principal	1993 Certificates Interest[2][3]	2012 Refunding Certificates Principal	2012 Refunding Certificates Interest[2]	Total Semi-Annual Debt Service[2]	Total Annual Debt Service[2]
September 1, 2012	$ 1,780,188.90	$ 4,804,811.10	--	$ 1,126,111.11	$ 7,711,111.11	--
March 1, 2013	1,705,054.05	4,879,945.95	--	1,266,875.00	7,851,875.00	$ 15,562,986.11
September 1, 2013	1,731,239.40	5,183,760.60	--	1,266,875.00	8,181,875.00	--
March 1, 2014	1,673,844.90	5,241,155.10	--	1,266,875.00	8,181,875.00	16,363,750.00
September 1, 2014	1,699,203.00	5,560,797.00	--	1,266,875.00	8,526,875.00	--
March 1, 2015	1,642,938.00	5,617,062.00	--	1,266,875.00	8,526,875.00	17,053,750.00
September 1, 2015	1,666,162.00	5,948,838.00	--	1,266,875.00	8,881,875.00	--
March 1, 2016	1,611,029.40	6,003,970.60	--	1,266,875.00	8,881,875.00	17,763,750.00
September 1, 2016	1,633,331.75	6,351,668.25	--	1,266,875.00	9,251,875.00	--
March 1, 2017	1,560,987.65	6,424,012.35	--	1,266,875.00	9,251,875.00	18,503,750.00
September 1, 2017	1,581,678.90	6,788,321.10	--	1,266,875.00	9,636,875.00	--
March 1, 2018	1,528,947.90	6,841,052.10	--	1,266,875.00	9,636,875.00	19,273,750.00
September 1, 2018	1,549,489.50	7,225,510.50	--	1,266,875.00	10,041,875.00	--
March 1, 2019	1,497,804.75	7,277,195.25	--	1,266,875.00	10,041,875.00	20,083,750.00
September 1, 2019	1,516,258.10	7,673,741.90	--	1,266,875.00	10,456,875.00	--
March 1, 2020	1,465,713.10	7,724,286.90	--	1,266,875.00	10,456,875.00	20,913,750.00
September 1, 2020	1,483,886.25	8,141,113.75	$ 4,410,000.00	1,266,875.00	15,301,875.00	--
March 1, 2021	--	--	4,420,000.00	1,156,625.00	5,576,625.00	20,878,500.00
September 1, 2021	--	--	9,970,000.00	1,046,125.00	11,016,125.00	--
March 1, 2022	--	--	9,970,000.00	796,875.00	10,766,875.00	21,783,000.00
September 1, 2022	--	--	10,950,000.00	547,625.00	11,497,625.00	--
March 1, 2023	--	--	10,955,000.00	273,875.00	11,228,875.00	22,726,500.00
Total	$27,327,757.55	$107,687,242.45	$50,675,000.00	$25,217,236.11	$210,907,236.11	$210,907,236.11

(1) Amounts reflect the execution and delivery of the 2012 Refunding Certificates and the refinancing described herein.
(2) Amounts reflect individual rounding.
(3) Accreted value as of the respective maturity dates.

Additional Rental

In addition to the Base Rental, pursuant to the Sublease, the County agrees to pay as Additional Rental all of the following: (i) all taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the Leased Premises or upon any interest of the Authority, the Trustee or the County therein or in the Sublease; (ii) insurance premiums, if any, on all insurance required under the Sublease; (iii) all fees and expenses (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) of the Trustee in connection with the Trust Agreement, the Site Lease, the Assignment Agreement and the Sublease; and (vi) any other fees, costs or expenses incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of the Sublease or any of the transactions contemplated thereby or related to the Leased Premises. Payments of Additional Rental do not secure principal and interest represented by the Certificates.

Reserve Fund

A Reserve Fund has been established under the Trust Agreement and pledged to pay principal, accreted value and interest represented by the Certificates, including the 2012 Refunding Certificates. There is on deposit in the Reserve Fund the amount of $11,318,526.43, which is equal to the Reserve Requirement, defined, as of any date of calculation, as an amount equal to the least of (i) 11,318,526.43 (the initial deposit therein upon the execution and delivery of the 1993 Certificates), (ii) 10% of the initial aggregate amount of the Certificates, (iii) the maximum semiannual Base Rental payable by the County under the Sublease in the current Lease Year or any future Lease Year, and (iv) 125% of average annual Base Rental payable in each year between the date of calculation and the end of the Lease Year. The Trust Agreement does not provide for the use of a surety in place of all or a portion of the amounts held in the Reserve Fund. In the event that amounts in the Reserve Fund are used to pay principal, accreted value and interest represented by the Certificates, there can be no assurance that the amount in the Reserve Fund thereafter will equal the Reserve Requirement. The amount on deposit in the Reserve Fund is less than the annual debt service with respect to the Certificates. See APPENDIX C – "Summary of Principal Legal Documents – Trust Agreement – Funds and Accounts – Establishment and Application of Reserve Fund and Administrative Expense Fund" attached hereto.

Additional Certificates

Under the Trust Agreement, the County may from time to time, by a supplement or amendment to the Trust Agreement, authorize one or more series of Additional Certificates, evidencing additional undivided proportionate interests in the Sublease, including the right to receive Base Rental thereunder on a parity with the Outstanding Certificates; provided, however, that the County may authorize a series of Additional Certificates under the Trust Agreement only (1) for the purpose of making repairs to or replacements of the Leased Premises following an event of damage, destruction, condemnation or theft or discovery of a title defect affecting all or a portion of the Leased Premises, or (2) for the purpose of providing funds to refund any Outstanding Certificates executed and delivered under the Trust Agreement provided that, upon delivery of such Additional Certificates, Base Rental in each Lease Year, evidenced by all Certificates to be Outstanding after the execution of such Additional Certificates, shall be less than or equal to Base Rental in such Lease Year, evidenced by all Certificates Outstanding immediately prior to the delivery of such Additional Certificates. For the conditions precedent to the execution and delivery of Additional Certificates, see Appendix C – "Summary of Principal Legal Documents – Trust Agreement – Amendments – Additional Certificates" attached hereto.

Insurance

The County is required to maintain or cause to be maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent permitted under the Sublease the following insurance on the Leased Premises (1) a policy of "all risk" insurance, including flood insurance and earthquake insurance to the extent available, in an amount not less than the lesser of the full replacement value of the Leased Premises or the Total Certificate Obligation (as defined in Appendix C), (2) comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury or property damaged arising from operations involving the Leased Premises, (3) boiler and machinery coverage, (4) workers' compensation insurance, (5) a California Land Title Association ("CLTA") policy or policies of title insurance for the Leased Premises and (6) rental interruption insurance to cover loss, total or partial, of the use of any part of the Leased Premises as a result of any of the hazards covered by (1) above, in an amount not less than the amount equal to the aggregate Base Rental payable by the County for the Leased Premises on the next four Payment Dates (as defined in Appendix C) under the Sublease. Pursuant to the Sublease, except for the rental interruption insurance and the CLTA policies, the County may satisfy the insurance requirements of the Sublease through a program of self-insurance. See "RISK FACTORS – Seismic Events" herein and APPENDIX C

– "Summary of Principal Legal Documents – Sublease – Affirmative Covenants of the Authority and the County – Insurance" attached hereto.

Release and Substitution

The Sublease provides that the description of the Leased Premises may be modified or amended, any portion of the Leased Premises may be released from the Sublease, the Site Lease and the Assignment Agreement and other property and improvements may be substituted for the Leased Premises upon satisfaction of, among other things, the following conditions: (a) a certificate of a County Representative, accompanied by a written appraisal from a qualified appraiser, who may but need not be an employee of the County, evidencing that the annual fair rental value of the property which will constitute the Leased Premises after such release or substitution will be at least equal to 100% of the maximum amount of Base Rental payments becoming due in the then current Lease Year or in any subsequent Lease Year; (b) in the case of substitution of property or improvements for the then existing Lease Premises, a CLTA policy or policies of title insurance with the Trustee as the named insured in an amount, together with the amount of such insurance previously filed with the Trustee with respect to the portion of the Leased Premises remaining subject to the Sublease, not less than the aggregate principal amount of the Certificates then Outstanding, insuring the leasehold or subleasehold interest of the County, as applicable, subject only to such encumbrances as will not materially affect the County's use and possession of the Leased Premises and as will not result in an abatement of Base Rental Payable by the County under the Sublease; (c) written evidence from the Rating Agencies that such amendment will not result in a downgrading of the ratings assigned to the Certificates from the ratings in effect immediately prior to such amendment; and (d) a certificate of a County Representative stating that such release or substitution does not adversely affect the interests of the Owners of the Certificates then Outstanding. See APPENDIX C – "Summary of Principal Legal Documents – Sublease – Release and Substitution" attached hereto.

Sublease of Leased Premises

Pursuant to the Sublease, the County may sublease all or any portion of the Leased Premises, may grant concessions to a garage operator or others involving the use of all or any portion of the Leased Premises, and may assign its right to purchase the Authority's right, title and interest in the Leased Premises or any portion thereof. The Sublease provides that the County shall at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Sublease, notwithstanding any subletting or granting of concessions which may be made. Pursuant to the Sublease, the County has covenanted that it will not sublease or permit the use of all or any portion of the Leased Premises to or by any person so as to cause the portion of any component of the Base Rental designated as and comprising interest to be included in gross income for Federal income tax purposes or to be subject to State personal income taxes.

Events of Default and Remedies

Events of default under the Sublease consist of: (i) failure by the County to deposit with the Trustee any Base Rental payment required to be so deposited pursuant to the Sublease by the close of business on the day such amount is due; (ii) failure by the County to pay any item of Additional Rental as and when the same shall become due and payable pursuant to the Sublease; or (iii) breach by the County of any other terms, covenants or conditions contained in the Sublease or in the Trust Agreement, and failure to remedy any such breach with all reasonable dispatch within a period of 60 days after written notice thereof from the Authority or the Trustee, as its assignee, to the County, or, if such breach cannot be remedied within such 60-day period, failure to institute corrective action within such 60-day period and diligently pursue the same to completion.

Upon the occurrence or continuance, as applicable, of an event of default, the Authority or its assignee shall have the right, at its option, without any further demand or notice (1) to re-enter the Leased Premises and eject all parties in possession therefrom, and, without terminating the Sublease, re-let the Leased Premises as the agent for the account of the County upon such terms and conditions as the Authority or its assignee may deem advisable; provided, however, that such re-entry and re-letting shall be done only with the consent of the County, which consent is irrevocably given in the Sublease; or (2) in lieu of the above, so long as the Authority or its assignee does not terminate the County's right to possession of the Leased Premises, the Sublease shall continue in effect and the Authority or its assignee shall have the right, pursuant to Section 1951.4 of the California Civil Code, to enforce all of its rights and remedies under the Sublease, including the right to recover Base Rental payments as they become due under the Sublease.

No Remedies to Affect Tax Exemption; No Acceleration

The Authority or any assignee of the rights of the Authority under the Sublease shall not exercise its remedies under the Sublease so as to cause the portion of any component of Base Rental designated as and comprising interest to be includable in gross income for federal income tax purposes or to be subject to State personal income taxes. Notwithstanding any other provision of the Sublease or the Trust Agreement, in no event shall the Authority or any assignee of the rights of the Authority under the Sublease have the right to accelerate the payment of any Base Rental under the Sublease. See "RISK FACTORS – No Acceleration Upon an Event of Default; Limitations on Remedies" herein APPENDIX C – "Summary of Principal Legal Documents – Sublease – Default by County" attached hereto.

RISK FACTORS

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

Not a Pledge of Taxes

Principal and interest payments represented by the 2012 Refunding Certificates and other outstanding Certificates are payable from Base Rental to be made by the County under the Sublease. The obligation of the County to pay Base Rental and Additional Rental under the Sublease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the County to pay Base Rental or Additional Rental constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Sublease does not create a pledge, lien or encumbrance upon the funds of the County, the obligation of the County to make Base Rental payments under the Sublease is an obligation payable from any source of legally available funds to the County, so long as the County has the right to use and possess the leased premises, and the County has covenanted under the Sublease to make all Base Rental and Additional Rental provided for in the Sublease and to take such action as may be necessary to include all Base Rental and Additional Rental due under the Sublease in its annual budget and to make the necessary annual appropriations for all such Base Rental and Additional Rental, 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 payments of Base Rental and Additional Rental.

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 taxes and assessments, insurance premiums and other fees, costs or expenses incurred in connection with the Sublease or related to the Leased Premises) 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, 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. The County's appropriations have never exceeded the limitation on appropriations under Article XIIIB of the California Constitution.

Abatement

Base Rental payments will be abated during any period in which, by reason of material damage, destruction, theft or condemnation of the Leased Premises or any portion thereof, or defect in title to the Leased Premises, there is substantial interference with the use and right of possession by the County of the Leased Premises or any portion thereof. If any event resulting in abatement has occurred, amounts received from rental interruption insurance, and amounts which may otherwise be legally available to the County and deposited with the Trustee for the purpose of making payments in respect of the Certificates will be available to make Base Rental payments; provided, however, that amounts held by the Trustee in the Certificate Fund which are attributable to Base Rental which has been abated will not be available to make Base Rental payments. In any such event which results in abatement, the amount of abatement will be such that the resulting total rental in any Lease Year during which such interference continues does not exceed the total fair rental value of the remaining portions of the Leased Premises not damaged, destroyed, stolen, condemned or affected by the title defect. The resulting rental payments will be applied first to the payment of Base Rental and second to the payment of Additional Rental. Such abatement will continue for the period commencing with the date on which there is substantial interference with the County's right to use or possess the Leased Premises or a portion thereof and ending with the restoration of the Leased Premises or the affected portion to tenantable condition.

If an abatement of rental occurs under the Sublease, the remaining Base Rental payments, together with other moneys available to the Trustee, may not be sufficient after exhaustion of amounts held in the Certificate Fund and the Reserve Fund and the expiration of rental interruption insurance and condemnation awards, if any, to pay principal, accreted value and interest represented by the Certificates in the amounts and at the rates represented thereby. In such an event, all Certificate Owners would forfeit the right to receive a pro rata portion of interest attributable to abated Base Rental payments during the period of abatement and, to the extent any Certificates mature during a period of abatement, Certificate Owners would forfeit the right to receive a pro rata portion of principal or accreted value attributable to such abated Base Rental Payments. The failure to make such payments of principal or accreted value and interest would not under such circumstances constitute a default under the Trust Agreement, the Sublease or the Certificates.

No Acceleration Upon an Event of Default; Limitations on Remedies

Pursuant to the Sublease, in no event shall the Authority or any assignee of the rights of the Authority under the Sublease have the right to accelerate the payment of any Base Rental under the Sublease.

Pursuant to the Sublease, upon the occurrence or continuance, as applicable, of an event of default, the Authority or its assignee shall have the right, at its option, without any further demand or notice (1) to re-enter the Leased Premises and eject all parties in possession therefrom, and, without terminating the Sublease, re-let the Leased Premises as the agent for the account of the County upon such terms and conditions as the Authority or its assignee may deem advisable; or (2) in lieu of the above, so long as the Authority or its assignee does not terminate the County's right to possession of the Leased Premises, the Sublease shall continue in effect and the Authority or its assignee shall have the right, pursuant to Section 1951.4 of the California Civil Code, to enforce all of its rights and remedies under the Sublease, including the right to recover Base Rental payments as they become due under the Sublease. In the event that the Trustee, as assignee of the Authority's rights under the Sublease, elects to have the Sublease continue in effect and to enforce all of its rights and remedies thereunder, the Trustee would be required to seek a separate judgment each year for that year's defaulted Rental Payments. Any such suit for money damages 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. Additionally, the County has leased a portion of the Leased Premises to CalArts pursuant to a sublease, on which CalArts has built a theatre and certain other improvements. The sublease with CalArts does not expressly provide for it to be subordinated to the Sublease. Accordingly, no assurance may be made that upon the occurrence or continuance of an event of default under the Sublease the Trustee, on behalf of the Owners of the 2012 Refunding Certificates, will be able to re-enter that portion of the Leased Premises, eject all parties in possession therefrom and re-let that portion of the Leased Premises as provided for in the Sublease.

Further, 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.

Tax Exempt Status of Project Users

The County has subleased a portion of the Leased Premises to CalArts, on which CalArts has built a theatre and certain other improvements. In addition, proceeds of the 1998 Refunding Certificates were used to advance refund and defease a portion of the 1993 Certificates, a portion of which was used to fund certain improvements to the concert hall adjoining the Garage (the "Walt Disney Concert Hall"). The Walt Disney Concert Hall is not a part of the Leased Premises. The Walt Disney Concert Hall has been leased to the Performing Arts Center of Los Angeles County, which subleased the premises to the Los Angeles Philharmonic Association and the Los Angeles Master Chorale Association (collectively with CalArts, the "Project Users").

Each of the Project Users is an organization with tax-exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") and each has covenanted that, until the date upon which the 1993 Certificates are paid in their entirety and retired, such entity will not take any actions that would threaten its status as a 501(c)(3) organization. Certain actions by the Project Users, including failure by the Project Users to comply with the requirements stated in the Code and related regulations, rulings and policies, may result in the interest evidenced by the 2012 Refunding Certificates being included in gross income for federal income tax purposes, possibly from the date of the original execution and delivery of the 2012 Refunding Certificates. See "TAX MATTERS" herein.

Seismic Events

The Leased Premises is located within a seismically active area, and damage to the Leased Premises from an earthquake could be substantial. Under the Sublease, the County is required to maintain certain types of insurance, including all-risk insurance against loss or damage to the Leased Premises. All-risk insurance is to include earthquake coverage to the extent available and may be satisfied by a program of self-insurance. The County presently maintains a commercial earthquake insurance policy that covers certain of its properties, including the Leased Premises. Such insurance is maintained at a value less than the combined value of all the insured properties, and no assurance can be given that such policy will be available at a reasonable cost during the entire term of the Sublease. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2012 REFUNDING CERTIFICATES – Insurance" herein. Pursuant to the Sublease, if there is an abatement of rental payments as a result of any casualty or event covered by the insurance required to be maintained under the Sublease, the County may elect to apply the insurance proceeds or such other sums as are deposited by the County to the prepayment of the 2012 Refunding Certificates rather than replacing or repairing the damaged or destroyed portion of the Leased Premises, in which case the Sublease will terminate with respect to the damaged or destroyed portion of the Leased Premises. If the County elects to apply the proceeds to the replacement, repair or reconstruction of the Leased Premises or the affected portion thereof, the Base Rental will again begin to accrue with respect thereto upon restoration of the Leased Premises or the affected portion thereof to tenantable condition. See "RISK FACTORS – Abatement" herein.

Adequacy of County Insurance Reserves or Insurance Proceeds

The County may self-insure for certain types of insurance required under the Sublease. See APPENDIX C – "Summary of Principal Legal Documents – Sublease – Affirmative Covenants of the Authority and the County – Insurance" attached hereto. The County intends to self-insure for workers' compensation insurance and general liability insurance with respect to the Leased Premises. 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 2012 REFUNDING CERTIFICATES – Abatement" and "– Abatement" herein.

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" attached hereto.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Special Counsel"), Special Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest evidenced by the 2012 Refunding Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Special Counsel is of the further opinion that interest evidenced by the 2012 Refunding Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Special Counsel is set forth in Appendix F hereto.

To the extent the issue price of any maturity of the 2012 Refunding Certificates is less than the amount to be paid at maturity of such 2012 Refunding Certificates (excluding amounts stated to be interest and payable at least annually over the term of such 2012 Refunding Certificates), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest evidenced by the 2012 Refunding Certificates which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2012 Refunding Certificates is the first price at which a substantial amount of such maturity of the 2012 Refunding Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2012 Refunding Certificates accrues daily over the term to maturity of such 2012 Refunding Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2012 Refunding Certificates to determine taxable gain or loss upon disposition (including sale, prepayment, or payment on maturity) of such 2012 Refunding Certificates. Beneficial Owners of the 2012 Refunding Certificates should consult their own tax advisors with respect to the tax consequences of ownership of 2012 Refunding Certificates with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2012 Refunding Certificates in the original offering to the public at the first price at which a substantial amount of such 2012 Refunding Certificates is sold to the public.

2012 Refunding Certificates purchased, whether at original execution and delivery or otherwise, for an amount higher than their principal evidenced thereby payable at maturity (or, in some cases, at their earlier prepayment date) ("Premium Certificates") will be treated as having amortizable premium. No deduction is allowable for the amortizable premium in the case of obligations, like those evidenced by the Premium Certificates, the interest with respect to which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Certificate, will be reduced by the amount of amortizable premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest evidenced by obligations such as the 2012 Refunding Certificates. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest evidenced by the 2012 Refunding Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest evidenced by the 2012 Refunding Certificates being included in gross income for federal income tax purposes, possibly from the date of original execution and delivery of the 2012 Refunding Certificates. The opinion of Special Counsel assumes the accuracy of these representations and compliance with these covenants. Special Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Counsel's attention after the date of execution and delivery of the 2012 Refunding Certificates may adversely affect the value of, or the tax status of interest evidenced by, the 2012 Refunding Certificates. Accordingly, the opinion of Special

Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Special Counsel has relied, among other things, on (1) the opinions of counsel to three of the four entities with rights to use all or a portion of the facilities to be refinanced by the 2012 Refunding Certificates (the "Project Users") being Sidley Austin LLP, Counsel to the Performing Arts Center of Los Angeles County, Law Office of Marshall A. Rutter, a Professional Corporation, Counsel to the Los Angeles Master Chorale Association, and DLA Piper, Counsel to the Los Angeles Philharmonic Association, regarding the current qualification of the Project User as an organization described in Section 501(c)(3) of the Code, and (2) the certificate executed by each of the four Project Users in which each Project User represents that it as an organization described in Section 501(c)(3) of the Code and the intended operation of the facilities, used by that Project User, to be refinanced by the 2012 Refunding Certificates is substantially related to that Project User's charitable purpose under Section 513(a) of the Code. Such opinions of counsel are subject to a number of qualifications and limitations. Furthermore, the various counsel to the Project Users cannot give and have not given any opinion or assurance about the future activities of the Project User, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or changes in enforcement thereof by the Internal Revenue Service. Failure of any of the Project Users to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities, used by that Project User, refinanced by the 2012 Refunding Certificates in a manner that is substantially related to the Project User's charitable purpose under Section 513(a) of the Code, may result in interest evidenced by the 2012 Refunding Certificates being included in federal gross income, possibly from the date of the original execution and delivery of the 2012 Refunding Certificates. In the case of one of the Project Users, CalArts, for which an opinion of counsel has not been obtained, Special Counsel has also relied on information supplied by CalArts, as well as information which the Internal Revenue Service makes publicly available (in addition to the aforementioned certificate).

Although Special Counsel is of the opinion that interest evidenced by the 2012 Refunding Certificates is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest evidenced by, the 2012 Refunding Certificates may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest evidenced by the 2012 Refunding Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest evidenced by obligations like the 2012 Refunding Certificates to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest evidenced by obligations like the 2012 Refunding Certificates. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2012 Refunding Certificates. Prospective purchasers of the 2012 Refunding Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

The opinion of Special Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Counsel's judgment as to the proper treatment of the 2012 Refunding Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Counsel cannot give and has not given any opinion or assurance about the future activities of the County or the Project Users, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The County has covenanted, however, to comply with the requirements of the Code.

Special Counsel's engagement with respect to the 2012 Refunding Certificates ends with the execution and delivery of the 2012 Refunding Certificates, and, unless separately engaged, Special Counsel is not obligated to defend the County or the Beneficial Owners regarding the tax-exempt status of the 2012 Refunding Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the County and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2012 Refunding Certificates for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2012 Refunding Certificates, and may cause the County or the Beneficial Owners to incur significant expense.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Certificate to be executed in connection with the execution and delivery of the 2012 Refunding Certificates, 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, no later than ten (10) business days after their occurrence, notice of certain events. These covenants have been made in order to assist the Underwriters of the 2012 Refunding Certificates 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" attached hereto. 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

Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, will render an opinion with respect to the legality of the Sublease and the Trust Agreement and certain other matters. Special 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 Special Counsel is contained in APPENDIX F – "Form of Opinion of Special Counsel" attached hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California and for the County and the Authority by County Counsel.

FINANCIAL STATEMENTS

The financial statements of the County for Fiscal Year ended June 30, 2011, 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. 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 execution and delivery of the 2012 Refunding Certificates. 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 2012 Refunding Certificates or challenging any action taken by the County or the Authority in connection with the authorization of the Trust Agreement, the Sublease or any other document relating to the 2012 Refunding Certificates 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" attached hereto.

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 2012 Refunding Certificates ratings of "A+," "A1" and "A+", 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 2012 Refunding Certificates. 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 2012 Refunding Certificates.

UNDERWRITING

The 2012 Refunding Certificates are being purchased by Wells Fargo Bank, N.A., 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 2012 Refunding Certificates from the County at an aggregate purchase price of $58,600,294.10 (consisting of the aggregate principal amount of the 2012 Refunding Certificates of $50,675,000.00, plus an original issue premium of $8,090,187.85 and less underwriters' discount of $164,893.75), pursuant to the terms of the Purchase Agreement. The 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 2012 Refunding Certificates offered under the Purchase Agreement if any of the 2012 Refunding Certificates offered thereunder are purchased.

The following two paragraphs have been provided by Wells Fargo Bank, N.A., one of the underwriters for the 2012 Refunding Certificates.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the 2012 Refunding Certificates, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the 2012 Refunding Certificates. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the 2012 Refunding Certificates with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

The following two sentences have been provided by De La Rosa & Co., one of the underwriters for the 2012 Refunding Certificates: De La Rosa & Co., one of the Underwriters of the 2012 Refunding Certificates, has entered into separate agreements with Credit Suisse Securities USA LLC, UnionBanc Investment Services LLC and City National Securities, Inc. for retail distribution of certain municipal securities offerings, at the original issue price. Pursuant to said agreements, if applicable to the 2012 Refunding Certificates, De La Rosa & Co. will share a portion of its underwriting compensation with respect to the 2012 Refunding Certificates with Credit Suisse Securities USA LLC, UnionBanc Investment Services LLC or City National Securities, Inc.

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 Trust Agreement, the Site Lease, the Sublease, the Assignment Agreement and the Escrow Agreement 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 2012 Refunding Certificates.

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 2012 Refunding Certificates 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. Additional information regarding this Official Statement may be obtained by contacting:

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
(213) 974-7175

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 9.8 million in 2010, 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 17,000 inmates.

General Government

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes, and distribution of property tax revenue to cities, community redevelopment agencies, special districts, and local school districts. 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 certified employee organizations. These organizations include sixty (60) collective bargaining units, which are represented either by the Services Employees International Union ("SEIU") Local 721, which covers the vast majority of County employees, the Coalition of County Unions ("CCU"), which represents nine (9) unions, or one of eight (8) Independent Unions. 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 fringe benefit agreements with SEIU Local 721 and the CCU. The Independent Unions are covered by one of the two fringe benefit agreements.

In March 2009, the Board of Supervisors approved amendments to eight (8) Memoranda of Understanding ("MOU") covering wages, salaries and special pay practices with 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 existing MOUs for an additional two-year period through December 31, 2010 or January 31, 2011, depending on the specific bargaining unit, and provided for the continuation of existing salaries with no cost-of-living adjustments.

In December 2009, the Board of Supervisors approved successor fringe benefit agreements with most of the collective bargaining units represented by SEIU Local 721, the CCU and the Independent Unions. Under the terms of the fringe benefit agreements, which will expire on September 30, 2012, County employees agreed to forego any cost of living increases through the 2-year contract term; and the County has agreed to increase its contribution for employee health care by 8% in Fiscal Year 2009-10 and 7.2% in Fiscal Year 2010-11.

On February 1, 2011, the Board of Supervisors approved amendments to eight (8) MOUs covering wages, salaries and special pay practices for the Public Safety Unions. The amendments extended the terms and conditions of the existing MOUs for an additional one-year period through December 31, 2011 or January 31, 2012, depending on the specific bargaining unit, and provided for the continuation of existing salaries with no cost-of-living adjustments.

On March 15, 2011, the Board of Supervisors approved amendments to forty-eight (48) MOUs covering wages, salaries and special pay practices with most of the collective bargaining units represented by SEIU Local 721, the CCU and the Independent Unions representing non public safety personnel. The amendments extended the terms and conditions of the existing MOUs for an additional one-year period through September 30, 2012, and provided for the continuation of existing salaries with no cost-of-living adjustments.

The County is currently in the process of extending the MOUs covering wages, salaries and special pay practices for the Public Safety Unions for an additional one-year period with no cost-of-living increases, and expects to achieve the same result with the collective bargaining units representing non public safety personnel. The County intends to negotiate new fringe benefit agreements with all of its collective bargaining units in 2012.

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.

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 options. 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, he 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. 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. *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 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.

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 certain 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:

- <u>Asset Smoothing Period</u>: The smoothing period to account for asset gains and losses increased from three years to five years. This is the most significant change and 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.

- <u>Amortization Period</u>: 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 return, 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 are 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 is projected to be $173.0 million for the three-year period ended June 30, 2015.

UAAL and Deferred Investment Returns

The 2009 Actuarial Valuation reported a rate of return on Retirement Fund assets of negative 18.3% for the Fiscal Year ended June 30, 2009, which corresponds to an $8.226 billion reduction in the market value of assets from June 30, 2008. Under the 2009 Funding Policy, the actuarial value of Retirement Fund assets decreased by $120 million to $39.542 billion as of June 30, 2009, and the Funded Ratio decreased by 5.6% from 94.5% to 88.9% as of June 30, 2009. The actuarial value did not include $9.819 billion of deferred investment losses that will be recognized over the next four fiscal years.

The 2009 Actuarial Valuation reported that the AAL increased by $2.494 billion to $44.469 billion, and the UAAL increased from $2.313 billion on June 30, 2008 to $4.927 billion as of June 30, 2009. The $2.614 billion increase in the UAAL was primarily the result of the significant investment losses in Fiscal Year 2008-09. The 2009 Actuarial Valuation provided the basis for establishing the contribution rates effective July 1, 2010. In Fiscal Year 2010-11, the County's required contribution rate increased by 2.14% to 14.22% 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 1.99% to 4.12%, and an increase in the normal cost contribution rate from 10.09% to 10.10%. The increase in the contribution rate to fund the UAAL was primarily driven by the recognition of significant actuarial investment losses, which account for 3.91% of the 14.22% total contribution rate. The impact of the actuarial investment losses on the required contribution rate was partially offset by the transition to a five-year smoothing period (-1.16%) as a result of the 2009 Funding Policy.

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 large deferred asset losses from prior years that were partially recognized in the 2010 Actuarial Valuation. The actuarial value of Retirement Fund assets decreased by $703 million to $38.839 billion as of June 30, 2010, and the Funded Ratio decreased by 5.6% 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 to June 30, 2010.

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 in Fiscal Year 2011-12. 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 .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 mostly offset by large deferred asset losses from prior years 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 by 3.1% 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 partially 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. These numbers are very close to the corresponding actuarial calculations and demonstrate the leveling effect of using an asset smoothing period to help insulate the County's funding requirements from the year-to year volatility of investment returns.

The 2011 Actuarial Valuation provided the basis for establishing the contribution rates effective July 1, 2012. The County's required contribution rate will increased from 16.31% to 17.54% of covered payroll in Fiscal Year 2012-13, which represents a 7.5% increase from the current Fiscal Year. 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 Year 2010-11 and other positive variances from the economic and demographic assumptions.

In Fiscal Year 2011-12, LACERA is reporting a negative 1.1% return on Retirement Fund assets for the seven-month period ended January 31, 2012. The asset allocation percentages for the Retirement Fund as of January 31, 2012 were 24.1% domestic equity, 27.5% international equity, 24.8% fixed income, 9.4% real estate, 9.8% private equity, 2.6% commodities and 1.8% 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-10.

Pension Funding

The County has funded 100% or more of its annual required contribution to LACERA in each of the last twelve years. In Fiscal Years 2009-10 and 2010-11, the County's total contributions to the Retirement Fund were $802.5 million and $898.8 million, respectively. For Fiscal Year 2011-12, the County's required contribution payments are estimated to increase by $129.2 million to $1.028 billion. In Fiscal Year 2012-13, the required contribution payments to LACERA are projected to increase by $101.0 million to $1.129 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-10.

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 by .52% to 18.06%, and the Funded Ratio would decrease by 1.2% 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 has previously issued pension obligation bonds and certificates and transferred the proceeds to LACERA to reduce its UAAL. In July 2010, the County deposited an advance payment in the amount of $372.13 million with the trustee for its 1994 Pension Obligation Certificates, representing the final payment of its outstanding pension obligations. The final payment to investors was made on 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 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.

For Fiscal Year 2007-08, total payments from the County to LACERA for retiree health care were $352.0 million, including a $9.0 million transfer from excess earnings. Total payments for

Fiscal Years 2008-09, 2009-10, and 2010-11 were $365.7 million, $384.0 million, and $405.6 million, respectively. For Fiscal Year 2011-12, the County is estimating $424.9 million in payments to LACERA for retiree health care. In Fiscal Year 2012-13, payments to LACERA for retiree health care are projected to be $467.6 million. Since Fiscal Year 2006-07, the County has discontinued its practice of using supplemental contributions from the County Contribution Credit Reserve with LACERA to fund its postemployment health care benefit obligations.

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. The method of financial reporting for OPEB costs would be similar to that used for pension plan normal costs and the UAAL thereof.

OPEB Actuarial Valuation

In order to comply with the requirements of GASB 43 and GASB 45, LACERA engaged Milliman to complete the initial actuarial valuation of OPEB liabilities for the LACERA plans as of July 1, 2006 (the "2006 OPEB Valuation"). In May 2007, Milliman presented the first actuarial calculation of the County's unfunded accrued liability for post retirement health care and life insurance benefits paid to its employees.

In the 2006 OPEB Valuation, Milliman 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 in the 2006 OPEB Valuation were modeled on the assumptions used by LACERA for its pension program in Fiscal Year 2007-08, which assumed a 3.75% general wage increase for County employees and a 3.5% implied inflation rate. The healthcare cost assumptions in the 2006 OPEB Valuation were based on discussions with other consultants and actuaries used by the County, LACERA and labor groups.

The 2006 OPEB Valuation determined the AAL for LACERA's healthcare and life insurance benefits using a 5% discount rate and the Projected Unit Credit actuarial cost method. Using this methodology, the AAL for LACERA's OPEB program (including employees of the Los Angeles Superior Court) was $21.215 billion as of July 1, 2006, of which $20.301 billion was the County's share of the liability. The total annual required contribution for the County to fund its OPEB liability (referred to in GASB 45 as the "ARC") was estimated to be $1.55 billion as of July 1, 2006, which represented approximately 31.2% of the County's annual payroll costs.

The standards set forth under GASB 45 affect the County's financial statements. However, GASB 45 does not impose requirements on the funding of any OPEB liability and there is no mandatory payment associated with the implementation of this standard. GASB 45 provides that OPEB costs, if not funded on an actuarial accrual basis, will be recognized as a liability in the County's financial statements. Accordingly, for the Fiscal Year ended June 30, 2008, the County reported a total OPEB ARC of $1.615 billion, which also includes the unfunded liability for the County's long-term disability benefits. The total OPEB ARC, when reduced by the $381 million "pay-as-you-go" County contribution, resulted in an initial Net OPEB liability of $1.234 billion for retiree health care and long-term disability benefits as of June 30, 2008. The $381 million County contribution represented 23.6% of the OPEB ARC.

In accordance with the requirements of GASB 43, LACERA engaged Milliman to complete its second OPEB actuarial valuation as of July 1, 2008 (the "2008 OPEB Valuation"), which was issued in June 2009. In the 2008 OPEB Valuation, Milliman reported an AAL of $21.864 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability, $20.902 billion represented a 3% increase from the 2006 OPEB Valuation. The OPEB ARC as of July 1, 2008 was estimated to be $1.66 billion, which represents approximately 28% of the County's payroll costs, and a 7% increase from the 2006 OPEB Valuation.

The 2008 OPEB Valuation utilized the Projected Unit Credit actuarial cost method and a 5% discount rate. The increase in the OPEB AAL from 2006 to 2008 was caused by several offsetting factors, which include changes to retirement benefit assumptions, cost increases due to the passage of time, demographic changes, and claim cost experience gains, including lower than expected increases in health insurance premiums. However, as a result of an increase in the assumed total wage growth from 3.75% to 4% in 2008, the OPEB ARC as a percentage of annual payroll costs was reduced to 28% from 31% in 2006.

In accordance with the requirements of GASB 45, the County reported an OPEB ARC of $1.628 billion and a net increase in the OPEB liability $1.231 billion for the Fiscal Year ended June 30, 2009. With a $397 million "pay-as-you-go" contribution, the County funded 24.4% of its OPEB ARC, representing a slight increase from the 23.6% funding level in the previous Fiscal

Year. As of June 30, 2009, the County reported an unfunded net OPEB obligation of $2.465 billion.

For the Fiscal Year ended June 30, 2010, the County reported an OPEB ARC of $1.75 billion and a net increase in the OPEB liability of $1.333 billion. The $417 million "pay-as-you-go" contribution equals 23.9% of the County's OPEB ARC, representing a slight decrease from the 24.4% funding level in Fiscal Year 2008-09. As of June 30, 2010, the County reported an unfunded Net OPEB obligation of $3.798 billion.

In March 2011, Milliman issued the third OPEB actuarial valuation as of July 1, 2010 (the "2010 OPEB Valuation"). 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 2008 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 from 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.

For the Fiscal Year ended June 30, 2011, the County is reporting 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. The authority to establish a tax-exempt trust is provided by California Government Code Sections 31694.3 and 31694.4. Under the provisions contained therein, the County will seek to create either a Section 115 Trust or an Integral Part Entity Trust. With each of these options, it is the intention of the County to contract with LACERA for the administrative and investment services related to the trust. Prior to the establishment of the trust, , the County must secure the support of its employee organizations, as required by Government Code Section 31694.4.

In Fiscal Year 2006-07, the Board of Supervisors gave its support to the development of a specific fiscal policy to pre-fund retiree health benefits. The County is planning to use the remaining $470.71 million of County Contribution Credit Reserve with LACERA to fund an initial deposit to an OPEB trust. In April 2010, the Board of Supervisors instructed the CEO to resume work with LACERA and the County labor unions to establish an OPEB trust fund and to take the necessary steps to fund the OPEB trust with the remaining balance in the County Contribution Credit Reserve. Beyond these measures, the County may also consider applying general fund revenues to supplement an initial trust fund deposit.

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.

Following completion of the 2006 OPEB Valuation, the County engaged Buck Consultants to prepare an actuarial valuation of the long-term disability portion of its DBP. As of July 1, 2007, the AAL of the County's long-term DBP was $929.3 million. The County determined that this liability is an additional OPEB obligation and included the ARC for long-term DBP obligations as a component of the $1.615 billion OPEB ARC reported on the June 30, 2008 CAFR. As of July 1, 2009, the most recent actuarial valuation of the County's long-term DBP reported an AAL of $951.8 million, which represents a 2.4% increase from the previous valuation. In Fiscal Years 2007-08, 2008-09, 2009-10 and 2010-11, the County made total DBP payments of $29 million, $32 million, $33 million and $35 million, respectively. For Fiscal Year 2011-12, the County is projecting total DBP payments of $37 million. The $951.8 million AAL for the County's long-term DBP is reported as a component of the $5.348 billion net OPEB obligation as of June 30, 2011. The annual "pay-as-you-go" DBP payments are accounted for as an offset to the County's OPEB obligation.

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 <u>Bamonte</u> decision, both ALADS and PPOA have 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 preparing patrol cars, preparing reports, working through meal times and other such activities which occurred "off the clock." Taken together, there is the potential that the number of claimants to the collective actions may include as many as 9,000 public safety personnel. While the PPOA class action lawsuit will most likely settle for a nominal amount, the two remaining class actions and all the class grievances are still in the early litigation stages and extensive discovery must still occur.

Various lawsuits have been filed against the County alleging that certain classes of employees were not compensated for overtime worked in excess of forty hours per week, as required by the FLSA. These lawsuits seek overtime pay for a three-year period, liquidated damages (double damages), attorneys' fees and costs. In 2008, two lawsuits entitled *Ellerd v. County of Los Angeles and Ali v. County of Los Angeles* were filed by 104 adult protective services social workers in the Department of Community and Senior Services and by 242 children's social workers in the Department of Children and Family Services. The plaintiffs in both suits allege that they worked extra unrecorded hours for which they should have been paid overtime at time and one-half. In *Ellerd v. County of Los Angeles*, the County's collective action decertification motion was granted on February 17, 2011. The 104 adult protective services social workers who were the plaintiffs must now decide whether to pursue their overtime pay litigation on an individual basis. In 2011, *Ali v. County of Los Angeles* was settled for a maximum amount of $2.5 million, if all 242 plaintiffs choose to participate. The period for plaintiffs to individually elect to settle ended in May 2011.

Other Litigation

In 1999, a lawsuit entitled *Roger E. Bacon v. Alan T. Sasaki* was filed against the County challenging the Auditor-Controller's method of calculating interest on property tax refunds. A bench trial was held on January 9, 2006 regarding two test claims, and the trial court only partially sustained the Auditor-Controller's position. 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 has 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 additional watersheds. If the Court does not correct what the Flood Control District believes to be a judgment based on a factual error, the Flood Control District may be liable for these additional areas. After the Ninth Circuit denied the motion for reconsideration, the Flood Control District filed a petition for writ of certiorari with the U.S. Supreme Court. The Supreme Court has asked for the Solicitor General's view on whether to grant the petition, and is expected to act on the petition within the next several months. If the Supreme Court does not correct what the Flood Control District believes to be a judgment based on an error of law and fact, the Flood Control District will be liable for these additional areas. The plaintiffs will be entitled to attorneys fees and costs to the extent they prevail on the liability issues. 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 will not 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 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, and at the Court's request, Supplemental Letter Briefs were filed in November 2011.

In 1997, the County sued insurance companies to obtain policy benefits arising out of damage to the County's buildings caused by the Northridge Earthquake. At trial, the County failed to realize a net recovery and the insurers were awarded $5.9 million, plus interest, in litigation costs and fees. Both the County and the insurer appealed the decision. The Court of Appeal ruled against the County on all grounds. The County filed a petition to the California Supreme Court to contest the award of litigation costs. In July 2011, the California Supreme Court denied the County's petition for review. The County paid the defendant insurers the judgment amount of $7.96 million, inclusive of accrued post-judgment interest and appellate costs from reserves that were previously set-aside to cover any potential liability related to this case.

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 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.

In addition, the County, along with a number of other counties, filed an action against the State in Sacramento Superior Court seeking a judgment to declare declaring that the counties are relieved from this service mandate. On February 25, 2011, in a third legal action stemming from the Governor's veto, the Court of Appeal published an opinion concluding that the Governor properly exercised his veto authority and that it had the legal effect of suspending operation of the AB 3632 mandate. This finding permits the County to seek compensation from the districts for continuing to provide mental health services. Thereafter, the County settled the federal lawsuit, and the suit was dismissed. On March 25, 2011, the Sacramento Superior Court provided the counties with declaratory relief, finding that the counties were relieved from the AB 3632 mandate. Nonetheless, a handful of school districts have asserted the position that the County remains fiscally responsible for these services.

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.

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	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
2005-06	$35,185,589	13.0%
2006-07	40,908,106	19.1%
2007-08	38,724,671	-1.5%
2008-09	30,498,981	-18.3%
2009-10	33,433,888	11.6%
2010-11	39,452,011	20.4%

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

TABLE 3: COUNTY PENSION RELATED PAYMENTS
(in thousands)

Fiscal Year	Cash Payment to LACERA	Transfer From Excess Earnings	Pension Bonds Debt Service	Total Pension Related Payments	Percent Change Year to Year
2005-06	$676,667	$179,368	$356,883	$1,212,918	-
2006-07	751,851	111,775	381,235	1,244,861	2.6%
2007-08	827,789	-	381,603	1,209,392	-2.8%
2008-09	805,300	-	320,339	1,125,639	-6.9%
2009-10	802,500	-	358,165	1,160,665	3.1%
2010-11	898,803	-	372,130	1,270,933	9.5%
2011-12	1,028,778 *	-	-	1,028,778	-19.1%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2011 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 balance of the fiscal year, the Board of Supervisors approves various adjustments to the Final County Budget to reflect changes in appropriation requirements and funding levels. The 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 seven fund groups through which the County's resources are allocated and controlled. These groups include the General and Hospital Enterprise (which represents the General County Budget), Special, Special District, Other Enterprise, Other Proprietary, and Other Funds.

The General County Budget accounts for approximately 76.0% of the 2011-12 Final Adopted Budget and funds programs that are provided on a mostly county-wide basis (e.g., health care, welfare, and detention facilities), municipal services to the unincorporated areas not otherwise included in a special district, and certain municipal services to various cities on a contract fee-for-service basis (e.g., law enforcement, planning and engineering).

Special Funds represent approximately 12.0% of the 2011-12 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.

Special District Funds account for approximately 8.6% of the 2011-12 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, Other Proprietary and Other Funds account for 3.4% of the 2011-12 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 2011-12 is $16,707,944,966. The 2011-12 Final Adopted Budget includes proceeds from taxes of $6,376,512,000, which is well below the allowable limit.

Proposition 62

Proposition 62, a 1986 initiative that amended the California Constitution, requires voter approval of all new 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. Plaintiffs have filed a motion alleging that the 2008 election was improperly conducted. Resolution of the motion is expected by the summer of 2012.

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 election issue. The case has proceeded with the discovery phase and it is anticipated that the matter will be set for a bench trial to take place in the Spring of 2012. Issues regarding a potential class certification will be deferred until after the trial. Since the November 4, 2008 election, the County estimates that approximately $182 million in UUT revenue has been collected and continues to be collected at an average rate of $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 Court of Appeals temporarily stayed the action on January 13, 2012, pending its determination of another matter raising a similar issue as to whether a local government may restrict class claims by ordinance.

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Proposition 218

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

- precluded special purpose districts or agencies, including school districts, from levying general taxes;
- precluded any local government from imposing, extending or increasing any general tax unless such tax is approved by a majority of the electorate;
- precluded any local government from imposing, extending or increasing any special purpose tax unless such tax is approved by two-thirds of the electorate; and
- ensured that voters may reduce or repeal 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, fees, and charges through the initiative process, regardless of the date such taxes, assessments, fees or charges were imposed. SB 919, the Proposition Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Proposition 218, states that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution.

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 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 1A Securitization

In July 2009, the State adopted legislation pursuant to the requirements of Proposition 1A that authorized the State to borrow eight percent of the property tax revenues apportioned to cities, counties, special districts and affiliated public agencies. The State is required to repay the property tax revenue by June 30, 2013. Under the terms of the borrowing, the California Statewide Communities Development Authority was authorized to issue bonds that were secured by the State's obligation to repay the property tax revenue to the affected public agencies (the "Proposition 1A Securitization"). The participating local governments and affiliated agencies received their share of the borrowed property tax apportionment in a timely manner from the bond proceeds. All of the costs related to the Proposition 1A Securitization, including interest costs, were paid by the State.

The total exposure to the County and all of its affiliated public agencies from the State borrowing was $365.6 million. The County, the Consolidated Fire Protection District and the Flood Control District participated in the Proposition 1A Securitization, accounting for $363.3 million or 99.37% of the County's total property tax revenue borrowed by the State. The County and its affiliated districts received their $363.3 million share of the bond proceeds in two installments, with fifty percent paid on January 15, 2010 and the balance remitted on May 3, 2010. The remaining 37 dependant districts and public agencies in the County, which account for less than 1% or $2.3 million of the lost property tax revenue, will be paid in full by the State on June 30, 2013.

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-22 of this Appendix A, $4.5 billion of the $18.0 billion 2011-12 Recommended General County Budget is received from the Federal government and $4.6 billion is funded by the State. The remaining $8.9 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 51% 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

On August 2, 2011, the Budget Control Act (BCA) of 2011, which increased the Federal debt limit and included provisions aimed at reducing the Federal deficit by at least $2.1 trillion over the next 10 years, was signed into law. The BCA established annual discretionary spending caps for Federal Fiscal Years (FFY) 2012 through 2021, which would reduce the deficit by an estimated $917 billion, and created the Joint Select Committee on Deficit Reduction (the "Joint Committee"), which was mandated to draft legislation to reduce the deficit by at least $1.2 trillion over 10 years. Because the Joint Committee failed to recommend legislation with $1.2 trillion of deficit reduction, annual "sequestration" spending reductions, divided equally between defense and non-defense spending, were triggered pursuant to the BCA. The spending reductions will begin in FFY 2013 and be spread evenly over nine years through FFY 2021.

Because Congress can opt to spare selected programs from the triggered sequestration cuts and enact alternative measures for reducing the Federal budget deficit, the fiscal impact to the County from the BCA and any future Federal deficit reduction measures are unknown at this time. If the triggered cuts are eventually implemented, the impact on Net County Cost (NCC) would be minimal. The County receives most of its Federal revenue to fund low-income entitlement programs, such as Medicaid, Title IV-E Foster Care and Adoption Assistance, and Temporary Assistance for Needy Families, and such programs are exempt from across-the-board budget cuts. Furthermore, Federal discretionary programs generally do not fund services that, otherwise, would have to be financed by County-generated revenues. The President released his Proposed Federal Fiscal Year (FFY) 2013 Budget on February 13, 2012. The future impact to the County from the FFY 2013 Budget process is unknown at this time.

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 current economic downturn. The State's budgetary decisions during the current 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 (FY) 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 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.

2011-12 STATE BUDGET

On June 30, 2011, the Governor signed the FY 2011-12 State Budget Act (the "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 FY 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 FY 2011-12 State Budget allocates the projected surplus to the reserve for the liquidation of encumbrances ($770 million) and the special fund for economic uncertainties ($543 million).

The Governor and the State Legislature also approved Assembly Bills 109 and 117 related to the 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 State Budget Act provides $5.5 billion to fund Public Safety Realignment and is financed by redirecting 1.06% of the existing State sales tax ($5.1 billion) and a portion of Vehicle License Fee (VLF) revenues ($453.0 million) from the State to counties. The Public Safety Realignment legislation provides $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. Although the State budget plan does not provide constitutional funding protections to counties for the Public Safety Realignment, the Governor has proposed a November 2012 ballot initiative to seek voter approval for a constitutional amendment to provide such funding protection.

The financial impact to the County from the State Budget Act is an estimated funding reduction of $363.3 million in FY 2011-12. The major elements of the cuts would reduce Medi-Cal, redirect Mental Health Services Act Funds, reduce CalWORKS grants and provide program reductions to the IHSS. Although the financial impact was estimated at $363.3 million, the 2011-12 Final Adopted County Budget (the "2011-12 Final Adopted Budget") included funding reductions of only $141.5 million. This difference is primarily related to the redirection of Mental Health Services Act funding that would have been available to the County for Proposition 63 mental health services but had not yet been programmed into the County budget.

On August 30, 2011, the County adopted the Los Angeles County Public Safety Realignment Implementation Plan. Until constitutional funding protection is established by the State for Public Safety Realignment, all required staff will be hired either 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 State Budget Act also included provisions for automatic trigger cuts if projected revenues fail to meet certain target levels. If the Director of Finance estimated that revenues for FY 2011-12 will be less than $87,452,500,000, but will be at least $86,452,500,000, the State would initiate automatic funding reductions of approximately $601million in the areas of higher education, health and human services and public safety, beginning in January 2012. If the Director of Finance estimated that revenues for FY 2011-12 will be less than $86,452,500,000, an additional $1.86 billion in funding reductions to education would be triggered. The Director of Finance was required to make a determination as to whether revenues met or exceeded the target levels by December 15, 2011.

The State funding reductions would be implemented in three tiers, with the majority of the cuts impacting K-12 education, community colleges and higher education. The following table provides an estimate of the potential budgetary effect on County programs if Tier I budget cuts are enacted. Tier 2 or Tier 3 State budget cuts are not expected to have an impact on the County budget.

Program Description	Budget Cost/(Savings)
Medi-Cal Managed Care Plan	$1,000,000
IHSS Anti-Fraud Initiatives	(1,500,000)
Reduction to IHSS Service Hours	(20,100,000)
Youthful Offenders Placements	20,000,000
Vertical Prosecution Grants	700,000
Public Library Grants	300,000
Overall Estimated Impact	**$400,000**

On December 1, 2011 a federal district court issued a temporary restraining order requiring the State to halt all actions to implement the 20% reduction to IHSS service hours. In January 2012, a district judge issued a preliminary injunction that continues to block implementation of the reduction of hours. The State is expected to appeal the order, and as a result, any savings to the County associated with service hour reductions are on hold until the matter is resolved by the courts.

On December 13, 2011, Governor Brown announced that State revenues projections would be $2.2 billion short of budgeted amounts, which triggered $908.8 million in funding reductions beginning as of January 1, 2012.

Redevelopment Agencies

In response to an ongoing budget crisis, the 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") bars redevelopment agencies from engaging in new business and provides for their wind down and dissolution. ABX1 27 (the "Alternative Redevelopment Program") 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, all redevelopment agencies will be dissolved under the Redevelopment Dissolution Act as of February 1, 2012, and will not have an opportunity to continue their existence under the Alternative Redevelopment Program.

ABX1 26 requires that successor agencies be created 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 all taxing entities.

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. The actual amount of property tax revenue to be received by the County general fund will be based on an audit of the legal obligations of each redevelopment agency. Pursuant to ABX1 26, an Oversight Board will be established for each of the 71 successor agencies within the County. The Oversight Boards and the Auditor-Controller are required to evaluate and approve the successor agencies' remaining enforceable legal obligations. The Auditor-Controller is also responsible for conducting audits and disbursing future tax increments in accordance with provisions of ABX1 26. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County was approximately $453.0 million. Until the legal obligations are evaluated by the Oversight Boards and the Auditor-Controller, the County is unable to quantify the expected increase in property tax revenue to the County General Fund.

2012-13 PROPOSED STATE BUDGET

On January 5, 2012, the Governor released his Fiscal Year 2012-13 Proposed State Budget (the "Proposed State Budget"), which estimates that, without corrective action, the State will end Fiscal Year 2012-13 with a $9.2 billion deficit. The deficit is 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 includes $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 the passage of the 2012 Tax Initiative, the Proposed State Budget estimates 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 Proposed State Budget allocates the projected surplus to the reserve for the liquidation of encumbrances ($719 million) and the special fund for economic uncertainties ($1.1 billion).

The Proposed State Budget relies 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 Proposed State Budget projects that the 2012 Tax Initiative, if approved, would generate approximately $6.9 billion through Fiscal Year 2012-13, and billions of dollars per year thereafter until its expiration in 2016. The tax revenue would be deposited into the State's General Fund to pay for Proposition 98 school funding obligations and certain State programs. In the event the Governor's proposed ballot proposition fails to pass, the Proposed State Budget specifies approximately $5.4 billion in expenditure reductions, including funding reductions for education (accounting for 90% of the targeted reductions) and judicial branch appropriations.

The Proposed State Budget continues the realignment plans set forth in the 2011-12 State Budget Act with respect to Public Safety Realignment, including the transfer of various public safety programs and the supervision of lower level offenders from the State to local governments. In addition, the Proposed State Budget would transfer full responsibility for all juvenile offenders to counties, and to fund the transfer by providing counties with a one-time $10 million State General Fund allocation in Fiscal Year 2011-12. The Proposed State Budget would also allocate revenue from a 1.0625 percent sales tax rate increase, and approximately $460 million in Vehicle License Fee revenue in Fiscal Year 2012-13 to fund Public Safety Realignment. The 2012 Tax Initiative would also provide constitutional funding protection to counties for the revenues that are pledged to fund Public Safety Realignment in the State Budget Act.

The Proposed State Budget estimates that the dissolution of redevelopment agencies will provide $1.05 billion in additional statewide property tax revenue for school districts, $340 million for counties, $220 million for cities and $170 million for special districts. Revenues that would previously have been directed to the redevelopment agencies will be used to make pass-through payments to local agencies and to successor agencies for the payment existing legal obligations and certain administrative costs of the redevelopment agencies.

While the Proposed State Budget will have a major impact on the residents of the County, it will not have a significant financial impact on the County Budget. The Proposed State Budget is projected to result in an estimated net loss of $12.06 million to the County in Fiscal Year 2012-13, with the impact to specific programs and services described in the following table:

Mental Health	
County Beds for Civil Commitments Adjustment Rate	($8,000,000)
Social Services	
Increased funding for CalWORKs Child Care Programs	15,200,000
Savings from IHSS Program Reductions	32,000,000
Child Support Services Collections Suspension	(11,360,000)
General Government	
Suspension or Repeal of Most SB 90 Mandate Claims	(16,500,000)
Delay of Deferred Mandate Payments (Prior to FY 2004-05)	(13,000,000)
Health Services	
Dual Medi-Cal and Medicare Eligibles	(10,400,000)
TOTAL	($12,060,000)

The County will continue to maintain its commitment to not backfill State program cuts. The funding reductions to In-Home Support Services (IHSS) would actually result in budgetary savings, as the County would eliminate certain domestic assistance services related to this Program.

As a result of the current economic conditions 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

Recent General County Budgets have reflected a conservative approach and have sought to maintain a stable budgetary outlook in an uncertain fiscal environment. County budgets have improved stability due to the passage of Proposition 1A 2004, which 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 substituting 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 current economic downturn. To illustrate this point, average median home prices in the County declined by 45% from their peak in August 2007 ($562,346) to a cyclical low in January 2011 ($308,173), but the value of the property tax roll (the "Net Local Roll") decreased by only 0.5% and 1.9% in FY 2009-10 and 2010-11, respectively. In the FY 2010-11 tax roll, the County Assessor estimates that approximately 14.6% of all residential parcels and 17.5% of commercial-industrial parcels are 1975 base-year parcels, indicating a significant amount of stored value that can be realized on future tax rolls when these parcels are sold.

In FY 2011-12, the Assessor is reporting an increase in the Net Local Roll of 1.36% or $14.153 billion from the previous fiscal year. The largest factors contributing to the increase in assessed valuation in FY 2011-12 are transfers in ownership ($12.8 billion), new construction ($3.9 billion) and an increase in the consumer price index ($6.1 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 contributed $4.9 billion in reductions to the projected Net Local Roll in FY 2011-12. The Assessor is currently estimating a 1.77% increase in the Net Local Roll for 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. Since the Assessor initiated the Proposition 8 review process in 2008, the Net Local Roll for FY 2011-12 reflects the cumulative impact of $84.7 billion of decline in value adjustments since FY 2008-09. 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 gaps beginning in FY 2009-10. 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, achieving savings through efficiencies, and using reserves and capital funding appropriations to achieve a balanced budget. 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 recession. Since revenues and caseload will not return to pre-recessionary levels in the short-term, the County has implemented structural changes to the budget through departmental curtailments of approximately $360.5 million over the last four years. 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.

2009-10 FINAL ADOPTED COUNTY BUDGET

The 2009-10 Final Adopted County Budget (the "2009-10 Final Adopted Budget"), which was approved by the Board of Supervisors on September 22, 2009, appropriated $23.6 billion, representing a 1.7% increase from the previous fiscal year. For General County purposes (General Fund and Hospital Enterprise Funds), the 2009-10 Final Adopted Budget appropriated $18.5 billion, which represented a 1.8% increase from the 2008-09 Final Adopted Budget. The 2009-10 Final Adopted Budget included a net decrease of 1,345 budgeted positions from the previous fiscal year.

The 2009-10 Final Adopted Budget contained a NCC budget gap of $360.5 million. As illustrated below, the budget gap was driven primarily by decreases in revenue and increases in assistance caseloads.

Fiscal Year 2009-10 NCC Budget Gap

Revenue Reductions	$191,900,000
Assistance Caseload Increases	85,300,000
Net Program Changes	11,700,000
Unavoidable Cost Increases	57,200,000
Indigent Defense Cost Increases	14,400,000
Total Budget Gap	**$360,500,000**

To close this budget gap the County utilized a combination of ongoing structural solutions from departmental budget curtailments and one-time solutions from the appropriation of capital project funds and Federal stimulus funding. The major components of the FY 2009-10 NCC budget gap solutions are described in the following table:

Fiscal Year 2009-10 NCC Budget Gap Solutions

Ongoing Departmental Budget Curtailments	$162,900,000
Capital Program Designations	115,500,000
Federal Stimulus Funding	77,700,000
Other Savings Initiatives	4,400,000
Total Budget Gap Solutions	**$360,500,000**

In connection with the 2009-10 Final Adopted Budget, the Board of Supervisors approved the CEO's mid-year budget adjustment to eliminate $153.5 million in appropriations as a result of State budget cuts. Due to curtailments in State programs, the County made the decision not to backfill certain administrative costs in relation to both the CalWORKs and Medi-Cal Programs.

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 FY 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 FY 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 FY 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 continues to be affected by the economic downturn and its negative impact on the financial condition of the County. However, as an indication of the improving economic trends, the County is forecasting its smallest NCC budget gap in three years. The primary factors contributing to the projected $175.4 million budget gap are outlined below.

The 2011-12 Final Adopted Budget, which was approved by the Board of Supervisors on October 4, 2011, appropriates $24.3 billion, representing a 0.4% increase from the prior fiscal year. For General County purposes (General Fund and Hospital Enterprise Fund), the 2011-12 Recommended Budget appropriates $18.5 billion, which represents a 0.1% decrease from the 2010-11 Final Adopted Budget. The 2011-12 Final Adopted Budget reflects a net increase of 129 budgeted positions from the Final Adopted Budget in FY 2010-11.

Expiration of Prior Year One-Time Budget Solutions
As discussed above, the County has utilized one-time funding solutions to help balance the budget during the economic crisis. The impact on the 2011-12 Final Adopted Budget from the expiration of the one-time funding solutions utilized in FY 2010-11 is projected to be a negative $262.0 million.

Expiration of Federal Stimulus Funding
The American Recovery and Reinvestment Act of 2009 ("ARRA"), in addition to other factors, temporarily increased Federal Medical Assistance Percentage ("FMAP") funding, which is the federal match rate for non-administrative costs. The FMAP change temporarily decreased the County's contribution to the IHSS program. A change in the FMAP percentage also affected other County administered programs. With the temporary increase in FMAP funding ending in June 2011, the County's share of the IHSS program will increase by $63.9 million in FY 2011-12.

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 almost fifteen percent (15%) in FY 2011-12, primarily due to the losses sustained by LACERA in FY 2008-09 as a result of the global financial crisis. Health insurance premiums for County employees will increase by approximately seven percent (7%) in FY 2011-12.

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 FY 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	114,874	(Projected)

In FY 2010-11, GR caseloads averaged 106,348 per month and has continued to grow in FY 2011-12 to a projected average monthly caseload of over 114,000. The projected GR caseload for FY 2011-12 is nearly double the average monthly caseload of 58,599 in FY 2006-07. Consistent with economic forecasts of unemployment, the County budget assumes that GR caseloads will have peaked in December 2011 and gradually decline through the remainder of the Fiscal Year.

Revenue Increases
As the local economy has stabilized and started to improve, the County is forecasting increases in a variety of locally generated revenues along with an increase in statewide sales tax revenue. After two (2) years of declines in assessed valuation, the Assessor reported a 1.36%, or $14.153 billion increase in the value of the Net Local Roll, which will generate an estimated $74.6 million of additional property tax revenue in FY 2011-12.

For the first time since FY 2006-07, the County is starting to see a year-over-year increase in Proposition 172 Sales Tax and Realignment Sales Tax revenue. Based on current trends and a survey of local economic forecasts, the County has assumed a five percent (5%) growth rate for all sales tax projections in the 2011-12 Final Adopted Budget. In addition, the County is forecasting a three percent (3%) increase in VLF revenue in FY 2011-12.

Retirement of Pension Obligation Bonds
In October 1994, the County issued pension obligation bonds to finance an unfunded actuarial accrued liability with LACERA. Since FY 2010-11 was the final year of debt service on the bonds, the County was able to redirect $106.6 million in NCC savings to help close the General Fund budget gap in FY 2011-12. Other non-General Fund County departments also benefited from the retirement of the pension obligation bonds, as the County estimates that these departments will realize $141.5 million in savings that can be used to resolve their budgetary challenges in FY 2011-12.

Labor-Management Savings
On December 7, 2010, the Board of Supervisors approved amendments to collective bargaining agreements that included a partial suspension of the County's matching contributions to the deferred compensation plans in FY 2010-11 and 2011-12. The reduction in the matching contribution benefit is projected to generate $42.1 million in NCC savings to the General Fund

budget in FY 2011-12, and an additional $33.6 million in savings for non-General Fund County departments.

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 Bond:	(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 intends to utilize the following combination of ongoing structural solutions and one-time solutions to close the projected budget gap in FY 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**

Departmental Budget Reductions/Consolidations

In FY 2008-09, the County initiated departmental budget curtailments, which has resulted in total savings of $360.5 million through FY 2011-12.

Budget Year	NCC Curtailment
2008-09	$33,000,000
2009-10	162,900,000
2010-11	175,000,000
2011-12	(10,400,000)
Total Curtailments	**$360,500,000**

Throughout this period, many departments have lost over twenty percent (20%) of their NCC budget, while some departments' curtailments have been as high as thirty-eight percent (38%). Over this same period, County departments have sustained an average curtailment of fifteen percent (15%), with 2,445 budgeted positions eliminated countywide. For FY 2011-12, each County department was asked to submit an initial budget request that included a seven-percent (7%) NCC reduction. After reviewing departmental budget submissions, analyzing the potential impact on services, and considering the history of curtailments that departments have endured, most of the departmental reductions were revised downward.

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 and to modify the funding structure of the capital construction program to help close the budget gap. The two primary long-term reserves for the County, the Reserve for Rainy Day Fund ($93.2 million) and the Provisional Financing Uses-Economic Reserve ($83.6 million), will not be used to close the FY 2011-12 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 once the economy returns to historical levels of growth and the budget situation improves.

In May 2011, the United States Supreme Court, in a narrow 5-4 decision, upheld an injunction by a three-judge panel of the Ninth Circuit ordering California to release about 46,00 inmates, approximately one-fourth of the State's prison population, over the next two years to relieve overcrowding. In 2009, the Ninth Circuit ruled that inmates in the State prison system were being denied adequate medical care as required by the Constitution. Because overcrowding was determined to be the primary cause of the constitutional violation, the State was ordered to cap its prison population at 137% of capacity. The pending release of inmates is expected to have a significant impact on the Governor's Realignment Plan. However, the impact on the 2011-12 Final Adopted Budget and future County budgets is unknown at this time.

Health Services Budget

The Department of Health Services ("DHS") provides vital inpatient acute care and outpatient services in four hospitals, one of which is a rehabilitation center, and outpatient services at two Multi-Service Ambulatory Care Centers, six comprehensive health centers, 11 health centers, and over 100 Community Partners clinics throughout the County. DHS operates a health plan, the Community Health Plan, which serves more than 200,000 members. DHS is currently finalizing the transition of the administrative operations of the Community Health Plan to another provider in order to focus solely on providing care for its members. DHS also manages emergency medical services for the entire County, and trains approximately 1,360 physician residents annually.

As a safety net provider, the County is the provider of last resort for millions of medically indigent patients in the County. Historically, the cost of providing health services has exceeded the combined total of health service revenues and the County general fund health subsidy, which has resulted in an ongoing structural deficit for DHS. By developing new revenue sources, implementing efficiencies, hiring freezes, and using one-time reserve funds, DHS has been able to cover the structural deficits of prior years.

For FY 2011-12, the DHS budget outlook has improved, largely due to the approval by the Centers for Medicare and Medicaid Services ("CMS") of a new Section 1115 Hospital Financing Waiver (the "Waiver") for public hospitals in California. Under the authority of Section 1115 of the Social Security Act, 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. The Waiver, referred to as "California's Bridge to Reform", is effective for five years beginning November 1, 2010, and is the key program that will enable the County to bridge the gap until the implementation of Federal health care reform in 2014. The enactment of Federal health care reform provides 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 the structural deficit by providing a new revenue source from some of the indigent patients that do not currently have medical coverage.

Among the many components of the Waiver is the new Medicaid Coverage Expansion ("MCE") program which will provide 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. These individuals are targeted for coverage when health care reform is fully implemented in 2014. DHS anticipates that the MCE program will provide the opportunity for early enrollment into Medi-Cal coverage for many of its currently uninsured patients, thereby significantly improving the payer mix. The Waiver's MCE expansion and the transfer of Seniors and Persons with Disabilities into Medi-Cal managed care will help prepare the County for the implementation of Federal health care reform, when most covered individuals are expected to be enrolled in managed care programs. In addition, the Waiver provides new funding for system improvements at public hospitals through the Delivery System Reform Incentive Pool, and by continuing to partially fund uncompensated care. Since significant components of the funding mechanisms in the Waiver are performance-based, DHS will focus its efforts toward developing and implementing the structural and operational changes necessary to maximize available Waiver funding. In addition, DHS will allocate significant resources toward a restructuring of the ambulatory care systems in order to ensure service capacity, high quality care, and the best possible outcomes for patients.

The estimated value of the Waiver funding increased by $290.1 million to $1.268 billion for FY 2011-12. A large portion of the Waiver funding is contingent on DHS meeting specific goals and outcomes. Such performance based funding will require DHS to focus its efforts on meeting the Waiver requirements to ensure receipt of all available Waiver-related revenue. Since the additional funding from the Waiver will not completely resolve the projected deficit, DHS will continue to develop and implement cost saving and revenue generating initiatives through the Financial Stabilization Plan. The 2011-12 Final Adopted Budget includes $160.0 million in savings related to these initiatives.

Based on the receipt of additional Waiver funding and successful financial stabilization initiatives, DHS is currently projecting a surplus of $1.2 million for FY 2011-12. However, the 2011-12 Final Adopted Budget does not take into account the impact of enrolling patients into the county-operated Healthy Way LA program, whose care was previously funded through the federal Ryan White Care Act program.

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 million.

The State and the Federal government are the primary source 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 January 31, 2012, the amount of General Fund cash advances to the Hospital Funds was approximately $803.7 million.

In addition to the advances described above, the County's General Fund has also advanced cash to the Hospital Funds for certain long-term accounts receivable that are owed by the State to the hospitals. The receivables are associated with a program known as Cost Based Reimbursement Clinics ("CBRC"). Although the CBRC receivables are reliable assets, the collection process is contingent upon annual audits by the State. As of June 30, 2011, the audit process was in arrears by three fiscal years. The amount of General Fund cash advances associated with long-term CBRC receivables as of June 30, 2011 was approximately $195 million. The County has recognized an equivalent reserve against the fund balance associated with the CBRC receivable, since it is not currently available to finance County budget requirements.

Martin Luther King Jr. – Harbor Hospital

In August 2007, the CMS notified the County that Martin Luther King, Jr. – Harbor 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, Governor 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 the 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 would 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 the year 2025. California will receive 12.76%, or approximately $25.0 billion of the total settlement. While the County’s share of the State settlement was expected to average approximately $100 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 will not be determined anytime earlier than 2012.

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 2011 payment, the County received $85.6 million in MSA payments from the participating manufacturers (including the 25.9% of the MSA payment pledged as security for the Tobacco Bonds). In a change from prior-year practices, Phillip Morris USA elected to withhold the disputed portion of their April payment obligation and deposit $267 million in the Disputed Payments Account. The net impact to the County was an estimated reduction of approximately $13 million in TSRs.

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. Through June 2011, the County has received $1.308 billion in tobacco settlement revenues (“TSRs”) and accrued interest, with approximately $1.165 billion of the collected proceeds disbursed, and $143.1 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, such as establishing an electronic health record information system.

BUDGET TABLES

The 2011-12 Final Adopted Budget is supported by $3.8 billion in property taxes, $4.7 billion in federal funding, $4.7 billion in State funding, $0.3 billion in cancelled reserves and designations, $1.6 billion in fund balance and approximately $3.4 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 2010-11 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 2007-08	Final 2008-09	Final 2009-10	Final 2010-11	Final 2011-12
General Fund	$ 15,981,000	$ 16,273,308	$ 16,368,794	$ 16,380,905	$ 16,229,826
Hospital Enterprise Fund	1,818,990	1,897,508	2,121,468	2,127,184	2,268,712
Debt Service Fund	-	-		-	-
Total General County Budget	$ 17,799,990	$ 18,170,816	$ 18,490,262	$ 18,508,089	$ 18,498,538

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

	Final 2007-08	Final 2008-09	Final 2009-10	Final 2010-11	Final 2011-12
Requirements					
Social Services	$ 4,991,495	$ 5,166,283	$ 5,503,085	$ 5,707,144	$ 5,539,798
Health	5,307,606	5,322,713	5,338,390	5,424,321	5,600,822
Justice	4,499,905	4,719,253	4,693,943	4,745,700	4,697,762
Other	3,000,984	2,962,567	2,954,844	2,630,924	2,660,156
Total	**$ 17,799,990**	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**
Revenue Sources					
Property Taxes	$ 3,628,517	$ 3,840,369	$ 3,789,308	$ 3,676,161	$ 3,750,746
State Assistance	4,963,934	4,818,285	4,554,097	4,528,710	4,670,351
Federal Assistance	3,963,490	4,104,390	4,730,605	4,868,199	4,712,400
Other	5,244,049	5,407,772	5,416,252	5,435,019	5,365,041
Total	**$ 17,799,990**	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**

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

	Final 2007-08	Final 2008-09	Final 2009-10	Final 2010-11	Final 2011-12
Financing Requirements					
Salaries & Employee Benefits	$ 8,437,462	$ 8,792,005	$ 8,974,526	$ 9,004,826	$ 8,895,017
Services & Supplies	5,859,213	6,192,312	6,350,306	6,530,982	6,706,121
Other Charges	3,127,968	3,233,859	3,350,510	3,503,195	3,621,050
Capital Assets	1,510,033	1,436,772	1,257,509	1,077,873	890,217
Other Financing Uses	1,155,780	985,458	726,958	704,520	640,310
Residual Equity Transfers Out	278	181	295	-	-
Interbudget Transfers[1]	(1,643,528)	(1,579,769)	(1,325,677)	(1,452,816)	(1,419,532)
Gross Appropriation	$ 18,447,206	$ 19,060,818	$ 19,334,427	$ 19,368,580	$ 19,333,183
Less: Intrafund Transfers	888,376	912,753	915,868	946,497	975,236
Net Appropriation	$ 17,558,830	$ 18,148,065	$ 18,418,559	$ 18,422,083	$ 18,357,947
Reserves					
General Reserve	$ 3,000	$ 5,400	$ 3,000	$ -	$ -
Designations/Other Reserves	238,160	17,351	68,703	86,006	140,591
Total Financing Requirements	**$ 17,799,990**	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**
Available Financing					
Fund Balance	$ 1,706,356	$ 1,808,804	$ 1,713,428	$ 1,628,644	$ 1,601,571
Cancellation of Reserve/Designation	478,323	345,500	437,653	409,097	271,027
Property Taxes: Regular Roll	3,439,292	3,735,359	3,732,264	3,654,517	3,709,801
Supplemental Rol	189,225	105,010	57,044	21,644	40,945
Revenue	11,986,794	12,176,143	12,549,873	12,794,187	12,875,194
Total Available Financing	**$ 17,799,990**	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**

[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 $1.4 billion in 2011-12, from the above table would give the impression that there are more resources than are actually available and artificially inflate General County appropriations to $19.9 billion.

Source: Chief Executive Office

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF FINAL ADOPTED 2010-11 BUDGET TO FINAL ADOPTED 2011-12
Net Appropriation: By Function
(In thousands)

Function	2010-11 Final Budget (1)	2011-12 Final Budget (2)	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 887,319.0	$ 821,381.0	$ (65,938.0)	-7.43%
General Services	592,911.0	648,837.0	55,926.0	9.43%
Public Buildings	894,933.0	797,208.0	(97,725.0)	-10.92%
Total General	$ 2,375,163.0	$ 2,267,426.0	$ (107,737.0)	-4.54%
Public Protection				
Justice	$ 4,475,587.0	$ 4,405,690.0	$ (69,897.0)	-1.56%
Other Public Protection	188,832.0	263,197.0	74,365.0	39.38%
Total Public Protection	$ 4,664,419.0	$ 4,668,887.0	$ 4,468.0	0.10%
Health and Sanitation	5,394,110.0	5,586,704.0	192,594.0	3.57%
Public Assistance	5,648,852.0	5,495,787.0	(153,065.0)	-2.71%
Recreation and Cultural Services	269,845.0	271,449.0	1,604.0	0.59%
Insurance and Loss Reserve	69,694.0	67,694.0	(2,000.0)	-2.87%
Reserves/Designations	86,006.0	140,591.0	54,585.0	63.47%
Appropriation for Contingency	-	-	-	0.00%
Total Requirements	**$ 18,508,089.0**	**$ 18,498,538.0**	**$ (9,551.0)**	**-0.05%**
AVAILABLE FUNDS				
Property Taxes	$ 3,676,161.0	$ 3,750,746.0	$ 74,585.0	2.03%
Fund Balance	1,628,644.0	1,601,571.0	(27,073.0)	-1.66%
Cancelled Prior-Year Reserves	409,097.0	271,027.0	(138,070.0)	-33.75%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 430,075.0	$ 422,147.0	$ (7,928.0)	-1.84%
Homeowners' Exemption	20,500.0	20,500.0	-	0.00%
Public Assistance Subventions	1,628,614.0	1,633,512.0	4,898.0	0.30%
Other Public Assistance	495,256.0	538,857.0	43,601.0	8.80%
Public Protection	752,793.0	769,325.0	16,532.0	2.20%
Health and Mental Health	774,158.0	888,411.0	114,253.0	14.76%
Capital Projects	25,397.0	10,764.0	(14,633.0)	-57.62%
Other State Revenues	52,091.0	72,069.0	19,978.0	38.35%
Total State Revenues	$ 4,178,884.0	$ 4,355,585.0	$ 176,701.0	4.23%
Federal Revenues				
Public Assistance Subventions	$ 2,459,088.0	$ 2,285,213.0	$ (173,875.0)	-7.07%
Other Public Assistance	324,133.0	247,226.0	(76,907.0)	-23.73%
Public Protection	210,632.0	233,184.0	22,552.0	10.71%
Health and Mental Health	893,912.0	1,042,427.0	148,515.0	16.61%
Capital Projects	27,053.0	13,945.0	(13,108.0)	-48.45%
Other Federal Revenues	53,703.0	45,166.0	(8,537.0)	-15.90%
Total Federal Revenues	$ 3,968,521.0	$ 3,867,161.0	$ (101,360.0)	-2.55%
Other Governmental Agencies	141,001.0	156,443.0	15,442.0	10.95%
Total Intergovenmental Revenues	$ 8,288,406.0	$ 8,379,189.0	$ 90,783.0	
Fines, Forfeitures and Penalties	224,625.0	226,565.0	1,940.0	0.86%
Licenses, Permits and Franchises	46,064.0	46,620.0	556.0	1.21%
Charges for Services	2,971,525.0	3,005,897.0	34,372.0	1.16%
Other Taxes	167,216.0	169,431.0	2,215.0	1.32%
Use of Money and Property	117,440.0	153,481.0	36,041.0	30.69%
Miscellaneous Revenues	338,160.0	331,426.0	(6,734.0)	-1.99%
Operating Contribution from General Fund	640,751.0	562,585.0	(78,166.0)	-12.20%
Total Available Funds	**$ 18,508,089.0**	**$ 18,498,538.0**	**$ (9,551.0)**	**-0.05%**

(1) Reflects the Final Adopted 2010-11 General County Budget approved by the Board of Supervisors on September 28, 2010.
(2) Reflects the Final Adopted 2011-12 General County Budget approved by the Board of Supervisors on October 4, 2011.

COUNTY OF LOS ANGELES
FINAL ADOPTED 2010-11 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	$ 887,319.0	$ -	$ 887,319.0
General Services	592,911.0	-	592,911.0
Public Buildings	894,933.0	-	894,933.0
Total General	$ 2,375,163.0	$ -	$ 2,375,163.0
Public Protection			
Justice	$ 4,475,587.0	$ -	$ 4,475,587.0
Other Public Protection	188,832.0	-	188,832.0
Total Public Protection	$ 4,664,419.0	$ -	$ 4,664,419.0
Health and Sanitation	$ 3,266,926.0	$ 2,127,184.0	$ 5,394,110.0
Public Assistance	5,648,852.0	-	5,648,852.0
Recreation and Cultural Services	269,845.0	-	269,845.0
Insurance and Loss Reserve	69,694.0	-	69,694.0
Reserves/Designations	86,006.0	-	86,006.0
Debt Service	-	-	-
Appropriation for Contingency	-	-	-
Total Requirements	**$ 16,380,905.0**	**$ 2,127,184.0**	**$ 18,508,089.0**
AVAILABLE FUNDS			
Property Taxes	$ 3,676,161.0	$ -	$ 3,676,161.0
Fund Balance	1,628,644.0	-	1,628,644.0
Cancelled Prior-Year Reserves	405,168.0	3,929.0	409,097.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 430,075.0	$ -	$ 430,075.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	1,628,614.0	-	1,628,614.0
Other Public Assistance	495,256.0	-	495,256.0
Public Protection	752,793.0	-	752,793.0
Health and Mental Health	733,169.0	40,989.0	774,158.0
Capital Projects	25,397.0	-	25,397.0
Other State Revenues	52,091.0	-	52,091.0
Total State Revenues	4,137,895.0	40,989.0	$ 4,178,884.0
Federal Revenues			
Public Assistance Subventions	$ 2,459,088.0	$ -	$ 2,459,088.0
Other Public Assistance	324,133.0	-	324,133.0
Public Protection	210,632.0	-	210,632.0
Health and Mental Health	891,402.0	2,510.0	893,912.0
Capital Projects	27,053.0	-	27,053.0
Other Federal Revenues	53,703.0	-	53,703.0
Total Federal Revenues	$ 3,966,011.0	$ 2,510.0	$ 3,968,521.0
Other Governmental Agencies	141,001.0	-	141,001.0
Total Intergovenmental Revenues	$ 8,244,907.0	$ 43,499.0	$ 8,288,406.0
Fines, Forfeitures and Penalties	224,625.0	-	224,625.0
Licenses, Permits and Franchises	45,938.0	126.0	46,064.0
Charges for Services	1,757,331.0	1,214,194.0	2,971,525.0
Other Taxes	167,216.0	-	167,216.0
Use of Money and Property	117,267.0	173.0	117,440.0
Miscellaneous Revenues	113,648.0	224,512.0	338,160.0
Operating Contribution from General Fund	-	640,751.0	640,751.0
Total Available Funds	**$ 16,380,905.0**	**$ 2,127,184.0**	**$ 18,508,089.0**

(1) Reflects the Final Adopted 2010-11 General County Budget approved by the Board of Supervisors on September 28, 2010.

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
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.

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 of Los Angeles levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of “situs” growth in assessed value (new construction, change of ownership, and inflation) prorated among the jurisdictions which serve the tax areas 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	2,462,158,368 (3)	2,407,375,154 (4)	97.77%

(1) Full cash values reflect the equalized assessment roll as reported in August of each year; mid-year adjustments are reflected in the following year's values. Incremental full cash values of properties within project areas designated by community redevelopment agencies are excluded. See "Redevelopment Agencies".
(2) Reflects collection within the fiscal year originally levied.
(3) Preliminary estimate.
(4) Preliminary estimate based on collection rate of 97.77% in Fiscal Year 2010-11

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

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.

The actual amount of property tax revenue to be received by the County general fund will be based on an audit of each redevelopment agencies' legal obligations. The Auditor-Controller is responsible for conducting the audits and disbursing future tax increments in accordance with provisions of ABX1 26. 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 2011-12.

COMMUNITY REDEVELOPMENT AGENCY (CRA)
PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE AND TAX ALLOCATIONS
FISCAL YEARS 2007-08 THROUGH 2011-12

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)

(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 as of January 2012.

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

CASH MANAGEMENT PROGRAM

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts from the two largest sources of County revenues have followed an uneven pattern, primarily as a result of 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.

2011-12 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 17, 2011, the County issued the 2011-12 TRANs with an aggregate principal amount of $1.3 billion in three separate series: $300.0 million due February 29, 2012; $500.0 million due March 30, 2012; and $500.0 million due June 29, 2012. The TRANs are general obligations of the County attributable to the 2011-12 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 2011-12 for the purpose of repaying the 2011-12 TRANs at maturity. The deposits have been made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2011-12 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*

Deposit Date		**Deposit Amount**
December, 2011	$	481,729,167
January, 2012		390,000,000
February, 2012		130,000,000
March, 2012		65,000,000
April, 2012		260,000,000
Total	$	1,326,729,167

* Reflects a 2.50% interest rate and $1.3 billion in 2011-12 Notes.

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		Estimated 2011-12
Property Taxes	$	3,568,098	$	3,867,816	$	3,768,220	$	3,733,822	$	3,726,811
Other Taxes		176,349		144,945		154,228		137,907		154,967
Licenses, Permits and Franchises		53,545		52,957		46,825		56,799		53,657
Fines, Forfeitures and Penalties		239,456		261,477		254,428		242,904		225,034
Investment and Rental Income		295,191		204,889		133,640		123,582		125,839
State In-Lieu Taxes		459,242		422,053		424,760		401,679		356,360
State Homeowner Exemptions		21,765		21,827		21,966		21,616		21,558
Charges for Current Services		1,516,390		1,671,756		1,673,098		1,574,709		1,576,251
Miscellaneous Revenue, incl. Tobacco Settlement		302,248		262,766		192,973		181,859		329,167
TOTAL UNRESTRICTED RECEIPTS	$	6,632,284	$	6,910,486	$	6,670,138	$	6,474,877	$	6,569,644

Detail may not add due to rounding.
Source: Los Angeles County Chief Executive Office

Intrafund and Interfund Borrowing

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

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

Funds Available for Intrafund Borrowing

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

The second most significant borrowing source includes the various Trust Group funds. The largest of these funds is the Departmental Trust Fund, which consists of various collections, such as court fines and other revenues, awaiting distribution. The majority of these funds will eventually be distributed to entities outside the County. Also in this group is the Payroll Revolving Fund, which is used as a clearing account for County payroll operations and 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 greatly during 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 State receipts and receipt of welfare advances on the last 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 with actual amounts through December 2011.

General Fund Cash Flow Statements

The Fiscal Year 2010-11 General Fund Cash Flow Statement and the Fiscal Year 2011-12 General Fund Cash Flow Statement, with actual amounts are also provided at the end of this Financial Section. In Fiscal Year 2010-11, the County had an ending General Fund cash balance of $568 million. For Fiscal Year 2011-12, the County is projecting an ending cash balance in the General Fund of $47.7 million.

COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of January 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	$ 8.930
Schools and Community Colleges	13.126
Independent Public Agencies	3.573
Total	$ 25.629

Of these entities, the involuntary participants accounted for approximately 86.06% and all discretionary participants accounted for 13.95% 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 15, 2011, reaffirmed the following criteria and order of priority for selecting investments:

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

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated March 1, 2012, the January 31, 2012 book value of the Treasury Pool was approximately $25.629 billion and the corresponding market value was approximately $25.701 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (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 January 31, 2012:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	42.37
Certificates of Deposit	20.27
Commercial Paper	34.28
Bankers Acceptances	0.00
Municipal Obligations	0.03
Corporate Notes & Deposit Notes	3.05
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of January 31, 2012 approximately 50.90% of the investments mature within 60 days, with an average of 567.74 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 Balance-with 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 sheet 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		(34,788)
Deferral of property tax receivables		(81,534)
Deferral of unearned investment income		0
Deferral of sale of tobacco settlement revenue		(257,345)
Change in fair value of Investments		197
Available (Unreserved and Undesignated) Fund Balance - GAAP Basis	$	1,565,388

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 $)

ASSETS

	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011*
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	340,784	301,269	246,288	210,914
Other Receivables	1,357,683	1,804,965	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

	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011*
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

	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011*
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.
*Due to the implementation of a new accounting pronouncement (GASB Statement 54 "Fund Balance Reporting and Government Fund Type Definitions") in FY 2010-11, the fund balance as of June 30, 2011 was reported under new fund categories as required by GASB 54.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND-GAAP BASIS FISCAL YEARS 2006-07THROUGH 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: 07 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	Estimated February 2012	Estimated March 2012	Estimated April 2012	Estimated May 2012	Estimated June 2012	
						PROPERTY TAX GROUP
763,642	417,255	571,238	1,655,347	712,422	130,869	**Tax Collector Trust Fund**
857,864	590,451	468,342	1,551,186	613,865	535,523	**Auditor Unapportioned Property Tax**
72,880	73,500	67,772	55,903	85,791	116,237	**Unsecured Property Tax**
10,472	8,210	8,045	8,051	8,756	8,443	**Miscellaneous Fees & Taxes**
26,752	35,533	32,187	31,047	31,414	22,910	**State Redemption Fund**
28,191	22,700	1,524	43,821	0	1,482	**Education Revenue Augmentation**
21,403	1,400	1,400	3,766	26,538	10,210	**State Reimbursement Fund**
70,339	20,096	29,235	57,333	94,884	0	**Sales Tax Replacement Fund**
583,435	151,982	209,172	384,974	506,135	3,314	**Vehicle License Fee Replacement Fund**
(21,139)	(20,482)	(20,468)	(21,417)	(33,260)	(17,944)	**Property Tax Rebate Fund**
3,228	7,577	13,090	17,390	35,790	10,855	**Utility User Tax Trust Fund**
$ 2,417,067	$ 1,308,222	$ 1,381,537	$ 3,787,401	$ 2,082,335	$ 821,899	**Subtotal**
						VARIOUS TRUST GROUP
510,226	397,959	444,162	422,994	415,335	411,210	**Departmental Trust Fund**
63,993	36,909	45,150	47,850	57,668	47,886	**Payroll Revolving Fund**
40,197	38,948	38,972	39,238	38,487	38,560	**Asset Development Fund**
4,965	6,032	6,190	5,891	7,301	6,976	**Productivity Investment Fund**
2,122	2,164	2,164	2,164	2,303	2,304	**Motor Vehicle Capital Outlays**
139	208	146	54	45	383	**Civic Center Parking**
994	937	1,006	993	477	989	**Reporters Salary Fund**
11,082	8,779	9,266	9,288	8,721	9,105	**Cable TV Franchise Fund**
18,811	19,150	19,189	19,199	19,288	19,213	**Megaflex Long-Term Disability**
6,383	5,500	5,599	5,671	4,757	4,836	**Megaflex Long-Term Disability & Health**
28,535	24,504	24,990	25,400	20,992	21,354	**Megaflex Short-Term Disability**
$ 687,447	$ 541,090	$ 596,834	$ 578,742	$ 575,374	$ 562,816	**Subtotal**
						HOSPITAL GROUP
873	1,000	1,000	1,000	1,000	1,000	**Harbor-UCLA Medical Center**
391	1,000	1,000	1,000	1,000	1,000	**Olive View-UCLA Medical Center**
396	1,000	1,000	1,000	1,000	1,000	**LAC + USC Medical Center**
3,671	1,000	1,000	1,000	1,000	1,000	**MLK Ambulatory Care Center**
37	1,000	1,000	1,000	1,000	1,000	**Rancho Los Amigos Rehab Center**
0	5,000	5,000	5,000	5,000	5,000	**LAC+USC Medical Center Equipment**
$ 5,368	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	**Subtotal**
$ 3,109,882	**$ 1,859,312**	**$ 1,988,371**	**$ 4,376,143**	**$ 2,667,709**	**$ 1,394,715**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2010-11: 12 MONTHS ACTUAL
2011-12: 07 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

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

	January 2012	Estimated February 2012	Estimated March 2012	Estimated April 2012	Estimated May 2012	Estimated June 2012	Estimated Total 2011-12
	$ 440,436	$ 511,073	$ 76,625	$ (605,186)	$ (61,498)	$ 177,484	
	$ 820,119	$ 165,492	$ 11,191	$ 715,250	$ 796,808	$ 8,647	$ 3,726,811
	23,131	6,895	7,333	7,342	7,970	23,745	154,967
	122	7,592	8,475	8,755	4,294	3,225	53,657
	12,087	27,717	16,712	13,864	28,400	12,245	225,034
	9,605	11,994	10,787	8,859	11,764	11,549	125,839
	26,824	24,426	27,565	31,371	22,134	23,627	356,360
	39,337	58,581	51,552	38,327	52,165	44,241	581,520
	57,871	74,796	64,051	46,354	65,607	54,298	777,070
	118,874	84,304	87,780	122,571	106,472	86,160	1,540,128
	168,355	95,598	86,484	179,270	118,318	120,892	1,576,251
	16,903	15,947	17,947	83,587	16,506	14,461	351,286
	24,267	11,747	7,092	7,789	8,682	15,584	133,031
	209,756	104,433	36,294	362,822	43,533	273,449	1,809,348
	351,803	292,175	323,287	698,664	364,406	496,781	4,371,664
	29,482	20,157	20,986	20,519	20,849	20,375	347,036
	0	0	0	0	0	0	0
	0	0	0	0	0	0	1,300,000
	$ 1,908,536	$ 1,001,854	$ 777,537	$ 2,345,345	$ 1,667,910	$ 1,209,279	$ 17,430,002
	$ 206,330	$ 285,031	$ 275,613	$ 255,566	$ 271,524	$ 278,268	$ 2,884,158
	393,825	404,204	398,985	402,068	396,335	397,663	4,687,908
	226,798	227,591	232,926	196,186	216,763	190,144	2,455,909
	304,997	260,932	313,578	257,987	322,449	266,782	3,793,664
	237,049	124,337	158,338	351,627	149,151	188,882	1,748,611
	0	0	0	0	0	0	611,707
	78,900	4,207	14,908	78,224	72,706	17,309	441,603
	390,000	130,000	65,000	260,000	0	0	1,326,729
	0	0	0	0	0	0	0
	$ 1,837,899	$ 1,436,302	$ 1,459,347	$ 1,801,658	$ 1,428,928	$ 1,339,047	$ 17,950,289
	$ 511,073	**$ 76,625**	**$ (605,186)**	**$ (61,498)**	**$ 177,484**	**$ 47,716**	
	$ 511,073	$ 76,625	$ (605,186)	$ (61,498)	$ 177,484	$ 47,716	

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, 2011, approximately $1.397 billion of intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of $542 million of the outstanding debt. Revenues from special districts, special funds and Hospital Enterprise Funds will secure the remaining $855 million of outstanding obligations.

The table below identifies the funding sources for the debt payments due in 2011-12.

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

2011-12 Payments

Funding Source	2011-12 Payment
Total 2011-12 Payment Obligation	$152,066,688
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	46,844,576
Courthouse Construction Funds	31,547,024
Special Districts/Special Funds	3,219,346
Net 2011-12 General Fund Obligation	$70,455,742

Source: Los Angeles County Chief Executive Office

The principal amount of the outstanding General County intermediate and long-term debt obligations increased to $1.403 billion as of February 1, 2012, which includes debt issuance and repayment activity in Fiscal Year 2011-12. An additional $1.3 billion in TRANs, $7 million in Bond Anticipation Notes, and $230.0 million in Tax-Exempt Commercial Paper Notes were also outstanding as of February 1, 2012. The following table summarizes the outstanding General County debt and note obligations.

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING PRINCIPAL

As of February 1, 2012 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	$ 1,300,000.0
Bond Anticipation Notes	7,000.0
Tax-Exempt Commercial Paper	230,000.0
Intermediate & Long-Term Obligations	
Lease Obligations	1,402,985.5
Total Outstanding Principal	$ 2,939,985.5

Source: Los Angeles County Chief Executive Office

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

SHORT-TERM OBLIGATIONS

Tax and Revenue Anticipation Notes

In 1977, the County implemented a cash management program to finance its General Fund cash flow 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 17, 2011, the County issued $1.3 billion of 2011-12 TRANs on July 1, 2011, with three tranche maturities: $300.0 million due February 29, 2012, $500.0 million due March 30, 2012 and $500.0 million due June 29, 2012. The 2011-12 TRANs are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during Fiscal Year 2011-12, in the amounts, and on the dates specified in the Financial Summary Section under the heading "2011-12 Tax and Revenue Anticipation Notes" of this Appendix A. Deposit obligations to the Repayment Fund for the 2011-12 TRANs will be satisfied in full as of April 2012.

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 February 1, 2012, $7 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 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 February 1, 2012, $230.0 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.

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, 2011, approximately $1.4 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 2011-12 Final Budget contains sufficient appropriations to fund the County's payment obligations in Fiscal Year 2011-12. 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 total assessed valuations increased from 0.081% in 2010 to 0.138% in 2011. The following table provides the ratio of the General Fund's outstanding debt to total assessed valuation over the past ten years.

COUNTY OF LOS ANGELES
DEBT RATIOS - Principal as a percent of total valuation on July 1

Year	Outstanding Principal (1)	Total Assessed Valuation	% of Principal to Valuation
2002	$3,404,067,514	$605,942,874,836	0.562%
2003	3,093,060,550	656,073,063,881	0.471%
2004	2,785,149,946	709,671,759,735	0.392%
2005	2,387,949,433	783,342,364,874	0.305%
2006	1,786,504,365	872,103,795,877	0.205%
2007	1,441,826,104	953,468,123,997	0.151%
2008	1,180,113,183	1,020,346,376,948	0.116%
2009	972,937,056	1,013,549,301,342	0.096%
2010	805,297,030	997,502,481,662	0.081%
2011	1,397,467,754	1,013,260,968,402	0.138%

Source: Los Angeles County Chief Executive Office 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 TSRs paid by the tobacco companies participating in 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 $273.7 million as of February 1, 2012 due to repayment activity in Fiscal Year 2011-12.

DEBT SUMMARY TABLES

The tables on the following pages provide:

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

2. A detail of the 2011-12 payments on General County obligations by funding source and debt issue;

3. A detail of the principal outstanding in 2011-12 on General County debt issues by funding source and debt issue;

4. A summary of the outstanding principal, future payments and current year payments due on General County obligations as of February 1, 2012 ; and

5. The County's overlapping debt statement as of February 1, 2012.

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COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES

REPORTS AS OF JULY 1, 2011

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 FEBRUARY 1, 2012

SUMMARY OF OUTSTANDING GENERAL COUNTY OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE (1)
AS OF JULY 1, 2011

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Annual Debt Service
2011-12	$ 70,455,742	$ 46,844,575	$ 31,547,024	$ 3,219,346	$ 152,066,688
2012-13	77,260,028	40,559,201	25,709,969	3,285,646	146,814,844
2013-14	59,184,425	38,804,433	27,324,194	3,347,721	128,660,774
2014-15	62,875,876	46,658,545	26,513,038	3,415,709	139,463,168
2015-16	47,809,363	45,012,157	25,635,249	3,486,084	121,942,852
2016-17	41,588,364	36,214,324	21,865,780	3,554,834	103,223,301
2017-18	40,589,615	30,514,399	16,975,475	3,625,159	91,704,648
2018-19	41,400,346	30,515,050	16,976,475	3,696,640	92,588,511
2019-20	42,231,205	30,517,285	16,965,725	3,773,750	93,487,965
2020-21	43,073,047	30,479,268	16,957,350	3,846,250	94,355,915
2021-22	43,973,635	30,476,286	16,954,300	3,927,000	95,331,221
2022-23	44,917,234	30,471,106	16,951,625	-	92,339,965
2023-24	20,740,952	30,464,064	16,943,875	-	68,148,890
2024-25	20,733,346	30,452,893	16,933,500	-	68,119,740
2025-26	20,728,722	30,446,102	16,929,000	-	68,103,824
2026-27	20,723,957	30,439,103	16,918,875	-	68,081,936
2027-28	20,718,900	30,431,675	16,906,750	-	68,057,326
2028-29	20,712,320	30,422,010	16,905,750	-	68,040,080
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	$ 987,707,928	$ 983,968,501	$ 411,508,406	$ 39,178,139	$ 2,422,362,971

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2011

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Outstanding Principal
2011-12	$ 542,361,492	$ 553,579,617	$ 271,616,645	$ 29,910,000	$ 1,397,467,754
2012-13	506,789,923	536,038,547	252,834,288	28,050,000	1,323,712,758
2013-14	460,812,508	519,920,907	239,074,099	26,040,000	1,245,847,515
2014-15	431,735,249	504,822,824	223,014,357	23,875,000	1,183,447,430
2015-16	398,406,016	480,938,257	207,011,017	21,550,000	1,107,905,289
2016-17	379,872,062	457,585,096	191,140,940	19,050,000	1,047,648,098
2017-18	367,828,810	442,119,969	178,385,000	16,375,000	1,004,708,778
2018-19	357,229,811	431,723,340	170,020,000	13,520,000	972,493,152
2019-20	346,315,670	420,800,187	161,225,000	10,475,000	938,815,857
2020-21	335,070,149	409,323,738	151,990,000	7,225,000	903,608,886
2021-22	315,246,768	397,383,232	142,290,000	3,740,000	858,660,000
2022-23	285,456,455	384,993,545	132,110,000	-	802,560,000
2023-24	253,351,021	372,118,979	121,425,000	-	746,895,000
2024-25	244,225,086	358,714,914	110,200,000	-	713,140,000
2025-26	234,683,968	344,701,032	98,410,000	-	677,795,000
2026-27	224,677,034	330,002,966	86,020,000	-	640,700,000
2027-28	214,179,981	314,585,019	73,005,000	-	601,770,000
2028-29	203,164,455	298,405,545	59,335,000	-	560,905,000
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, 2011

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	$ 12,540,000	$ 12,540,000			
1998 Refg COPs: Disney Parking Project	3,073,123	3,073,123			
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	3,626,150			$ 3,626,150	
2002 Lease Rev Bonds Ser B:					
Downey Courhouse	1,064,142			1,064,142	
Sheriffs Training Academy	878,475	878,475			
San Fernando Court	1,471,383			1,471,383	
Total 2002 Lease Rev Bonds Ser B	$ 3,414,000	$ 878,475	$ 0	$ 2,535,525	$ 0
2005 Lease Rev Refg Bonds Ser A:					
Music Center Improvements	$ 773,938	$ 773,938			
Alhambra Courthouse	583,554			$ 583,554	
Burbank Courthouse	762,230			762,230	
Ameron Building (Sheriff Headquarters)	2,509,337	2,509,337			
Biscailuz Center	222,176	222,176			
Emergency Operations Center	1,964,622	1,964,622			
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	1,486,121		$ 1,486,121		
Martin Luther King Medical Center - Trauma Center	6,226,501		6,226,501		
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	103,282		103,282		
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	4,399,161		4,399,161		
Rancho Los Amigos Medical Center - Parking Structure	1,640,700		1,640,700		
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	687,054		687,054		
San Fernando Valley Juvenile Hall	977,406	977,406			
LAC/USC Medical Center Marengo Street Parking Garage	2,602,322		2,602,322		
LAX Area Courthouse	6,945,582			6,945,582	
San Fernando Valley Courthouse (Chatsworth)	5,501,739			5,501,739	
Harbor Med Center E.P.S.	1,255,414		1,255,414		
Total 2005 Lease Rev Refg Bonds Ser A	$ 38,641,139	$ 6,447,479	$ 18,400,556	$ 13,793,105	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	$ 3,219,346				$ 3,219,346
2006 Lease Rev Refg Bonds Ser A:					
East Los Angeles Courthouse	$ 1,223,038			$ 1,223,038	
Lynwood Regional Justice Center	10,655,450	$ 10,655,450			
Men's Central Jail - Twin Towers	10,057,200	10,057,200			
Hutton Building - Registrar / Recorder Headquarters	2,660,350	2,660,350			
Pomona Municipal Courthouse	430,950			430,950	
Pitchess Honor Rancho Laundry Expansion	207,800	207,800			
Pitchess Honor Rancho Visitors Center	509,350	509,350			
Mira Loma Men's Medium Security Facility	368,825	368,825			
Temple City Sheriff Station	873,050	873,050			
Van Nuys Courthouse	3,021,125			3,021,125	
Total 2006 Lease Rev Refg Bonds Ser A	$ 30,007,138	$ 25,332,025	$ 0	$ 4,675,113	$ 0
2006 Lease Rev Refg Bonds Ser B:					
Michael D. Antonovich Antelope Valley Courthouse	$ 6,917,131			$ 6,917,131	
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 218,057	$ 218,057			
Patriotic Hall Renovation	352,122	352,122			
Olive View Medical Center ER/TB Unit	405,737		$ 405,737		
Olive View Medical Center Seismic	167,148		167,148		
Harbor/UCLA Surgery/ Emergency	2,542,536		2,542,536		
Harbor/UCLA Seismic Retrofit	392,070		392,070		
Hall of Justice Rehabilitation	1,817,838	1,817,838			
Total 2010 Multiple Capital Projects I, Series A	$ 5,895,507	$ 2,388,016	$ 3,507,490	$ 0	$ 0
2010 Multiple Capital Projects I, Federally Taxable Series B:					
Coroners Expansion/ Refurbishment	$ 1,386,271	$ 1,386,271			
Patriotic Hall Renovation	2,238,578	2,238,578			
Olive View Medical Center ER/TB Unit	2,579,427		$ 2,579,427		
Olive View Medical Center Seismic	1,062,623		1,062,623		
Harbor/UCLA Surgery/ Emergency	16,163,890		16,163,890		
Harbor/UCLA Seismic Retrofit	2,492,541		2,492,541		
Hall of Justice Rehabilitation	11,556,700	11,556,700			
Total 2010 Multiple Capital Projects I, Series B	$ 37,480,029	$ 15,181,549	$ 22,298,480	$ 0	$ 0
Total Long-Term Capital Projects	$ 144,813,563	$ 65,840,667	$ 44,206,526	$ 31,547,024	$ 3,219,346
Total Long-Term Obligations	$ 144,813,563	$ 65,840,667	$ 44,206,526	$ 31,547,024	$ 3,219,346
Intermediate-Term Obligations					
Equipment					
2009 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 6,595,125	$ 3,957,075	$ 2,638,050		
Total Equipment	$ 6,595,125	$ 3,957,075	$ 2,638,050	$ 0	$ 0
Taxable Bonds					
2009 Lease Rev Bonds Series 2009 (LA Opera)	$ 658,000	$ 658,000			
Total Intermediate-Term Obligations	$ 7,253,125	$ 4,615,075	$ 2,638,050	$ 0	$ 0
Total Obligations	$ 152,066,688	$ 70,455,742	$ 46,844,576	$ 31,547,024	$ 3,219,346

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, 2011

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	$ 30,892,754	$ 30,892,754			
1998 Refg COPs: Disney Parking Project	58,285,000	58,285,000			
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	3,470,000			$ 3,470,000	
2002 Lease Rev Bonds Ser B:					
Downey Courhouse	5,339,414			5,339,414	
Sheriffs Training Academy	4,407,809	4,407,809			
San Fernando Court	7,382,777			7,382,777	
Total 2002 Lease Rev Bonds Ser B	$ 17,130,000	$ 4,407,809	$ 0	$ 12,722,191	$ 0
2005 Lease Rev Refg Bonds Ser A:					
Music Center Improvements	$ 3,267,380	$ 3,267,380			
Alhambra Courthouse	1,924,639			$ 1,924,639	
Burbank Courthouse	3,558,707			3,558,707	
Ameron Building (Sheriff Headquarters)	7,464,446	7,464,446			
Biscailuz Center	663,245	663,245			
Emergency Operations Center	7,111,141	7,111,141			
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	5,587,634		$ 5,587,634		
Martin Luther King Medical Center - Trauma Center	30,890,863		30,890,863		
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	322,555		322,555		
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	19,302,066		19,302,066		
Rancho Los Amigos Medical Center - Parking Structure	7,204,747		7,204,747		
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	2,125,793		2,125,793		
San Fernando Valley Juvenile Hall	4,665,086	4,665,086			
LAC/USC Medical Center Marengo Street Parking Garage	11,410,340		11,410,340		
LAX Area Courthouse	76,294,454			76,294,454	
San Fernando Valley Courthouse (Chatsworth)	60,421,654			60,421,654	
Harbor Med Center E.P.S.	2,030,248		2,030,248		
Total 2005 Lease Rev Refg Bonds Ser A	$ 244,245,000	$ 23,171,298	$ 78,874,249	$ 142,199,454	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	$ 29,910,000				$ 29,910,000
2006 Lease Rev Refg Bonds Ser A:					
East Los Angeles Courthouse	$ 5,985,000			$ 5,985,000	
Lynwood Regional Justice Center	40,660,000	40,660,000			
Men's Central Jail - Twin Towers	38,425,000	38,425,000			
Hutton Building - Registrar / Recorder Headquarters	3,405,000	3,405,000			
Pomona Municipal Courthouse	545,000			545,000	
Pitchess Honor Rancho Laundry Expansion	265,000	265,000			
Pitchess Honor Rancho Visitors Center	655,000	655,000			
Mira Loma Men's Medium Security Facility	470,000	470,000			
Temple City Sheriff Station	1,120,000	1,120,000			
Van Nuys Courthouse	11,255,000			11,255,000	
Total 2006 Lease Rev Refg Bonds Ser A	$ 102,785,000	$ 85,000,000	$ 0	$ 17,785,000	$ 0
2006 Lease Rev Refg Bonds Ser B:					
Michael D. Antonovich Antelope Valley Courthouse	$ 95,440,000			$ 95,440,000	
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
Total Long-Term Capital Projects	$ 1,373,062,754	$ 522,118,492	$ 549,417,618	$ 271,616,645	$ 29,910,000
Total Long-Term Obligations	$ 1,373,062,754	$ 522,118,492	$ 549,417,618	$ 271,616,645	$ 29,910,000
Intermediate-Term Obligations					
Equipment					
2009 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 10,405,000	$ 6,243,000	$ 4,162,000		
Total Equipment	$ 10,405,000	$ 6,243,000	$ 4,162,000	$ 0	$ 0
Taxable Bonds					
2009 Lease Rev Bonds Series 2009 (LA Opera)	$ 14,000,000	$ 14,000,000			
Total Intermediate-Term Obligations	$ 24,405,000	$ 20,243,000	$ 4,162,000	$ 0	$ 0
Total Obligations	$ 1,397,467,754	$ 542,361,492	$ 553,579,618	$ 271,616,645	$ 29,910,000

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 FEBRUARY 1, 2012

Title	Outstanding Principal	Total Future Payments		2011-12 FY Payment Remaining
Long-Term Obligations				
Long-Term Capital Projects				
1993 COPs: Disney Parking Project	$ 29,080,473	$ 141,285,000		$ 6,270,000
1998 Refg COPs: Disney Parking Project	58,130,000	86,215,869		1,534,856
2002 Lease Rev Bonds Series A - Edmund D. Edelman Court Project Refunding	3,470,000	3,548,075		3,548,075
2002 Lease Rev Bonds Series B - 2002 Master Refunding Project	14,670,000	17,412,300		440,100
2005 Lease Rev Refg Bonds Series A - 2005 Master Refunding Project	216,600,000	294,715,109		5,196,632
2005 Lease Rev Bonds Series A - 2005 Calabasas Landfill Project	29,910,000	38,498,466		2,539,673
2006 Lease Rev Refg Bonds Series A - 2006 Master Refunding Project	76,955,000	84,979,038		1,777,369
2006 Lease Rev Refg Bonds Series B - 2006 Master Refunding Project	92,990,000	154,421,656		2,212,128
2010 Lease Rev Bonds, Series A - 2010 Multiple Capital Projects I	102,900,000	128,622,469		0
2010 Lease Rev Bonds, Series B - 2010 Multiple Capital Projects I (Federally Taxable)	688,005,000	1,325,125,969	(1)	0
2011 Lease Rev Bonds - High Desert Solar Complex (Federally Taxable)	14,000,000	14,964,953	(1)	0
Total Long-Term Capital Projects	$ 1,326,710,473	$ 2,289,788,902		$ 23,518,833
Total Long-Term Obligations	$ 1,326,710,473	$ 2,289,788,902		$ 23,518,833
Intermediate-Term Obligations				
Equipment				
2009 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 6,800,000	$7,118,000.00		$2,730,000.00
2011 Lease Rev Bonds Series A - LAC-CAL Equipment Program	55,475,000	60,593,032		9,058,044
Total Equipment	$ 62,275,000	$ 67,711,032		$ 11,788,044
Taxable Bonds				
2009 Lease Rev Bonds Series 2009 (LA Opera)	$ 14,000,000	$14,603,167		$ 0
Total Intermediate-Term Obligations	$ 76,275,000	$ 82,314,199		$ 11,788,044
Total Obligations	$ 1,402,985,473	$ 2,372,103,101		$ 35,306,878

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 FEBRUARY 1, 2012
Full Cash Value (2011-12): $941,113,340,692 (after deducting $137,535,643,001 redevelopment incremental valuation; including unitary utility valuation)

	Applicable %		Debt as of 2/1/12
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			
Los Angeles County Flood Control District	100.000 %	$	53,795,000
Metropolitan Water District	48.725		109,794,479
Los Angeles Community College District	100.000		3,504,910,000
Other Community College Districts	Various (1)		1,917,861,224
Arcadia Unified School District	100.000		169,484,793
Beverly Hills Unified School District	100.000		180,199,540
Glendale Unified School District	100.000		171,694,986
Long Beach Unified School District	100.000		545,492,292
Los Angeles Unified School District	100.000		11,282,720,000
Pasadena Unified School District	100.000		271,585,000
Pomona Unified School District	100.000		205,388,331
Santa Monica-Malibu Unified School District	100.000		221,815,034
Torrance Unified School District	100.000		194,008,533
Other Unified School Districts	Various (1)		2,786,930,811
High School and School Districts	Various (1)		1,397,186,549
City of Los Angeles	100.000		1,233,455,000
City of Los Angeles Special Tax Lease Revenue Bonds	100.000		39,340,000
City of Industry	100.000		146,695,000
Other Cities	100.000		86,490,000
Special Districts	100.000		5,575,000
Community Facilities Districts	100.000		833,662,204
Los Angeles County Regional Park & Open Space Assessment District	100.000		170,725,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000		140,884,235
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$	25,669,693,011
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			
Los Angeles County General Fund Obligations	**100.000 %**	**$**	**1,500,485,474**
Los Angeles County Office of Education Certificates of Participation	100.000		11,269,678
Community College District Certificates of Participation	Various (2)		70,446,258
Baldwin Park Unified School District Certificates of Participation	100.000		53,215,000
Compton Unified School District Certificates of Participation	100.000		29,560,000
Los Angeles Unified School District Certificates of Participation	100.000		464,440,935
Pomona Unified School District Certificates of Participation	100.000		28,960,000
Other Unified School District Certificates of Participation	Various (2)		156,575,163
High School and School District General Fund Obligations	Various (2)		156,996,201
City of Beverly Hills General Fund Obligations	100.000		242,720,000
City of Los Angeles General Fund and Judgment Obligations	100.000		1,863,630,000
City of Long Beach General Fund Obligations	100.000		206,615,000
City of Long Beach Pension Obligations	100.000		54,520,000
City of Pasadena General Fund Obligations	100.000		487,996,708
City of Pasadena Pension Obligations	100.000		104,825,319
Other Cities' General Fund Obligations	100.000		1,342,121,742
Los Angeles County Sanitation Districts General Fund Obligations	100.000		292,010,333
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$	7,066,387,811
Less: **Los Angeles County Lease Revenue Bonds supported by landfill revenues**			**(17,805,422)**
Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds			(32,995,961)
Cities' self-supporting bonds			(161,490,253)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$	6,854,096,175
GROSS COMBINED TOTAL DEBT		$	32,736,080,822 (3)
NET COMBINED TOTAL DEBT		$	32,523,789,186

(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 2011-12 ASSESSED VALUATION	
Total Direct and Overlapping Tax and Assessment Debt	2.380 %
RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)	
Gross Combined Direct Debt ($1,500,485,474)	**0.160 %**
Net Combined Direct Debt ($1,482,680,052)	**0.160 %**
Gross Combined Total Debt	3.480 %
Net Combined Total Debt	3.460 %

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: $ 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 2010 Gross Domestic Product ("GDP") of $508.9 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. The County's economy experienced mild improvement in 2010, with a slight increase of 1.8% in economic output (as measured by Gross Product), a 2.4% increase in personal income and a 7.0% increase in taxable retail sales. The economic recovery continued in 2011, with several sectors of the local economy experiencing growth.

Los Angeles County's unemployment rate averaged 12.6% in 2010, but the labor market experienced gradual improvement in 2011 with the jobless rate edging down to 12.2%. With the subtle signs of stabilization in local economy in 2011, the unemployment rate is projected to decline further in 2012 to 11.5%. The significant job losses in the last two years 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 financing programs and subsidies provided by the Federal government under ARRA, local 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, while the new Civic Park and the Broad Art Museum projects are also increasing construction activity in the heart of the downtown area. 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, 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 374,000 workers employed in this sector in 2010. 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 among world's largest 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.

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 show. Los Angeles County has been a prior host to major sporting events such as the Summer Olympics, the World Cup, and the Super Bowl.

Population

The County of Los Angeles is the most populous county in the U.S. with close to 9.9 million people estimated to be residing within its borders. The County's population makes it equivalent to the eighth largest state in the nation and accounts for approximately 27% of the total population of California. The demographic profile of the County indicates that 47.7% of the population is Hispanic and 52.3% non-Hispanic, of which, 27.8% are White; 13.7% are Asian-Pacific Islander; 8.3% 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 75.5% of the adult population has a high school diploma or higher, and 28.4% 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. After experiencing a cyclical low of 4.8% in 2006, the unemployment rate climbed to 12.6% in 2010 and decreased slightly to 12.2% in 2011. In comparison, the average unemployment rates for the State of California and the nation were approximately 11.8% and 8.9%, respectively, in 2011. The employment situation in the County showed signs of improvement in 2011, with job growth in several sectors of the local economy. In 2012, non-farm employment is projected to grow by 1.7% (65,000 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 2006 through 2010.

Personal Income

The total personal income in the County increased by an estimated 2.4% in 2010, after falling by 2.5% in 2009. The 2010 total personal income of $412 billion represents an estimated 25.5% of the total personal income generated in California. The Los Angeles Economic Development Corporation ("LAEDC") has projected continued growth of personal income of 3.6% in 2011 and 5.4% in 2012. Table C provides a summary of the personal income statistics for Los Angeles County from 2006 through 2010.

Consumer Spending

Los Angeles County is a national leader in consumer spending. As reported by LAEDC, the County experienced a 7.0% increase in taxable retail sales in 2010 after a significant decline of 12.7% in 2009. Consumer spending was projected to grow by 7.7% and 6.1% in 2011 and 2012, respectively. The $83.9 billion of taxable retail sales in the County in 2010 represents over 25.41% of the total retail sales in California. Table D provides a summary of taxable retail sales activity in Los Angeles County from 2006 through 2010.

Industry

With an estimated annual economic output of $509 billion in 2010, Los Angeles County continues to rank among the world's largest economies. Its 2010 Gross Product represents approximately 26.8% of the total economic output in California and 3.5% 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 2006 through 2010.

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 $346.9 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 has recovered close to the record level attained in 2008. The LACD maintained its ranking as the top customs district in the nation for international trade in 2010, with China, Japan, South Korea, Taiwan and Thailand being the top trading partners. The LAEDC has projected an increase of 6.7% and 4.6% for 2011 and 2012, respectively, 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 seventh busiest airport in the world and third in the United States for passenger traffic. In 2010, LAX served 59.1 million passengers and handled 1.9 million tons of air cargo valued at nearly $84 billion. LAX is reporting a 5.6% increase in passenger traffic from January to August, compared to the same period in 2009. 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 sixth 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 2010, the port complex experienced a 19.3% increase in the volume of cargo from 2009, which represents the largest annual increase in 25 years. The port complex was projected to experience continued growth in 2011 and 2012 of 4.0% and 5.0%, respectively.

The Port of Los Angeles is one of the largest man-made harbors in the world. In 2010, it was ranked as the busiest container port in the United States for the eleventh 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. For the calendar year 2010, the port handled over 7.8 million TEUs, which represents a 16.0% increase in container volume from 2009.

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 seventeenth busiest in the world in 2010. The Port of Long Beach port covers over 3,200 acres with 10 separate piers. In 2010, the port handled over 6.3 million TEUs of container cargo, which represents an increase of 23.6% from 2009.

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 2010, the Los Angeles region hosted an estimated 25.7 million overnight visitors, representing an 8% increase from 2009. 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 2010, with tourists and business travelers spending $13.1 billion (as reported by LAEDC), representing a significant increase of 10.4% from 2009. The new convention center hotel and the higher number of conferences scheduled for 2011 and 2012 as well as the opening of 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. The number of visitors was projected to increase by over 2% in 2011 to 26.3 million.

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 40% from a peak of $532,281 in 2007 to an average low of $321,550 in 2009. In 2009, the real estate market began to stabilize and showed signs of recovery in 2010, with the average median home price increasing by over 4.3% to $335,363. Despite the modest increase in home values, the volume of home sales decreased by 4.6% from 81,072 in 2009 to 77,308 in 2010. Other positive indicators of stabilizing housing market include a 34.9% reduction in the Notices of Default Recorded from 105,433 in 2009 to 68,603 in 2010; and a 3.8% decrease in the number of foreclosures from 32,112 in 2009 to 30,907 in 2010. The foreclosure trends were more positive than what was reflected in the annual statistics, as the number of foreclosures decreased by nearly 32% from the 4th quarter of 2009 to the 4th quarter of 2010. The positive trend in foreclosures continued in 2011, with the first six months of the year reflecting an 8% decrease in the number of foreclosures compared to the same period in 2010.

The non-residential real estate sector experienced further difficulties in 2010 with higher vacancies, declining lease rates and falling property values. The total non-residential building valuation of $2.68 billion in 2010 represents a slight decrease of 0.1% from 2009. Construction lending experienced a significant decrease of 13.7% from $2.47 billion in 2009 to $2.13 billion in 2010. Despite business expansions and the continuation of major construction projects throughout the County, the commercial real estate sector continued to struggle in 2010. The vacancy rate for the office market increased by over 6% to a cyclical high of 17% in 2010. The vacancy rate for the industrial market decreased slightly to 3.2% in 2010, but is essentially unchanged from the cyclical high of 3.3% in 2009.

Despite the severe downturn in the housing market from 2007 to 2009, Los Angeles County has maintained 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 2010-11, the Los Angeles County Assessor reported a Net Local Roll of $1.042 trillion, which represented a 1.9% decrease from the Net Local Roll of $1.062 trillion in Fiscal Year 2009-10. For Fiscal Year 2011-12, the Assessor reported a Net Local Roll of $1.056 trillion, which represents a 1.36% increase from the prior fiscal year.

COUNTY OF LOS ANGELES
ECONOMIC AND DEMOGRAPHIC STATISTICAL TABLES

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 $)

	2006	2007	2008	2009	2010
Los Angeles County	$446,800	$508,000	$513,600	$499,800	$508,900
State of California	1,727,400	1,798,300	1,846,800	1,812,400	1,901,100
United States	13,244,600	13,794,200	14,441,440	14,256,280	14,657,800
Los Angeles County as a % of California	25.87%	28.25%	27.81%	27.58%	26.77%

Source: Los Angeles Economic Development Corporation - 2011-2012 Mid-Year Economic Forecast and Industry Outlook July 2011

TABLE B: POPULATION LEVELS

	2006	2007	2008	2009	2010
Los Angeles County	9,755,900	9,728,000	9,771,500	9,831,900	9,880,600
State of California	35,947,500	36,185,900	36,538,000	36,887,600	37,266,600
Los Angeles County as a % of California	27.14%	26.88%	26.74%	26.65%	26.51%

Source: Los Angeles Economic Development Corporation - 2011-2012 Mid-Year Economic Forecast and Industry Outlook July 2011

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

	2006	2007	2008	2009	2010
Los Angeles County	$385,724	$400,366	$412,639	$402,459	$412,235
Orange County	150,598	153,447	155,068	148,373	153,269
Riverside and San Bernardino Counties	116,900	123,000	125,000	123,000	125,800
Ventura County	35,700	37,300	37,500	36,900	37,800
State of California	1,495,500	1,566,400	1,604,200	1,567,000	1,614,600
Los Angeles County as a % of California	25.79%	25.56%	25.72%	25.68%	25.53%

Source: Los Angeles Economic Development Corporation - 2011-2012 Mid-Year Economic Forecast and Industry Outlook July 2011

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

	2006	2007	2008	2009	2010
Los Angeles County	$95,544	$96,096	$89,810	$78,444	$83,900
State of California	389,100	387,000	357,300	311,200	330,200
Los Angeles County as a % of California	24.56%	24.83%	25.14%	25.21%	25.41%

Source: Los Angeles Economic Development Corporation - 2011-2012 Mid-Year Economic Forecast and Industry Outlook July 2011

TABLE E: UNEMPLOYMENT RATES

	2006	2007	2008	2009	2010
Los Angeles County	4.8%	5.1%	7.5%	11.5%	12.6%
State of California	4.9%	5.2%	7.2%	11.3%	12.4%
United States	4.6%	4.6%	5.8%	9.3%	9.7%

Source: Los Angeles Economic Development Corporation - 2011-2012 Mid-Year Economic Forecast and Industry Outlook July 2011

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

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2006	2007	2008	2009	2010
Wholesale & Retail Trade	649.0	653.0	640.2	591.5	588.1
Government	589.4	595.7	603.7	595.8	576.6
Health Care & Social Assistance	381.4	389.7	400.7	404.6	410.5
Leisure & Hospitality	388.6	397.9	401.6	385.6	384.6
Manufacturing	461.7	449.2	434.5	389.2	374.2
Professional, Scientific & Technical Services	264.0	273.9	269.6	250.2	245.7
Administrative & Support Services	271.9	272.7	256.4	225.3	228.3
Information	205.6	209.8	210.3	191.2	192.4
Transportation & Utilities	165.2	165.6	163.1	151.2	150.3
Finance & Insurance	166.9	163.6	153.9	142.3	137.8
Educational Services	99.4	102.9	105.1	110.1	112.2
Construction	157.5	157.6	145.2	117.3	104.3
Real Estate	79.8	80.3	79.4	73.8	71.4
Management of Enterprises	63.0	58.8	56.7	54.4	52.1
Other	149.2	151.5	150.5	142.0	140.5
Total	4,092.6	4,122.2	4,070.9	3,824.5	3,769.0

Source: Los Angeles Economic Development Corporation - 2011-2012 Mid-Year Economic Forecast and Industry Outlook July 2011

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

Type of Activity	2006	2007	2008	2009	2010
International Air Cargo (Tons)					
Los Angeles International Airport	1,113.6	1,138.6	996.5	916.0	1,125.2
As Percentage of Total Air Cargo	52.95%	54.80%	55.47%	55.05%	58.40%
Total Air Cargo (Tons)					
Los Angeles International Airport	2,103.1	2,077.5	1,796.5	1,663.9	1,926.8
Bob Hope Airport (Burbank)	57.6	53.7	42.9	44.4	48.1
Total	2,160.7	2,131.3	1,839.4	1,708.2	1,974.9
International Air Passengers					
Los Angeles International Airport	16,910.7	17,248.0	16,685.8	15,100.9	15,935.3
As Percentage of Total Passengers	27.70%	27.62%	27.89%	26.72%	26.98%
Total Air Passengers					
Los Angeles International Airport	61,041.1	62,438.6	59,820.8	56,520.8	59,069.4
Bob Hope Airport (Burbank)	5,689.3	5,921.3	5,331.4	4,588.4	4,461.3
Total	66,730.4	68,359.9	65,152.2	61,109.2	63,530.7
Container Volume (TEUs)					
Port of Los Angeles	8,469.9	8,355.0	7,850.0	6,749.0	7,831.9
Port of Long Beach	7,290.4	7,312.5	6,487.8	5,067.6	6,263.5
Total	15,760.3	15,667.5	14,337.8	11,816.6	14,095.4

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

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

Customs District	2006	2007	2008	2009	2010
Los Angeles, CA	$326,400	$347,300	$355,800	$282,900	$346,900
New York, NY	294,700	323,600	353,400	266,700	326,300
Detroit, MI	239,800	248,900	236,400	170,800	218,100
Houston, TX	162,800	184,700	242,100	165,800	211,500
New Orleans, LA	149,900	172,700	214,200	149,800	191,200
Laredo, TX	156,000	166,400	173,300	146,000	184,400
Chicago, IL	120,800	132,900	153,300	127,900	160,800
Seattle, WA	108,500	119,400	120,400	101,500	110,900
Savannah, GA	82,100	93,400	101,000	87,200	108,500
San Francisco, CA	110,600	111,700	114,100	86,400	107,200

Source: Los Angeles Economic Development Corporation - International Trade Trends

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

Port	2006	2007	2008	2009	2010
Los Angeles-Long Beach, CA	210,503	211,747	201,456	167,866	193,591
Seattle, WA	28,692	29,514	26,731	25,070	31,337
Oakland, CA	28,597	29,449	28,416	27,872	29,475
Tacoma, WA	32,516	33,753	34,701	28,701	27,507
Portland, OR	20,173	23,167	21,683	16,348	19,661
Kalama, WA	8,444	9,624	12,320	9,065	11,653
Vancouver, WA	5,441	6,173	5,903	5,135	6,110
San Diego, CA	6,705	6,548	5,557	3,506	4,074
Port Hueneme	4,571	3,971	3,571	2,998	3,356

Source: Los Angeles Economic Development Corporation - International Trade Trends

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

Port	2006	2007	2008	2009	2010
Los Angeles-Long Beach, CA	15,760	15,667	14,338	11,817	14,095
New York, NY	5,086	5,299	5,265	4,562	5,292
Savannah, GA	2,160	2,604	2,616	2,357	2,825
Oakland, CA	2,392	2,388	2,236	2,045	2,330
Seattle, WA	1,987	1,974	1,704	1,585	2,140
Norfolk, VA	2,046	2,128	2,083	1,745	1,895
Houston, TX	1,607	1,772	1,795	1,797	1,812
Tacoma, WA	1,552	1,403	1,861	1,546	1,455
Charleston, SC	1,968	1,754	1,636	1,368	1,280

Source: Los Angeles Economic Development Corporation - International Trade Trends

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

Indicator	2006	2007	2008	2009	2010
1. Construction Lending (in millions)	$ 8,435	$ 6,886	$ 3,520	$ 2,465	$ 2,128
2. Residential Purchase Lending (in millions)	$ 57,046	$ 38,388	$ 22,256	$ 22,111	$ 22,491
3. New & Existing Median Home Prices	$ 511,365	$ 532,281	$ 397,474	$ 321,550	$ 335,363
4. New & Existing Home Sales	109,212	74,917	65,278	81,072	77,308
5. Notices of Default Recorded	26,296	53,414	84,806	105,433	68,603
6. Unsold New Housing (at year-end)	3,630	4,273	3,117	1,629	1,997
7. Office Market Vacancy Rates	9.4%	9.7%	12.2%	16.0%	17.0%
8. Industrial Market Vacancy Rates	1.5%	1.5%	2.2%	3.3%	3.2%

Source: Real Estate Research Council of Southern California - 2nd Quarter 2011

TABLE L: BUILDING PERMITS AND VALUATIONS

	2006	2007	2008	2009	2010
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	10,097	7,509	3,539	2,131	2,439
b. Multi-Family	16,251	12,854	10,165	3,522	5,029
Total Residential Building Permits	26,348	20,363	13,704	5,653	7,468
Building Valuations					
2. Residential Building Valuations (in millions of $)					
a. Single Family	$ 2,561	$ 2,048	$ 1,134	$ 798	$ 922
b. Multi-Family	2,205	2,011	1,409	522	811
c. Alterations and Additions	1,982	1,898	1,411	1,073	1,110
Residential Building Valuations Subtotal	$ 6,748	$ 5,957	$ 3,954	$ 2,393	$ 2,843
3. Non-Residential Building Valuations (in millions of $)					
a. Office Buildings	$ 241	$ 716	$ 446	$ 192	$ 133
b. Retail Buildings	482	493	469	222	263
c. Hotels and Motels	119	343	256	11	28
d. Industrial Buildings	182	109	135	40	56
e. Alterations and Additions	1,694	2,005	2,158	1,658	1,662
f. Other	1,178	1,073	1,027	551	535
Non-Residential Building Valuations Subtotal	$ 3,896	$ 4,739	$ 4,491	$ 2,674	$ 2,677
Total Building Valuations (in millions)	$ 10,644	$ 10,696	$ 8,445	$ 5,067	$ 5,520

Source: Real Estate Research Council of Southern California - 2nd Quarter 2011

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

	Company (in order of 2010 Ranking)	Industry	Headquarters	No. of Employees L.A. County	No. of Employees Total
1	Kaiser Permanente	Health Care Provider	Oakland, CA	32,700	157,818
2	Northrop Grumman Corp.	Aerospace/Defense Contractor	Washington D. C.	19,000	120,700
3	University of Southern California	Education - Private University	Los Angeles, CA	15,121	15,121
4	Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	13,623	159,879
5	Ralph/Food 4 Less (division of Kroger Co.)	Grocery Retailer	Cincinnati, OH	13,500	N/A
6	Target Corp.	Retailer	Minneapolis, MN	13,000	351,000
7	Bank of America Corp.	Banking and Financial Services	Charlotte, NC	12,000	N/A
8	Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	10,467	N/A
9	The Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	10,000	210,000
10	Providence Health & Services	Medical Centers	Renton, WA	9,960	51,725
11	Wells Fargo	Diversified Financial Services	San Francisco, CA	9,900	270,000
12	Vons	Grocery Retailer	Pleasanton, CA	9,176	185,171
13	ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	8,800	102,000
14	AT&T Inc.	Telecommunications	Dallas, TX	8,505	276,280
15	California Institute of Technology	Private University and Jet Propulsion Lab	Pasadena, CA	8,400	8,400
16	Fedex Corp.	Shipping and Logistics	Memphis, TN	7,700	275,000
17	Catholic Healthcare West	Hospitals	San Francisco, CA	7,200	54,000
18	Amgen Inc.	Biotechnology	Thousand Oaks, CA	6,700	16,750
19	JPMorgan Chase	Banking and Financial Services	New York, NY	6,000	232,939
20	Long Beach Memorial Medical Ctr.	Regional Hospital	Huntington Beach, CA	5,200	N/A
21	UPS	Transportation and Freight	Atlanta, GA	5,000	420,000
22	Children's Hospital Los Angeles	Hospital	Los Angeles, CA	4,200	N/A
23	Toyota Motor Sales U.S.A. Inc	Sales, Distribution, Customer Service	Torrance, CA	4,100	35,000
24	Adventist Health	Hospitals	Roseville, CA	3,700	17,000
25	Huntington Memorial Hospital	Not-for-profit Community Hospital	Pasadena, CA	3,251	3,251

N/A - Not Available
Source: Los Angeles Business Journal - The largest employers ranked by number of employees in L.A. County - September 2010

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

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:

<u>Current and Other Assets</u>

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)

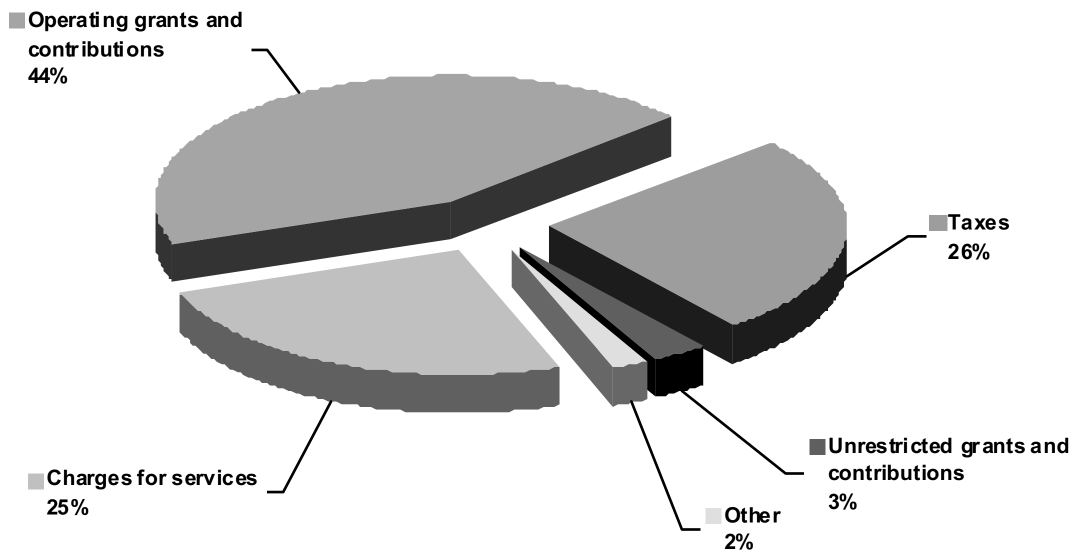
The County's total unrestricted net assets are negative $5.584 billion. Both governmental and business-type activities reported deficits in this category of $4.247 billion and $1.337 billion, respectively. The deficits closely parallel the OPEB related liabilities of $4.466 billion for governmental activities 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:

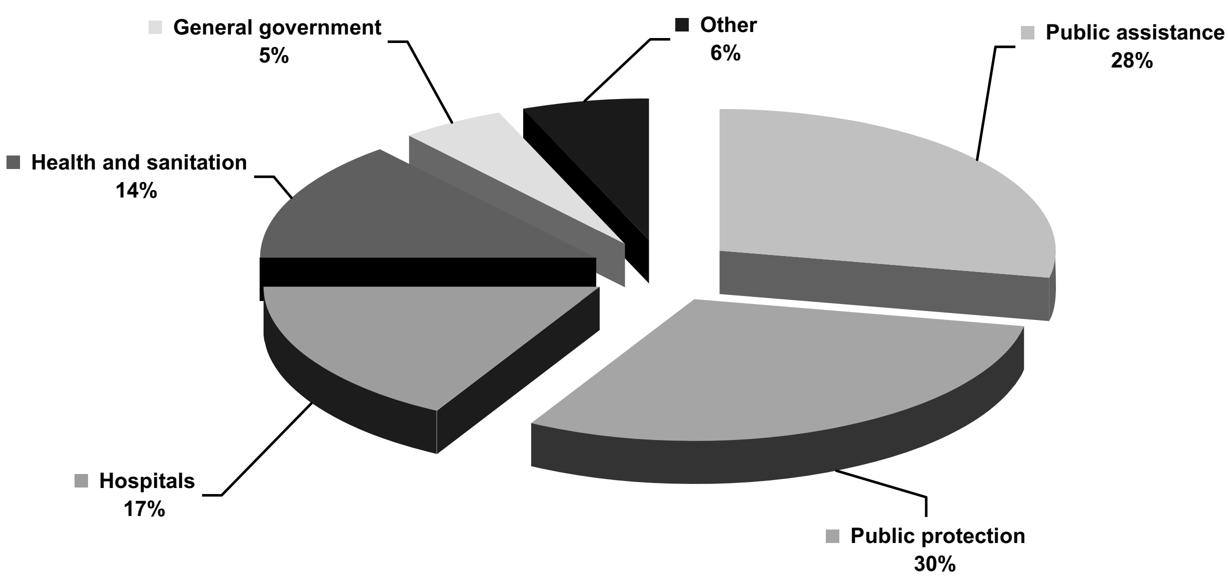
Summary of Changes in Net Assets
For the Years Ended June 30, 2011 and 2010
(in thousands)

	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)

		PROGRAM REVENUES		
FUNCTIONS 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
677,767	41	677,808		Grants and contributions not restricted 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
				CASH FLOWS FROM INVESTING ACTIVITIES -
467	66	1,933	175	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:				
Operating loss	$ (25,721)	(273,146)	$ (758,619)	$ (35,290)
Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:				
Depreciation and amortization	22,443	2,536	68,979	33,315
Other revenues (expenses) - net	30	(50)	(17,156)	(1,222)
(Increase) decrease in:				
Accounts receivable - net	(10,405)	(8,219)	(242,319)	
Other receivables	8,933	11,764	20,993	(1,867)
Due from other funds	2,105	4	109,652	(12,766)
Inventories	(3)		(554)	61
Net pension obligation			13,343	2,576
Increase (decrease) in:				
Accounts payable	(502)	(923)	5,685	(1,208)
Accrued payroll			1,334	336
Other payables		(260)	(65)	19
Accrued vacation and sick leave		(76)	100	120
Due to other funds	821	1,452	(120,236)	(7,423)
Unearned revenue	2	(279)	(430)	(415)
Pension bonds payable			(89,196)	(17,210)
Workers' compensation liability			(15,464)	(2,809)
Litigation and self-insurance liability		(766)	(8,195)	605
OPEB obligation			247,028	55,671
Third party payor liability			52,123	
TOTAL ADJUSTMENTS	23,424	5,183	25,622	47,783
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ (2,297)	(267,963)	$ (732,997)	$ 12,493
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-				
Assets acquired from capital leases	$		$	$ 154
Capital contributions			2,564	
TOTAL	$		$ 2,564	$ 154
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:				
Pooled cash and investments	$ 44,614	7,398	$ 96,843	$ 32,454
Other investments		61,794	61,794	8,655
Restricted assets			304,803	19,831
TOTAL	$ 44,614	69,192	$ 463,440	$ 60,940

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 increases 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):

Debt Type	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities 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 is a summary discussion of certain provisions of the Site Lease, Sublease, Assignment Agreement and Trust Agreement which are not described elsewhere in the Official Statement. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the 2012 Refunding Certificates are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

DEFINITIONS

The following sets forth the definitions of certain words and terms used in this Summary of Principal Legal Documents.

"Accreted Value" means, with respect to any Capital Appreciation Certificate, as of any date of calculation, an amount equal to the Initial Amount of such Certificate plus the interest accrued and compounded thereon to such date of calculation as determined in accordance with the provisions of the Trust Agreement.

"Additional Certificates" mean any additional certificates of participation executed and delivered pursuant to the Trust Agreement.

"Additional Rental" means the amounts specified as described under the heading "SUBLEASE – Rent – *Rental Payments* – Additional Rental."

"Administrative Expense Fund" means the fund of that name established pursuant to the Trust Agreement.

"Assignment Agreement" means the Garage Assignment Agreement, dated as of January 1, 1993, by and between the Authority and the Trustee, the Garage Assignment Agreement, dated as of December 1, 1998, by and between the Authority and the Trustee, and the Garage Assignment Agreement, dated as of March 1, 2012, by and between the Authority and the Trustee, pursuant to which the Authority has assigned all of its right, title and interest in and to the Site Lease and the Sublease (other than its rights to indemnification and its rights to payment of its expenses) to the Trustee for the benefit of the Owners.

"Authority" means the Parking Authority of the County of Los Angeles, a California parking authority, and its successors and assigns.

"Authorized Denominations" mean (a) with respect to the Current Interest Certificates and 2012 Refunding Certificates, $5,000 or any integral multiple thereof, and (b) with respect to the Capital Appreciation Certificates, the Initial Amount per $5,000 Final Compounded Amount or any integral multiple thereof.

"Base Rental" means the amounts specified as described under the heading "SUBLEASE – Rent – *Rental Payments* – Base Rental," as such amounts may be adjusted from time to time in accordance with the terms of the Sublease, but does not include Additional Rental.

"Base Rental Account" means the account of that name established in the Certificate Fund pursuant to the Trust Agreement.

"Business Day" means any day which is not a Saturday, a Sunday or a day on which banking institutions are authorized or required by law or executive order to be closed in the State of New York or in the State for commercial banking purposes.

"Capital Appreciation Base Rental Component" means the component of Base Rental, a portion of which constitutes principal and a portion of which constitutes interest, designated as such in the Sublease.

"Capital Appreciation Certificates" means the Certificates designated as such in the Trust Agreement.

"Certificate Fund" means the fund of that name established pursuant to the Trust Agreement.

"Certificate Register" means the books for the registration of the Certificates to be kept by the Trustee, as described in the Trust Agreement.

"Certificates" means the Original Certificates, the 1993 Refunding Certificates and the 2012 Refunding Certificates, executed and delivered by the Trustee pursuant to the Trust Agreement, and any Additional Certificates executed and delivered pursuant to the Trust Agreement.

"Code" means the Internal Revenue Code of 1986, as amended.

"Concert Hall" means the Walt Disney Concert Hall.

"County" means the County of Los Angeles, a political subdivision of the State of California, and its successors and assigns.

"County Representative" means the Treasurer and Tax Collector of the County and each other County official or employee designated from time to time in writing by such officer and authorized to act on behalf of the County with respect to any authorization or communication to be given to the Authority or the Trustee under or with respect to the Trust Agreement, the Sublease, the Site Lease and all certificates or other documents related thereto.

"Current Interest Base Rental Component" means the component of Base Rental, a portion of which constitutes principal and a portion of which constitutes interest, designated as such in the Sublease.

"Current Interest Certificates" means the Certificates designated as such in the Trust Agreement.

"Depository" means DTC and its successors and assigns or if (a) the then Depository resigns from its functions as securities depository of the Certificates, or (b) the County discontinues use of the Depository pursuant to the Trust Agreement, any other securities depository selected by the County.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Earnings Fund" means the fund of that name established pursuant to the Trust Agreement.

"Event of Default" shall have the meaning assigned to such term in the Trust Agreement.

"Excess Earnings Account" means the account of that name established in the Earnings Fund pursuant to the Trust Agreement.

"Final Compounded Amount" means, with respect to any Capital Appreciation Certificate, the Accreted Value of such Certificate on its maturity date.

"Fiscal Year" means the fiscal year of the County, which at the date of the Sublease is the period from each July 1 to and including the following June 30.

"Fitch" means Fitch Investors Service, Inc. and its successors and assigns.

"Garage Parcel" means that certain real property described in Exhibit A to the Site Lease and in Exhibit A to the Sublease.

"Garage Project" means the parking garage to be designed, constructed, acquired, installed and delivered within the Garage Parcel, all as more fully described in Exhibit B to the Sublease.

"Government Obligations" mean (a) direct obligations issued by the United States Treasury; (b) noncallable obligations of a state, a territory, or a possession of the United States of America, or any political subdivision of any of the foregoing, or of the District of Columbia, within the meaning of Section 103(c) of the Code, which are rated AAA by S&P and Fitch and Aaa by Moody's and which are not guaranteed directly or indirectly by direct or indirect obligations of the United States of America within the meaning of Section 149(b) of the Code; (c) noncallable obligations guaranteed by the Federal Housing Administration, the Veterans Administration, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association; or (d) such other federal securities as may be permitted under regulations issued pursuant to Section 149(b) of the Code which, in the opinion of Independent Counsel, will not impair the exclusion from gross income for federal income tax purposes of interest with respect to the Certificates.

"Independent Counsel" means an attorney or firm of attorneys of recognized national standing in the field of municipal finance selected by the County.

"Initial Amount" means the Accreted Value per $5,000 Final Compounded Amount of any Capital Appreciation Certificate on the Original Closing Date.

"Interest Account" means the account of that name established in the Certificate Fund pursuant to the Trust Agreement.

"Interest Payment Date" means with respect to the Current Interest Certificates, March 1 and September 1 in each year, commencing September 1, 1993, until the maturity or earlier prepayment date of such Certificates, and with respect to the 2012 Refunding Certificates, March 1 and September 1 in each year, commencing September 1, 2012, until the maturity or earlier prepayment date of such Certificates.

"Investment Earnings" mean investment earnings received in respect of money on deposit in any fund, account or subaccount established under the Trust Agreement.

"Investment Earnings Account" means the account of that name established in the Earnings Fund pursuant to the Trust Agreement.

"Leased Premises" mean, collectively, the Garage Parcel and the Garage Project.

"Lease Term" means the term of the Sublease, as provided in the Sublease.

"Lease Year" means the period from the Original Closing Date to September 1, 1993, and thereafter the period from each September 2, to and including the following September 1 during the Lease Term, except that the last Lease Year shall end on March 1, 2023.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation, and its successors and assigns.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Trust Agreement.

"Nonarbitrage Certificate" means the Tax and Nonarbitrage Certificate provided by the County on the Original Closing Date, as set forth in Exhibit F to the Trust Agreement, as the same may be amended from time to time and the 2012 Nonarbitrage Certificate, as applicable.

"Original Certificates" means the Certificates of Participation (1993 Disney Parking Project), consisting of the Current Interest Certificates and the Capital Appreciation Certificates, executed and delivered by the Trustee pursuant to the Trust Agreement.

"Original Closing Date" means the date of execution and delivery of the Original Certificates pursuant to the Trust Agreement.

"Outstanding" when used as of any particular time with respect to Certificates, means all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

(a) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Certificates which have been paid or are deemed to have been paid in accordance with the Trust Agreement;

(c) Certificates described as no longer Outstanding in the Trust Agreement; and

(d) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"Owner" means the registered owner, as indicated in the Certificate Register, of any Certificate.

"Participant" means a member of, or participant in, the Depository.

"Payment Date" means March 1 and September 1 of each year during the Lease Term, commencing September 1, 1993.

"Paying Agent" means any paying agent with respect to the Certificates appointed in accordance with the Trust Agreement.

"Prepayment Account" means the account of that name established in the Certificate Fund pursuant to the Trust Agreement.

"Prepayment Notice" shall have the meaning assigned to such term in the Trust Agreement.

"Prepayment Record Date" means the record date selected by the Trustee for the purpose of a prepayment of the Certificates pursuant to the Trust Agreement.

"Principal Account" means the account of that name established in the Certificate Fund pursuant to the Trust Agreement.

"Principal Office of the Trustee" means the corporate trust office of the Trustee located in Los Angeles, California; *provided, however,* that the Trustee may designate in writing to the County and the Owners such other office or agency from time to time for purposes of registration, transfer, exchange or payment of Certificates.

"Project" means the Garage Project and the Street Improvement Project.

"Property Insurance" means the insurance required to be maintained by the County under the Sublease.

"Qualified Investments" mean any legal investments of the County's funds, which presently include the following:

(a) Government Obligations.

(b) Bonds issued by the County which are rated A or better by the Rating Agencies, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the County or by a department, board, agency or authority thereof.

(c) Registered warrants or treasury notes or bonds of the State which are rated A or better by the Rating Agencies, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the State or by a department, board, agency or authority thereof.

(d) Bonds, notes, warrants or other evidences of indebtedness of any local agency within the State which are rated A or better by the Rating Agencies, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the local agency or by a department, board, agency or authority thereof.

(e) Obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, the Tennessee Valley Authority, or in obligations, participations or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in guaranteed portions of Small Business Administration Notes; or in obligations, participations or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise.

(f) Bills of exchange or time drafts drawn on or accepted by a commercial bank, otherwise known as bankers' acceptances, which are eligible for purchase by the Federal Reserve System and which are drawn on or accepted by a commercial bank, the long-term debt obligations of which are rated A or better by the Rating Agencies. Purchases of bankers' acceptances may not exceed 270 days maturity.

(g) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by the Rating Agencies. Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of $500,000,000 and having an A or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by the Rating Agencies. Purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10% of the outstanding paper of an issuing corporation.

(h) Negotiable certificates of deposit issued by, or deposit accounts with, 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 which is rated A or better by the Rating Agencies.

(i) Investments in repurchase agreements of any securities enumerated above with an institution with debt rated AAA/Aaa or commercial paper rated A-1+ by S&P, P-1 by Moody's and F-1+ by Fitch, if the Trustee shall have received a perfected first security interest in such securities securing such repurchase agreement and the Trustee or its appointed agent shall hold such obligations free and clear of the claims of third parties and the securities securing such repurchase agreements shall be of such nature, valued at such intervals and maintained at such levels so as to meet the collateralization levels then required by the Rating Agencies for a rating of A or better. For purposes of this definition, the term "repurchase agreement" means a purchase of securities pursuant to an agreement by which the seller will repurchase such securities on or before a specified date and for a specified amount and will deliver the underlying securities by physical delivery or third-party custodial agreement. For the purposes of this definition the term "counterparty" means the other party to the transaction. A counterparty bank's trust department or safekeeping department may be used for physical delivery of the underlying security. The term of repurchase agreements shall be for one year or less. Such securities, for purpose of repurchase under this definition, shall mean securities of the same issuer, description, issue date and maturity.

(j) Mortgage securities purchased under an agreement to resell pursuant to clause (i) above, provided that the mortgage securities are eligible investments under subdivision (a) or (b) of Section 13000 of the California Financial Code which are rated A or better by the Rating Agencies. Investment in a mortgage security shall not exceed 95% of the mortgage security's fair market value.

(k) Medium-term corporate notes of a maximum of five years' maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state operating within the United States, which are rated A or better by the Rating Agencies.

(l) Shares of beneficial interest issued by money market funds which are rated AAAm/AAAm-G or better by S&P and Aaa by Moody's, investing in the securities and obligations as authorized by clauses (a) to (m), inclusive, of this definition.

(m) To the extent of moneys pledged to the payment of, or as security for, the Certificates and held by a fiscal agent, including the Trustee, in any other prudent investment provided that such investment is rated A or better by the Rating Agencies.

(n) The County of Los Angeles Treasury Pool.

"Rating Agency" means S&P, Moody's and Fitch; *provided, however,* that if Fitch does not rate an investment or obligation a rating by Fitch shall not be required.

"Record Date" means any Regular Record Date or Prepayment Record Date.

"Regular Record Date" means the close of business on the fifteenth day of the month next preceding each Interest Payment Date.

"Representation Letter" means the letter of the County delivered to and accepted by the Depository on or prior to the delivery of the Certificates in book-entry form 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.

"Reserve Fund" means the fund of that name established pursuant to the Trust Agreement.

"Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (a) $11,318,526.43, (b) 10% of the initial aggregate amount of the Certificates, (c) the maximum semi-annual Base Rental payable by the County under the Sublease in the then current Lease Year or any future Lease Year, and (d) 125% of average annual Base Rental payable in each year between the date of calculation and the end of the Lease Term.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Sinking Account Installment" means the principal amount of the Certificates required to be paid on any Sinking Account Installment Date pursuant to the Trust Agreement or any Supplemental Trust Agreement.

"Sinking Account Installment Date" means each of the dates determined as set forth in the Trust Agreement or any Supplemental Trust Agreement.

"Site Lease" means the Garage Site Lease, dated as of December 23, 1992, by and between the County, as lessor, and the Authority, as lessee, whereby the County leases the Garage Parcel to the Authority, including any amendments or supplements thereto.

"Special Account" means the account of that name to be established by the Trustee pursuant to the Trust Agreement for the purposes described therein.

"S&P" means Standard & Poor's Corporation, a New York corporation, and its successors and assigns.

"State" means the State of California.

"Street Improvement Project" means the certain street and other public improvements to be constructed in connection with the construction of the Garage Project and the Concert Hall, all as more fully described in Exhibit B to the Sublease.

"Sublease" means the Garage Sublease, dated as of December 23, 1992, by and between the Authority, as lessor, and the County, as lessee, as amended by Amendment No. 1 to Garage Sublease, dated as of December 1, by and among the Authority, the County, and Trustee, as further amended by Amendment No. 2 to Garage Sublease, dated as of March 1, 2012, by and among the Authority, the County, and the Trustee, whereby the Authority subleases the Garage Parcel and leases the Garage Project to the County, including any further amendments or supplements thereto.

"Supplemental Trust Agreement" means any supplemental trust agreement amendatory of or supplemental to the Trust Agreement, but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

"Total Certificate Obligation" means, as of any date of calculation, the sum of (a) the aggregate principal amount of Certificates excluding Capital Appreciation Certificates then Outstanding, and (b) the aggregate Accreted Value of the Capital Appreciation Certificates then Outstanding.

"Trust Agreement" means that certain Trust Agreement, dated as of January 1, 1993, entered into by and between the County and the Trustee, as amended and supplemented by the Supplemental Trust Agreement No. 1, dated as of December 1, 1998, by and between the Trustee and the County, as further amended and supplemented by the Supplemental Trust Agreement No. 2, dated as of March 1, 2012, by and between the Trustee and the County, including any further amendments or supplements thereto.

"Trustee" means U.S. Bank National Association, a national association organized and existing under the laws of the United States of America, or any successor trustee appointed pursuant to the Trust Agreement.

"2012 Nonarbitrage Certificate" means the Tax Certificate provided by the County in connection with the 2012 Refunding Certificates, as the same may be amended from time to time.

"2012 Refunding Certificates" means the County's 2012 Refunding Certificates of Participation (Disney Concert Hall Parking Garage), executed and delivered by the Trustee pursuant to the Trust Agreement.

SITE LEASE

Demised Premises. Pursuant to the Site Lease, the County leases to the Authority the Garage Parcel, subject to the terms of the Site Lease and subject to any and all covenants, reservations, exceptions and other matters which are of record (the "Permitted Encumbrances").

Ownership. The County represents that it is the sole owner of and holds fee title to the Garage Parcel, subject to the Permitted Encumbrances.

Term. The Site Lease commenced on December 23, 1992 and shall end on the earlier to occur of (i) March 2, 2023, or (ii) the date of termination of the Sublease pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Lease Term; Transfer of Title to County."

Rent. The Authority paid to the County on the date of execution and delivery of the Certificates advance rent as full consideration for the Site Lease over its term.

Purpose. The Authority shall use the Garage Parcel for the purposes described in the Sublease and for such other purposes as may be incidental thereto.

Assignment and Sublease. The Authority shall not assign, mortgage, hypothecate or otherwise encumber the Site Lease or any rights under the Site Lease or the leasehold created by the Site Lease by trust agreement, indenture or deed of trust or otherwise or sublet the Garage Parcel without the written consent of the County, except that the County expressly approves and consents to the Sublease and to the assignment and transfer of the Authority's right, title and interest in the Site Lease to the Trustee pursuant to the Assignment Agreement.

Right of Entry. The County reserves the right for any of its duly authorized representatives to enter upon the Garage Parcel at any reasonable time.

Expiration. The Authority agrees, upon the expiration of the Site Lease, to quit and surrender the Garage Parcel; it being the understanding of the parties to the Site Lease that upon termination of the Site Lease title to the Garage Parcel and to all buildings and improvements thereon shall vest in the County free and clear of any interest of the Authority or any assignee of the Authority.

Quiet Enjoyment. The Authority at all times during the term of the Site Lease shall peaceably and quietly have, hold and enjoy all of the Garage Parcel subject only to the Permitted Encumbrances.

Taxes. The County covenants and agrees to pay any and all taxes and assessments levied or assessed upon the Garage Parcel and all buildings and improvements thereon.

Eminent Domain. If the whole or any part of the Garage Parcel shall be taken under the power of eminent domain, the interest of the Authority shall be recognized and is determined to be the aggregate amount of unpaid Base Rental under the Sublease through the remainder of its term, and such proceeds shall be paid to the Trustee, as assignee of the interest of the Authority under the Site Lease, in accordance with the terms of the Sublease and the Trust Agreement.

Default. In the event that the Authority or its assignee shall be in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, the County may exercise any and all remedies granted by law, except that no merger of the Site Lease and of the Sublease shall be deemed to occur as a result thereof*; provided, however,* that the County shall have no power to terminate the Site Lease by reason of any default on the part of the Authority or its assignee if (i) such termination would affect or impair the subleasing of the Garage Parcel to the County pursuant to the Sublease or the assignment by the Authority of certain of its rights, title and interest in and to the Sublease pursuant to the Assignment Agreement, or (ii) such termination would prejudice the exercise of the remedies provided in the provisions of the Sublease described under the heading "SUBLEASE – Default by County." So long as any such assignee of the Authority or any successor in interest to the Authority shall duly perform the terms and conditions of the Site Lease, such assignee shall be deemed to be and shall become the tenant of the County under the Site Lease and shall be entitled to all of the rights and privileges granted under any such assignment.

Partial Invalidity. If any one or more of the terms, provisions, promises, covenants or conditions of the Site Lease shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, each and all of the remaining terms, provisions, promises, covenants and conditions of the Site Lease shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law.

Governing Law. The Site Lease shall be governed by the laws of the State of California.

Amendment. The Site Lease may be amended only in accordance with and as permitted by the terms of the Sublease described under the heading "SUBLEASE – Release and Substitution" and the terms of the Trust Agreement described under the heading "TRUST AGREEMENT – Amendments – Amendments to Sublease, Site Lease and Assignment Agreement."

SUBLEASE

Lease Term; Transfer of Title to County. Pursuant to the Sublease, the Authority subleases the Garage Parcel and leases the Garage Project to the County, and the County subleases the Garage Parcel and leases the Garage Project from the Authority and agrees to pay the Base Rental and the Additional Rental as provided in the Sublease for the use and possession of the Leased Premises, all on the terms and conditions set forth in the Sublease. The term of the Sublease shall begin on the date of execution of the Sublease and end on the earliest of (a) March 1, 2023, (b) the date on which the Certificates have been paid or provision for their payment shall have been made in accordance with the provisions of the Trust Agreement, (c) the date of termination of the Sublease due to casualty or condemnation in accordance with the terms of the Sublease, or (d) the date of the closing of the sale of the Authority's right, title and interest in the Leased Premises pursuant to the exercise of the option to purchase the Leased Premises in accordance with the terms of the Sublease.

Upon the earlier of (a) March 1, 2023, (b) the date which is one day after payment of all Base Rental and Additional Rental required by the Sublease, or (c) the closing date of the sale of the Authority's right, title and interest in the Leased Premises to the County or its assignee or nominee pursuant to the exercise of the option to purchase contained in the Sublease, all right, title and interest of the Authority in the Leased Premises, and any buildings and improvements thereon or additions thereto, shall be transferred directly to the County or, at the option of the County, to any assignee or nominee of the County, in accordance with the provisions of the Sublease, free and clear of any interest of the Authority or its assignee.

Rent. *Rental Payments*. The County agrees, subject to the terms of the Sublease including, without limitation, the provisions of the Sublease described under the heading "SUBLEASE – Rent – *Rental Abatement*," to pay to the Authority the Base Rental and Additional Rental in the amounts, at the times and in the manner set forth in the Sublease, such amounts constituting in the aggregate the rent payable under the Sublease.

(a) Base Rental. The County agrees to pay from legally available funds Base Rental in the amounts set forth in the Sublease; provided that, notwithstanding anything to the contrary contained in the Sublease, the total of the amounts paid by the County as Base Rental during the Lease Term shall not exceed the total fair rental value of the Leased Premises during the Lease Term as set forth in a certificate delivered by the County to the Authority and the Trustee on the Original Closing Date. A portion of the total Base Rental shall constitute the Current Interest Base Rental Component and a portion shall constitute the Capital Appreciation Base Rental Component. A portion of each of the Current Interest Base Rental Component and the Capital Appreciation Base Rental Component shall constitute principal and a portion of each such component shall constitute interest, all as set forth in the Sublease. All payments of the interest portion of the Current Interest Base Rental Component and the Capital Appreciation Base Rental Component shall be paid as and shall constitute interest paid on the principal portion of such Base Rental component payable by the County under the Sublease. In the event that the County exercises its option, pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Option to Purchase," to purchase the Authority's right, title and interest in the Leased Premises or any portion thereof, then from and after such date of purchase the Base Rental due under the Sublease shall be reduced by the principal portion and interest portion of each component of Base Rental attributable to the Leased Premises or portion thereof purchased.

The Base Rental payable by the County for the right of use and possession of the Leased Premises shall be due on each Payment Date. Base Rental payable on March 1 in any year shall be for the period September 1 of the prior year to February 28 or, in the case of a leap year, February 29, of such year, and Base Rental payable on September 1 in any year shall be for the period March 1 of such year to August 31 of such year. To secure the performance of its obligation to pay Base Rental, the County shall deposit the Base Rental payable on March 1 of any year with the Trustee on or before January 15 of such year and shall deposit the Base Rental payable on September 1 of any year with the Trustee on or before July 15 of such year, in each case for application by the Trustee in accordance with the terms of the Trust Agreement. In the event any such date of deposit is not a Business Day, such deposit shall be made on the next succeeding Business Day. In no event shall the amount of Base Rental payable on any Payment Date exceed the aggregate amount of principal, Accreted Value and interest required to be paid or prepaid on such date with respect to the Outstanding Certificates, according to their tenor. The obligation of the County to pay Base Rental shall commence on the Original Closing Date.

(b) Additional Rental. In addition to the Base Rental set forth in the Sublease, the County agrees to pay as Additional Rental all of the following:

(i) All taxes and assessments of any nature whatsoever, including but not limited to excise taxes, *ad valorem* taxes, *ad valorem* and specific lien special assessments and gross receipts taxes, if any, levied upon the Leased Premises or upon any interest of the Authority, the Trustee or the County therein or in the Sublease;

(ii) Insurance premiums, if any, on all insurance required under the provisions of the Sublease;

(iii) All fees and expenses (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) of the Trustee in connection with the Trust Agreement, the Site Lease, the Assignment Agreement and the Sublease; and

(iv) Any other fees, costs or expenses incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of the Sublease or any of the transactions contemplated by the Sublease or thereby or related to the Leased Premises.

Amounts constituting Additional Rental 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 then due and payable and the purpose thereof.

Consideration. The payments of Base Rental and Additional Rental under the Sublease for each Fiscal Year or portion thereof during the Lease Term shall constitute the total rental for such Fiscal Year or portion thereof and shall be paid by the County for and in consideration of the right of use and possession, and the continued quiet use and enjoyment, of the Leased Premises by the County for and during such Fiscal Year or portion thereof. The parties to the Sublease have agreed and determined that such total rental is not in excess of the total fair rental value of the Leased Premises. In making such determination, consideration has been given to the uses and purposes served by the Leased Premises and the benefits therefrom that will accrue to the parties by reason of the Sublease and to the general public by reason of the County's use of the Leased Premises.

Budget. The County covenants to take such action as may be necessary to include all Base Rental and Additional Rental due under the Sublease in its annual budget and to make the necessary annual appropriations for all such Base Rental and Additional Rental, subject to the provisions of the Sublease described under the heading "SUBLEASE – Rent – *Rental Abatement*." The covenants on the part of the County contained in the Sublease shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the ministerial 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 such official duty of such officials to enable the County to carry out and perform the covenants and agreements on the part of the County contained in the Sublease. The obligation of the County to make Base Rental or Additional Rental payments does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the County to make Base Rental or Additional Rental payments constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Payment; Credit. Amounts necessary to pay Base Rental shall be deposited by the County on the dates set forth in the Sublease in lawful money of the United States of America, at the Principal Office of the Trustee, or at such other place or places as may be established in accordance with the Trust Agreement. Except as provided in the provisions of the Sublease described under the heading "SUBLEASE – Rent – *Rental Abatement*," any amount necessary to pay any Base Rental or portion thereof which is not so deposited shall remain due and payable until received by the Trustee. Notwithstanding any dispute between the County and the Authority under the Sublease, the County shall make all rental payments when due and shall not withhold any rental payments pending the final resolution of such dispute or for any other reason whatsoever. The County's obligation to make rental payments in the amount and on the terms and conditions specified under the Sublease shall be absolute and unconditional without any right of set-off or counterclaim, and without abatement, subject only to the provisions of the Sublease described under the heading "SUBLEASE – Rent – *Rental Abatement*." Amounts required to be deposited with the Trustee pursuant to the provisions of the Sublease described in this subcaption on any date shall be reduced to the extent of available amounts on deposit on such date in the Certificate Fund established under the Trust Agreement.

Rental Abatement. Except to the extent of (i) amounts held by the Trustee in the Certificate Fund (which are not attributable to Base Rental which has been abated) and in the Reserve Fund, (ii) amounts received in respect of rental interruption insurance, and (iii) amounts, if any, otherwise legally available to the County and deposited with the Trustee for the purpose of making payments in respect of the Certificates, rental payments due under the Sublease shall be subject to abatement in accordance with the provisions of the Sublease described in this subcaption during any period in which, by reason of material damage, destruction, theft or condemnation of the Leased Premises or any portion thereof, or defect in title to the Leased Premises, there is substantial interference with the use and right of possession by the County of the Leased Premises or any portion thereof. The amount of rental abatement shall be such that the resulting rental payments in any Lease Year during which such interference continues, excluding any amounts described in clauses (i), (ii) or (iii) above, do not exceed the fair rental value of the portions of the Leased Premises as to which such damage, destruction, theft, condemnation or title defect does not substantially interfere with the use and right of possession of the County, as evidenced by a certificate of a County Representative. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, theft, condemnation or title defect and ending with the restoration of the Leased Premises to tenantable condition. In the event of any such damage, destruction, theft, condemnation or title defect, the Sublease shall continue in full force and effect, except as set forth in the provisions of the Sublease described under the heading "SUBLEASE – Application of Insurance Proceeds" and "– Eminent Domain." The resulting rental payments shall be applied first to the payment of Base Rental and second to the payment of Additional Rental.

Triple Net Lease. The Sublease is intended to be a triple net lease. The County agrees that the rentals provided for in the Sublease shall be an absolute net return to the Authority free and clear of any expenses, charges or set-offs whatsoever.

Additional Certificates. In addition to the Original Certificates to be executed and delivered under the Trust Agreement, the County may from time to time, by a supplement or amendment to the Trust Agreement, but only upon satisfaction of the conditions set forth therein, authorize one or more series of Additional Certificates, evidencing additional undivided proportionate interests in the Sublease, including the right to receive Base Rental under the Sublease on a parity with the Outstanding Certificates.

Affirmative Covenants of the Authority and the County. The Authority and the County are entering into the Sublease in consideration of, among other things, the following covenants:

Replacement, Maintenance and Repairs. The County shall, at its own expense, during the term of the Sublease maintain the Leased Premises, or cause the same to be maintained, in good order, condition and repair and shall replace any portion of the Leased Premises which is damaged, destroyed or stolen; provided, that the County shall not be required to repair or replace any such portion of the Leased Premises pursuant to the provisions of the Sublease described in this subcaption, except as provided in the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Funds and Accounts – Repair or Replacement; Application of Property Insurance Proceeds and Condemnation Awards." The County shall provide or cause to be provided all security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Leased Premises. It is understood and agreed that in consideration of the payment by the County of the rental provided for in the Sublease, the County is entitled to the use and possession of the Leased Premises and no other party shall have any obligation under the Sublease to incur any expense of any kind or character in connection with the management, operation or maintenance of the Leased Premises during the Lease Term. The Authority shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Leased Premises. The County expressly waives the right to make repairs or to perform maintenance of the Leased Premises at the expense of the Authority and (to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the Civil Code of the State relating thereto. The County shall keep the Leased Premises free and clear of all liens, charges and encumbrances, subject only to the provisions of the Sublease described under the heading "SUBLEASE – Affirmative Covenants of the Authority and the County – *Liens*," such encumbrances of record as of the date of the Sublease and such other encumbrances as will not, in the opinion of the County, materially affect the use and possession of the Leased Premises and will not result in the abatement of Base Rental payable by the County under the Sublease.

Utility Charges. The County shall pay for the furnishing of all utilities which may be used in or upon the Leased Premises during the Lease Term. Such payment shall be made by the County directly to the respective utility companies furnishing such utility services or products, under such contract or contracts therefor as the County may make.

Insurance. (a) General. The County shall secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in the provisions of the Sublease described in this subcaption, all coverage on the Leased Premises required by the provisions of the Sublease described in this subcaption. Such insurance shall consist of:

(1) A policy or policies of insurance against loss or damage to the Leased Premises known as "all risk," including flood insurance and earthquake insurance to the extent available. Such insurance shall be maintained at any time in an amount not less than the lesser of the full replacement value of the Leased Premises or the Total Certificate Obligation at such time. Such insurance may at any time include a deductible clause providing for a deductible not to exceed 10% of the total loss per occurrence (subject to a maximum deductible of $5,000,000 for all losses in any year); provided, that the County's obligation under this clause (1) may be satisfied by self-insurance.

(2) Comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the Leased Premises. Such insurance shall afford protection with a combined single limit of not less than $1,000,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the County's risk management officer or an independent insurance consultant retained by the County for that

purpose; *provided, however,* that the County's obligations under this clause (2) may be satisfied by self-insurance.

(3) Boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Premises in an amount not less than $2,000,000 per occurrence; *provided, however,* that the County's obligation under this clause (3) may be satisfied by self-insurance.

(4) Workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under the Labor Code of the State, 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 Leased Premises and to cover full liability for compensation under any such act; *provided, however,* that the County's obligations under this clause (4) may be satisfied by self-insurance.

(5) Rental interruption insurance to cover loss, total or partial, of the use of any part of the Leased Premises as a result of any of the hazards covered by the insurance required pursuant to clause (1) above, in an amount sufficient at all times to pay the total rent payable under the Sublease for a period adequate to cover the period of repair or reconstruction. Such policy shall provide that the amount payable thereunder shall not be less than an amount equal to the aggregate Base Rental payable by the County for the Leased Premises on the next four Payment Dates under the Sublease.

(6) A CLTA policy or policies of title insurance for the Leased Premises in an amount not less than the initial aggregate amount of the Certificates. Such policy or policies of title insurance shall insure the leasehold interest of the County and shall show title to the Garage Parcel in the name of the County, subject to the Site Lease, the Sublease, the Assignment Agreement and such other encumbrances as will not, in the opinion of the County, materially affect the use and possession by the County of the Leased Premises and will not result in the abatement of Base Rental payable by the County under the Sublease.

(b) Policies of Insurance. All policies or certificates issued by the respective insurers for insurance, with the exception of workers' compensation insurance, shall provide that such policies or certificates shall not be cancelled or materially changed without at least 30 days' prior written notice to the Trustee. A certificate of a County Representative or other evidence stating that the County has obtained all policies required or self-insurance permitted by the provisions of the Sublease described in this subcaption shall be deposited with the Trustee by the County on or before each anniversary of the Original Closing Date.

All policies or certificates of insurance provided for in the Sublease shall name the County as a named insured, and the Authority and the Trustee as additional insureds, as their interests appear. All policies or certificates of insurance maintained under clauses (1), (3), (5) and (6) above shall name the Trustee as loss payee, and the proceeds of such insurance shall be deposited with the Trustee for application pursuant to the Trust Agreement. All proceeds of insurance maintained under clauses (2) and (4) above shall be deposited with County.

To the extent to which the County self-insures as permitted above, the County's risk manager, or an independent insurance consultant, shall annually certify to the Trustee the sufficiency of such self-insurance. Notwithstanding the generality of the foregoing, with exception of the rental interruption insurance required by clause (5) above, the County shall not be required to maintain or cause to be maintained more insurance than is specifically referred to above or any policies of insurance other than standard policies of insurance with standard deductibles offered by reputable insurers at a reasonable cost in the open market (in which event the County shall be required to self-insure to the extent required above).

Liens. The County shall promptly pay or cause to be paid, from any legally available funds, all sums of money that may become due for any labor, services, materials, supplies or equipment alleged to have been furnished or to be furnished to or for, in, upon or about the Leased Premises and which may be secured by any mechanic's, materialman's or other lien against the Leased Premises, or the interest of the Authority therein, and shall cause each such lien to be fully discharged and released; *provided, however,* that the County or the Authority may (i) contest any such claim or lien without payment thereof so long as such non-payment and contest stays execution or enforcement of the lien, but if such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event the County shall forthwith pay and discharge such judgment or lien; or (ii) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty or forfeiture.

Laws and Ordinances. The County agrees to observe and comply with all rules, regulations and laws applicable to the County with respect to the Leased Premises and the operation thereof. The cost, if any, of such observance and compliance shall be borne by the County to the extent permitted by law, and the Authority shall in no event be liable for such cost. The County agrees further to place, keep, use, maintain and operate the Leased Premises in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

Application of Insurance Proceeds. *General*. Proceeds of insurance received in respect of destruction of or damage to any portion of the Leased Premises by fire or other casualty or event shall be paid to the Trustee for application in accordance with the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Funds and Accounts – Repair or Replacement; Application of Property Insurance Proceeds and Condemnation Awards." If there is an abatement of rental payments pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Rent – *Rental Abatement*," as a result of such casualty or event, and the County elects pursuant to the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Funds and Accounts – Repair or Replacement; Application of Property Insurance Proceeds and Condemnation Awards" to apply such insurance proceeds or such other sums as are deposited by the County pursuant to the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Funds and Accounts – Repair or Replacement; Application of Property Insurance Proceeds and Condemnation Awards" to the prepayment of Certificates rather than replacing or repairing the damaged or destroyed portion of the Leased Premises, then the Sublease shall terminate with respect to the damaged or destroyed portion of the Leased Premises as of the later of the date of such election by the County or the date the amount required by the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Funds and Accounts – Repair or Replacement; Application of Property Insurance Proceeds and Condemnation Awards" is received by the Trustee. If the County elects pursuant to the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Funds and Accounts – Repair or Replacement; Application of Property Insurance Proceeds and Condemnation Awards" to apply the proceeds to the replacement, repair or reconstruction of the Leased Premises or the affected portion thereof, the Base Rental shall again begin to accrue with respect thereto upon restoration of the Leased Premises or the affected portion thereof to tenantable condition.

Title Insurance. Proceeds of title insurance received with respect to the Leased Premises shall be paid to the Trustee for application in accordance with the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Funds and Accounts – Title Insurance."

Eminent Domain. *Total Condemnation.* If the Leased Premises, or so much thereof as to render the remainder of the Leased Premises unusable for the County's purposes under the Sublease, shall be taken under the power of eminent domain, then the Sublease shall terminate as of the day possession shall be so taken, or, if the County is the condemnor, then the Sublease shall terminate as of the date of entry of the interlocutory judgment.

Partial Condemnation. If less than all of the Leased Premises shall be taken under the power of eminent domain, and the remainder is tenantable for the County's purposes, then the Sublease shall continue in full force and effect as to the remaining portions of the Leased Premises, subject only to such rental abatement as is required by the provisions of the Sublease described under the heading "SUBLEASE – Rent – *Rental Abatement*." The County and the Authority waive the benefit of any law to the contrary.

Application of Condemnation Awards. Any award made in eminent domain proceedings for a taking described in the provisions of the Sublease described under the heading "SUBLEASE – Eminent Domain – *Total Condemnation*" and "– *Partial Condemnation*" shall be paid to the Trustee for application in accordance with the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Funds and Accounts – Repair or Replacement; Application of Property Insurance Proceeds and Condemnation Awards." If the County elects pursuant to the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Funds and Accounts – Repair or Replacement; Application of Property Insurance Proceeds and Condemnation Awards" to apply such proceeds to the replacement of the condemned portion of the Leased Premises, in the event there has been an abatement of rental payments pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Rent – *Rental Abatement*," then rental payments shall again begin to accrue with respect thereto upon completion of the replacement of such portion of the Leased Premises.

Assignment and Sublease. Except as provided in the Sublease, the County shall not mortgage, pledge, assign or transfer any interest of the County in the Sublease by voluntary act or by operation of law, or otherwise. The County may sublease all or any portion of the Leased Premises, may grant concessions to a garage operator or others involving the use of any portion of the Leased Premises, whether such concessions purport to convey a leasehold interest or a license to use a portion of the Leased Premises and may assign its right to purchase the Authority's right, title and interest in the Leased Premises pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Option to Purchase" and any rental or other payments it receives from such sublease, concession or license shall be the property of the County. The County shall at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Sublease, notwithstanding any subletting or granting of concessions which may be made. Nothing contained in the Sublease shall be construed to relieve the County of its obligation to pay Base Rental and Additional Rental as provided in the Sublease or to relieve the County of any other obligations contained in the Sublease. In no event will the County sublease or permit the use of all or any part of the Leased Premises to any person so as to cause the portion of Base Rental designated as and comprising interest to be included in gross income for Federal income tax purposes or to be subject to State personal income taxes.

The Authority shall, on the Original Closing Date, assign all of its rights, title and interest in and to the Sublease (except for its rights to payment of its expenses pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Rent – *Rental Payments* – Additional Rent," and its rights to indemnification pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Indemnification and Hold Harmless Agreement"), including without limitation its right to receive Base Rental payable under the Sublease, as well as its rights to enforce payment of Base Rental when due or otherwise protect its interests in the event of a default by the County under the Sublease, to the Trustee pursuant to the Assignment Agreement, and the County approves such assignment. The parties to the Sublease further agree to execute any and all documents necessary and proper in connection therewith.

Additions and Improvements. The County shall have the right during the Lease Term to make any additions or improvements to the Leased Premises, to attach fixtures, structures or signs, and to affix any personal property to the Leased Premises, so long as the fair rental value of the Leased Premises is not thereby reduced. Title to all fixtures, equipment or personal property placed by the County in or on the Leased Premises shall remain in the County. The title to any personal property, improvements or fixtures placed in or on the Leased Premises by any sublessee or licensee of the County shall be controlled by the sublease or license agreement between such sublessee or licensee and the County, which sublease or license agreement shall not be inconsistent with the Sublease.

Right of Entry. Representatives of the Authority shall, subject to reasonable security precautions, have the right to enter upon the Leased Premises during reasonable business hours (and in emergencies at all times) (i) to inspect the same, (ii) for any purpose connected with the rights or obligations of the Authority under the Sublease, or (iii) for all other lawful purposes.

Quiet Enjoyment. The Authority covenants and agrees that the County, upon keeping and performing the covenants and agreements contained in the Sublease, shall, at all times during the Lease Term, peaceably and quietly have, hold, and enjoy the Leased Premises.

Indemnification and Hold Harmless Agreement. To the extent permitted by law, the County agrees to indemnify and hold harmless the Authority and its officers and commissioners against any and all liabilities which might arise out of or are related to the Leased Premises and the Certificates and the County further agrees to defend the Authority and its officers and commissioners in any action arising out of or related to the Leased Premises and the Certificates.

Default by County. *Events of Default.* The following shall be "events of default" under the Sublease and the terms "event of default" and "default" shall mean, whenever they are used in the Sublease, any one or more of the following events:

(i) the County shall fail to deposit with the Trustee any Base Rental payment required to be so deposited pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Rent – *Rental Payments* – Base Rental," by the close of business on the day such amount is due pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Rent – *Rental Payments* – Base Rental;"

(ii) the County shall fail to pay any item of Additional Rental as and when the same shall become due and payable pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Rent – *Rental Payments* – Additional Rental;" or

(iii) the County shall breach any other terms, covenants or conditions contained in the Sublease or in the Trust Agreement, and shall fail to remedy any such breach with all reasonable dispatch within a period of 60 days after written notice thereof from the Authority or the Trustee, as its assignee, to the County, or, if such breach cannot be remedied within such 60-day period, shall fail to institute corrective action within such 60-day period and diligently pursue the same to completion.

Remedies on Default. The Authority or its assignee shall have the right, at its option, without any further demand or notice (1) to re-enter the Leased Premises and eject all parties in possession therefrom, and, without terminating the Sublease, re-let the Leased Premises as the agent for the account of the

County upon such terms and conditions as the Authority or its assignee may deem advisable, in which event the rental received from such re-letting shall be applied first to the expenses of re-letting and collection, including expenses necessary for repair or restoration of the Leased Premises to its original condition (taking into account normal wear and tear), reasonable attorneys' fees and any real estate commission actually paid, second to the Base Rental Account of the Certificate Fund for the payment of Base Rental in accordance with the Sublease and the Trust Agreement, and third to the payment of Additional Rental, and if a sufficient sum shall not be thus realized to pay such sums and other charges, then the County shall pay to the Authority or its assignee any net deficiency existing on the date when Base Rental or Additional Rental is due under the Sublease; *provided, however,* that such re-entry and re-letting under the provisions of the Sublease described in this subcaption shall be done only with the consent of the County, which consent is irrevocably given; or (2) in lieu of the above, so long as the Authority or its assignee does not terminate the County's right to possession of the Leased Premises, the Sublease shall continue in effect and the Authority or its assignee shall have the right, pursuant to Section 1951.4 of the California Civil Code, to enforce all of its rights and remedies under the Sublease, including the right to recover Base Rental payments as they become due under the Sublease. Any re-entry shall be allowed by the County without hindrance, and the Authority and its assignee shall not be liable in damages for any such re-entry in such event or be guilty of trespass.

All damages and other payments received by the Authority or its assignee pursuant to the exercise of its rights and remedies pursuant to the provisions of the Sublease described in this subcaption shall be applied in the manner set forth in the Trust Agreement.

Limitations. The Authority or any assignee of the rights of the Authority under the Sublease shall not exercise its remedies under the Sublease so as to cause the portion of any component of Base Rental designated as and comprising interest to be includable in gross income for federal income tax purposes or to be subject to State personal income taxes. Notwithstanding any other provision of the Sublease or the Trust Agreement, in no event shall the Authority or any assignee of the rights of the Authority under the Sublease have the right to accelerate the payment of any Base Rental under the Sublease.

Remedies Cumulative. Each and every remedy of the Authority or any assignee of the rights of the Authority under the Sublease is cumulative and the exercise of one remedy shall not impair the right of the Authority or its assignee to any or all other remedies. If any statute or rule validly shall limit the remedies given to the Authority or any assignee of the rights of the Authority under the Sublease, the Authority or its assignee nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

Waiver. The waiver by the Authority or its assignee of any breach by the County and the waiver by the County of any breach by the Authority of any term, covenant or condition of the Sublease shall not operate as a waiver of any subsequent breach of the same or any other term, covenant or condition of the Sublease.

DISCLAIMER OF WARRANTIES. NEITHER THE AUTHORITY NOR ANY PERSON ACTING ON ITS BEHALF HAS MADE OR MAKES ANY WARRANTY OR REPRESENTATION AS TO THE PAST, PRESENT OR FUTURE CONDITION OF THE LEASED PREMISES NOT EXPRESSED IN THE SUBLEASE, AND THE COUNTY HAS ENTERED INTO THE SUBLEASE WITHOUT REPRESENTATIONS OR WARRANTIES WITH RESPECT THERETO ON THE PART OF THE AUTHORITY, ITS AGENTS, REPRESENTATIVES OR EMPLOYEES.

Option to Purchase.

(a) The County shall have the exclusive right and option, which shall be irrevocable during the Lease Term, to purchase the Authority's right, title and interest in the Leased Premises in whole or in part, but only if the County is not in default under the Sublease or the Trust Agreement and only in the manner provided in the provisions of the Sublease described in this subcaption.

(b) The option price for the purchase of the Authority's right, title and interest in the Leased Premises in whole shall be the amount necessary to pay all principal, Accreted Value, premium, if any, and accrued interest with respect to the Certificates payable from the Base Rental due under the Sublease on the date of such purchase. Subject to paragraph (d) below, the County shall exercise its option to purchase by giving notice thereof to the Trustee not later than five days prior to the Business Day on which it desires to purchase the Authority's right, title and interest in the Leased Premises. If the Business Day on which the County intends to exercise its option under the Sublease is not an Interest Payment Date, the option price shall be the amount necessary to pay all principal, Accreted Value, premium, if any, and accrued or accreted interest with respect to the Certificates payable from the Base Rental due under the Sublease on the date of such purchase plus an amount equal to the amount of interest to accrue or accrete with respect to such Certificates until the next succeeding Interest Payment Date.

(c) The option price for the purchase of the Authority's right, title and interest in any portion of the Leased Premises shall be determined as follows: the option price shall be sufficient to pay or prepay principal or Accreted Value with respect to the Certificates in Authorized Denominations, premium, if any, and accrued or accreted interest with respect to the Certificates to be prepaid with such option price on the date of such purchase plus the amount of interest to accrue or accrete with respect to such Certificates until the next succeeding Interest Payment Date; *provided, however,* that on and after such purchase date the annual fair rental value of the portion of the Leased Premises not purchased by the County for each Lease Year on and after the purchase date shall equal or exceed the amount due in each such Lease Year to pay the principal, Accreted Value and interest due with respect to the Certificates to remain Outstanding after the purchase date.

(d) If the Business Day on which the County intends to exercise its option under the Sublease is, in accordance with the terms of the Trust Agreement, a date on which Certificates are subject to optional prepayment, then the County shall give notice to the Trustee of its intention to exercise its option under the Sublease not later than five days prior to the date on which the Trustee is required to send notice of prepayment to the Owners pursuant to the Trust Agreement, and on such purchase date the County shall deposit with the Trustee an amount equal to the option price determined by reference to paragraph (b) of the provisions of the Sublease described in this subcaption in the event the County determines to purchase the Authority's right, title and interest in the Leased Premises in whole or paragraph (c) of the provisions of the Sublease described in this subcaption in the event the County determines to purchase the Authority's right, title and interest in the Leased Premises in part, which amount shall be in addition to the Base Rental due on such date.

(e) If the Business Day on which the County intends to exercise its option under the Sublease is not a date on which Certificates are subject to optional prepayment pursuant to the terms of the Trust Agreement, then the option price shall be payable in installments. Each such installment (i) shall be payable at each time at which a principal portion of a component of Base Rental would have been payable if such option had not been exercised, until the due date of the final installment specified below, and (ii) shall equal the principal amount of each Base Rental payment referred to in clause (i) above. Each such installment shall bear interest until paid at a rate equal to the rate which would have been payable or would have accreted with respect to the payments of Base Rental referred to in clause (i) above. At the option of the County, the final installment shall be payable on (A) the final maturity date of the

Certificates then Outstanding, or (B) any date on which the Certificates are subject to optional prepayment pursuant to the terms of the Trust Agreement in an amount equal to the amount determined by reference to paragraph (b) of the provisions of the Sublease described in this subcaption in the event the County determines to purchase the Authority's right, title and interest in the Leased Premises in whole or paragraph (c) of the provisions of the Sublease described in this subcaption in the event the County determines to purchase the Authority's right, title and interest in the Leased Premises in part as the option price on such date; *provided, however,* that the County must designate the date of such final installment not later than the date on which the purchase option granted in the provisions of the Sublease described in this subcaption is exercised, and provided further, that the County may not choose a final installment date which would in the opinion of nationally recognized bond counsel adversely affect the exclusion from gross income for federal income tax purposes of the interest with respect to the Certificates.

(f) In order to secure its obligations to pay the installments referred to in the immediately preceding paragraph, the County, concurrently with the exercise of its option under the Sublease, shall deposit or cause to be deposited with the Trustee, in trust, cash and/or investments of the type described in the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Miscellaneous – Defeasance" in such amount as will, together with the interest to accrue thereon without the need for further positive yielding investment, be fully sufficient to pay the installments (including all principal, Accreted Value, premium, if any, and interest) referred to in the immediately preceding paragraph at the times at which such installments are required to be paid. Such deposit shall be in addition to the Base Rental, if any, due on such date. The excess, if any, of the amount so deposited over the installments actually required to be paid by the County shall be remitted to the County.

(g) On any Business Day as to which the County shall have exercised the option granted it pursuant to the Sublease, and shall have paid or made provision (as set forth in the preceding paragraph) for the payment of the required option price, the Authority and its assignee shall execute and deliver to the County a quitclaim deed conveying to the County, or its nominee, the Authority's right, title and interest so purchased. If the County shall exercise the option provided in the provisions of the Sublease described in this subcaption to purchase the Authority's right, title and interest in the Leased Premises in whole pursuant to paragraph (b) above prior to the expiration of the Lease Term, and the Authority and its assignee shall execute and deliver the quitclaim deed as aforesaid, then the Sublease shall terminate, but such termination shall not affect the County's obligation to pay the option price on the terms set forth in the Sublease.

Release and Substitution. The Sublease, the Site Lease and the Assignment Agreement may be modified or amended at any time, and the Trustee may consent thereto without consent of any Owners of the Certificates if such amendment is to modify or amend the description of the Leased Premises or to release from the Sublease, the Site Lease and the Assignment Agreement any portion of the Leased Premises, or to substitute other property and improvements for the Leased Premises, provided that the County shall provide notice of such amendment to S&P, Moody's and Fitch and shall have filed with the Authority and the Trustee all of the following:

(a) Executed copies of the Sublease, the Site Lease and the Assignment Agreement or amendments thereto containing the amended legal description of affected portions of the Leased Premises;

(b) Evidence satisfactory to the Trustee that copies of the Sublease, the Site Lease and the Assignment Agreement or amendments thereto containing the amended legal description of the Leased Premises have been duly recorded in the official records of the County Recorder of the County of Los Angeles;

(c) A certificate of a County Representative, accompanied by a written appraisal from a qualified appraiser, who may but need not be an employee of the County, evidencing that the annual fair rental value of the property which will constitute the Leased Premises after such release or substitution will be at least equal to 100% of the maximum amount of Base Rental payments becoming due in the then current Lease Year or in any subsequent Lease Year;

(d) In the case of substitution of property or improvements for the then existing Leased Premises, a CLTA policy or policies of title insurance with the Trustee as the named insured in an amount, together with the amount of such insurance previously filed with the Trustee with respect to the portion of the Leased Premises remaining subject to the Sublease, not less than the aggregate principal amount of the Certificates then Outstanding, insuring the leasehold or subleasehold interest of the County, as applicable, subject only to such encumbrances as will not materially affect the County's use and possession of the Leased Premises and as will not result in an abatement of Base Rental Payable by the County under the Sublease;

(e) Written evidence from the Rating Agencies that such amendment will not result in a downgrading of the ratings assigned to the Certificates from the ratings in effect immediately prior to such amendment;

(f) A certificate of a County Representative stating that such release or substitution does not adversely affect the interests of the Owners of the Certificates then Outstanding; and

(g) An opinion of Independent Counsel substantially to the effect that such amendments or modifications (i) are authorized or permitted by the Constitution and laws of the State and by the Trust Agreement and the Sublease; (ii) comply with the terms of the Sublease and the Trust Agreement; (iii) have been duly authorized, executed and delivered by the County and constitute the legally valid and binding obligations of the County, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and subject to such other exceptions as are acceptable to the Trustee; and (iv) will not adversely affect the exclusion for federal income tax purposes of the interest portion of the Base Rental payments designated as and comprising interest received by or allocated to the Owners of the Certificates.

Validity. If any one or more of the terms, provisions, promises, covenants or conditions of the Sublease shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, then each and all of the remaining terms, provisions, promises, covenants and conditions of the Sublease shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

If for any reason the Sublease shall be held by a court of competent jurisdiction void, voidable or unenforceable by the Authority or by the County, or if for any reason it is held by such a court that any of the covenants and agreements of the County under the Sublease, including the covenant to pay Base Rental and Additional Rental under the Sublease, is unenforceable for the full term under the Sublease, then and in such event for and in consideration of the right of the County to possess, occupy and use the Leased Premises, which right in such event is granted, the Sublease shall thereupon become and shall be deemed to be a lease from year to year under which the annual Base Rental payments and Additional Rental payments specified in the Sublease will be paid by the County.

Law Governing. The Sublease is made in the State under the constitution and laws of the State and is to be so construed.

Amendment. The Sublease may be amended only in accordance with and as permitted by the terms of the provisions of the Sublease described under the heading "SUBLEASE – Release and Substitution" and the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Amendments – Amendments to Sublease, Site Lease and Assignment Agreement."

Excess Payments. Notwithstanding anything in the Sublease or in the Trust Agreement to the contrary, if for any reason, including but not limited to damage, destruction, condemnation, transfer, sale or disposition, the County, the Authority or the Trustee receives payments, proceeds or awards with respect to the Leased Premises in excess of the amount necessary to pay or prepay or provide in accordance with the Trust Agreement for the payment or prepayment of all of the Outstanding Certificates, such excess shall represent the County's equity interest in the Leased Premises and shall all be paid to the County.

No Merger. If both the Authority's and the County's estate under the Sublease or any other lease relating to the Leased Premises or any portion thereof shall at any time or for any reason become vested in one owner, the Sublease and the estate created by the Sublease shall not be destroyed or terminated by the doctrine of merger unless the County so elects as evidenced by recording a written declaration so stating, and, unless and until the County so elects, the County shall continue to have and enjoy all of its rights and privileges as to the separate estates.

Further Assurances. The County and the Authority will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Sublease.

ASSIGNMENT AGREEMENT

The following is a summary discussion of certain provisions of the original and two confirming Assignment Agreements, each of which provides for the following terms:

Assignment. Pursuant to the Assignment Agreement, the Authority assigns and transfers to the Trustee, for the benefit of the Owners of the Certificates, all of the Authority's rights, title and interest in and to the Sublease (excepting only the Authority's right to payment of its expenses in accordance with the provisions of the Sublease described under the heading "SUBLEASE – Rent – *Rental Payments* – Additional Rental" and its rights to indemnification in accordance with the provisions of the Sublease described under the heading "SUBLEASE – Indemnification and Hold Harmless Agreement"), including the Authority's right to receive Base Rental, as well as its rights to enforce payment of such Base Rental when due or otherwise to protect its interests in the event of a default by the County under the Sublease, in accordance with the terms thereof. The Base Rental and other rights of the Authority assigned under the Assignment Agreement shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Trust Agreement.

Acceptance of Assignment. The Trustee accepts the assignment of the Authority's rights, title and interest in and to the Sublease as are assigned pursuant to the terms of the Assignment Agreement, for the purpose of securing such Base Rental and rights to the Owners, from time to time, of the Certificates.

No Additional Rights or Duties. Excepting only the assignment and transfer of rights to the Trustee pursuant to the provisions of the Assignment Agreement described under the heading "ASSIGNMENT AGREEMENT – Assignment," the Assignment Agreement shall not confer any rights nor impose any duties, obligations or responsibilities upon the Trustee beyond those expressly provided in the Sublease and the Trust Agreement. The Assignment Agreement shall not impose any duties, obligations or responsibilities upon the Authority or the County beyond those expressly provided in the Sublease and the Trust Agreement or as otherwise set forth in the Assignment Agreement.

Further Assurances. The Authority will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Assignment Agreement, and for the better assuring and confirming to the Trustee, for the benefit of the Owners of the Certificates, the rights and benefits intended to be conveyed pursuant to the Assignment Agreement.

Severability. If any one or more of the terms, provisions, promises, covenants or conditions of the Assignment Agreement shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, then each and all of the remaining terms, provisions, promises, covenants and conditions of the Assignment Agreement shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

Governing Law. The Assignment Agreement shall be construed and governed in accordance with the laws of the State of California.

TRUST AGREEMENT

Certificates of Participation. *Execution.* The Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized signatory of the Trustee.

Transfer and Exchange. The registration of any Certificate may be transferred upon the Certificate Register upon surrender of such Certificate to the Trustee. Such Certificate shall be endorsed or accompanied by delivery of the written instrument of transfer, duly executed by the Owner or his duly authorized attorney, in a form acceptable to the Trustee, and payment of such reasonable transfer fees as the Trustee may established. Upon such registration of transfer, a new Certificate or Certificates of the same type, for the same outstanding principal amount or Final Compounded Amount, maturity and interest rate and in Authorized Denominations, will be executed and delivered to the transferee in exchange therefor.

Subject to the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Certificates of Participation – Book-Entry System; Limited Obligation," the County and the Trustee shall deem and treat the person in whose name any Certificate shall be registered upon the Certificate Register as the absolute owner of such Certificate, whether the Accreted Value or the principal of or interest with respect to such Certificate shall be overdue or not, for the purpose of receiving payment of Accreted Value or principal, premium, if any, and interest with respect to such Certificate and for all other purposes, and any such payments so made to any such Owner or upon his order shall be valid and effective to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and neither the County nor the Trustee shall be affected by any notice to the contrary.

Certificates may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount or Final Compounded Amount of Certificates of other Authorized Denominations of the same type, maturity and interest rate.

All Certificates surrendered to the Trustee for transfer or exchange shall, upon execution and delivery of the new Certificates, thereupon be cancelled by the Trustee. The Trustee may charge the Owner delivering a Certificate for transfer or exchange a reasonable sum for each new Certificate executed and delivered, and the Trustee may require the payment by the Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect thereto.

The Trustee shall not be required to register the transfer or exchange of any Certificate, whether or not that Certificate shall thereafter be selected for prepayment, during the period established by the Trustee for the selection of Certificates to be prepaid, or to transfer or exchange any Certificate selected for prepayment, except for the unprepaid portion of any Certificate prepaid only in part.

Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated the Trustee, at the expense of the Owner of such Certificate, shall execute and deliver a new Certificate of like type, tenor and denomination in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and the Trustee shall deliver a certificate of destruction to the County. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and the County and if such evidence is satisfactory to the Trustee and the County and indemnity satisfactory to the Trustee and the County has been given, the Trustee shall, at the expense of the Owner, execute and deliver a new Certificate of like type, tenor and denomination in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee and the County may require payment of an appropriate fee for each new Certificate delivered under the provisions of the Trust Agreement described in this subcaption and of the expenses which may be incurred by the Trustee and the County in carrying out its duties under the provisions of the Trust Agreement described in this subcaption. Any Certificates executed and delivered under the provisions of the Trust Agreement described in this subcaption in lieu of any Certificate claimed to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Trust Agreement with all other Certificates. Notwithstanding any other provisions of the Trust Agreement described in this subcaption, in lieu of delivering a new Certificate in exchange and substitution for a Certificate which has been mutilated, lost, destroyed or stolen, and which has matured or has been selected for prepayment, the Trustee may make payment of the Accreted Value or the principal of, premium, if any, and interest with respect to, such Certificate.

Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent or other instrument in writing required or permitted by the Trust Agreement to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent shall be sufficient for any purpose of the Trust Agreement (except as otherwise provided in the Trust Agreement), if made in the following manner. The fact and date of the execution by an Owner or his attorney or agent of any such instrument, and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in such jurisdictions, that the person signing such instrument acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

Nothing contained in the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Certificates of Participation" shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters stated in the Trust Agreement which it may deem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Certificate Register. The Trustee shall keep or cause to be kept at its Principal Office sufficient books for the registration and registration of transfer of the Certificates, which books shall be open at all times during regular business hours to inspection by the County and the Owners. Upon presentation for registration of transfer, the Trustee shall, as above provided and under such reasonable regulations as it may prescribe subject to the provisions of the Trust Agreement, register or register the transfer of the Certificates, or cause the same to be registered or cause the registration of the same to be transferred, on such books.

Nonpresentment of Certificates. In the event any Certificates shall not be presented for payment when the Accreted Value or principal thereof becomes due, if funds sufficient to pay such Certificates shall be held by the Trustee for the benefit of the Owner or Owners thereof, all liability of the County to the Owner or Owners thereof for the payment of the portion of Base Rental corresponding to the Accreted Value or the principal amount of such Certificates shall forthwith cease and be completely discharged and thereupon it shall be the duty of the Trustee to hold such funds (subject to the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Certificates of Participation – Unclaimed Money"), without liability for interest thereon, for the benefit of the Owner or Owners of such Certificates who shall thereafter be restricted exclusively to such funds, subject to the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Certificates of Participation – Unclaimed Money," for any claim of whatever nature on, or with respect to, such Certificates.

Unclaimed Money. All money which the Trustee shall have received from any source and set aside for the purpose of paying or prepaying any of the Certificates shall be held in trust for the respective Owners of such Certificates, but any money which shall be so set aside or deposited by the Trustee and which shall remain unclaimed by the Owners of such Certificates for a period of one year after the date on which any payment or prepayment with respect to such Certificates shall have become due and payable shall be paid to the County; *provided, however,* that the Trustee, before making any such payment, shall at the expense of the County cause notice to be mailed to the Owners of such Certificates, by first-class mail, postage prepaid, and by a single publication in *The Bond Buyer* (or if such notice cannot be published in *The Bond Buyer*, in some other financial newspaper selected by the Trustee which regularly carries such notices for obligations similar to the Certificates) not less than 90 days prior to the date of such payment to the effect that said money has not been claimed and that after a date named therein any unclaimed balance of said money then remaining will be returned to the County. During any period in which the Trustee holds such unclaimed money, the Trustee shall not be required to invest such money; nonetheless if the Trustee should invest such money, any earnings on such amounts shall be remitted to the County as such earnings are realized. Thereafter, the Owners of such Certificates shall look only to the County for payment and then only to the extent of the amount so received without any interest thereon, and the Trustee shall have no responsibility with respect to such money.

Book-Entry System; Limited Obligation. The Certificates shall be initially executed and delivered in the form of a separate single fully registered Certificate (which may be typewritten) for each of the maturities of each type of the Certificates. Upon initial execution and delivery, the ownership of each such Certificate shall be registered in the Certificate Register in the name of the Nominee as nominee of the Depository. Except as provided in the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Certificates of Participation – Transfers Outside Book-Entry System," all of the Outstanding Certificates shall be registered in the Certificate Register kept by the Trustee in the name of the Nominee; *provided, however,* that the Certificates may be transferred, in whole but not in part, to the Depository, a successor Depository or to another nominee of the Depository or of a successor Depository.

With respect to Certificates registered in the Certificate Register in the name of the Nominee, the County and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds a beneficial interest in the Certificates. Without limiting the immediately preceding sentence, the County and the Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any beneficial ownership interest in the Certificates, (b) the delivery to any Participant, beneficial owner or any other person, other than the Depository, of any notice with respect to the Certificates, including any Prepayment Notice, (c) the selection by the Depository and the Participants of the beneficial interests in the Certificates to be prepaid in the event that the Certificates are prepaid in part, or (d) the payment to any Participant, beneficial owner or any other person, other than the Depository, of any amount with respect to Accreted Value or principal of, premium, if any, or interest with respect to the Certificates. The County and the Trustee may treat and consider the person in whose name each Certificate is registered in the Certificate Register as the holder and absolute owner of such Certificate for the purpose of payment of Accreted Value or principal of, premium, if any, and interest with respect to such Certificate, for the purpose of giving Prepayment Notices and other matters with respect to such Certificate, and for all other purposes whatsoever, including, without limitation, registering transfers with respect to the Certificates.

The Trustee shall pay all Accreted Value or principal, premium, if any, and interest with respect to the Certificates only to or upon the order of the respective Certificate Owners, as shown in the Certificate Register kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations under the Trust Agreement with respect to payment of Accreted Value or principal of, premium, if any, and interest with respect to the Certificates to the extent of the sum or sums so paid. No person other than a Certificate Owner, as shown in the Certificate Register, shall receive a Certificate evidencing the obligation to make payments of Accreted Value or principal of, premium, if any, and interest pursuant to the Trust Agreement. Upon delivery by the Depository to the Certificate Owner, the Trustee and the County of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Trust Agreement with respect to Record Dates, the word Nominee in the Trust Agreement shall refer to such new nominee of the Depository.

Transfers Outside Book-Entry System. If at any time the Depository notifies the County that it is unwilling or unable to continue as Depository with respect to the Certificates or if at any time the Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by the County within 90 days after the County receives notice or becomes aware of such condition, as the case may be, the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Certificates of Participation – Book-Entry System; Limited Obligation," shall no longer be applicable and the Trustee shall execute and deliver certificates representing the Certificates as provided below. In addition, the County may determine at any time that the Certificates shall no longer be represented by global certificates and that the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Certificates of Participation – Book-Entry System; Limited Obligation," shall no longer apply to the Certificates. In any such event the Trustee shall execute and deliver certificates representing the Certificates as provided below. Certificates executed and delivered in exchange for global certificates pursuant to the provisions of the Trust Agreement described in this subcaption shall be registered in such names and in such Authorized Denominations as the Depository, pursuant to instructions from the Participants or otherwise, shall instruct the County and the Trustee. The Trustee shall deliver such certificates representing the Certificates to the persons in whose names such Certificates are so registered.

If the County determines to replace the Depository with another qualified securities depository, the County shall prepare or cause to be prepared a new fully-registered global certificate for each maturity, registered in the name of such successor or substitute securities depository or its nominee, or make such other arrangements as are acceptable to the County, the Trustee and such securities depository and are not inconsistent with the terms of the Trust Agreement.

Payments and Notices to the Nominee. Notwithstanding any other provision of the Trust Agreement to the contrary, so long as any Certificate is registered in the name of the Nominee, all payments with respect to Accreted Value or principal of, premium, if any, and interest with respect to such Certificate and all notices with respect to such Certificate shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

Initial Depository and Nominee. The initial Depository under the Trust Agreement shall be DTC. The initial Nominee shall be Cede & Co., as nominee of DTC.

Funds and Accounts. *Establishment and Application of Certificate Fund.*

General. There is established in trust a special fund designated the "Certificate Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and moneys held by the Trustee. The Trustee shall administer such fund as provided in the Trust Agreement. Except to the extent of funds held to pay the Accreted Value or principal of, premium, if any, and interest due with respect to the Certificates, the Certificate Fund shall be maintained by the Trustee until all required Base Rental is paid in full pursuant to the terms of the Sublease, or until such earlier date as there are no Certificates Outstanding. Within the Certificate Fund, the Trustee shall establish the following accounts:

(i) the Base Rental Account;

(ii) the Interest Account;

(iii) the Principal Account; and

(iv) the Prepayment Account.

Base Rental Account. Base Rental and proceeds of rental interruption insurance with respect to the Leased Premises, if any, received by the Trustee shall be deposited in the Base Rental Account. Any delinquent Base Rental payments and any proceeds of rental interruption insurance deposited in the Base Rental Account shall be transferred first to the Interest Account and used for the immediate payment of interest payments past due and then to the Principal Account for immediate payment of principal or Accreted Value payments past due according to the tenor of any Certificate, and then to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement. Any remaining money representing delinquent Base Rental payments and any proceeds of rental interruption insurance shall remain on deposit in the Base Rental Account to be applied in the manner provided in the Trust Agreement.

Interest Account. The Trustee shall transfer from the Base Rental Account to the Interest Account on or before each Interest Payment Date an amount which, together with money on deposit in the Interest Account and available to pay interest due on such date, equals the interest then due on such Interest Payment Date with respect to the Certificates, for payment of the Certificates in accordance with the terms of the Trust Agreement. The Trustee shall use such amounts only to pay interest with respect to the Certificates.

Principal Account. The Trustee shall transfer from the Base Rental Account to the Principal Account, on or before each Interest Payment Date, Sinking Account Installment Date or maturity date, an amount which, together with any money on deposit in the Principal Account, equals the principal and

Accreted Value then due or required to be prepaid on such Interest Payment Date, Sinking Account Installment Date or maturity date with respect to the Certificates in accordance with the terms of the Trust Agreement. The Trustee shall use such amounts only to pay principal or Accreted Value with respect to the Certificates.

Prepayment Account. Any proceeds of Property Insurance or awards in respect of a taking under the power of eminent domain not required to be used for repair, reconstruction or replacement of the Leased Premises, any amounts deposited with the Trustee by the County in furtherance of the exercise of the County's option to purchase the Leased Premises or any portion thereof in accordance with the provisions of the Sublease described under the heading "SUBLEASE – Option to Purchase" and any other amounts provided for the prepayment of Certificates in accordance with the Trust Agreement, shall be deposited by the Trustee in the Prepayment Account and on the scheduled prepayment date, the Trustee shall withdraw from the Prepayment Account and pay to the Owners entitled thereto the prepayment price of the Certificates prepaid on such date.

Surplus and Abatement. Any amounts remaining in the Base Rental Account on any Interest Payment Date, Sinking Account Installment Date or maturity date after the transfers referred to in the provisions of the Trust Agreement described in the subcaptions titled "Interest Account" and "Principal Account" above shall have been made and not required for the payment of principal, Accreted Value or interest to become due within the next 12 months shall be first deposited into the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement and second, at the election of the County, deposited into the Administrative Expense Fund, to the extent necessary to make the amount on deposit therein equal to $5,000, or, if the County is not in default under the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Events of Default – Events of Default Defined," remitted to the County.

In the event of abated Base Rental payments as provided in the Sublease and after exhaustion of all other sources of payment, all Current Interest Certificate Owners will forfeit a pro rata portion of interest attributable to abated Base Rental payable during the period of abatement and, to the extent Certificates mature or are required to be prepaid during a period of abatement, the Owners of such Certificates will forfeit a pro rata portion of principal and Accreted Value attributable to such abated Base Rental payments. The failure to make such payments of principal, Accreted Value and interest does not under such circumstances constitute a default under the Trust Agreement, the Sublease or the Certificates.

Establishment and Application of Reserve Fund and Administrative Expense Fund. Reserve Fund. There is established in trust a special fund designated the "Reserve Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. There shall be deposited in the Reserve Fund the amounts required to be deposited therein pursuant to the Trust Agreement. The Trustee shall administer the Reserve Fund as provided in the Trust Agreement.

The Reserve Fund shall be maintained by the Trustee until the Base Rental is paid in full pursuant to the Sublease or until there are no longer any Certificates Outstanding.

If on any Interest Payment Date, Sinking Account Installment Date or maturity date for the Certificates, the amounts on deposit in the Principal Account and the Interest Account, respectively, of the Certificate Fund are less than the principal, Accreted Value and interest payments due with respect to the Certificates on such date, then the Trustee shall transfer from the Reserve Fund, for credit to the Principal Account or Interest Account, as appropriate, of the Certificate Fund amounts sufficient to make up such deficiencies. In the event of any such transfer, the Trustee shall, within five days thereafter, provide written notice to the County of the amount and the date of such transfer.

For purposes of determining the amount on deposit at any time in the Reserve Fund the Trustee shall value all Qualified Investments at the amortized cost (that is, the amortized accreted principal of securities purchased at a discount) of such investments (exclusive of accrued interest but inclusive of any commissions). Any moneys in the Reserve Fund, excluding Investment Earnings, in excess of the Reserve Requirement on the Business Day prior to each Interest Payment Date and at such other time or times as directed by the County in a written order signed by a County Representative and delivered to the Trustee, shall be transferred to the Interest Account of the Certificate Fund and applied to the payment of the interest due with respect to the Certificates on the next succeeding Interest Payment Date, Sinking Account Installment Date or maturity date therefor. Investment Earnings on amounts on deposit in the Reserve Fund shall be transferred pursuant to the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Funds and Accounts – Application of Investment Earnings."

<u>Administrative Expense Fund</u>. There is established in trust a special fund designated the "Administrative Expense Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. There shall be deposited in the Administrative Expense Fund that portion of the proceeds of the Certificates required to be deposited pursuant to the Trust Agreement and all other amounts required to be deposited therein pursuant to the Trust Agreement. The Trustee shall not be required to make any deposit into the Administrative Expense Fund for any purpose, except as required by the Trust Agreement. The Trustee shall administer such fund as provided in the Trust Agreement.

The Trustee shall, to the extent of money available therein, disburse money from the Administrative Expense Fund on such dates and in such amounts as are necessary to pay all expenses of the Authority or the County (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) incidental to the execution and delivery of the Certificates and the performance by the Authority and the County of their respective obligations under the Site Lease, the Sublease, the Assignment Agreement and the Trust Agreement, including, without limiting the generality of the foregoing, salaries, wages, expenses, fees and charges of auditors, accountants, architects, attorneys and engineers and all other necessary administrative charges of the Authority or the County or charges required to be paid by either of them in order to comply with the terms of the Certificates, the Site Lease, the Sublease, the Assignment Agreement or the Trust Agreement, in each case, after receipt of and in accordance with a written request in the form attached to the Trust Agreement.

Establishment and Application of Earnings Fund. There is established in trust a special fund designated the "Earnings Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and accounts held by the Trustee. The Trustee shall administer the Earnings Fund as provided in the Trust Agreement. The Earnings Fund shall be maintained by the Trustee until the County directs, in writing, that it be closed.

The Trustee shall establish and maintain within the Earnings Fund a separate account designated the "Investment Earnings Account," and a separate account designated the "Excess Earnings Account." All moneys in the Investment Earnings Account and the Excess Earnings Account shall be held by the Trustee in trust and shall be kept separate and apart from all other funds and accounts held by the Trustee. Pursuant to the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Funds and Accounts – Application of Investment Earnings," the Trustee shall transfer all Investment Earnings on deposit in the funds and accounts established under the Trust Agreement (other than the Excess Earnings Account) to the Investment Earnings Account. Amounts on deposit in the Investment Earnings Account shall be transferred to the Excess Earnings Account pursuant to written instructions from a County Representative in accordance with the provisions of the Nonarbitrage Certificate. Upon such transfer, any amount remaining in the Investment Earnings Account or any amount on deposit in the Excess Earnings Account which exceeds the amount required to be maintained therein pursuant to the written instructions of a County Representative in accordance with the provisions of the Nonarbitrage Certificate, shall be deposited first in the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement, next to the Administrative Expense Fund to the extent necessary to make the amount on deposit therein equal to $5,000, and then to the Interest Account of the Certificate Fund for application to the payment of interest with respect to the Certificates on the next succeeding Interest Payment Dates, Sinking Account Installment Dates or maturity dates therefor. Except as set forth in the preceding sentence, amounts on deposit in the Excess Earnings Account shall only be applied to payments made to the United States of America in accordance with written instructions of a County Representative.

Surplus. After (a)(i) payment or prepayment of all amounts due with respect to the Certificates and payment of all fees and expenses to the Trustee, or (ii) defeasance of all of the Certificates pursuant to paragraphs (b) or (c) ofthe provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Miscellaneous – Defeasance," and (b) the transfer of additional amounts required to be deposited into the Excess Earnings Account pursuant to written instructions from a County Representative in accordance with the Nonarbitrage Certificate and the Trust Agreement, any amounts remaining in any of the funds or accounts (except for the Excess Earnings Account) established under the Trust Agreement and not required for such purposes shall be remitted to the County and used for any lawful purpose of the County; *provided, however,* that in the event of defeasance, amounts shall not be remitted to the County until the County has delivered or caused to be delivered an opinion of Independent Counsel to the effect that remission of such amounts to the County shall not affect the exclusion from gross income for federal income tax purposes of that portion of Base Rental designated as and comprising interest with respect to the Certificates.

Additional Rental. In the event the Trustee receives Additional Rental pursuant to the Sublease, the Trustee shall establish a separate fund for such Additional Rental and deposit any such amounts therein and such Additional Rental shall be applied by the Trustee solely to the payment of any costs in respect of which such Additional Rental was received, and shall not be commingled in any way with any other funds received by the Trustee pursuant to the Sublease or the Trust Agreement.

Repair or Replacement; Application of Property Insurance Proceeds and Condemnation Awards. If the Leased Premises or any portion thereof shall be damaged, destroyed, stolen or taken by eminent domain proceedings, 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 Leased Premises or any portion thereof in accordance with the provisions of the Trust Agreement described in this subcaption.

The proceeds of any Property Insurance, including the proceeds of any self-insurance fund, and the proceeds of any condemnation award, received on account of any damage, destruction, theft or taking of the Leased Premises or any portion thereof shall as soon as possible be deposited with the Trustee and be held by the Trustee in an account (the "Special Account") and made available for and, to the extent necessary, shall be applied to the cost of repair or replacement of the Leased Premises or the affected portion thereof, should the County elect to make such repair or replacement as provided below, upon receipt of a written request of a County Representative in substantially the form attached to the Trust Agreement, together with invoices therefor. Pending such application, such proceeds may be invested by the Trustee, as directed by a County Representative, in Qualified Investments that mature not later than such times as moneys are expected to be needed to pay costs of repair or replacement should the County elect to make such repair or replacement as provided below.

The County shall notify the Trustee in writing within 90 days of the occurrence of the event of damage, destruction, theft or taking, whether the County intends to replace or repair the Leased Premises or the portions of the Leased Premises which were so damaged, destroyed, stolen or taken. If the County elects to replace or repair the Leased Premises or portions thereof, the County shall promptly deposit with the Trustee the full amount of any insurance deductible to be credited to the Special Account.

If the damage, destruction, theft or taking was such that there resulted a substantial interference with the County's right to use or possession of the Leased Premises and an abatement of rental payments will result from such damage, destruction, theft or taking pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Rent – Rental Abatement," then the County shall be required to either (i) apply sufficient funds from the Property Insurance proceeds and other legally available funds to the repair or replacement of the Leased Premises or the affected portions thereof, or (ii) apply sufficient funds from any Property Insurance proceeds or condemnation award and other legally available funds to the prepayment, as set forth in the Trust Agreement, in full of (i) all of the Outstanding Certificates, or (ii) all of the Outstanding Certificates which would have been payable from that portion of the Base Rental payments which are abated as a result of the damage, destruction, theft or taking, such that the Base Rental payable with respect to the remaining portions of the Leased Premises is sufficient to pay the Accreted Value, principal and interest due with respect to the Certificates to remain Outstanding after such prepayment.

The proceeds of any Property Insurance, including the proceeds of any self-insurance, and the proceeds of any condemnation award, remaining in the Special Account after the property which was damaged, destroyed, stolen or taken is restored to, or replaced, and made available to the County in substantially the same condition and fair rental value as that which existed prior to the damage, destruction, theft or taking, as required by (i) above, or the prepayment, or provision for the prepayment, of Certificates, as required by (ii) above, in each case as evidenced by a certificate signed by a County Representative to such effect, shall be deposited into the following funds and accounts in the order of priority indicated: (i) the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement, and (ii) the Administrative Expense Fund to the extent that the amount therein is less than $5,000. Any amounts not required to be so deposited into the Reserve Fund or the Administrative Expense Fund shall, if there is first delivered to the Trustee a written certificate of a County Representative to the effect that the annual fair rental value of the Leased Premises after such damage, destruction, theft or taking, and after any repairs or replacements made as a result of such damage, destruction, theft or taking, is at least equal to 100% of the maximum amount of Base Rental payments becoming due under the Sublease in the then current Lease Year or any subsequent Lease Year, be paid to the County to be used for any lawful purpose. If the County cannot deliver the certificate described in the preceding sentence, then any excess amounts shall be transferred to the Prepayment Account of the Certificate Fund and used to prepay Certificates pursuant to the Trust Agreement.

Title Insurance. Proceeds of any policy of title insurance received by the Trustee in respect of the Leased Premises or any portion thereof 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 materially affected the County's right to use and possession of the Leased Premises and will not result in an abatement of Base Rental payable by the County under the Sublease, such proceeds shall be deposited into the following funds and accounts in the order of priority indicated: (i) the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement, and (ii) the Administrative Expense Fund to the extent that the amount therein is less than $5,000. Any amounts not required to be so deposited into the Reserve Fund or the Administrative Expense Fund shall, if there is first delivered to the Trustee a written certificate of a County Representative to the effect that the annual fair rental value of the Leased Premises after taking into account such title defect is at least equal to 100% of the maximum amount of Base Rental payments becoming due under the Sublease in the then current Lease Year or any subsequent Lease Year, be paid to the County to be used for any lawful purpose. If the County cannot deliver the certificate described in the preceding sentence, then any excess amounts shall be transferred to the Prepayment Account of the Certificate Fund and used to prepay Certificates pursuant to the Trust Agreement.

(b) If any portion of the Leased Premises has been affected by such title defect, and if the County determines that such title defect will result in an abatement of Base Rental payable by the County under the Sublease, then either (i) the County shall use the insurance proceeds to remove the title defect, or (ii) the Trustee shall, if not notified within 90 days of the receipt by the Trustee of the insurance proceeds that the County will use the proceeds to remove the title defect, deposit such proceeds in the Prepayment Account of the Certificate Fund and such proceeds shall be applied to the prepayment of Certificates in the manner provided in the Trust Agreement.

Application of Amounts After Default by County. All damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Trust Agreement or under the provisions of the Sublease described under the heading "SUBLEASE – Default by County," shall be held and applied in accordance with the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Events of Default – Application of Proceeds in Event of Default."

Moneys Held in Trust. The money and investments held by the Trustee under the Trust Agreement are irrevocably held in trust for the purposes specified in the Trust Agreement, and such money, investments and any income or interest earned thereon, shall be expended and invested only as provided in the Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of (a) the Authority, (b) the County, (c) the Trustee, or (d) any Owner or beneficial owner of Certificates.

Investments Authorized. Money held by the Trustee in any fund, account or subaccount under the Trust Agreement shall be invested by the Trustee in Qualified Investments pending application as provided in the Trust Agreement solely at the written direction of a County Representative, shall be registered in the name of the Trustee where applicable, as Trustee, and shall be held by the Trustee; *provided, however,* in no event shall money held by the Trustee in the Reserve Fund be invested in any such Qualified Investment maturing more than five years from the date of such purchase. The County shall, where applicable, direct the Trustee in writing prior to 12:00 p.m. Pacific time, on the Business Day before any Qualified Investment matures or is redeemed as to the reinvestment of such proceeds. Moneys held in any fund, account or subaccount under the Trust Agreement (other than the Excess Earnings Account) may be commingled for purposes of investment only. If the County shall fail to provide the Trustee with written direction with respect to any moneys subject to investment, the Trustee shall, nevertheless, invest such moneys in the Qualified Investments listed in clause (1) under the definition of Qualified Investments in the Trust Agreement for a period no longer than 180 days.

The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the provisions of the Trust Agreement described in this subcaption. Any investments and reinvestments shall be made giving full consideration to the time in which funds are required to be available under the Trust Agreement and, subject to the terms of the Nonarbitrage Certificate, to the highest yield practicably obtainable giving due regard to the safety of such funds and the date upon which such funds will be required for the uses and purposes required by the Trust Agreement. The Trustee may act as principal or agent in the making or disposing of any investment.

Valuation and Disposition of Investments. For the purpose of determining the amount in any fund, account or subaccount under the Trust Agreement, except for the Reserve Fund, all Qualified Investments shall annually be valued at the lower of the amortized cost (that is, the amortized accreted principal of securities purchased at a discount) of such investments (exclusive of accrued interest but inclusive of any commissions) or the market value thereof. For purposes of determining the amount in the Reserve Fund, Qualified Investments shall be valued on the first day of the month preceding each Interest Payment Date (or more frequently as directed by the County) at the amortized cost of such investments as set forth in the Trust Agreement. The Trustee may sell at the best price reasonably obtainable, or present for redemption, any Qualified Investment so purchased by the Trustee whenever it shall be necessary in order to provide monies to meet any required payment, transfer, withdrawal or disbursement from any fund or account under the Trust Agreement, and the Trustee shall not be liable or responsible for any loss resulting from such investment or sale.

Application of Investment Earnings. The Trustee shall deposit, as and when received, all Investment Earnings on amounts on deposit in all funds, accounts and subaccounts maintained by it under the Trust Agreement (except the Excess Earnings Account of the Earnings Fund) into the Investment Earnings Account of the Earnings Fund pursuant to the Trust Agreement. All Investment Earnings on amounts on deposit in the Excess Earnings Account of the Earnings Fund shall be retained in such accounts.

The Trustee and Paying Agents. *Compensation of Trustee*. Subject to the terms of any compensation agreement between the County and the Trustee, the County shall from time to time, on demand, pay to the Trustee reasonable compensation for its services and shall reimburse the Trustee for all its advances and expenditures, including but not limited to advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties under the Trust Agreement.

Removal of Trustee. The County may, so long as no Event of Default has occurred and is continuing under the Trust Agreement, upon 30 days notice, or the Owners of a majority of the Total Certificate Obligation may by written request at any time and for any reason, remove the Trustee and any successor thereto, and shall thereupon appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least $100,000,000 and shall be subject to supervision or examination by federal or State banking authority. 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 Trust Agreement described in this subcaption, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus set forth in its most recent report of condition so published. Notwithstanding the foregoing, a bank or trust company which does not have a combined capital and surplus of at least $100,000,000 may become a successor Trustee under the Trust Agreement if its obligations under the Trust Agreement are guaranteed by an affiliate which meets the qualifications of a successor Trustee under the Trust Agreement and such guaranty is acceptable in form and substance to the County. Any removal of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

Resignation of Trustee. The Trustee or any successor may at any time resign by giving written notice to the County and by giving written notice sent by first-class mail, postage prepaid, to the Owners of its intention to resign and of the proposed date of resignation. Upon receiving such notice of resignation, the County shall promptly appoint a successor Trustee by an instrument in writing; *provided, however,* that in the event the County fails to appoint a successor Trustee within 30 days following receipt of such written notice of resignation, the resigning Trustee may petition the appropriate court having jurisdiction to appoint a successor trustee. Any resignation of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

Any successor Trustee approved by the County or any court shall satisfy the qualifications set forth in the Trust Agreement.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business (provided such company is eligible under the Trust Agreement), shall be the successor to the Trustee without the execution or filing of any papers or further act, anything in the Trust Agreement to the contrary notwithstanding.

Protection and Rights of the Trustee. The Trustee shall be protected and shall incur no liability in acting upon or processing in good faith any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, 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 may consult with counsel, who may or may not be counsel to the County, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith reliance thereon.

The Trustee shall not be liable for any error in judgment made in good faith by a responsible officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the Owners of not less than a majority of the Total Certificate Obligation relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or relating to the exercise of any trust or power conferred upon the Trustee under the Trust Agreement.

Whenever in the administration of its duties under the Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be specifically prescribed in the Trust Agreement) shall be deemed to be conclusively proved and established by a certificate of a County Representative and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of the Trust Agreement in good faith reliance thereon, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

The Trustee may become an Owner of Certificates with the same rights it would have if it were not the Trustee; may acquire and dispose of bonds or other evidences of indebtedness of the County and enforce its rights as Owner thereof to the same extent as if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Certificates, whether or not such committee shall represent the Owners of a majority of the Total Certificate Obligation.

No provision in the Trust Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties under the Trust Agreement if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it.

In accepting the trust created by the Trust Agreement, the Trustee acts solely as Trustee for the Owners and not in its individual capacity and all persons, including without limitation the Owners and the County having any claim against the Trustee arising from the Trust Agreement shall look only to the funds and accounts held by the Trustee under the Trust Agreement for payment except as otherwise provided in the Trust Agreement. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates.

The Trustee makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the County of the Leased Premises. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Sublease or the Trust Agreement for the existence, furnishing or use of the Leased Premises.

The Trustee shall not be deemed to have knowledge of any Event of Default under the Trust Agreement or under the Sublease unless and until it shall have actual knowledge thereof. Upon the occurrence of any Event of Default the Trustee shall have no duty or obligation to exercise any right, power or remedy under the Trust Agreement unless it has been first indemnified to its satisfaction from any costs, liabilities or expenses to be incurred thereby.

The Trustee shall not be accountable for the use or application by the County or any other person of any funds which the Trustee has released under the Trust Agreement.

The Trustee may execute any of the trusts or powers of the Trust Agreement and perform the duties required of it under the Trust Agreement by or through attorneys, agents or receivers, and shall be entitled to advice of counsel concerning all matters of trust and concerning its duties under the Trust Agreement, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care.

Trustee to Act as Set Forth in the Trust Agreement. The Trustee has the power to receive, to hold in accordance with the terms of the Trust Agreement and to disburse the money to be paid pursuant to the Sublease and the Trust Agreement. The Trustee has no power to vary, alter or substitute the Sublease or the corpus of any trust created by the Trust Agreement or pursuant to the Sublease or the Trust Agreement at any time, except as specifically authorized in the Trust Agreement.

Paying Agents. The Trustee is appointed as paying agent for the Certificates. The Trustee, upon written consent of the County, may appoint such other paying agents with respect to the Certificates as it may deem advisable. Any paying agent appointed shall be a bank or trust company, having a combined capital (exclusive of borrowed capital) and surplus together with its parent bank holding company of at least $100,000,000 and shall be subject to supervision by a federal or state banking authority.

Amendments. *Amendments to Trust Agreement*. The Trust Agreement may be amended in writing by agreement between the parties, but no such amendment shall become effective as to the Owners of Certificates then Outstanding unless and until approved in writing by the Owners of a majority of the Total Certificate Obligation. Notwithstanding the foregoing, the Trust Agreement and the rights and obligations provided by the Trust Agreement may also be modified or amended at any time without the consent of any Owners of the Certificates, upon the written agreement of the County and the Trustee, but only (a) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Trust Agreement, (b) in regard to questions arising under the Trust Agreement which the County and the Trustee may deem necessary or desirable and not inconsistent with the Trust Agreement and which shall not adversely affect the interests of the Owners of the Certificates then Outstanding, (c) to preserve and maintain the exclusion from gross income for federal income tax purposes of that portion of each component of each Base Rental payment designated as and comprising interest, (d) to qualify the Trust Agreement under the Trust Indenture Act of

1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (e) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Certificates then Outstanding; provided that the County and the Trustee may rely in entering into any such amendment or modification of the Trust Agreement upon the opinion of Independent Counsel (which opinion may rely upon the opinions or certificates of the County or other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment shall impair the right of any Owner to receive such Owner's proportionate share of Base Rental in accordance with the terms of his Certificate.

Amendments to Sublease, Site Lease and Assignment Agreement. The Sublease, the Site Lease and the Assignment Agreement may be amended in writing by agreement between the respective parties thereto, with, in the case of the Sublease and Site Lease, the consent of the Trustee, and in the case of the Assignment Agreement, the consent of the County, but no such amendment shall become effective as to the Owners of Certificates then Outstanding unless and until approved in writing by the Owners of a majority of the Total Certificate Obligation. Notwithstanding the foregoing, the Sublease, the Site Lease and the Assignment Agreement and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners of the Certificates, upon the written agreement between the respective parties thereto, with, in the case of the Sublease and Site Lease, the consent of the Trustee, and in the case of the Assignment Agreement, the consent of the County, but only (a) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Sublease, the Site Lease or the Assignment Agreement, (b) in regard to questions arising under the Sublease, the Site Lease or the Assignment Agreement which the Trustee, the County and the Authority may deem necessary or desirable and not inconsistent with the terms thereof and which shall not adversely affect the interests of the Owners of the Certificates then Outstanding, (c) to modify or amend the description of the Leased Premises, to release from the Sublease, the Site Lease or the Assignment Agreement any portion of the Leased Premises or to substitute other property and/or improvements for the Leased Premises or any portion thereof, or (d) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Certificates then Outstanding; and provided that the County, the Authority and the Trustee may rely in entering into any such amendment or modification thereof upon the opinion of Independent Counsel (which opinion may rely upon the opinions or certificates of the County or other experts, consultants or advisors) stating that the requirements of the Trust Agreement have been met with respect to such amendment or modification.

Notwithstanding anything in the Trust Agreement to the contrary, no amendment to the Sublease, the Site Lease or the Assignment Agreement for the purposes set forth in clause (c) above shall be effective unless and until the County shall have filed with the Trustee all of the following:

(i) Executed copies of the Sublease, the Site Lease and the Assignment Agreement or amendments thereto containing the amended legal description of the affected portions of the Leased Premises;

(ii) Evidence satisfactory to the Trustee that copies of the Sublease, the Site Lease and the Assignment Agreement or amendments thereto containing the amended legal description of the Leased Premises have been duly recorded in the official records of the County Recorder of the County of Los Angeles.

(iii) A certificate of a County Representative, accompanied by a written appraisal from a qualified appraiser, who may but need not be an employee of the County, evidencing that the annual fair rental value of the property which will constitute the Leased Premises after such release or substitution will be at least equal to 100% of the maximum amount of Base Rental payments becoming due in the then current Lease Year or in any subsequent Lease Year;

(iv) In the case of substitution of property or improvements for the then existing Leased Premises, a CLTA policy or policies of title insurance with the Trustee as the named insured in an amount, together with the amount of such insurance previously filed with the Trustee with respect to the portion of the Leased Premises remaining subject to the Sublease, not less than the aggregate principal amount of the Certificates then Outstanding, insuring the leasehold or subleasehold interest of the County, as applicable, subject only to such encumbrances as will not materially affect the County's use and possession of the Leased Premises and as will not result in an abatement of Base Rental payable by the County under the Sublease.

(v) Written evidence from the Rating Agencies that such amendment will not result in a downgrading of the ratings assigned to the Certificates from the ratings in effect immediately prior to such amendment.

(vi) A certificate of a County Representative stating that such release or substitution does not adversely affect the interests of the Owners of the Certificates then Outstanding.

(vii) An opinion of Independent Counsel substantially to the effect that such amendments or modifications (1) are authorized or permitted by the Constitution and laws of the State and by the Trust Agreement and the Site Lease, the Sublease or the Assignment Agreement, as applicable, (2) comply with the terms of the Trust Agreement and the Site Lease, the Sublease or the Assignment Agreement, as applicable, (3) have been duly authorized, executed and delivered by the County and constitute the legally valid and binding obligations of the County, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and subject to such other exceptions as are acceptable to the Trustee, and (4) will not adversely affect the exclusion for federal income tax purposes of the interest portion of the Base Rental payments designated as and comprising interest and received by or allocated to the Owners of the Certificates.

Consent of Owners. If the County shall desire to obtain any consent in writing of Owners, the Board of Supervisors may, by resolution, propose the amendment to which consent is desired. A copy of such resolution, together with a request to Owners for their consent to the amendment proposed therein, shall be mailed by first-class mail, postage paid, to each registered Owner at such Owner's address as it appears on the Certificate Register.

The lack of actual receipt by any Owner of such resolution and request for consent and any defects in such resolution and request for consent shall not affect the validity of the proceedings for the obtaining of such consent. A certificate of the County Clerk, approved by resolution of the Board of Supervisors, that said resolution and request for consent have been delivered as provided in the Trust Agreement shall be conclusive as against all parties.

Any such written consent shall be binding upon the Owner giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or by the subsequent Owner. To be effective, any revocation of consent must be filed at the address provided in the request for consent before the adoption of the resolution accepting consents as provided in the Trust Agreement.

After the Owners of at least a majority of the Total Certificate Obligation shall have consented in writing, the Board of Supervisors shall adopt a resolution accepting such consents and such resolution shall constitute complete evidence of the consent of Owners under the provisions of the Trust Agreement described in this subcaption.

Notice specifying the amendment that has received the consent of Owners as required by the provisions of the Trust Agreement described in this subcaption shall be sent by first-class mail, postage prepaid, not more than 60 days following the final action in the proceedings for the obtaining of such consent, to each registered Owner at such Owner's address as it appears on the Certificate Register. Such notice is only for the information of Owners, and failure to mail such notice or any defect therein shall not affect the validity of the proceedings theretofore taken in the obtaining of such consent.

Additional Certificates. The County may from time to time, by a supplement or amendment to the Trust Agreement, authorize one or more series of Additional Certificates, evidencing additional undivided proportionate interests in the Sublease, including the right to receive Base Rental thereunder on a parity with the Outstanding Certificates; *provided, however,* that the County may authorize a series of Additional Certificates under the Trust Agreement only (1) for the purpose of making repairs to or replacements of the Leased Premises following an event of damage, destruction, condemnation or theft or discovery of a title defect affecting all or a portion of the Leased Premises, or (2) for the purpose of providing funds to refund any Outstanding Certificates executed and delivered under the Trust Agreement provided that, upon delivery of such Additional Certificates, Base Rental in each Lease Year, evidenced by all Certificates to be Outstanding after the execution of such Additional Certificates, shall be less than or equal to Base Rental in such Lease Year, evidenced by all Certificates Outstanding immediately prior to the delivery of such Additional Certificates.

The Trustee shall execute and deliver the Additional Certificates of any series only upon the receipt by the Trustee of:

(a) A copy of a supplement or amendment to the Trust Agreement authorizing such series of Additional Certificates which shall, among other provisions, specify: (i) the authorized principal amount, designation and series of such Additional Certificates, (ii) the purpose for which such Additional Certificates are to be executed and delivered, as set forth in the preceding paragraph, (iii) the maturity date or dates of such Additional Certificates, (iv) the interest payment dates for and the interest rate or rates or the maximum rate of interest payable with respect to the Additional Certificates of such series, (v) the denominations of and the manner of dating and numbering such Additional Certificates, (vi) the prepayment provisions and prepayment dates and prices and any defeasance provisions for such Additional Certificates, (vii) the form of such Additional Certificates, (viii) the establishment of and provisions concerning additional accounts and subaccounts in the Certificate Fund held by the Trustee under the Trust Agreement to provide for the payment of principal, premium and interest with respect to such Additional Certificates, (ix) the establishment of and provisions concerning additional accounts and subaccounts in the Reserve Fund held by the Trustee under the Trust Agreement so that such Additional Certificates are secured by a reserve requirement calculated on the same basis as the Reserve Requirement, and (x) the establishment of and provisions concerning such other funds, accounts and subaccounts as the County shall deem necessary or desirable for such Additional Certificates, including, without limitation, construction and acquisition funds.

(b) A duly executed copy of an amendment to the Sublease, Site Lease and/or Assignment Agreement such that (i) if the purpose for which such Additional Certificates are to be executed and delivered is as set forth in clause (1) of the preceding paragraph, the Base Rental payable under the Sublease, as amended, is sufficient to pay all principal, accreted value and interest with respect to the Outstanding Certificates and Additional Certificates and that the Base Rental payable thereunder is not in excess of the fair rental value of the Leased Premises, including any repairs, replacements or new facilities, additions or improvements thereto to be financed with the proceeds of such Additional Certificates, or if the purpose for which such Additional Certificates are to be executed and delivered is as set forth in clause (2) of the preceding paragraph, the Base Rental payable under the Sublease, as amended, is sufficient to pay all principal, accreted value and interest with respect to the Outstanding Certificates and Additional Certificates and that the Base Rental due under the Sublease, as amended, in each Lease Year, evidenced by all Certificates to be Outstanding after the execution of such Additional Certificates, is less than or equal to the Base Rental due in each such Lease Year evidenced by all Certificates Outstanding immediately prior to the delivery of such Additional Certificates, and (ii) the insurance provisions of the Sublease shall provide adequate coverage for any repairs, replacements or new facilities, additions or improvements. If appropriate, such amendment or amendments shall contain any modifications necessary to include any such financed facilities, additions or improvements in the Leased Premises.

(c) Evidence satisfactory to the Trustee that any amendments to the Sublease, Site Lease or Assignment Agreement executed in connection with such Additional Certificates have been duly recorded in the official records of the County Recorder of the County.

(d) If the purpose for which such Additional Certificates are to be executed and delivered is as set forth in clause (1) of the preceding paragraph, either (i) a certificate of a County Representative, accompanied by a written appraisal from a qualified appraiser, who may but need not be an employee of the County, evidencing that the fair rental value of the Leased Premises, without taking into account such repairs, replacements or new facilities, additions or improvements, is at least equal to the Base Rental payable under the Sublease, as amended, and that such Base Rental is sufficient to pay all principal, accreted value and interest with respect to the Outstanding Certificates and Additional Certificates, (ii) a certificate of a County Representative, accompanied by a written appraisal from a qualified appraiser, who may but need not be an employee of the County, evidencing that the fair rental value of the Leased Premises, including any repairs, replacements or new facilities, additions or improvements which are completed and are available for use and occupancy by the County, is at least equal to the Base Rental payable under the Sublease, as amended, and that such Base Rental is sufficient to pay all principal, accreted value and interest with respect to the Outstanding Certificates and Additional Certificates, or (iii) a certificate of a County Representative, accompanied by a written appraisal from a qualified appraiser, who may but need not be an employee of the County, evidencing that the fair rental value of the Leased Premises, including such repairs, replacements or new facilities, additions or improvements, when completed, will be at least equal to the Base Rental payable under the Sublease, as amended, and that such Base Rental is sufficient to pay all principal, accreted value and interest with respect to the Outstanding Certificates and Additional Certificates, which certificate shall be accompanied by (1) an executed copy of a fixed price construction contract for such repairs, replacements or new facilities, additions or improvements, which contract includes a scheduled completion date and provides for liquidated damages sufficient to pay the portion of Base Rental attributable thereto for each day from the scheduled completion date to the date on which such repairs, replacements or new facilities, additions or improvements are accepted by the County, and (2) the deposit of a sufficient amount of capitalized interest to pay interest with respect to the Additional Certificates until such scheduled completion date or evidence satisfactory to the Trustee that such interest will be provided for.

If the purpose for which such Additional Certificates are to be executed and delivered is as set forth in clause (2) of the preceding paragraph, a certificate of a County Representative that the Base Rental due under the Sublease, as amended, in each Lease Year, evidenced by all Certificates to be Outstanding after the execution of such Additional Certificates, is less than or equal to the Base Rental due in each such Lease Year evidenced by all Certificates Outstanding immediately prior to the delivery of such Additional Certificates, and that the Base Rental due under the Sublease, as amended, is sufficient to pay all principal, accreted value and interest with respect to the Outstanding Certificates and Additional Certificates.

(e) An opinion of Independent Counsel substantially to the effect that (i) the supplement or amendment to the Trust Agreement and any amendments to the Sublease and Site Lease executed in connection therewith are authorized or permitted by the Constitution and laws of the State and the Trust Agreement and have been duly and validly authorized, executed and delivered by the County and constitute the legally valid and binding obligations of the County, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and subject to such other exceptions as are acceptable to the Trustee, and (ii) the execution and delivery of such Additional Certificates will not adversely affect the exclusion for federal income tax purposes of the interest portion of the Base Rental payments designated as and comprising interest and received by or allocated to the Owners of the Certificates and the owners of such Additional Certificates.

(f) Written evidence from the Rating Agencies that the execution and delivery of such Additional Certificates will not, by itself, result in a downgrading of the ratings assigned to the Certificates from the ratings in effect immediately prior to such execution and delivery of the Additional Certificates.

Covenants. *County to Perform Pursuant to the Sublease*. The County covenants and agrees with the Owners to perform all obligations and duties imposed on it under the Sublease.

Extension of Payment of Certificates. The County shall not directly or indirectly extend the dates upon which any Base Rental payments are required to be paid or prepaid, or the time of payment of interest with respect thereto. Nothing in the Trust Agreement shall be deemed to limit the right of the County to issue any securities for the purpose of providing funds for the prepayment of the Certificates and such issuance shall not be deemed to constitute an extension of the maturity of the Certificates.

Offices for Servicing Certificates. The County shall at all times maintain one or more offices or agencies in Los Angeles, California where Certificates may be presented for payment, and shall at all times maintain one or more agencies where Certificates may be presented for registration of transfer or exchange, and where notices, demands and other documents may be served upon the County in respect of the Certificates. The County appoints the Trustee as its agent in Los Angeles, California for purposes of the provisions of the Trust Agreement described in this subcaption.

Access to Books and Records. The Trustee shall at all times have access to those books and records of the County which may be reasonably required by the Trustee to fulfill its duties and obligations under the Trust Agreement.

General. The County shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the County under the provisions of the Trust Agreement.

The County warrants that upon the date of execution and delivery of any of the Certificates, all conditions, acts and things required by law and the Trust Agreement to exist, to have happened and to have been performed precedent to and in the execution and delivery of such Certificates do exist, have happened and have been performed and the execution and delivery of such Certificates shall comply in all respects with the applicable laws of the State.

Tax Matters. In order to maintain the exclusion from gross income for federal income tax purposes of the portion of each component of Base Rental designated as and comprising interest, the County covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code, in that the County agrees to comply with the covenant contained in, and the instructions given pursuant to, the Nonarbitrage Certificate. The Trustee agrees to comply with any instructions received from a County Representative which the County indicates must be followed in order to comply with the Nonarbitrage Certificate.

Notwithstanding any other provision of the Trust Agreement to the contrary, upon the County's failure to observe, or refusal to comply with, the foregoing covenant, no person other than the Trustee or the Owners of the Certificates shall be entitled to exercise any right or remedy provided to the Owners under the Trust Agreement on the basis of the County's failure to observe, or refusal to comply with, such covenant.

Performance. The County shall faithfully observe all covenants and other provisions contained in the Trust Agreement and in each Certificate executed and delivered under the Trust Agreement.

Prosecution and Defense of Suits. The County shall promptly take such action as may be necessary to cure any defect in title that would have a material adverse impact on the use and possession of the Leased Premises or any part thereof, which arises after the Original Closing Date, and shall prosecute and defend all such suits, actions and all other proceedings as may be appropriate for such purpose.

Further Assurances. The County will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Trust Agreement, and for the better assuring and confirming to the Trustee, on behalf of the Owners, the rights and benefits provided in the Trust Agreement.

Events of Default. *Events of Default Defined.* The following shall be "events of default" under the Trust Agreement and the terms "Events of Default" and "default" shall mean, whenever they are used in the Trust Agreement, any one or more of the following events:

(a) An event of default shall have occurred under paragraphs (a)(i) or (a)(ii) of the provisions of the Sublease described under the heading "SUBLEASE – Default by County."

(b) Failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Trust Agreement or the Sublease, other than such failure as may constitute an event of default under clause (a) of the provisions of the Trust Agreement described in this subcaption, for a period of 60 days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Trustee or to the County and the Trustee by the Owners of not less than a majority of the Total Certificate Obligation; *provided, however,* that if the failure stated in the notice cannot be corrected within such period, then such period will be extended so long as corrective action is instituted by the County within such period and diligently pursued until the default is corrected, but only if such extension would not materially adversely affect the interest of any Owner.

Notice of Events of Default. In the event the County is in default, the Trustee shall give notice of such default to the Owners of the Certificates. Such notice shall state that the County is in default and shall provide a brief description of such default. The Trustee in its discretion may withhold notice if it deems it in the best interests of the Certificate Owners. The notice provided for in the provisions of the

Trust Agreement described in this subcaption, if given, shall be given by first-class mail, postage prepaid, to the Owners within 30 days of the Trustee's knowledge of such occurrence of default.

Remedies on Default. Upon the occurrence and continuance of any Event of Default specified in paragraph (a) of the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Events of Default – Events of Default Defined," the Trustee shall proceed, or upon the occurrence and continuance of any other Event of Default under the Trust Agreement, the Trustee may proceed (and upon written request of the Owners of not less than a majority of the Total Certificate Obligation and upon being indemnified to its satisfaction by such Owners shall proceed), to exercise the remedies set forth in the provisions of the Sublease described under the heading "SUBLEASE – Default by County" or available to the Trustee under the Trust Agreement.

No Remedy Exclusive. No remedy in the Trust Agreement conferred upon or reserved to the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement and the Sublease, or now or hereafter existing at law or in equity except as expressly waived in the Trust Agreement or therein. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Owners to exercise any remedy reserved to it or them, it shall not be necessary to give any notice other than such notice as may be required in the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Events of Default" or by law.

Waiver; No Additional Waiver Implied by One Waiver. The Trustee may in its discretion, and subject to the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Events of Default – Remedies on Default," waive any Event of Default and its consequences and shall do so upon the written request of the Owners of a majority of the Total Certificate Obligation; *provided, however,* that no default in the payment of the Accreted Value or principal of, premium or interest with respect to any Certificate shall be waived unless prior to such waiver, all arrears of such payments have been made and all fees and expenses of the Trustee have been paid. In case of any such waiver the Trustee, the County and the Owners shall be restored to their former positions and rights under the Trust Agreement respectively, but such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Trust Agreement.

Action by Owners. In the event the Trustee fails to take any action to eliminate an Event of Default under the provisions of the Sublease described under the heading "SUBLEASE – Default by County" or under the Trust Agreement which has not been waived as permitted in the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Events of Default – Waiver; No Additional Waiver Implied by One Waiver," the Owners of a majority of the Total Certificate Obligation may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Sublease or the Trust Agreement, but only if such Owners shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

Notwithstanding any other provision in the Trust Agreement, the right of any Owner to receive such Owner's share of Base Rental in accordance with the terms of his Certificate or to institute suit for the enforcement of any such payment on or after such payment becomes due shall not be impaired or affected without the consent of such Owner.

Application of Proceeds in Event of Default. Except to the extent necessary to compensate the Trustee for its reasonable fees and expenses (including reasonable attorneys' fees and expenses), to the extent necessary to pay all Accreted Value and principal of and interest then due and unpaid with respect to all Outstanding Certificates and to make the deposits into the Base Rental Account of the Certificate Fund required to be made pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Rent – Rental Payments – Base Rental" all damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under the Trust Agreement or the provisions of the Sublease described under the heading "SUBLEASE – Default by County" shall be deposited by the Trustee into the Base Rental Account of the Certificate Fund and transferred first to the Interest Account and then to the Principal Account therein to pay the interest, principal and Accreted Value due with respect to the Certificates. If the amount deposited into the Interest Account of the Certificate Fund is not sufficient to pay all overdue interest payments, the amounts deposited shall be distributed pro rata to all Owners on the basis of the amount of interest due and unpaid to such Owners. If the amount deposited into the Principal Account of the Certificate Fund is not sufficient to pay all overdue payments of principal and Accreted Value, the amounts deposited shall be distributed pro rata to all Owners on the basis of the amount of principal and Accreted Value due and unpaid to such Owners.

To the extent not required to be deposited into the Base Rental Account of the Certificate Fund pursuant to the immediately preceding paragraph, all damages or other payments received by the Trustee from the enforcement of any rights and powers under the Trust Agreement or the provisions of the Sublease described under the heading "SUBLEASE – Default by County" shall be applied as follows in the order of priority indicated: (i) deposited into the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Requirement; (ii) to the payment of Additional Rental then due and payable; and (iii) any remaining amounts shall be deposited into and retained in the Base Rental Account of the Certificate Fund for application to the payments due with respect to the Certificates on the next succeeding payment dates therefor.

Limitation of Liability. *No Liability of County for Trustee Performance*. The County shall not have any obligation or liability to any other party or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement, including the distribution by the Trustee of Accreted Value or principal and interest to the Owners.

No Liability of Trustee for Base Rental Payments by County. Except as provided in the Trust Agreement, the Trustee shall have no obligation or liability to the Owners of the Certificates with respect to the payment of the Base Rental by the County when due, or with respect to the performance by the County of any other covenant made by it in the Trust Agreement or in the Sublease.

No Liability of County Except as Stated. Except for (i) the payment of Base Rental and Additional Rental when due in accordance with the terms of the Sublease, and (ii) the performance by the County of its obligations and duties as set forth in the Sublease and in the Trust Agreement, the County shall have no obligation or liability to the Trustee or the Owners.

Limited Liability of Trustee. The Trustee shall have no obligation or responsibility for providing information to the Owners concerning the investment quality of the Certificates, for the sufficiency or collection of any Base Rental or for the actions or representations of the County. The Trustee shall have no obligation or liability to any other party or to the Owners with respect to the failure or refusal of the County to perform any covenant or agreement made by it under the Trust Agreement or the Sublease, but shall be responsible solely for the performance of the duties expressly imposed upon it under the Trust Agreement and no implied duties or obligations shall be read into the Trust Agreement against the Trustee. The recitals of facts, covenants and agreements contained in the Trust Agreement and in the Certificates shall be taken as statements, covenants and agreements of the County and not of the Trustee and the Trustee assumes no responsibility for the correctness of the same and makes no representation as to the validity or sufficiency of the Trust Agreement, the Sublease, the Site Lease, the Assignment Agreement or the Certificates, or as to the value of or title to the Leased Premises or any portion thereof, and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations assigned to or imposed upon it in the Trust Agreement. The Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement, except for its own negligence or willful misconduct.

Limitation of Rights. Nothing in the Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the County, the Trustee and the Owners of the Certificates any legal or equitable right, remedy or claim under or in respect of the Trust Agreement or any covenant, condition or provision of the Trust Agreement; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the County, the Trustee and such Owners.

Miscellaneous. *Defeasance.* (a) If all Certificates shall be paid and discharged as provided in the provisions of the Trust Agreement described in this subcaption, then all obligations of the Trustee and the County under the Trust Agreement with respect to all Certificates shall cease and terminate, except only (i) the obligation of the Trustee to pay or cause to be paid to the Owners all sums due with respect to the Certificates and to register, transfer and exchange Certificates pursuant to the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Certificates of Participation – Transfer and Exchange" and "– Certificates Mutilated, Lost, Destroyed or Stolen," (ii) the obligation of the County to pay the amounts owing to the Trustee under the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – The Trustee and Paying Agents – Compensation of Trustee," and (iii) the obligation of the County to comply with the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Funds and Accounts – Establishment and Application of Earnings Fund" and the provisions of the Trust Agreement described under the heading "TRUST AGREEMENT – Covenants – Tax Matters." Any funds held by the Trustee at the time of such termination which are not required for payment to Owners, or for payment to be made to the Trustee by the County, shall be paid to the County.

Any Certificate or portion thereof in an Authorized Denomination shall be deemed no longer Outstanding under the Trust Agreement if paid or discharged in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the Accreted Value or principal of and interest with respect to such Certificate, as and when the same become due and payable;

(ii) by depositing with the Trustee, in trust, cash which, together with the amounts then on deposit in the Certificate Fund and the Reserve Fund and dedicated to this purpose, is fully sufficient to pay when due all Accreted Value or principal of, premium, if any, and interest payable with respect to such Certificate to the maturity or earlier prepayment date thereof; or

(iii) by depositing with the Trustee, in trust, cash and/or Government Obligations in such amount as in the written opinion of a certified public accountant will, together with the interest to accrue thereon without the need for reinvestment, be fully sufficient to pay when due all Accreted Value or principal of, premium, if any, and interest payable with respect to such Certificate to the maturity or earlier prepayment date thereof, notwithstanding that such Certificate shall not have been surrendered for payment.

(b) Notwithstanding the foregoing, no deposit under paragraphs (ii) and (iii) of subsection (a) above shall be deemed a payment of such Certificate until the earlier to occur of:

(i) if such Certificate is by its terms subject to prepayment within the next 45 days, proper notice of prepayment of such Certificate shall have been previously given in accordance with the Trust Agreement to the Owner thereof or, in the event such Certificate is not by its terms subject to prepayment within the next 45 days, the County shall have given the Trustee irrevocable written instructions to mail by first-class mail, postage prepaid, notice to the Owner of such Certificate as soon as practicable stating that the deposit required by clauses (ii) or (iii) of subsection (a) above, as applicable, has been made with the Trustee and that such Certificate is deemed to have been paid and further stating such maturity or prepayment date or dates upon which money will be available for the payment of the principal or Accreted Value and accrued interest with respect thereto; or

(ii) the maturity of such Certificate.

(c) Any funds held by the Trustee at the time of the first to occur of the events described above with respect to all Certificates, which are not required for payment to Owners, or for payment to be made to the Trustee by the County, shall be paid over to the County.

Governing Law. The Trust Agreement shall be construed and governed in accordance with the laws of the State.

Partial Invalidity. If any one or more of the terms, provisions, promises, covenants or conditions of the Trust Agreement shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, then each and all of the remaining terms, provisions, promises, covenants and conditions of the Trust Agreement shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

Binding Effect; Successors. The Trust Agreement shall be binding upon and shall inure to the benefit of the parties to the Trust Agreement and the Owners and their respective successors and assigns. Whenever in the Trust Agreement any party is named or referred to, such reference shall be deemed to include such party's successors or assigns, and all covenants and agreements contained in the Trust Agreement by or on behalf of any party to the Trust Agreement shall bind and inure to the benefit of such party's successors and assigns whether so expressed or not.

Destruction of Canceled Certificates. Whenever in the Trust Agreement provision is made for the surrender to or cancellation by the Trustee and the delivery to the County of any Certificates, the Trustee may, upon the request of the County Representative, in lieu of delivery, destroy such Certificates and deliver a certificate evidencing such destruction to the County.

Excess Payments. Notwithstanding anything to the contrary contained in the Trust Agreement, if for any reason, including but not limited to damage, destruction, condemnation or disposition of the Leased Premises, the County or the Trustee receive payments, proceeds or awards with respect to the Leased Premises in excess of the amount necessary to make all of the payments required in the Trust Agreement, or to provide in accordance with the Trust Agreement for all of such payments, such excess shall represent the County's equity interest in the Leased Premises and shall be paid to or at the written order of a County Representative.

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 2012 Refunding Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2012 Refunding Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2012 Refunding Certificates, 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 Official Statement. 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.

1. The Depository Trust Company, New York, NY, will act as securities depository for the 2012 Refunding Certificates (the "2012 Refunding Certificates"). The 2012 Refunding Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2012 Refunding Certificates, each in the aggregate principal amount of such maturity of such issue, and will be deposited with DTC.

2. DTC 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. The information on this website is not incorporated herein by reference.

3. Purchases of 2012 Refunding Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2012 Refunding Certificates on DTC's records. The ownership interest of each actual purchaser of each Security ("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 2012 Refunding Certificates 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 2012 Refunding Certificates, except in the event that use of the book-entry system for the 2012 Refunding Certificates is discontinued.

4. To facilitate subsequent transfers, all 2012 Refunding Certificates 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 2012 Refunding Certificates 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 2012 Refunding Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2012 Refunding Certificates 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.

5. 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 2012 Refunding Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2012 Refunding Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of 2012 Refunding Certificates may wish to ascertain that the nominee holding the 2012 Refunding Certificates 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.

6. Prepayment notices shall be sent to DTC. If less than all of the 2012 Refunding Certificates 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.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2012 Refunding Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2012 Refunding Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Prepayment proceeds, distributions, and other payments on the 2012 Refunding Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, 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 County or its agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, 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.

9. If applicable, a Beneficial Owner shall give notice to elect to have its 2012 Refunding Certificates purchased or tendered, through its Participant, to the County's designated agent, and shall effect delivery of such 2012 Refunding Certificates by causing the Direct Participant to transfer the Participant's interest in the 2012 Refunding Certificates, on DTC's records, to the County's designated agent. The requirement for physical delivery of 2012 Refunding Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2012 Refunding Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2012 Refunding Certificates to the DTC account of the County's designated agent.

10. DTC may discontinue providing its services as depository with respect to the 2012 Refunding Certificates at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC and the requirements of the Trust Agreement with respect to certificated 2012 Refunding Certificates will apply.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County 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 2012 REFUNDING CERTIFICATES FOR PREPAYMENT.

COUNTY OF LOS ANGELES
CALIFORNIA

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

COUNTY OF LOS ANGELES

CALIFORNIA

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the County of Los Angeles (the "County") as of March 1, 2012 in connection with the execution and delivery of the County of Los Angeles 2012 Refunding Certificates of Participation (Disney Concert Hall Parking Garage) (the "2012 Refunding Certificates"). The 2012 Refunding Certificates are being executed and delivered pursuant to the Trust Agreement, dated as of January 1, 1993 (the "Original Trust Agreement"), as amended and supplemented by the Supplemental Trust Agreement No. 1, dated as of December 1, 1998 (the "First Supplemental Trust Agreement") and the Supplemental Trust Agreement No. 2, dated as of March 1, 2012 (the "Second Supplemental Trust Agreement" and, together with the Original Trust Agreement and the First Supplemental Trust Agreement, the "Trust Agreement"), each by and between the County of Los Angeles, California (the "County") and U.S. Bank National Association, as successor trustee thereunder (the "Trustee").

The County hereby covenants and agrees as follows:

Section 1. Purpose of Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Owners and Beneficial Owners of the 2012 Refunding Certificates and in order to assist the Participating Underwriters in complying with the Rule (herein defined).

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section, the following capitalized terms have the following meanings:

"Annual Report" means any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" means any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2012 Refunding Certificates (including persons holding 2012 Refunding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2012 Refunding Certificates for federal income tax purposes.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means any person appointed in writing by the County to act as the County's agent in complying with the filing requirements of the Rule.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system.

"Listed Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

"Participating Underwriter" means any of the original purchasers of the 2012 Refunding Certificates required to comply with the Rule in connection with the offer and sale of the 2012 Refunding Certificates.

"Rule" means Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, including any official interpretations thereof issued either before or after the effective date of this Disclosure Certificate which are applicable hereto.

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than February 1 in each year, commencing with the report for the County's fiscal year ended June 30, 2012, provide to the MSRB copies of an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by 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 the same manner as for a Listed Event under subsection 5(b).

(b) Not later than 15 Business Days prior to the date specified in subsection (a) above for providing an Annual Report to the MSRB, the County shall provide such Annual Report to the Dissemination Agent (if one has been appointed). If the County is unable to provide to the MSRB an Annual Report by the date specified in subsection (a) above, the County shall send a notice of this event to the MSRB.

(c) The Dissemination Agent (if one has been appointed) shall, if the Annual Report has been furnished to the Dissemination Agent, file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the County for the fiscal year most recently ended, 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 filed pursuant to subsection 3(a) of this Disclosure Certificate, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, dated March 6, 2012, relating to the 2012 Refunding Certificates, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the financial statements, the following types of information will be provided in one or more reports:

(i) assessed valuations, tax levies and delinquencies for real property located in the County for the fiscal year of the County most recently ended;

(ii) summary financial information on revenues, expenditures and fund balances for the fiscal year of the County most recently ended;

(iii) summary financial information on the proposed and adopted budgets of the County for the current fiscal year and any changes in the adopted budget;

(iv) summary of aggregate annual debt obligations of the County as of the beginning of the current fiscal year;

(v) summary of annual outstanding principal obligations of the County as of the beginning of the current fiscal year; and

(vi) 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 included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to the MSRB through its EMMA System.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2012 Refunding Certificates:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties of the County;

(iv) unscheduled draws on any credit enhancements reflecting financial difficulties of the County;

(v) substitution of any credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the 2012 Refunding Certificates, or other material events affecting the tax status of the 2012 Refunding Certificates;

(vii) modifications to the rights of Owners of the 2012 Refunding Certificates, if material;

(viii) bond calls other than scheduled sinking fund redemptions, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property, if any, securing repayment of the 2012 Refunding Certificates, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the County; provided that for the purposes of the event identified in this clause (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing 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 County;

(xiii) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, 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, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Certain of the foregoing events may not be applicable to the 2012 Refunding Certificates.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall file a notice of such occurrence not later than ten (10) business days after such occurrence with the MSRB through its EMMA System.

Section 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the 2012 Refunding Certificates. If such termination occurs prior to the final maturity of the 2012 Refunding Certificates, the County shall give notice of such termination in the same manner as for a Listed Event under subsection 5(b).

Section 7. 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 may resign by providing sixty days written notice to the County. 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 is the County.

Section 8. 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 subsection 3(a), Section 4, or subsection 5(a), 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 2012 Refunding Certificates, or the type of business conducted;

(b) The undertakings, 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 execution and delivery of the 2012 Refunding Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the 2012 Refunding Certificates in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners of the 2012 Refunding Certificates, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the 2012 Refunding Certificates.

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 the same manner as for a Listed Event under subsection 5(b), and (ii) the Annual Report for the year in which the change is made shall 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 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in Appendix A to the County's official statements relating to debt issuances, 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 of occurrence of a Listed Event, 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 of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the 2012 Refunding Certificates may take such actions as may be necessary and appropriate, including seeking mandamus 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 the Superior Court of the State of California in and for the County of Los Angeles or in a U.S. District Court in or nearest to Los Angeles County. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement with respect to the 2012 Refunding Certificates, and 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, and no person or entity shall be entitled to recover monetary damages under this Disclosure Certificate.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2012 Refunding Certificates.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Owners and Beneficial Owners from time to time of the 2012 Refunding Certificates, and shall create no rights in any other person or entity.

Section 13. Governing Law. This Disclosure Certificate shall be governed by the laws of the State of California and the federal securities laws.

Section 14. Transmission of Notices, Documents and Information. All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 15. Effective Date. This Disclosure Certificate shall be effective upon the issuance of the 2012 Refunding Certificates.

IN WITNESS WHEREOF, the County of Los Angeles has executed this Continuing Disclosure Certificate as of the date first set forth above.

COUNTY OF LOS ANGELES

By:____
Mark J. Saladino,
Treasurer and Tax Collector

APPENDIX F

FORM OF OPINION OF SPECIAL COUNSEL

COUNTY OF LOS ANGELES
CALIFORNIA

Upon execution and delivery of the 2012 Refunding Certificates, Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, proposes to render its final opinion in substantially the following form:

[Date of Delivery]

County of Los Angeles
Los Angeles, California

County of Los Angeles
2012 Refunding Certificates of Participation
(Disney Concert Hall Parking Garage)
(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel to the County of Los Angeles (the "County") in connection with execution and delivery of County of Los Angeles 2012 Refunding Certificates of Participation (Disney Concert Hall Parking Garage) evidencing principal in the aggregate amount of $50,675,000 (the "2012 Refunding Certificates"), executed and delivered pursuant to the Trust Agreement, dated as of January 1, 1993, by and between the County and U.S. Bank National Association, as successor trustee (the "Trustee"), as amended and supplemented by the Supplemental Trust Agreement No. 1, dated as of December 1, 1998, by and between the Trustee and the County, as further amended and supplemented by the Supplemental Trust Agreement No. 2, dated as of March 1, 2012, by and between the Trustee and the County (collectively, the "Trust Agreement"). In such connection, we have reviewed the Trust Agreement, the Garage Site Lease, dated as of December 23, 1992 (the "Site Lease"), by and between the County and the Parking Authority of the County of Los Angeles (the "Authority"), the Garage Sublease, dated as of December 23, 1992, by and between the Authority and the County, as amended and supplemented by Amendment No. 1 to Garage Sublease, dated as of December 1, 1998, by and among the Authority, the County and Trustee, as further amended and supplemented by Amendment No. 2 to Garage Sublease, dated as of March 1, 2012, by and among the Authority, the County and the Trustee (collectively, the "Sublease"), the Garage Assignment Agreement, dated as of January 1, 1993, by and between the Authority and the Trustee, as confirmed by the Garage Assignment Agreement, dated as of December 1, 1998, by and between the Authority and the Trustee, and as further confirmed by the Garage Assignment Agreement, dated as of March 1, 2012, by and between the Authority and the Trustee (collectively, the "Assignment Agreement"), the Tax Certificate of the County, dated the date hereof (the "Tax Certificate"), opinions of counsel to the County, the Authority, the Performing Arts Center of Los Angeles County ("PACLAC"), the Los Angeles Master Chorale Association ("LAMC"), the Los Angeles Philharmonic Association ("LA Philharmonic), the Trustee and others, certificates of the County, the California Institute of the Arts ("CALARTs" and together with PACLAC, LAMC and LA Philharmonic, the "Project Users"), the other Project Users, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

We have relied on the opinions of Sidley Austin LLP, counsel to PACLAC, Law Office of Marshall A. Rutter, a Professional Corporation, counsel to LAMC, and DLA Piper, counsel to LA Philharmonic, regarding, among other matters, the current qualification of the Project Users as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). We note that such opinions are subject to a number of qualifications and limitations. We have also relied upon representations of the Project Users regarding the use of the facilities refinanced with the proceeds of the 2012 Refunding Certificates in activities that are not considered unrelated trade or business activities of the Project Users within the meaning of Section 513 of the Code. We note that the opinions of counsels to PACLAC, LAMC and LA Philharmonic do not address Section 513 of the Code. Failure of the Project Users to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of their status as organizations described in Section 501(c)(3) of the Code, or use of the facilities refinanced with the 2012 Refunding Certificates in activities that are considered unrelated trade or business activities of the Project Users within the meaning of Section 513 of the Code, may result in interest evidenced by the 2012 Refunding Certificates being included in gross income for federal income tax purposes, possibly from the date of execution and delivery of the 2012 Refunding Certificates. In the case of CALARTS, we have also relied on information provided by CALARTS, as well as information made publicly available by the Internal Revenue Service (in addition to the aforementioned certificate).

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the 2012 Refunding Certificates has concluded with their execution and delivery, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the first paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Site Lease, the Sublease, the Assignment Agreement, the Trust Agreement and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest evidenced by the 2012 Refunding Certificates to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2012 Refunding Certificates, the Site Lease, the Sublease, the Assignment Agreement, the Trust Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in the Site Lease, the Sublease, the Assignment Agreement or the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2012 Refunding Certificates and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Site Lease, the Sublease and the Trust Agreement have been duly executed and delivered by, and constitute valid and binding obligations of, the County.

2. Assuming due authorization, execution and delivery of the Trust Agreement and the 2012 Refunding Certificates by the Trustee, the 2012 Refunding Certificates are entitled to the benefits of the Trust Agreement.

3. The interest evidenced by the 2012 Refunding Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The interest evidenced by the 2012 Refunding Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest evidenced by, the 2012 Refunding Certificates.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

COUNTY OF LOS ANGELES

CALIFORNIA

COUNTY OF LOS ANGELES • 2012 REFUNDING CERTIFICATES OF PARTICIPATION (DISNEY CONCERT HALL PARKING GARAGE)

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