NEW ISSUE – BOOK ENTRY ONLY

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

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

$1,300,000,000
COUNTY OF LOS ANGELES
2009-10 Tax and Revenue Anticipation Notes, Series A
2.50% Priced to Yield 0.80%
CUSIP No. 544657 HB8

Dated: July 1, 2009 **Due: June 30, 2010**

The County of Los Angeles 2009-10 Tax and Revenue Anticipation Notes, Series A (the "Notes") will be issued as fixed rate notes in fully registered form. The Notes, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry only form, in denominations of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interests in the Notes purchased. The Notes will bear interest at a fixed rate per annum from their dated date and will be priced as set forth above. Principal of and interest on the Notes are payable on the maturity date thereof directly to DTC by the Paying Agent. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Notes. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM."

The Notes are being issued to provide moneys to help meet Fiscal Year 2009-10 County General Fund Expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County of Los Angeles (the "County"). The Notes are being issued pursuant to a resolution adopted by the Board of Supervisors of the County on May 12, 2009 (the "Resolution") and a Financing Certificate entitled, "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2009-10 Tax and Revenue Anticipation Notes" (the "Financing Certificate") to be delivered on the date of issuance of the Notes pursuant to the Resolution. In accordance with California law, the Notes are general obligations of the County, payable only from unrestricted taxes, income, revenue, cash receipts and other moneys of the County attributable to the Fiscal Year 2009-10 and lawfully available for the payment of the Notes. The Notes and the interest thereon are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys. The County is not authorized, however, to levy or collect any tax for the repayment of the Notes. See "THE NOTES – Security for the Notes" herein.

The Notes are not subject to redemption prior to maturity.

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

The Notes will be offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Nixon Peabody LLP, Bond Counsel, and the approval of certain legal matters for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. Certain legal matters will be passed upon for the County by County Counsel. It is expected that the Notes will be available for delivery through the facilities of DTC on or about July 1, 2009.

Merrill Lynch & Co.

Goldman, Sachs & Co. **RBC Capital Markets**
De La Rosa & Co. **Piper Jaffray & Co.** **Westhoff, Cone & Holmstedt**

The date of this Official Statement is June 10, 2009.

COUNTY OF LOS ANGELES

2009-10 TAX AND REVENUE
ANTICIPATION NOTES, SERIES A

Board of Supervisors

Don Knabe
Fourth District, Chairman

Gloria Molina
First District

Mark Ridley-Thomas
Second District

Zev Yaroslavsky
Third District

Michael D. Antonovich
Fifth District

Sachi A. Hamai
Executive Officer-Clerk
Board of Supervisors

County Officials

William T Fujioka
Chief Executive Officer

Robert E. Kalunian
Acting County Counsel

Wendy L. Watanabe
Auditor-Controller

Mark J. Saladino
Treasurer and Tax Collector

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

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

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

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

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

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

TABLE OF CONTENTS

Page

INTRODUCTION **1**

General 1
The County 1

COUNTY OF LOS ANGELES CASH MANAGEMENT PROGRAM **2**

THE NOTES **2**

Authority for Issuance 2
Purpose of Issue 3
Security for the Notes 3
Available Sources of Payment 4
State of California Finances 5
Interfund Borrowing, Intrafund Borrowing and Cash Flow 10

GENERAL FUND CASH FLOW **11**

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE **16**

Resolution to Constitute Contract 16
Covenants of the County 16
Paying Agent and Note Registrar 17
Negotiability, Transfer and Exchange of the Notes 17
Permitted Investments 17
Supplemental Resolutions and Supplemental Financing Certificates 18
Events of Default 19
Payment of Unclaimed Moneys to County 20

TAX EXEMPTION **20**

APPROVAL OF LEGAL PROCEEDINGS **22**

LEGALITY FOR INVESTMENT IN CALIFORNIA **22**

RATINGS **23**

LITIGATION **23**

UNDERWRITING **23**

ADDITIONAL INFORMATION **23**

CONTINUING DISCLOSURE **24**

APPENDIX A - COUNTY OF LOS ANGELES INFORMATION STATEMENT A-1
APPENDIX B - COUNTY OF LOS ANGELES FINANCIAL STATEMENTS B-1
APPENDIX C - PROPOSED FORM OF BOND COUNSEL OPINION C-1
APPENDIX D - BOOK-ENTRY ONLY SYSTEM D-1

COUNTY OF LOS ANGELES

CALIFORNIA

OFFICIAL STATEMENT

$1,300,000,000

COUNTY OF LOS ANGELES
2009-10 TAX AND REVENUE ANTICIPATION NOTES, SERIES A

INTRODUCTION

General

The purpose of this Official Statement, which includes the front cover and the attached appendices, is to provide certain information concerning the sale and delivery of $1,300,000,000 in aggregate principal amount of 2009-10 Tax and Revenue Anticipation Notes, Series A (the "Notes") of the County of Los Angeles, California (the "County"). The Notes will be issued as fixed rate notes bearing interest as set forth on the cover page of this Official Statement. Issuance of the Notes will provide moneys to help meet Fiscal Year 2009-10 County General Fund expenditures attributable to the General Fund of the County (the "General Fund"), including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County.

The Notes are authorized by and are being issued in accordance with Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the Government Code of the State of California (the "Act"), and a resolution adopted by the Board of Supervisors of the County (the "Board of Supervisors") on May 12, 2009 and entitled "Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of 2009-10 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed $1,300,000,000" (the "Resolution"). The Notes will be issued subject to the terms and conditions of a Financing Certificate of the Treasurer and Tax Collector of the County (the "Treasurer") entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2009-10 Tax and Revenue Anticipation Notes" (the "Financing Certificate") to be delivered on the date of issuance of the Notes pursuant to the Resolution. Pursuant to California law, the Notes and the interest thereon will be general obligations of the County payable from the unrestricted taxes, income, revenue, cash receipts and other moneys of the County attributable to the Fiscal Year 2009-10 and lawfully available therefor ("Pledged Moneys") as specified in the Resolution and the Financing Certificate. See "THE NOTES – Security for the Notes." The County is not authorized, however, to levy or collect any tax for the repayment of the Notes.

The County

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

COUNTY OF LOS ANGELES CASH MANAGEMENT PROGRAM

The County implemented a cash management program in 1977 to finance General Fund cash flow shortages occurring periodically during its fiscal year (July 1 through June 30). In each year since the program's inception, the County has sold either tax anticipation notes or tax and revenue anticipation notes (including commercial paper notes) in annual aggregate amounts up to $1,850,000,000. The Resolution authorizes the County to issue and sell up to $1,300,000,000 aggregate principal amount of 2009-10 Tax and Revenue Anticipation Notes in one or more series (the "2009-10 Notes).

In addition to the 2009-10 Notes and other obligations which may be issued pursuant to the Act, certain funds held in trust by the County until apportioned to the appropriate agency are available to the County for intrafund borrowings. In addition, while it does not expect to do so, the County may, under certain circumstances, undertake interfund borrowing to fund shortages in the General Fund. See "THE NOTES – Interfund Borrowing, Intrafund Borrowing and Cash Flow." The County reserves the right to undertake such a borrowing under the Resolution. See "THE NOTES – Security for the Notes," "– Interfund Borrowing, Intrafund Borrowing and Cash Flow" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Cash Management Program."

THE NOTES

The Notes will be issued in the aggregate principal amount of $1,300,000,000. The Notes will be issued in book-entry only form and, when delivered, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers of the Notes will not receive certificates representing their ownership interest in the Notes purchased. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM." Beneficial ownership interests in the Notes may be transferred only in accordance with the rules and procedures of DTC.

The Notes will be dated July 1, 2009, will mature on June 30, 2010 and will be issued in fully registered form. The Notes are not subject to redemption prior to maturity.

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

Authority for Issuance

The Notes are being issued under the authority of the Act and pursuant to the Resolution and are subject to the terms and conditions of the Financing Certificate. The Notes constitute all of the 2009-10 Notes authorized for issuance pursuant to the Resolution and the Financing Certificate.

Purpose of Issue

Issuance of the Notes will provide moneys to help meet Fiscal Year 2009-10 County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County. The proceeds of the Notes will be invested in the Pooled Surplus Investments Fund (the "Treasury Pool") until expended. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Financial Summary – *Los Angeles County Pooled Surplus Investments*".

Security for the Notes

The Notes will be issued under and pursuant to the Resolution and the Financing Certificate and will be ratably secured by a pledge of the first $403,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2009-10 to be received by the County on and after December 20, 2009; the first $351,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2009-10 to be received by the County on and after January 1, 2010; the first $130,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County on and after February 1, 2010; the first $104,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2009-10 to be received by the County on and after March 1, 2010; and the first $312,000,000 (plus an amount equal to the interest on the Notes that has accrued and will accrue to maturity) of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2009-10 to be received by the County on and after April 20, 2010.

Pursuant to Section 53856 of the Act, the Notes and the interest thereon will be a lien and charge against and will be payable from such Pledged Moneys, the set-aside amounts for which may be increased by the Treasurer in connection with the issuance of Subordinated Notes (herein defined). See "THE NOTES - Subordinated Notes." In addition to Pledged Moneys, pursuant to Section 53857 of the Act, the Notes will be general obligations of the County, and to the extent not payable from Pledged Moneys, shall be paid with interest thereon only from any other moneys of the County lawfully available therefor. The County is not authorized to levy or collect any tax for the repayment of the Notes.

In accordance with the terms of the Resolution, the County Auditor-Controller (the "Auditor-Controller") will deposit the Pledged Moneys with the Treasurer in the 2009-10 TRANs Repayment Fund (the "Repayment Fund"). There will be established a separate Repayment Fund subaccount for the Notes. In connection with the Notes, there will be established the 2009-10 TRANs, Series A Repayment Fund Subaccount (the "Series A Repayment Fund Subaccount"). Pledged Moneys for the payment of the Notes will be deposited into the Series A Repayment Fund Subaccount in the amount and at the times described above. The Treasurer will hold such Pledged Moneys until the Notes are paid. The Resolution provides that such amounts may not be used for any other purpose and may be invested in Permitted Investments (herein defined). Interest on amounts in the Series A Repayment Fund Subaccount will be credited to the General Fund. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE – Permitted Investments."

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

Available Sources of Payment

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

The County estimates that the total moneys to be available for payment of the principal of and interest on the 2009-10 Notes, including the pledged amounts, will be in excess of $6.5 billion as indicated in the table below. Except for pledged amounts, these moneys will be expended during the course of the fiscal year, and no assurance can be given that any moneys, other than the pledged amounts, will be available to pay the 2009-10 Notes and the interest thereon.

COUNTY OF LOS ANGELES
ESTIMATED GENERAL FUND UNRESTRICTED REVENUES
FISCAL YEAR 2009-10 [(1)]

Source	Amount
Property Taxes	$3,691,383,200
Other Taxes	136,556,000
Subvention and Grants	
In-Lieu Taxes	407,882,000
Homeowner's Exemptions	21,674,000
Fines, Forfeitures and Penalties	239,049,000
Licenses, Permits and Franchises	56,386,000
Charges for Services	1,551,422,000
Investment and Rental Income	168,781,600
Miscellaneous Revenue and Tobacco Settlement	262,063,900
Total	$6,535,197,700
Less amount pledged for payment of the Notes[(2)]	(1,332,409,722)
Net total in excess of pledged moneys	$5,202,787,978

(1) Reflects revenues set forth in the projected cash flow for Fiscal Year 2009-10. Information subject to change to reflect the impact of any revisions to the 2009-10 State Budget and other matters. See "THE NOTES – State of California Finances" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT".

(2) Based on $1,300,000,000 aggregate principal amount of Notes, plus an amount equal to interest thereon.

State of California Finances

General. The Fiscal Year 2009-10 State Budget (herein defined) is expected to be subject to significant revision prior to its ultimate form. There can be no assurances that the final 2009-10 State Budget will not place additional burdens on local governments, including the County, or will not significantly reduce revenues to such local governments. Revisions to the 2009-10 State Budget are subject to approval by the State Legislature, and the County cannot reliably predict the ultimate impact of the final 2009-10 State Budget on the County's financial situation. In the event the final 2009-10 State Budget includes decreases in County revenues or increases in required County expenditures from the levels assumed by the County, the County will be required to generate additional revenues or curtail programs and/or services to ensure a balanced budget. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

State Budget for Fiscal Year 2009-10. On February 20, 2009, the Governor signed the 2009 Budget Act (the "2009-10 State Budget"). The 2009-10 State Budget estimates Fiscal Year 2008-09 revenues and transfers of $89.37 billion, total expenditures of $94.09 billion and a year-end deficit of $2.34 billion, which includes a $2.37 billion prior-year State General Fund balance, a $3.42 billion withdrawal from the reserve for economic uncertainties and an allocation of $1.08 billion to the reserve for the liquidation of encumbrances. The 2009-10 State Budget projects Fiscal Year 2009-10 revenues and transfers of $97.73 billion, total expenditures of $92.21 billion and a year-end surplus of $3.18 billion (net of the $2.34 billion deficit from Fiscal Year 2008-09), of which $1.08 billion will be reserved for the liquidation of encumbrances and $2.10 billion will be deposited in a reserve for economic uncertainties.

Features of the 2009-10 State Budget affecting counties in general include the following:

1. The 2009-10 State Budget increases the vehicle license fee from 0.65% to 1.15%. Revenues generated from 0.15% of such increase will be dedicated to local government public safety grant programs to reduce General Fund spending. Pursuant to the 2009-10 State Budget, the increased tax rate is scheduled to terminate on July 11, 2011, but it will terminate on July 1, 2013 if Proposition 1A is adopted at the Special Election.

2. The 2009-10 State Budget continues the projected allocation of $66.2 million contained in the 2008-09 State Budget Act for the Youthful Offender Block Grant program, pursuant to which counties receive State funds to provide local supervision and services for juvenile offenders. The 2009-10 State Budget increases funding for the Youthful Offender Block Grant program to $92 million in Fiscal Year 2009-10.

3. The 2009-10 State Budget eliminates the 2009-10 County Medi-Cal Cost of Doing Business Adjustment for county eligibility operations, which will reduce appropriations to the counties in the amount of $49.4 million. The 2009-10 State Budget also includes the elimination of certain optional Medi-Cal benefits in the amount of $183.6 million.

4. The 2009-10 State Budget includes the suspension of the statutory June 2010 Supplemental Security Income – State Supplementary Payment ("SSI/SSP") in the amount of $27 million, withholds the federal January 2009 SSI COLA of $79.8 million in the General Fund in the current year and withholds $487.3 million in General Fund in Fiscal Year 2009-10. An additional budgeted reduction of $267.8 million to SSI/SSP.

5. The 2009-10 State Budget suspends the 2.94% COLA scheduled for July 2009 in connection with the California Work Opportunity and Responsibility to Kids Act ("CalWORKS") and eliminates the CalWORKs pay-for-performance program, which provides counties with funding incentives to increase employment rates. The 2009-10 State Budget also eliminates an appropriation to the CalWORKs program in the amount of $146.9 million.

6. The 2009-10 Budget Act defers until October 2009 payments to counties originally scheduled for July 2009 and August 2009 for certain social services. Such deferment is expected to total approximately $714 million for social services and $92 million for mental health cash advances.

According to the Legislative Analyst's Office (the "LAO"), the 2009-10 Budget Act relied upon the passage of certain measures appearing on the ballot at a special election held on May 19, 2009 (the "Special Election"), which accounted for an aggregate $5.8 billion in additional revenues to the State. See "THE NOTES – State of California Finances – May Revision to the 2009-10 State Budget" below.

LAO Analysis of the 2009-10 Budget Act. On March 13, 2009, the LAO issued a report entitled "The Fiscal Outlook Under the February Budget Package" (the "LAO Fiscal Outlook"), which provides analysis by the LAO of the 2009-10 Budget Act. The LAO Fiscal Outlook is available on the LAO website at www.lao.ca.gov. Information on the website is not incorporated herein by reference.

According to the LAO Fiscal Outlook, the State's economic and revenue outlook has deteriorated since the adoption of the 2009-10 State Budget. The LAO states that the State Legislature and the Governor should consider additional savings proposals, pursue broad-based programmatic changes and maximize the use of any federal funds received to help balance the State budget in the current and future fiscal years. Also, the LAO notes that the 2009-10 State Budget relies upon the passage of certain ballot measures at the Special Election and the failure of such measures would require the development of additional budgetary solutions. According to the LAO, given the short-term nature of some of the budgetary strategies set forth in the 2009-10 State Budget, the State's deficit will reappear in future years and grow from $12.6 billion in Fiscal Year 2010-11 to $26 billion in Fiscal Year 2013-14 absent corrective actions. Further, the LAO cautions that the State could experience recurring cash flow pressures in the coming months and years, which could be aggravated if credit markets remain strained and the State's access to borrowing for cash flow purposes were restricted.

May Revision to the 2009-10 State Budget. On May 14, 2009, the Governor released the May Revision to the 2009-10 State Budget (together with the contingency proposals referenced therein, the "May Revision"). The May Revision projects a budget gap of $21.3 billion through the remainder of Fiscal Year 2008-09 and Fiscal Year 2009-10 due to continued shortfalls in revenue collections and increased costs and the failure of five budget-related propositions included in the Special Election, which the May Revision proposes to address through program reductions and additional borrowings. The May Revision estimates Fiscal Year 2008-09 revenues and transfers of $85.95 billion, total expenditures of $94.89 billion and a year-end deficit of $3.63 billion, which includes a $2.31 billion prior-year State General Fund balance, a $4.71 billion withdrawal from the reserve for economic uncertainties and an allocation of $1.08 billion to the reserve for the liquidation of encumbrances. The May Revision projects Fiscal Year 2009-10 revenues and transfers of $92.22 billion, total expenditures of $85.46 billion and a year-end surplus of $3.13 billion (net of the $2.63 billion deficit from Fiscal Year 2008-09), of which $1.08 billion will be reserved for the liquidation of encumbrances and $2.05 billion will be deposited in a reserve for economic uncertainties. The May Revision indicates that the State's economic outlook includes negative growth for the current calendar year, followed by weak growth in calendar year 2010 and increased growth in calendar year 2011.

Features of the May Revision affecting counties in general include the following:

1. The May Revision proposes to reduce program expenditures by approximately $2.64 billion in Fiscal Year 2008-09 and $6.36 billion in Fiscal Year 2009-10, primarily through reductions in education funding and health and social services programs, including in-home support services, CalWORKS, immigrant assistance programs, child welfare services and SSI/SSP.

2. The May Revision proposes that the State borrow 8.0% of property tax revenues from counties, cities and special districts for Fiscal Year 2009-10, totaling approximately $2 billion, which amount will be repaid within three years, all in accordance with Proposition 1A (2004) approved by voters in 2004. The manner in which the borrowing will be allocated (*i.e.*, the amount to be borrowed from particular local agencies), and whether the property taxes paid to local agencies by the State in-lieu of vehicle license fees and in-lieu of sales tax, remains subject to determination. The May Revision proposes to create a joint powers entity to allow local agencies to borrow against the State repayment as a group.

3. The May Revision proposes $750 million in reductions to the federal Medi-Cal program, subject to receipt of a federal waiver.

4. The May Revision proposes to redirect $60 million in cigarette and tobacco products surtax revenues from county health programs.

5. The May Revision proposes to change sentencing options for low-level offenders such that an offense that can be charged as a misdemeanor or felony will be punishable only by a term in county jail. The May Revision estimates that the State will save approximately $100 million from such shift. The potential impact of this proposal on counties is currently unknown as the details of the proposal have not yet been disclosed.

LAO May Overview of the May Revision. On May 21, 2009, the LAO released an analysis of the May Revision entitled Overview of the 2009-10 May Revision (the "LAO May Overview"). The LAO May Overview states that the economic and revenue forecasts and assessments of the State's budgetary problems set forth in the May Revision are generally reasonable in light of the effects of the economic slowdown throughout the United States, but indicates that State General Fund expenditures across Fiscal Year 2008-09 and Fiscal Year 2009-10 could exceed revenues by approximately $3 billion more than the amount estimated in the May Revision.

The LAO May Overview states that the May Revision relies on a number of proposals that could return the budget to balance and result in a General Fund reserve at the end of Fiscal Year 2009-10 of $2.1 billion, but that the largest proposals carry the largest risks. The LAO also notes that many of the proposals contained in the May Revision are one-time in nature and recommends that the State Legislature reduce its reliance on one-time measures, which could contribute to long-term negative effects for taxpayers and programs. The LAO May Overview sets forth several budget recommendations for the State Legislature, including eliminating certain duplicative, inefficient, ineffective or over-budgeted education programs, borrowing additional transportation funds, increasing community college fees, reconsidering the dedication of certain VLF fees to local public safety programs, implementing additional user fees for government services, modifying the proposed property tax revenues borrowing to target specific agencies and reconsidering the use of revenue anticipation warrants for budget balancing and reserve building purposes, which, according to the LAO, sets a bad precedent and presents serious legal concerns.

The LAO May Overview states that the State Legislature will face a significant challenge to address the projected budget deficit in Fiscal Year 2008-09 and projected revenue shortfalls in Fiscal Year 2009-10 and must pay particular attention to closing the State's ongoing structural mismatch between revenues and spending for future years. The LAO May Overview reiterated that the State Legislature should avoid proposed solutions that do not prioritize program reductions, add additional borrowing or debt and lead to a diminution of the State Legislature's authority.

Governor's Update to the May Revision to the 2009-10 State Budget. On May 26, 2009 and on May 29, 2009, the Governor released updates to the May Revision (collectively, the "May Revision Update"). The May Revision Update projects a budget gap of $3.10 billion through the remainder of Fiscal Year 2008-09 due to shortfalls in revenue collections and increased costs and the failure of five of the six budget-related propositions included in the May 19, 2009 Special Election. The May Revision Update estimates Fiscal Year 2008-09 revenues and transfers of $85.95 billion, total expenditures of $91.35 billion and a year-end deficit of $3.10 billion, which includes a $2.31 billion prior-year State General Fund balance and an allocation of $1.08 billion to the reserve for the liquidation of encumbrances. The May Revision Update projects Fiscal Year 2009-10 revenues and transfers of $92.22 billion, total expenditures of $83.52 billion and a year-end surplus of $5.60 billion (net of the $3.10 billion deficit from Fiscal Year 2008-09), of which $1.08 billion will be reserved for the liquidation of encumbrances and $4.52 billion will be deposited in a special fund for economic uncertainties. The May Revision and the May Revision Update, collectively, include proposals to reduce General Fund spending in the amount of $3.12 billion during the remainder of Fiscal Year 2008-09 and $20.85 billion during Fiscal Year 2009-10 in order to eliminate the State's projected $21.3 billion deficit through such period. The proposals contained in the May Revision Update replace the Governor's May Revision proposal to issue revenue anticipation warrants in the amount of $5.6 billion to address a portion of the State's General Fund deficit.

Features of the May Revision Update affecting counties in general include the following:

1. The May Revision Update proposes to eliminate the CalWORKS, which is expected to reduce General Fund spending by approximately $1.3 billion. In the event the State eliminates CalWORKS, federal Temporary Assistance to Needy Families funding for the program will be eliminated.

2. The May Revision Update proposes to eliminate General Fund expenditures for county programs relating to the Healthy Families Programs, Maternal, Child, and Adolescent Health, Mental Health Managed Care Services and the Early and Periodic Screening, Diagnosis, and Treatment Services program. The proposals are expected to reduce General Fund expenditures by $424.2 million.

3. The May Revision Update proposes to reduce the local share of the gasoline tax from $1.05 billion to $300 million. Pursuant to this proposal, the State will apply the $750 million difference to pay current and prior year debt service on highway bonds.

Potential Impact of the May Revision Proposed Reductions on the County. On June 2, 2009, the County's Chief Executive Office released a memorandum (the "County Memorandum") setting forth the potential cumulative impact on the County of the proposed reductions included in the May Revision to the 2009-10 State Budget and the May Revision Update (collectively, the proposed reductions are referred to herein as the "May Revision Proposed Reductions"). The County Memorandum indicates that the May Revision Proposed Reductions, if adopted, may result in an estimated $1.235 billion in additional County budget reductions through the end of Fiscal Year 2009-10. The largest single component of the proposed budget reductions relates to the elimination of CalWORKS, which could result in increased costs to the County of approximately $1 billion in Fiscal Year 2009-10. However, the net effect of the May Revision Proposed Reductions on the County budget could be less than the estimate included in the County Memorandum. In particular, the County intends to reduce County program funding commensurate with reduced State program funding. Such cost reduction measures could potentially negate $818 million of the proposed budget reductions, which would result in a net County budget reduction of $417 million for Fiscal Year 2009-10. The estimated net County budget reduction of $417 million is due exclusively to the expected increase in the number of General Relief participants that would result from the elimination of CalWORKS. The County is the sole funding source for General Relief benefits and it is anticipated that many former CalWORKS participants would seek eligibility for the General Relief program administered by the County.

The May Revision Proposed Reductions assume the enactment of the Governor's budget proposals as described in the May Revision Update, which proposals remain subject to change by the Governor and the State Legislature. The County continues to review the 2009-10 State Budget, the May Revision Proposed Reductions and other State financial information and expects to develop its response as additional information becomes available. To the extent that the County's General Fund cash flows are affected by the State budget, the County intends to use both programmatic reductions and intrafund borrowing to cover any projected cash flow deficits. The County's ability to access its borrowable resources was affirmed in May 1999 by the California Court of Appeals and such borrowable resources are used on a regular basis to address cash flow deficits in the County General Fund. A more detailed discussion of the funds available to the County for intrafund borrowing is set forth on pages A-23 through A-29 of the Preliminary Official Statement.

Additional Information. The Governor may release additional details of the proposals through subsequent revisions or updates to the 2009-10 State Budget. Information about the State Budget is regularly available at various State-maintained websites. Text of the State 2009-10 State Budget may be found at the Department of Finance website, www.dof ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the LAO at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

Interfund Borrowing, Intrafund Borrowing and Cash Flow

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts have followed an uneven pattern primarily as a result of secured property tax installment payment dates in December and April and as a result of delays in payments from other governmental agencies, the two largest sources of County revenues. As a result, the General Fund cash balance prior to Fiscal Year 1977-78 had typically been negative for most of the year and had been covered by interfund borrowings pursuant to Section 6 of Article XVI of the California Constitution and intrafund borrowings. "Interfund borrowing" is borrowing from specific funds of other governmental entities whose funds are held in the County Treasury. "Intrafund borrowing" is borrowing for General Fund purposes against funds held in trust by the County. Because General Fund interfund borrowings caused disruptions in the County's management of the General Fund's pooled investments, beginning in 1977 the County has regulated its cash flow by issuing tax anticipation notes and tax and revenue anticipation notes for the General Fund and by using intrafund borrowing. All notes issued in connection with the County's cash management program, with the exception of $500,000,000 in aggregate principal amount of tax and revenue anticipation notes issued in Fiscal Year 2008-09 which are due June 30, 2009, have been repaid on their respective maturity dates. Sufficient revenues have been reserved in a repayment fund held by the County, separate from the General Fund, to repay the 2008-09 Tax and Revenue Anticipation Notes at maturity.

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

GENERAL FUND CASH FLOW

The Auditor-Controller has prepared the following five-year summary of month-end cash balances in the General Fund. Also shown on the following pages is a detailed analysis of the Fiscal Year 2008-09 General Fund cash flow (which includes actual figures for the first ten months of such fiscal year and projections for the remainder of such fiscal year) and of the projected cash flow for Fiscal Year 2009-10. The cash flow projections are based on the 2009-10 Proposed Budget adopted by the Board of Supervisors on April 21, 2009 (the "2009-10 Proposed Budget"). Such cash flow projections could change based on the final form of the County's 2009-10 Budget, when adopted.

GENERAL FUND
MONTH-END CASH BALANCES (In Thousands) [1]
FISCAL YEARS 2004-05 THROUGH 2008-09

	2004-05	2005-06	2006-07	2007-08[2]	2008-09[2]
July	$1,495,033	$1,261,166	$1,494,833	$1,310,827	$ 993,620
August	1,033,691	1,032,306	1,238,335	1,039,992	499,949
September	720,170	763,434	885,254	693,820	378,335
October	436,387	340,692	476,851	366,482	(128,888)[3]
November	184,646	(94,322)[3]	307,807	143,446	(372,232)[3]
December	831,138	174,098	845,828	591,902	29,299
January	1,083,012	559,038	1,244,232	1,150,831	557,595
February	861,378	471,091	1,026,082	1,130,552	374,935
March	284,599	380,571	733,242	745,555	177,162
April	412,913	498,427	822,218	1,158,020	663,772
May	1,056,905	871,221	1,671,999	1,589,763	1,243,173
June	1,241,153	1,617,756	1,882,518	1,492,772	875,908[4]

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

[2] Reflects $400 million pre-payment of pension benefits from the County General Fund to the Los Angeles County Employees Retirement Association in July 2007 and July 2008.

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

[4] Estimated.

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2008-09
(in thousands)
ACTUALS THROUGH MAY

	July 2008	August 2008	September 2008	October 2008	November 2008	December 2008
Beginning Balance	$1,492,772.4	$993,620.4	$499,949.4	$378,335.4	($128,887.6)	($372,231.6)
Receipts						
Property Taxes	$90,367.0	$135,010.0	$275.0	$0.0	$80,919.0	$982,916.0
Other Taxes	17,662.0	1,639.0	16,739.0	21,056.0	3,959.0	17,960.0
Licenses, Permits & Franchises	2,792.0	7,185.0	2,034.0	4,916.0	887.0	1,311.0
Fines, Forfeitures & Penalties	39,206.0	23,819.0	13,363.0	14,480.0	26,157.0	12,332.0
Investment and Rental Income	31,156.0	33,095.0	13,005.0	12,147.0	20,360.0	9,589.0
Intergovernmental Revenue	338,883.0	163,152.0	415,093.0	279,726.0	385,769.0	291,694.0
Charges for Current Services	159,853.0	110,418.0	58,249.0	92,404.0	115,209.0	184,708.0
Miscellaneous Revenue & Tobacco Settlement	(1,932.0)	44,569.0	4,281.0	16,207.0	5,905.0	11,592.0
Transfers & Reimbursements	11,510.0	0.0	1,886.0	64,149.0	88,891.0	141,528.0
Welfare Advances	122,208.0	167,370.0	520,424.0	347,646.0	228,054.0	272,471.0
Other Receipts	177,098.0	8,529.0	4,549.0	7,066.0	4,515.0	35,540.0
Intrafund Transfer	0.0	0.0	0.0	0.0	0.0	0.0
TRANs Sold	500,000.0	0.0	0.0	0.0	0.0	6,787.0
TRANs Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	$1,488,803.0	$694,786.0	$1,049,898.0	$859,797.0	$960,625.0	$1,968,428.0
Disbursements						
Welfare Warrants	$182,490.0	$192,922.0	$185,187.0	$295,613.0	$194,202.0	$229,519.0
Salaries & Employee Benefits	1,145,884.0	557,899.0	553,453.0	551,248.0	552,289.0	515,466.0
Services & Supplies and Fixed Assets	426,372.0	333,922.0	302,389.0	335,170.0	265,419.0	393,017.0
Payments to Hospitals & Other County Funds	233,209.0	103,714.0	130,483.0	184,989.0	192,059.0	273,895.0
TRANs Pledge Transfer	0.0	0.0	0.0	0.0	0.0	155,000.0
TRANs Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Intrafund Transfer Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Total Disbursements	$1,987,955.0	$1,188,457.0	$1,171,512.0	$1,367,020.0	$1,203,969.0	$1,566,897.0
Ending Balance	$993,620.4	$499,949.4	$378,335.4	($128,887.6)	($372,231.6)	$29,299.4
TRANs Repayment Fund						
Beginning Balance	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Receipts	0.0	0.0	0.0	0.0	0.0	155,000.0
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0
Ending Balance	$0.0	$0.0	$0.0	$0.0	$0.0	$155,000.0

*Detail may not add due to rounding

January 2009	February 2009	March 2009	April 2009	May 2009	June 2009	Total
$29,299.4	$557,595.4	$374,935.4	$177,162.4	$663,772.4	$1,243,173.4	
$831,109.0	$165,373.0	$8,546.0	$769,369.0	$796,345.0	$9,075.0	$3,869,304.0
6,290.0	5,310.0	29,759.0	11,185.0	5,927.0	9,705.0	147,191.0
1,357.0	3,989.0	13,250.0	9,816.0	2,002.0	9,850.0	59,389.0
12,550.0	31,298.0	13,307.0	22,098.0	39,004.0	10,500.0	258,114.0
13,916.0	15,744.0	9,058.0	10,325.0	11,788.0	16,861.0	197,044.0
247,587.0	257,952.0	202,504.0	231,765.0	442,421.0	196,186.0	3,452,732.0
79,637.0	112,746.0	286,861.0	127,489.0	202,409.0	133,645.0	1,663,628.0
5,498.0	17,506.0	23,311.0	117,434.0	8,298.0	12,510.0	265,179.0
166,254.0	55,430.0	9,847.0	264,158.0	64,513.0	229,706.0	1,097,872.0
449,023.0	203,640.0	408,080.0	374,408.0	286,115.0	298,389.0	3,677,828.0
8,966.0	72,652.0	26,181.0	6,731.0	47,648.0	33,315.0	432,790.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	506,787.0
0.0	0.0	0.0	0.0	0.0	514,958.0	514,958.0
$1,822,187.0	$941,640.0	$1,030,704.0	$1,944,778.0	$1,906,470.0	$1,474,700.0	$16,142,816.0
$205,570.0	$185,507.0	$221,779.0	$209,752.0	$215,415.0	$228,540.6	$2,546,496.6
507,077.0	503,642.0	468,836.0	501,821.0	476,382.0	498,355.0	6,832,352.0
265,802.0	251,835.0	335,767.0	277,690.0	265,536.0	305,713.0	3,758,632.0
180,442.0	133,316.0	162,095.0	333,947.0	369,736.0	294,399.2	2,592,284.2
135,000.0	50,000.0	40,000.0	134,958.0	0.0	0.0	514,958.0
0.0	0.0	0.0	0.0	0.0	514,958.0	514,958.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
$1,293,891.0	$1,124,300.0	$1,228,477.0	$1,458,168.0	$1,327,069.0	$1,841,965.8	$16,759,680.8
$557,595.4	$374,935.4	$177,162.4	$663,772.4	$1,243,173.4	$875,907.6	
$155,000.0	$290,000.0	$340,000.0	$380,000.0	$514,958.0	$514,958.0	$0.0
135,000.0	50,000.0	40,000.0	134,958.0	0.0	0.0	514,958.0
0.0	0.0	0.0	0.0	0.0	514,958.0	514,958.0
$290,000.0	$340,000.0	$380,000.0	$514,958.0	$514,958.0	$0.0	$0.0

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2009-10
(in thousands)
12-MONTHS PROJECTION

	July 2009	August 2009	September 2009	October 2009	November 2009	December 2009
Beginning Balance	$875,907.6	$1,675,556.5	$1,193,182.6	$814,796.9	$275,158.5	($174,361.9)
Receipts						
Property Taxes	$85,173.3	$129,990.5	$274.9	$0.0	$68,841.2	$946,941.4
Other Taxes	15,059.1	2,949.0	5,662.0	18,214.1	6,792.8	6,431.6
Licenses, Permits & Franchises	3,393.9	8,734.0	2,472.5	5,975.8	1,078.2	1,593.6
Fines, Forfeitures & Penalties	38,338.8	23,292.2	13,067.4	14,159.7	25,578.5	12,059.2
Investment and Rental Income	37,255.9	22,706.8	10,282.6	9,394.2	14,342.5	7,039.9
Intergovernmental Revenue	244,357.1	182,382.6	202,064.0	257,541.2	290,531.6	570,375.2
Charges for Current Services	145,865.4	101,037.3	61,040.1	123,190.3	122,446.2	170,866.9
Miscellaneous Revenue & Tobacco Settlement	13,068.0	14,569.0	4,281.0	16,207.0	5,905.0	11,592.0
Transfers & Reimbursements	11,510.0	40,900.0	1,435.0	5,305.0	13,546.0	204,102.0
Welfare Advances	123,342.3	154,966.9	531,947.1	371,904.2	234,020.1	268,676.0
Other Receipts	386,023.7	17,995.7	4,264.5	4,624.1	9,232.7	33,317.6
Intrafund Transfer	0.0	0.0	0.0	0.0	0.0	0.0
TRANs Sold	1,300,000.0	0.0	0.0	0.0	0.0	0.0
TRANs Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	$2,403,387.6	$699,523.9	$836,791.1	$826,515.6	$792,314.6	$2,232,995.4
Disbursements						
Welfare Warrants	$189,403.5	$199,399.7	$191,324.0	$303,676.3	$200,583.8	$236,139.8
Salaries & Employee Benefits	820,760.9	605,611.8	601,794.4	598,906.5	599,742.2	551,396.8
Services & Supplies and Fixed Assets	426,372.0	333,922.0	302,389.0	335,170.0	265,419.0	393,017.0
Payments to Hospitals & Other County Funds	167,202.3	42,964.3	119,669.4	128,401.2	176,090.1	238,816.2
TRANs Pledge Transfer	0.0	0.0	0.0	0.0	0.0	403,000.0
TRANs Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Intrafund Transfer Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Total Disbursements	$1,603,738.7	$1,181,897.8	$1,215,176.8	$1,366,154.0	$1,241,835.0	$1,822,369.7
Ending Balance	$1,675,556.5	$1,193,182.6	$814,796.9	$275,158.5	($174,361.9)	$236,263.8
TRANs Repayment Fund						
Beginning Balance	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Receipts	0.0	0.0	0.0	0.0	0.0	403,000.0
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0
Ending Balance	$0.0	$0.0	$0.0	$0.0	$0.0	$403,000.0

*Detail may not add due to rounding

January 2010	February 2010	March 2010	April 2010	May 2010	June 2010	Total
$236,263.8	$571,215.8	$258,650.6	($95,825.5)	($77,272.4)	$420,549.1	
$799,702.2	$154,707.2	$7,997.2	$740,531.2	$750,845.0	$6,379.1	$3,691,383.2
20,894.6	8,887.4	8,925.1	24,583.7	9,170.0	8,986.6	136,556.0
1,649.5	4,849.0	16,106.5	663.4	1,669.7	8,200.0	56,386.0
12,272.4	30,605.7	15,012.7	13,616.8	30,497.6	10,547.9	239,049.0
11,075.7	11,672.3	6,925.3	12,067.4	11,821.1	14,197.9	168,781.6
242,057.5	278,998.2	216,873.6	265,842.1	316,120.6	269,865.1	3,337,009.0
87,019.3	102,843.6	192,369.4	97,945.5	115,180.6	231,617.5	1,551,422.0
15,498.0	11,039.0	21,051.0	109,335.6	29,995.8	9,522.5	262,063.9
254,556.0	59,285.0	7,481.0	189,714.1	62,053.5	148,979.7	998,867.3
462,875.8	216,981.1	422,270.4	292,099.9	317,321.3	393,158.0	3,789,563.0
8,405.3	13,108.9	24,543.8	4,895.4	5,338.1	33,250.1	545,000.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	1,300,000.0
0.0	0.0	0.0	0.0	0.0	1,332,409.7	1,332,409.7
$1,916,006.4	$892,977.4	$939,556.0	$1,751,295.2	$1,650,013.4	$2,467,114.1	$17,408,490.7
$211,682.8	$189,681.5	$228,061.7	$223,769.3	$210,279.8	$195,062.0	$2,579,064.0
542,276.9	535,675.3	494,582.4	572,667.9	537,247.8	521,848.2	6,982,511.0
265,802.0	251,835.0	335,767.0	353,912.9	244,829.2	356,357.0	3,864,792.0
210,292.7	98,350.9	131,621.0	237,982.3	159,835.2	258,663.2	1,969,888.8
351,000.0	130,000.0	104,000.0	344,409.7	0.0	0.0	1,332,409.7
0.0	0.0	0.0	0.0	0.0	1,332,409.7	1,332,409.7
0.0	0.0	0.0	0.0	0.0	0.0	0.0
$1,581,054.4	$1,205,542.7	$1,294,032.1	$1,732,742.0	$1,152,191.9	$2,664,340.0	$18,061,075.2
$571,215.8	$258,650.6	($95,825.5)	($77,272.4)	$420,549.1	$223,323.1	
$403,000.0	$754,000.0	$884,000.0	$988,000.0	$1,332,409.7	$1,332,409.7	$0.0
351,000.0	130,000.0	104,000.0	344,409.7	0.0	0.0	1,332,409.7
0.0	0.0	0.0	0.0	0.0	1,332,409.7	1,332,409.7
$754,000.0	$884,000.0	$988,000.0	$1,332,409.7	$1,332,409.7	$0.0	$0.0

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE

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

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the 2009-10 Notes authorized to be issued under the Resolution by those who will own the 2009-10 Notes from time to time, the Resolution constitutes a contract between the County and the Holders of the 2009-10 Notes; and the pledge made in the Resolution and the Financing Certificate and the covenants and agreements contained in the Resolution and the Financing Certificate to be performed by and on behalf of the County will be for the equal benefit, protection and security of the Holders of any and all of the 2009-10 Notes, all of which, regardless of the time or times of their issuance, will be of equal rank without preference, priority or distinction of any of the 2009-10 Notes over any other thereof, except as expressly provided in or permitted by the Financing Certificate, including, without limitation, the provision in the Financing Certificate permitting the issuance of 2009-10 Notes that constitute Subordinated Notes.

Covenants of the County

The County covenants under the Financing Certificate that it will not issue any notes, or otherwise incur any indebtedness, pursuant to the Act with respect to its Fiscal Year 2009-10 in an amount which, when added to the interest payable thereon, shall exceed 85 percent of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts, and other moneys of the County which will be available for the payment of said notes or other indebtedness and the interest thereon; provided, however, that to the extent that any principal of or interest on such notes or other indebtedness is secured by a pledge of the amount in any inactive or term deposit of the County, the term of which will terminate during said fiscal year, such principal and interest may be disregarded in computing said limit.

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

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

Paying Agent and Note Registrar

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

Negotiability, Transfer and Exchange of the Notes

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

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

Permitted Investments

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

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

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

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

(4) The Los Angeles County Treasury Pool.

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

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

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

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

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

Notwithstanding anything within this definition of Permitted Investments to the contrary, so long as S&P maintains a rating on the 2009-10 Notes of any Series, to the extent Pledged Moneys are invested in Permitted Investments described in paragraphs (3), (5), (7) or (9), such investments must be rated by S&P at the respective S&P ratings described therein.

Supplemental Resolutions and Supplemental Financing Certificates

The Financing Certificate and certain of the rights and obligations of the County and of the Holders of the Notes may be amended or supplemented pursuant to a supplemental financing certificate

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

Additionally, a resolution amending the Resolution (a "Supplemental Resolution") may be adopted or a Supplemental Financing Certificate may be executed, without the consent of the Holders, (i) to add covenants and agreements to be observed by the County that are not contrary to or inconsistent with the Resolution or the Financing Certificate, (ii) to add limitations and restrictions to be observed by the County which are not contrary to or inconsistent with the Resolution or the Financing Certificate, (iii) to confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Resolution or the Financing Certificate, of any moneys, securities or funds or to establish any additional funds or accounts to be held under the Resolution or the Financing Certificate, (iv) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution or the Financing Certificate, (v) to supplement or amend the Resolution or the Financing Certificate as required to obtain a rating for the 2009-10 Notes, or any portion thereof, from any rating agency, provided that the County obtains an opinion of bond counsel to the effect that such Supplemental Resolution or Supplemental Financing Certificate does not adversely affect the interests of the Holders, (vi) to supplement or amend the Resolution or the Financing Certificate in order to provide security for the repayment of any Subordinated Notes, or (vii) to supplement or amend the Resolution or Financing Certificate in any other respect, provided that the County obtains an opinion of bond counsel to the effect that such Supplemental Resolution or Supplemental Financing Certificate does not adversely affect the interests of the Holders.

Events of Default

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

(1) default, by the County, in the due and punctual payment of the principal of or interest on any Notes when and as the same become due and payable;

(2) the County fails to perform or observe any other of the covenants, agreements or conditions required to be performed or observed by the County pursuant to the Resolution, the Financing Certificate or the Notes and such default shall continue for a period of 60 days after written notice thereof to the County by the Holders of not less than 10 percent in aggregate principal amount of the outstanding Notes; or

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

Whenever any Event of Default shall have happened and shall be continuing, the Holders of the Notes, and any adversely affected former Holders of the Notes, and their legal representatives, will be entitled to take any and all actions available at law or in equity to enforce the performance of the covenants in the Financing Certificate and in the Act. Nothing in the Financing Certificate will preclude

an individual Holder from enforcing such Holder's rights to payment of principal of and interest on such Holder's Notes.

Payment of Unclaimed Moneys to County

Anything in the Financing Certificate to the contrary notwithstanding, any moneys held in trust for the payment and discharge of any series of the 2009-10 Notes that remain unclaimed for a period of one year after the date when such 2009-10 Notes have become due and payable, if such moneys were so held at such date, or for one year after the date of deposit of such moneys if deposited after the date when such 2009-10 Notes became due and payable, will be repaid to the County, as its absolute property and free from trust, and the Holders may thereafter look only to the County for the payment of such 2009-10 Notes from legally available funds; provided, however, that before any such payment is made to the County, the County will create (and thereafter maintain until payment of all of the 2009-10 Notes) a record of the amount so repaid, and the County will cause to be published at least twice, at any interval of not less than seven days between publications, in *The Bond Buyer* and two other newspapers customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation, in Los Angeles, California and in the Borough of Manhattan, City and State of New York, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date may be not less than thirty days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the County.

TAX EXEMPTION

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, Bond Counsel is of the opinion that the Notes are not "private activity bonds" within the meaning of Section 141(a) of the Code and, therefore, interest on the Notes is not a specific item of tax preference for purposes of the Code's alternative minimum tax provisions. In addition, interest on the Notes received by a corporation will be excluded from adjusted current earnings for purposes of computing such corporation's alternative minimum tax liability.

Bond Counsel is further of the opinion that interest on the Notes is exempt from personal income taxes of the State under present State law. Bond Counsel expresses no opinion as to other State tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than the State.

The amount treated as interest on the Notes and excluded from gross income will depend upon the taxpayer's election under Internal Revenue Service (the "IRS") Notice 94-84, 1994-2 C.B. 559. Notice 94-84 states that the IRS is studying whether the amount of the payment at maturity on debt obligations such as the Notes that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the Notes and the aggregate amount to be paid at maturity of the Notes (the "original issue discount"). For this purpose, the issue price of the Notes is the first price at which a substantial amount of the Notes is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt debt obligations with a term that is not more than one year from the date of issue in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of the Notes if the taxpayer elects original issue discount treatment.

The Notes are being offered at prices in excess of their principal amounts ("Premium Notes"). An initial purchaser with an initial adjusted basis in a Premium Note in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Note based on the purchaser's yield to maturity. For purposes of determining gain or loss on the sale or other disposition of a Premium Note, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Note annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Notes. Owners of the Notes are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Notes.

Under the Code and the Treasury Regulations promulgated thereunder (the "Regulations"), if the County does not spend all of the proceeds of the Notes within six months after issuance (determined as provided in the Code and the Regulations), the County must rebate to the federal government its arbitrage profits, if any, in order for interest on the Notes to be excluded from gross income for federal income tax purposes. The County expects to spend all of the proceeds of the Notes within six months of issuance. If, however, it fails to do so, the County has covenanted to provide for and to set aside any required rebate payment from moneys attributable to Fiscal Year 2009-10. The California Constitution generally prohibits the County from incurring obligations payable from moneys other than moneys attributable to the fiscal year in which such obligations are incurred. Accordingly, if, after the end of the Fiscal Year 2009-10, it is determined that the County's calculations of expenditures of Note proceeds or of rebatable arbitrage profits, if any, were incorrect and that the moneys attributable to Fiscal Year 2009-10 that were set aside were insufficient to meet the recalculated rebate requirement, it is unclear whether the County could be compelled to pay the difference from the moneys attributable to the then current fiscal year. If the amount required to be rebated to the federal government as recalculated is not paid, then it may be determined that, retroactive to the issuance of the Notes, the interest on the Notes is not excluded from gross income for federal income tax purposes.

In rendering such opinions, Bond Counsel has relied upon representations and covenants of the County in the Resolution and in the County's Tax and Nonarbitrage Certificate concerning the investment and use of Note proceeds and the rebate to the federal government of certain earnings thereon, to the extent required, from legally available moneys. In addition, Bond Counsel has assumed that all such representations are true and correct and that the County will comply with such covenants (including the covenant that rebate payments due the federal government, if any, will be timely made).

Bond Counsel has expressed no opinion with respect to the exclusion of interest on the Notes from gross income under Section 103(a) of the Code in the event that any such representations are untrue or the County should fail to comply with any of such covenants (including the covenant that rebate payments due the federal government, if any, will be timely made), unless such failure to comply is based on the advice or opinion of Bond Counsel. Bond Counsel has expressed no opinion regarding the effect, if any, of legislation enacted after the date hereof, on the exclusion of interest on the Notes from gross income for federal income tax purposes.

Ownership of the Notes may result in other Federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits and individuals seeking to claim the earned income credit. Ownership of the Notes may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or

continued indebtedness to purchase or to carry the Notes; for certain indebtedness issued during 2009 and 2010, the American Recovery and Reinvestment Act of 2009 modifies the application of those rules as they apply to financial institutions. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Notes is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Notes may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Notes for Federal or state income tax purposes, and thus on the value or marketability of the Notes. This could result from changes to Federal or state income tax rates, changes in the structure of Federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Notes from gross income for Federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the Federal or state income tax treatment of holders of the Notes may occur. Prospective purchasers of the Notes should consult their own tax advisers regarding such matters.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Notes may affect the tax status of interest on the Notes. Bond Counsel expresses no opinion as to any Federal, state or local tax law consequences with respect to the Notes, or the interest thereon, if any action is taken with respect to the Notes or the proceeds thereof upon the advice or approval of other counsel.

Bond Counsel is not rendering any opinion as to any Federal tax matters other than those described under the caption "TAX EXEMPTION." Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Notes, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters related to the authorization, issuance, sale and delivery of the Notes are subject to the approval of Nixon Peabody LLP, Bond Counsel. The approving opinion of Bond Counsel will be delivered with the Notes in substantially the form appearing in APPENDIX C hereto.

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

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

RATINGS

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

LITIGATION

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

There are a number of lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. The aggregate amount of the uninsured liabilities of the County which may result from all suits and claims will not, in the opinion of the County Counsel, materially impair the County's ability to repay the Notes. Note 16 of "Notes to the Basic Financial Statements" included in APPENDIX B discusses this liability as of June 30, 2008. See also APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

UNDERWRITING

The Notes are being purchased for reoffering by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the Underwriters of the Notes (the "Underwriters"). The Underwriters have agreed to purchase the Notes at a purchase price of $1,321,124,768.00 (representing the principal amount of the Notes of $1,300,000,000.00, plus original issue premium of $21,853,000.00, less Underwriters' discount of $728,232.00). The Contract of Purchase (the "Contract of Purchase") provides that the Underwriters will purchase all of the Notes if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase.

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

ADDITIONAL INFORMATION

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

Appropriate County officials, acting in their official capacity, have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material

fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. An appropriate County official will execute a certificate to such effect upon delivery of the Notes. This Official Statement and its distribution have been duly authorized and approved by the Board of Supervisors of the County.

CONTINUING DISCLOSURE

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

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

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

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

APPENDIX A

COUNTY OF LOS ANGELES INFORMATION STATEMENT

COUNTY OF LOS ANGELES

CALIFORNIA

THE COUNTY OF LOS ANGELES
Information Statement

GENERAL INFORMATION

The County of Los Angeles (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 an estimated population of 10.4 million in 2009, 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 March 27, 2007, the Board of Supervisors amended the County Code by adopting the Interim Governance Structure Ordinance. This new governance structure delegates to the Chief Executive Office (the "CEO") additional responsibilities for the administration of the County, including the oversight, evaluation and recommendation for appointment and removal of specific Department Heads and County Officers. The five departments that continue to report directly to the Board of Supervisors (rather than to the CEO) are the Fire Department, Auditor-Controller, County Counsel, Executive Officer of the Board of Supervisors, and the CEO. The change in administrative structure was designed to improve the operational efficiency of County governance. The Board of Supervisors has retained the exclusive responsibility for establishing County policy, regulations, and organizational directions.

COUNTY SERVICES

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

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

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

Health and Welfare

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

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

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

Disaster Services

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

Public Safety

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

General Government

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes, and distribution of property tax revenue to cities, community redevelopment agencies, special districts, and local school districts. Another high-profile 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, volunteers and the private sector, the County operates the Music Center complex, which includes the Dorothy Chandler Pavilion, Mark Taper Forum, Ahmanson Theater, and the Walt Disney Concert Hall. The County also functions as the operator of the Hollywood Bowl, the John Anson Ford Theater, the Los Angeles County Museum of Art, the Museum of Natural History, and the George C. Page Museum.

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

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

Approximately 85% of the County workforce is represented by certified employee organizations. These organizations include fifty-seven (57) collective bargaining units, which are represented either by the Services Employees International Union (SEIU) Local 721 (formerly known as Local 660), the Coalition of County Unions (consisting of 9 unions) or by one of seven independent unions. Under labor relations policy direction from the Board of Supervisors and Chief Executive Officer, the CEO Employee Relations Division negotiates fifty-seven (57) individual Collective Bargaining Agreements and two Fringe Benefit Agreements. The Fringe Benefit Agreements reached with the Coalition of County Unions and Local 721 have a term of three years and will expire on September 30, 2009.

In October 2006, the County announced a 3-year contract with SEIU Local 721 that currently covers over 79,000 County employees. Under the terms of the agreement, Local 721 members received a 10% salary increase between October 1, 2006 and January 1, 2009, with the salary range for most employees being extended by an additional 5.5% increase. The County reached similar agreements with most of the Coalition of County Unions and the independent unions. One Local 721 group, the Registered Nurses, negotiated a new classification and salary structure that resulted in some employees receiving raises substantially higher than 15.5%.

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

On March 3, 2009, the Board of Supervisors approved amendments to several Memoranda of Understanding (MOU) with the public safety unions extending their contracts for an additional 1-year period. By consenting to these amendments, the public safety unions provided for the continuation of their existing salaries and agreed to forego any cost-of-living adjustments for the remaining term of the MOU.

RETIREMENT PROGRAM

General

All permanent County employees of three-quarter time or more are eligible for membership in the Los Angeles County Employees Retirement Association ("LACERA"). LACERA was established in accordance with the County Employees Retirement Law of 1937 (the "Retirement Law") to administer the County's Employee Retirement Trust Fund (the "Retirement Fund"). LACERA operates as a cost-sharing multi-employer defined benefit plan for the County of Los Angeles and four minor participating agencies. 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 and age. County employees have the option to participate in a contribution based defined benefit plan or a non-contribution based 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 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 membership total as of June 30, 2008 was 158,676. This membership consisted of 63,760 active vested members, 30,732 non-vested active members, 52,350 retired members and 11,834 terminated vested (deferred) members.

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 actuary (currently Milliman Consultants and Actuaries). Such rates are required under the Retirement Law to

be calculated at least once every three years. LACERA presently conducts annual valuations to assess changes in the Retirement Fund's portfolio.

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

Beginning with Fiscal Year 2006-07, the investment board of LACERA (the "Board of Investments") adopted a new series of economic and demographic assumptions to be used in LACERA's actuarial valuations. The economic assumptions for the investment return rate, wage growth rate and price inflation were set at 7.75%, 3.75% and 3.50%, respectively. Changes to the demographic assumptions included higher merit salary increases for safety members with 20 or more years of service, an increase in retirement rates and lower mortality rates for disabled retirees. The net effect of the new actuarial assumptions was to increase both the Actuarial Accrued Liability ("AAL") for the Plan and the total County contribution rate. In Fiscal Year 2007-08, the assumed wage growth rate was increased from 3.75% to 4.00%. The economic and demographic assumptions remain unchanged for Fiscal Year 2008-09.

When measuring assets for determining the UAAL, the County has elected to "smooth" gains and losses to reduce volatility. If in any year, the actual investment return on the Retirement Fund's assets is lower or higher than the actuarial assumed rate of return (7.75%), then the shortfall or excess is smoothed, or spread, over a 3-year period. The impact of this will result in "smoothed" assets that are lower or higher than the market value of assets depending on whether the remaining amount to be smoothed is either a net gain or a net loss. For the next actuarial valuation as of June 30, 2009, the County anticipates changing to a 5-year "smoothing" period for recognizing investment gains and losses in calculating the UAAL.

UAAL and Deferred Investment Returns

The most recent annual actuarial valuation by Milliman Consultants and Actuaries was completed on December 2, 2008 for the fiscal year ending June 30, 2008. In Fiscal Year 2007-08, the rate of return on Retirement Fund assets was negative 1.5%, which is significantly less than the assumed rate of 7.75%. However, deferred gains of $1.8 billion recognized from 2005-06 and 2006-07 more than offset this loss, resulting in a $429 million gain on actuarial assets and a corresponding increase in the Funded Ratio from 93.8% to 94.5% as of June 30, 2008.

The June 30, 2008 Actuarial Valuation reported that the actuarial accrued liability increased by 6.26% to $41.976 billion. Despite the increase in actuarial liabilities, the UAAL decreased by $147 million from $2.460 billion on June 30, 2007 to $2.313 billion on June 30, 2008. The 6.0% decrease in UAAL was primarily driven by higher than assumed investment returns over the last three years and a small reduction in the mortality rates of Plan members. These factors were partially offset by higher than expected salary increases for active Plan members in Fiscal Year 2007-08 A six-year history of the County's UAAL is provided in Table 1 ("Retirement Plan UAAL and Funded Ratio") on page A-7.

The County's required contribution rate will decrease from 12.40% of covered payroll in Fiscal Year 2008-09 to 12.08% for 2009-10. The reduction in the overall contribution rate was comprised of a decrease in the funding requirement to finance the UAAL over 30 years from 2.24% to 1.99%; and a reduction in the normal cost contribution rate from 10.16% to 10.09%. The reduction in the required contribution rate was primarily driven by net actuarial investment gains over the last three years, which was partially offset by greater than expected salary increases for active Plan members.

In addition to the investment gains recognized for the June 30, 2008 actuarial valuation, the Actuarial report also identified a net deferred investment loss in the amount of $1.829 billion that will be "smoothed" into the UAAL calculation over the next two fiscal years. This deferred loss carry-forward includes the remaining one-third balance of the un-recognized gain attributable to the 19.1% return on Plan investments in Fiscal Year 2006-07, and two-thirds of the 1.5% investment loss in Fiscal Year 2007-08. A summary of investment returns for the prior six years is presented in Table 2 ("Investment Return on Retirement Plan Assets") on page A-7.

As a result of the severe economic downturn in Fiscal Year 2008-09, LACERA is reporting a negative 25.6% return on Plan assets for the nine-month period ended March 31, 2009. This result is below LACERA's benchmark rate of return of negative 21.8% and reflects the significant challenges faced by investors in the current economic environment. As of March 31, 2009, the asset allocation percentages for the Retirement Plan were 26.5% domestic equity, 16.8% international equity, 29.9% fixed income, 13.4% real estate, 10.1% private equity, 2.1% cash and 1.1% commodities.

The investment losses recognized by LACERA during the first nine months of Fiscal Year 2008-09 will have a major impact on future contribution rates to the Retirement Plan. Assuming that the County adopts a 5-year "smoothing" period for investment gains and losses in the next actuarial valuation, the employer contribution to LACERA may increase by as much as $200 million for Fiscal Year 2010-11.

Investment Policy

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

Contributions

Employers and members contribute to LACERA based on unisex rates recommended by an independent actuary (using the Entry

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

The County has funded 100% or more of its annual required contribution to LACERA in each of the last twelve years. In Fiscal Year 2007-08, the County's total contribution to the Retirement Fund was $827.8 million. This amount was funded entirely from the County General Fund and did not include any transfers from the County's excess earnings reserve ("Excess Earnings"). Total payments by the County for Fiscal Year 2008-09 are estimated to be $847.5 million and will not include any contribution from Excess Earnings. For Fiscal Year 2009-10, the County is currently budgeting $839.6 million for the County contribution to the LACERA Retirement Fund. A summary of employer contributions for the seven years ended June 30, 2009 is presented in Table 3 ("County Pension Related Payments") on page A-7.

During the early and mid-1990's, the County relied heavily upon the use of Excess Earnings to 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 available to the County for retirement program costs is approximately $470 million as of June 30, 2008.

With a strong cash position at the beginning of Fiscal Years 2007-08 and 2008-09, the County decided to prepay $400 million of its annual required contribution to LACERA. The payments were made in July of each year and served to greatly reduce monthly transfers during the second half of the fiscal year. In Fiscal Year 2009-10, the County intends to return to its historical practice of making payments to LACERA for the required contribution on a monthly basis throughout the fiscal year.

Pension Obligations

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. As of May 1, 2009, the County had outstanding pension obligations in the aggregate principal amount of $352.3 million. The final payment on these pension obligations will occur in Fiscal Year 2010-11. A complete description of the County's pension obligations is included in the "Debt Summary" portion of this Appendix. A six-year history of the County's debt service payments on its pension obligations is also presented in Table 3 on page A-7.

STAR Program

The Supplemental Targeted Adjustment for Retirees program ("STAR Program") is a discretionary program that provides a supplemental cost-of-living increase from excess earnings to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. As of June 30, 2008, $629.1 million was available in the STAR Program Reserve to fund future benefits. The 2002 Agreement requires the recognition of the STAR Program Reserve as valuation assets to the extent that it is not needed for STAR Program payments, and that the amount recognized can only be used to bring the funded status of the Retirement Plan up to 100%. Of the $629.1 million in STAR Program reserves, $15.1 million was allocated for the payment of STAR Program benefits and $614 million was accounted for as a valuation asset and used in the calculation of the June 30, 2008 UAAL. The current policy with respect to the STAR Program reserve will terminate commencing with the June 30, 2009 actuarial valuation and is subject to future negotiations with LACERA. If the $614 million was not included in the Retirement Plan's valuation assets, the recommended County contribution rate would have increased by approximately $40 million, and the funded ratio of the Retirement Program would have decreased by 1.5% to 93.0%.

Postemployment Health Care Benefits

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

For Fiscal Year 2005-06, total HBP-related payments from the County to LACERA were $307.1 million. This amount included a $66.2 million contribution from the County's Excess Earnings. For Fiscal Year 2006-07, the County made HBP-related payments of $317.1 million, of which $40.5 million from Excess Earnings was used to offset a portion of the funding requirement. The growth in post employment benefit payments continued in Fiscal Year 2007-08, with a total County contribution of $352.0 million, including a $9.0 million transfer from Excess Earnings. Total HBP-related payments for Fiscal Year 2008-09 are projected to be $365.2 million, with no transfers from Excess Earnings. For Fiscal Year 2009-10, the County budget will include $400.4 million in HBP-related payments, without a supplemental contribution from Excess Earnings.

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, established financial reporting standards for OPEBs in a manner similar to those currently in effect for pension benefits. GASB 43 is focused on the entity that administers such benefits (which, in the case of the County, is LACERA) and requires an actuarial valuation to determine the funded status of benefits accrued.

LACERA has complied with GASB 43 requirements for the annual reporting period ended June 30, 2008.

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, establishes financial reporting standards designed to measure, recognize, and disclose OPEB costs. GASB 45 is focused on the County's financial statements, and related note disclosures, and is intended to associate the costs of the OPEB with the periods in which employee services are rendered in exchange for the OPEB. The County has implemented the requirements of GASB 45 in its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2008.

The core requirement of GASB 45 is that at least biennially an actuarial analysis must be prepared with respect to projected benefits ("Plan Liabilities"), which would be measured against the actuarially determined value of the related assets (the "Plan Assets"). To the extent that Plan Liabilities exceeded Plan Assets, the difference 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.

In order to comply with the requirements of GASB 43 and 45, LACERA engaged Milliman Consultants and Actuaries to complete an actuarial valuation of OPEB liabilities for the LACERA pension plan as of July 1, 2006. In a report dated May 25, 2007 (the "Milliman Report"), Milliman presented the first actuarial calculation of the County's unfunded accrued liability for post retirement health care and life insurance benefits paid to its employees.

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

The Milliman Report determined the UAAL for LACERA's healthcare and life insurance benefits using a 5% discount rate and the Projected Unit Credit actuarial cost method. Using this methodology, the UAAL for LACERA's OPEB program (including employees of the Los Angeles Superior Court) as of July 1, 2006 was $21.21 billion, of which approximately $20.30 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", as of July 1, 2006 was initially estimated to be $1.55 billion, which represented approximately 31.2% of the County's 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 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. This amount 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 a Net OPEB liability of $1.234 billion for retiree health care and long-term disability benefits as of June 30, 2008.

In accordance with the requirements of GASB 43 and 45, LACERA is currently working with Milliman Consultants and Actuaries to complete an OPEB Actuarial Valuation as of July 1, 2008. Preliminary results indicate that July 1, 2008 valuation will show only a slight increase in the UAAL from July 1, 2006. However, the County's contribution rate as a percentage of payroll is expected to decline by approximately 3%. The final actuarial report is expected to be released during the first quarter of Fiscal Year 2009-10.

Funding for Other Postemployment Benefits

The County is considering several funding options to reduce its OPEB UAAL. In Fiscal Year 2006-07, the County set aside $17 million in one-time monies to pre-fund retiree health costs. In addition to this initial step, the County anticipates using the approximately $470 million of remaining Excess Earnings to fund a trust for the payment of future OPEB costs. Beyond these measures, the County may consider applying general fund revenues, including those amounts that will become available following the final maturity of the County's outstanding Pension Obligation Bonds in Fiscal Year 2010-11, to supplement its initial trust deposit.

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

Long-Term Disability Benefits

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

these individuals medical premiums. For the Fiscal Year ended June 30, 2008, the County made payments in the amount of $29 million for its long-term DBP.

Following completion of the Milliman Report, the County also received an actuarial assessment of the long-term disability portion of its DBP in a report prepared by Buck Consultants. This report provides a determination that, as of July 1, 2007, and based on the assumptions set forth in the report, the UAAL of the County's long-term DBP is $929 million. The County determined that this liability is an additional OPEB obligation and has 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. The $29 million DBP payment is accounted for as an offset to the total OPEB ARC in calculating the County's Net OPEB obligation of $1.234 billion as of June 30, 2008.

LITIGATION

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

Litigation Regarding Health Services

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

Negotiated settlements in the *Harris* and *Rodde* cases were approved by the Board of Supervisors in August 2005 and became final in December 2005 and March 2006, respectively. Pursuant to the settlement agreements, the County agreed to keep Rancho open through March 9, 2009 at a specified level of service. The settlement agreement expired on March 10, 2009, but the County has continued its efforts to identify and negotiate with an organization to assume the future operation of Rancho as was originally required by the settlement agreement. In the meantime, the facility is open and operating. With respect to LAC+USC, the settlement allows for the graduated reduction of beds contingent upon the County providing additional outpatient care on the facility's campus and the facility reaching certain targets showing the efficiency of, and decreased demand on, the hospital.

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

Wage and Hour Cases

On August 1, 2008 and September 16, 2008, respectively, two class action lawsuits were filed against the County by the Association for Los Angeles Deputy Sheriffs and the Los Angeles County Professional Peace Officers Association, the unions that represent public safety officers in the Los Angeles County Sheriff's Department and the Office of Public Safety. These class action lawsuits seek to recover compensation for overtime related to performing pre-shift and post-shift employment activities such as the donning and doffing of uniforms and equipment, 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 could reach 9,000 individuals. These cases are in the early discovery stages.

Other Litigation

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

In July 2004 and February 2007, two related cases, *Ricketts v. McCormack, et al*. (*"Ricketts"*) and *Conner, et al., v. McCormack, et al.* (*"Conner"*), respectively, were filed against the County Recorder. In the *Ricketts* case, the plaintiff has alleged that the County Recorder did not timely record reconveyances of deeds of trust as required by statute. The County obtained dismissal of the monetary claims in April 2006. In February 2007, the plaintiff prevailed on summary judgment and obtained a writ of mandate compelling the Recorder to timely record reconveyances. The County's motion for a new trial was granted in May 2007 and the trial was held in December 2007. In May 2008, the Court overturned the prior summary judgment and ruled in favor of the County. Plaintiff has appealed that decision and the appeal is being briefed. No date for oral argument on the appeal has been set. In the *Conner* case, a class action lawsuit, plaintiffs are seeking statutory forfeitures of five hundred dollars per violation against the County and its Recorder for alleged late recording of reconveyances of deeds of trust. This litigation has been stayed until the appeal in *Ricketts* is decided. There will be no basis for the *Conner* case to proceed, unless the judgment for the County in the *Ricketts* case is overturned on appeal.

In March, 2003, 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 (Flood Control District) under the citizen suit provision of the Federal Clean Water Act. The plaintiffs have identified approximately 274 days of alleged violations and they contend that the violations are ongoing. No cost has yet been determined for the injunctive relief sought, if such relief is ordered. In the event the plaintiffs prevail at trial, they will be entitled to an award of attorney's fees and costs. In March 2009, the County and Flood Control District filed administrative claims under the Government Tort Claims Act against 64 cities and public entities for equitable indemnity and contribution. The case is currently in the discovery stage.

On July 3, 2008, the County filed a lawsuit, *County of Los Angeles v. Southern California Regional Rail Authority (SCRRA)* seeking declaratory relief against the SCRRA and the Underwriters Lloyd's of London for a declaration that the County does not have a duty to defend nor indemnify SCRRA or Lloyd's for the Metrolink train accident on January 26, 2005. On March 27, 2009, the Court granted the County's Motion for Summary Adjudication, and simultaneously granted Lloyd's Motion for Summary Adjudication, as to one issue. The Court ruled that the

County has no obligation to indemnify Metrolink for any settlements or judgments it may pay or suffer in the lawsuits filed in the main derailment litigation. The Court further ruled that the County must reimburse Metrolink for some unspecified amount of its defense costs in the main litigation. The County is currently attempting to conclude this litigation. The only remaining issue is the share of Metrolink's past attorney fees that the County is obligated to contribute.

Since 2005, 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 Federal Fair Labor Standards Act ("FLSA"). These lawsuits seek overtime pay for a three-year period, liquidated damages (double damages), attorneys' fees and costs. In 2005, *Ellerd v. County of Los Angeles (Ellerd I)* and *Le v. County of Los Angeles*, involved allegations by 130 adult protective services social workers in the County's Department of Community and Senior Services. Those cases were settled for $1.475 million in August 2005, and judicially enforced in 2008. Subsequently, beginning in 2007, six (6) additional wage and hour collective actions have been filed by deputy sheriffs and public safety officers, children social workers, adult protective services social workers, and deputy probation officers. These lawsuits are in various stages of early litigation.

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 violated their mandatory duty to properly allocate property taxes withheld from the property tax allocations of the 88 cities within Los Angeles County. A trial date is scheduled for May 8, 2009.

Pending Litigation

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

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

Actuarial Valuation Date	Market Value of Plan Assets	Actuarial Value of Plan Assets	Actuarial Accrued Liability	UAAL	Funded Ratio
06/30/2003	$26,247,806	$26,564,328	$30,474,025	$3,909,697	87.17%
06/30/2004	29,481,183	27,089,440	32,700,505	5,611,065	82.84%
06/30/2005	32,026,105	29,497,485	34,375,949	4,878,464	85.81%
06/30/2006	35,185,589	32,819,725	36,258,929	3,439,204	90.51%
06/30/2007	40,908,106	37,041,832	39,502,456	2,460,624	93.77%
06/30/2008	38,724,671	39,662,361	41,975,631	2,313,270	94.49%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2008.

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

Fiscal Year	Market Value of Plan Assets	Market Rate of Return
2002-2003	$26,247,806	3.6%
2003-2004	29,481,183	16.5%
2004-2005	32,026,105	11.0%
2005-2006	35,185,589	13.0%
2006-2007	40,908,106	19.1%
2007-2008	38,724,671	-1.5%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2008.

TABLE 3: COUNTY PENSION RELATED PAYMENTS
(in thousands)

Fiscal Year	Cash Payment to LACERA	Transfer From Excess Earnings to LACERA	Pension Bonds Debt Service	Total Pension Related Payments	Percent Change Year to Year
2002-03	$324,709	$194,213	$298,704	$817,626	17.5%
2003-04	395,062	126,916	316,115	838,093	2.5%
2004-05	527,810	222,542	336,329	1,086,681	29.7%
2005-06	676,667	179,368	356,883	1,212,918	11.6%
2006-07	751,851	111,775	381,235	1,244,861	2.6%
2007-08	827,789	-	381,603	1,209,392	-2.8%
2008-09*	847,512	-	320,339	1,167,851	-3.4%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2008 and County of Los Angeles Chief Executive Office.

* Estimated

BUDGETARY INFORMATION

COUNTY BUDGET PROCESS

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

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

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

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

CONSTITUTIONAL PROVISIONS AFFECTING TAXES AND APPROPRIATIONS

Proposition 13

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

The "full cash value" is subject to annual adjustment to reflect inflation at a rate not to exceed two percent, 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 2008-09 is $14,069,513,377. The 2008-09 County Budget reflects proceeds of taxes at $6,701,226,000, which is well below the allowable limit.

Proposition 62

Proposition 62, a 1986 initiative that amended the California Constitution, requires voter approval of all new or increased local taxes. A challenge to taxes subject to Proposition 62 may only be made for those taxes collected 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 does 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 is currently in the process of being implemented. It 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 litigation the County established a separate account as a reserve to fund any ultimate liability from this litigation. This reserve is more than sufficient to fully fund the entire $75 million settlement. In November 2008, the County's utility user tax was approved by the voters in conformity with Proposition 62, thus removing any further concern as to its validity going forward. Currently there is only one other active Proposition 62 related case pending against the County. However, it does not pose the potential for significant liability on the part of the County.

Proposition 218

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

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

An appellate court decision ruled that Proposition 218 did not supersede Proposition 62. Consequently, voter approval alone

may not be sufficient to validate the imposition of general taxes adopted, increased or extended after January 1, 1995.

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

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

Proposition 1A 2004

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

Future Initiatives

Propositions 13, 62, 218 and 1A 2004 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting revenues of the County or the County's ability to expend revenues. The nature and impact of these measures cannot be predicted by the County.

PROGRAM FUNDING BY FEDERAL AND STATE GOVERNMENTS

A significant portion of the County budget is comprised of revenues received from the federal and State governments. As indicated in the table "Historical Funding Requirements and Revenue Sources" on page [A-13] of this Appendix, $4.1 billion of the $18.2 billion Final 2008-09 General County Budget is received from the federal government and $4.8 billion is funded by the State. The balance of $9.3 billion in County financing is generated from property taxes and a variety of other sources. The fact that 49% of General County financing is provided by the federal and State governments underscores the County's reliance on those outside funding sources.

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (the "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 Federal Medical Assistance Percentage ("FMAP"), which results in additional federal revenue provided for non-administrative Medicaid costs and Title IV-E foster care maintenance and adoption assistance costs. Early estimates indicate that over a 27-month period from October 2008 through December 2010, the County may realize $441.7 million in additional federal revenue related to the FMAP increase. This amount includes an estimated $204.5 million for Fiscal Year 2009-10 for the Departments of Public Social Services ($82.6 million), Health Services ($68.9 million), Mental Health ($49.9 million) and Children and Family Services ($3.1 million).

The package is also expected to provide the County with funding for the following areas:

- Medicaid Disproportionate Share Hospitals - $5.5 million
- Highway Account Funding - $32.6 million
- Workforce Investment Act Grants - $30.7 million
- Older American Nutrition Services - $1.6 million
- Community Services Block Grant - $9.8 million
- Byrne Justice Assistance Grants - $8.9 million

In addition, the ARRA included provisions that would negate prior federal rules designed to cap Medicaid payments to governmental providers and eliminate payments for interns and residents in those hospitals that train physicians.

On February 26, 2009, President Obama released his proposed budget for Federal Fiscal Year 2010, which begins on October 1, 2009. The President has proposed a $3.6 trillion budget. Unlike previous years, the budget is an outline with few specific details. At the time of printing, a complete budget containing program-by-program information was not available.

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

Realignment Program

In Fiscal Year 1991-92, the State and county governments collectively developed a program realignment system that removed State funding for certain health and welfare programs, and provided counties with additional flexibility in the administration of such programs. Under this plan, these

programs were funded through a one-half percent increase in sales taxes and increased vehicle license fees. Counties receive these funds under a fixed formula under State law and the flow of these funds is no longer subject to the State budget process. If sales tax and vehicle license fee revenues are not realized as expected, county governments will maintain responsibility for the management and cost of these health and welfare programs.

Tobacco Settlement

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

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

Neither the MSA nor the Memorandum of Understanding restricts the use of the County's settlement monies for any specific purpose. Proceeds received by the County from the settlement have been deposited in the County's General Fund and reserved in a designation for health services. Through April 2009, the County has received $1.142 billion in tobacco settlement revenues ("TSRs") and accrued interest, with approximately $943 million of the collected proceeds expected to be disbursed by June 30, 2009.

The difference between TSRs received and TSRs expended of approximately $201 million has resulted primarily because of initial delays in developing a spending plan for the funds. In addition, the Department of Health Services ("DHS") has not expended each year's appropriation of TSRs, which increases the amount maintained in reserve. While DHS has identified programmatic uses for projected ongoing TSRs, it continues to develop plans to use the amounts presently in reserve, primarily for one-time uses that help decrease its projected deficit.

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

STATE BUDGET

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

Property Tax Shift

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

Trial Courts

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

In November 2002, the State enacted SB1732, which established a governance structure and procedures for the transfer of responsibility for, and sometimes title to, court facilities from counties to the State. Any facility transfer requires an annual county payment based on average operations and maintenance costs for five base years. The county payment level will remain fixed under a maintenance-of-effort agreement to be negotiated between the State and the affected county for each courthouse transferred. As of December 16, 2008, responsibility for all Los Angeles County courthouses was transferred to the State. It is anticipated that title will transfer, for most Los Angeles County courthouses, by the end of 2009.

STATE-LOCAL GOVERNMENT FINANCES

Local Government Agreement

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

Proposition 1A 2004

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

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

2009-10 STATE BUDGET

On February 20, 2009, after a three month budget impasse, the State enacted the 2008-09 Special Session Budget Act and the 2009-10 State Budget Act. The acts may result in a loss to the County of $25.8 million in 2008-09 and $98.0 million in 2009-10. These losses are in addition to the $129.3 million loss that resulted from the original 2008-09 Adopted State Budget.

Although the 2009-10 State Budget has been adopted, the County is deferring some of the recommendations to align the County budget with State budget action until later phases of the budget process. A number of outstanding issues may trigger additional cuts in the State budget. The unresolved issues include the impact of the May 19, 2009 special election and the further deterioration of State revenues.

On May 14, 2009, Governor Schwarzenegger released his May Revision to the 2009-10 State Budget. The May Revision projects a $15.4 billion deficit due to the continued erosion of the State's fiscal condition and includes a set of contingency measures to address the potential failure of the May 19th ballot initiatives. The Governor estimates that the budget deficit will increase to $21.3 billion if these ballot propositions are not approved by the voters. The contingency measures are designed to address this additional budget shortfall and include a provision to borrow $2 billion from local governments through the suspension of Proposition 1A 2004. The County estimates that such a borrowing would jeopardize at least $301.9 million of its property tax revenues in Fiscal Year 2009-10.

On May 19, 2009, California voters rejected five ballot propositions that were first introduced as part of the 2009-10 State Budget Act. The most significant impact to the County from these election results is the State's contingency measure to borrow property tax revenues from local governments during Fiscal Year 2009-10. The County is currently exploring several options to address this contingency.

On May 26, 2009 and May 29, 2009, the Governor released updates to the May Revision that proposed to eliminate the CalWORKs program and various health and social service benefits throughout the State. The impact to the County from these proposals could be significant. In particular, the proposed elimination of CalWORKs may result in a corresponding increase to the County's General Relief expenditures. If 50% of the families terminated from CalWORKs are determined eligible for General Relief benefits, the increased cost to the County is estimated at $417 million for Fiscal Year 2009-10. The County is the sole funding source for the General Relief program and it is anticipated that many former CalWORKs participants would seek eligibility for these benefits.

THE COUNTY BUDGET

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

The General County Budget accounts for approximately 79.1% of the 2009-10 Proposed County Budget and funds programs that are provided on a mostly county-wide basis (e.g., health care, welfare, and detention facilities), municipal services to the unincorporated areas not otherwise included in a special district, and certain municipal services to various cities on a contract fee-for-service basis (e.g., law enforcement, planning and engineering).

Special Funds represent approximately 9.2% of the 2009-10 Proposed County Budget and are used to account for the allocation of revenues that are restricted to specific purposes, such as public library operations, courthouse construction programs and operations, and specified automation projects.

Special District Funds account for approximately 8.2% of the 2009-10 Proposed County Budget and are separate legal entities funded by specific taxes and assessments. These districts provide public improvements and/or services benefiting targeted properties and residents. They are governed by the Board of Supervisors and include, among others, the Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts.

Other Enterprises and Other Proprietary Funds represent only 1.5% of the 2009-10 Proposed County Budget and are distinct fiscal entities that fund the operations of certain governmental units that, like private businesses, provide specific services to the general public and are primarily funded by user fees. Included in this fund group are the Waterworks Districts, the Transit Fund and the Internal Services Fund.

Other Funds account for approximately 2.0% of the 2009-10 Proposed County Budget and go towards a number of separate legal entities such as the Community Development Commission and Housing Authority, which are not special districts but are controlled by the Board of Supervisors. The following table details historical General County appropriations.

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

Fund	Final 2005-06	Final 2006-07	Final 2007-08	Final 2008-09	Proposed 2009-10
General Fund	$ 13,723,601	$ 14,837,253	$ 15,981,000	$ 16,273,308	$ 16,212,748
Hospital Enterprise Fund	1,963,466	1,773,047	1,818,990	1,897,508	1,830,717
Debt Service Fund	10,290	9,554	-	-	-
Total General County Budget	$ 15,697,357	$ 16,619,854	$ 17,799,990	$ 18,170,816	$ 18,043,465

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

	Final 2005-06	Final 2006-07	Final 2007-08	Final 2008-09	Proposed 2009-10
Requirements					
Social Services	$ 4,651,813	$ 4,749,055	$ 4,991,495	$ 5,166,283	$ 5,469,289
Health	4,638,706	4,930,299	5,307,606	5,322,713	5,194,794
Justice	3,826,565	4,177,707	4,499,905	4,719,253	4,651,830
Other	2,580,273	2,762,793	3,000,984	2,962,567	2,727,552
Total	**$ 15,697,357**	**$ 16,619,854**	**$ 17,799,990**	**$ 18,170,816**	**$ 18,043,465**
Revenue Sources[1]					
Property Taxes	$ 2,744,055	$ 3,246,500	$ 3,628,517	$ 3,840,369	$ 3,813,964
State Assistance	4,417,274	4,716,625	4,963,934	4,818,285	4,730,121
Federal Assistance	3,986,571	4,091,431	3,963,490	4,104,390	4,549,536
Other Sources	3,637,563	3,492,281	3,537,693	3,598,968	3,382,866
Fund Balance	911,894	1,073,017	1,706,356	1,808,804	1,566,978
Total	**$ 15,697,357**	**$ 16,619,854**	**$ 17,799,990**	**$ 18,170,816**	**$ 18,043,465**

[1] Amounts for Federal Assistance and State Assistance include charges for services in relation to various programs administered by the County.

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

	Final 2005-06	Final 2006-07	Final 2007-08	Final 2008-09	Proposed 2009-10
Financing Requirements					
Salaries & Employee Benefits	$ 7,101,154	$ 7,701,124	$ 8,437,462	$ 8,792,005	$ 8,943,422
Services & Supplies	4,993,336	5,480,217	5,859,213	6,192,312	6,004,310
Other Charges	3,607,279	3,031,605	3,127,968	3,233,859	3,344,080
Fixed Assets	812,222	1,269,445	1,510,033	1,436,772	1,199,285
Other Financing Uses	1,406,675	1,130,994	1,155,780	985,458	788,677
Residual Equity Transfers Out	291	379	278	181	295
Interbudget Transfers[2]	(2,099,672)	(1,547,962)	(1,643,528)	(1,579,769)	(1,392,536)
Gross Appropriation	$ 15,821,285	$ 17,065,802	$ 18,447,206	$ 19,060,818	$ 18,887,533
Less: Intrafund Transfers	769,845	791,309	888,376	912,753	899,993
Net Appropriation	$ 15,051,440	$ 16,274,493	$ 17,558,830	$ 18,148,065	$ 17,987,540
Reserves					
General Reserve	$ 3,747	$ 3,439	$ 3,000	$ 5,400	$ 3,000
Designations/Other Reserves	641,722	341,871	238,160	17,351	52,925
Estimated Delinquencies	448	51	-	-	-
Total Financing Requirements	**$ 15,697,357**	**$ 16,619,854**	**$ 17,799,990**	**$ 18,170,816**	**$ 18,043,465**
Available Financing					
Fund Balance	$ 911,894	$ 1,073,017	$ 1,706,356	$ 1,808,804	$ 1,566,978
Cancellation of Reserves/Designations	944,318	823,328	478,323	345,500	212,531
Property Tax Revenue	2,744,055	3,246,500	3,628,517	3,840,369	3,813,964
Other Revenue	11,097,090	11,477,009	11,986,794	12,176,143	12,449,992
Total Available Financing	**$ 15,697,357**	**$ 16,619,854**	**$ 17,799,990**	**$ 18,170,816**	**$ 18,043,465**

[2] This amount includes certain non-program expenditures and revenues that are shown in the budget for accounting purposes. Failure to exclude such amounts ($1.4 billion in 2009-10) from the above table would imply that there are more resources than actually available and artificially inflate General County appropriations to $19.4 billion.

Source: Chief Executive Office

RECENT COUNTY BUDGETS

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

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

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

- the allocation of $870.7 million in local one-time discretionary funding on deferred maintenance and capital improvement needs;

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

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

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

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

- an increase in funding for the Probation Department to implement plans to comply with the Department of Justice settlement agreements, redesign camps, restructure camp management and increase administrative and support staff throughout the department; and

- the November 2008 passage of Measure U, the County's utility user tax, which brings the County in conformity with Proposition 62.

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. The State can no longer reallocate local property taxes to reduce the costs for funding schools. Proposition 1A 2004 guarantees more predictable funding and relief from unfunded mandates. It also provides for the substitution of vehicle license fee funds with property tax revenues, which gives the County increased reliability as property taxes have historically been one of the least volatile forms of revenue.

The dependability of property tax revenues is due in large part to Proposition 13, which helps to insulate the County from the cyclical nature of the real estate market. As discussed earlier, Proposition 13 limits the growth of assessed valuations and allows for reassessments when a property is sold or when new construction occurs. Assessed valuation can also be adjusted for inflation. As a result, there had been a significant amount of "stored" home value appreciation that had not been reflected on the property tax rolls and that helped to offset the downward spiral of property values. Although median home prices in the County have declined 44.3% from their peak in August 2007 to $336,980 in December 2008, the Assessor is forecasting only a 1.06% decline in the overall assessed property valuation for 2009-10.

The largest contributor to the decline in property value is 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." It is estimated that Proposition 8 reductions will decrease assessed valuation by $48.2 billion in 2009-10. A significant factor contributing to this decline is the County Assessor's decision to initiate Proposition 8 reviews of all homes sold between July 2003 and June 2008. This initiative will allow the County's property tax assessment roll to keep pace with the recent changes experienced in the housing market. The 2009-10 property tax roll will also recognize the impact of changes to ownership, new construction and inflation, which are forecasted to add approximately $38.5 billion of value. The net change to the assessment roll is estimated to be a decline of $11.3 billion in 2009-10.

Health Services

The expiration of a federal Medicaid 1115 Waiver on June 30, 2005, combined with the structural deficit in the DHS budget, represents the County's most difficult budgetary challenge. This annual structural deficit of approximately $300 to $400 million has resulted in the need to use one-time funding to address ongoing commitments. While the DHS Enterprise Fund designation was used in prior years to fund departmental expenses, it was depleted in 2008-09 and DHS is not currently projecting a fund balance amount at the close of the current fiscal year. Therefore, there is no designation balance available to fund the 2009-10 Proposed Budget.

To address its projected budgetary shortfall for 2009-10, DHS continues to implement a multi-faceted plan, using an approach which provides the highest quality and most cost-effective service delivery system within available financial resources. DHS has already implemented a number of cost savings and revenue generating initiatives through their Financial Stabilization Plan efforts. The 2008-09 Final Adopted Budget included $89.9 million in savings related to these efforts and the 2009-10 Proposed Budget increases those savings by $13.2 million to $103.1 million. The 2009-10 Proposed Budget also includes unspecified net cost reductions of $257.3 million as an interim adjustment, as DHS works with the CEO on specific proposals to address the structural deficit in its operating budget. Further, in anticipation of the expiration of the current Hospital Financial Waiver on June 30, 2010, DHS is actively participating in the negotiations of the terms for the next such waiver in order to maximize the potential benefits available to the County and other public hospitals. DHS is engaged in a dialogue with other counties, State agencies and various statewide health care organizations in this effort. Additionally, the County is committed to continuing its work with the State

and other stakeholders to identify other legislative solutions, including possible health reform proposals and funding opportunities, in addition to the FMAP increase included in the federal economic stimulus package. The continuing focus in the DHS is the preservation of County services as a balanced health care delivery system, with the following priority order: trauma and emergency services; acute inpatient care; tertiary care and specialty services; and primary care. DHS will continue to update the Board of Supervisors on the status of current efforts to increase revenues, as well as reduce on-going costs, in order to address the interim adjustment in the 2009-10 Proposed Budget.

Martin Luther King

On August 10, 2007, CMS notified the County that Martin Luther King, Jr. - Harbor ("MLK-H") had lost its Medicare and Medicaid certification. To remedy this situation, MLK-H was converted into a Multi-Service Ambulatory Care Center, while additional inpatient beds were opened at other County hospitals and purchased from the private sector. Further, on October 12, 2007, Governor Schwarzenegger signed into law Senate Bill 474 to establish a $100 million annual fund, named the South Los Angeles Medical Services Preservation Fund, to stabilize the health services for low-income, under-served residents of South Los Angeles. This fund is limited to a period of three years, or until the hospital re-opens, whichever comes sooner.

Since the closure of MLK-Harbor Hospital, the County has been working on options to provide hospital services at the MLK site. In the Spring of 2008, at the direction of the Board of Supervisors, the County approached the University of California ("UC") to assist in this effort. Since that time, the County and the UC have developed a set of common principles including recognition that the hospital: i) would serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients, ii) be integrated with the County's existing network of specialty and primary care ambulatory clinics, and iii) optimize public and private resources to fund services. The County and UC, with the involvement of Governor Schwarzenegger's Office, are developing plans to create a wholly independent, non-profit 501(c)(3) entity to oversee a hospital at the MLK site. Once additional details are agreed upon, the County's Board of Supervisors and the UC Board of Regents must approve the plan. The County and the UC will work with the Governor's office, the California Health and Human Services Agency and CMS to secure the legislative, regulatory and other programmatic support necessary to this effort. If successful, inpatient services at the MLK site could commence in late 2012.

Property Tax for Emergency Services

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

The County's voters approved Measure B on November 5, 2002 with a 73% majority vote. DHS has developed plans to maximize the benefit of the Measure B funds. The 2009-10 Proposed Budget includes $181.2 million in Measure B funds to support trauma and emergency medical services at public and private medical facilities in the County and to fund the DHS bioterrorism preparedness activities. The 2009-10 Proposed Budget also includes $4.0 million in one-time Measure B reserves.

2009-10 PROPOSED BUDGET

The 2009-10 Proposed Budget, which was approved by the Board of Supervisors on April 21, 2009, appropriates $22.8 billion, a 1.8% decrease from the prior year. For General County purposes (General Fund and Hospital Enterprise Fund), the Proposed Budget appropriates $18.0 billion, which represents a 0.1% decrease from the 2008-09 Final Adopted Budget. The Proposed Budget reflects a net decrease of 1,684 budgeted positions for Fiscal Year 2009-10.

The 2009-10 Proposed Budget is shaped largely by the impact of the current recession that the nation is enduring. The County continues to see erosion in a number of key revenue sources, including deed recording fees, deed transfer tax, Proposition 172 sales tax, Program Realignment sales tax, and interest earnings from the County Treasury Pool. In addition, for the first time since the mid 1990s, the Assessor is projecting an overall reduction in assessed property valuation due to the continued decline of housing values. The change in value is primarily driven by reassessment of properties and is expected to decrease the net property tax roll by 1.06% for Fiscal Year 2009-10. The resulting decrease in property tax revenues is estimated to be in the range of $25-$30 million.

The rise of unemployment has significantly increased the number of residents seeking public assistance from the County, causing caseloads and costs to increase accordingly. In addition, program cost changes, along with negotiated salary and benefit increases, are also impacting the County budget. All of these demands on the budget are projected to create a $300.4 million net County cost ("NCC") budget gap. NCC is the portion of the budget that is financed with County discretionary funding (also known as locally generated revenues). Below are the major components of the 2009-10 NCC Budget Gap:

2009-10 NCC Budget Gap

Revenue Reductions	$145.5 million
Assistance Caseload Increases	94.9 million
Net Program Cost Changes	5.6 million
Negotiated Salary and Benefit Increases	54.4 million
Projected Budget Gap	**$300.4 million**

To close this budget gap the County proposed a three-step balanced approach that combines the use of ongoing funding solutions, one-time funding from reserves and the federal stimulus funding:

2009-10 NCC Budget Gap Solutions

Ongoing Departmental Budget Curtailment	$107.2 million
One-Time Bridge Funding	115.5 million
Federal Stimulus Funding	77.7 million
Budget Gap Solutions	**$300.4 million**

Departmental Budget Curtailments

Each County department, with the exception of Health Services, was asked to submit a 2009-10 budget request that included a

5% NCC reduction. After reviewing the results of the curtailment exercise and weighing the potential impact, the County modified some of the curtailments or eliminated them altogether. In other cases, departments that have consistently generated savings year after year from vacant positions or unspent funds were asked to reduce their budget beyond the 5% target. These curtailments result in an ongoing NCC budget decrease of $107.2 million.

One-Time Bridge Funding

Bolstered by a strong real estate market and healthy local economy over the past few years, the County was able to set aside funds for a “rainy day” to, among other things, protect against reducing service levels due to temporary revenue shortfalls. The County has proposed that a portion of the funds that were set aside in the economic reserve be used to offset cost increases or revenue losses that are directly related to the cyclical nature of the current economic environment and could be considered short-term in nature.

The County intends to apply one-time bridge funding to address the increase in general relief caseloads and the decline in recording fee revenues. The cost of providing general relief assistance is particularly acute for the County since the General Fund bears the entire cost of providing this assistance. An additional $26.8 million in one-time funding is also being proposed for the Sheriff's Department in order to retain jail beds and support services while the County works with the Sheriff, the Superior Court and other agencies of the criminal justice system to reduce the jail population in the County.

Since the full extent and duration of the current economic situation remains uncertain, the County continues to be prudent in the use of one-time funding solutions to address budget gaps to ensure that it does not spend beyond its means. The use of $115.5 million in bridge funding represents only a portion of the available reserves maintained by the County. An additional $101 million will remain in the "Reserve for Rainy Day Funds" and $99 million is being set aside in a separate budget unit for economic uncertainties.

Federal Economic Stimulus

The American Recovery and Reinvestment Act, among other things, temporarily increased the FMAP, which is the federal match rate for non-administrative costs. The FMAP change is projected to temporarily decrease the County’s contribution to the In-Home Supportive Services (IHSS) program by $77.7 million during 2009-10. A change in the FMAP percentage also affects other County administered programs as previously discussed in other sections of this Appendix A.

The ARRA also provides a temporary increase of $105.8 million through the CalWORKS program for transitional subsidized employment programs and $30.8 million through the Workforce Investment Act program to create employment for adults, youths and dislocated workers. Neither of these program changes, however, will result in NCC budgetary savings.

2009-10 PROPOSED BUDGET TABLES

The 2009-10 Proposed Budget is supported by $3.8 billion in property taxes, $4.54 billion in federal contributions, $4.7 billion in State contributions, $0.2 billion in cancelled reserves and designations, $1.6 billion in fund balance and approximately $3.2 billion in other funding.

The tables on the following pages summarize and compare the 2008-09 Final Adopted General County Budget with the 2009-10 Proposed General County Budget.

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF FINAL ADOPTED 2008-09 BUDGET TO PROPOSED 2009-10 BUDGET
Net Appropriation: By Function
(In thousands)

Function	2008-09 Final Budget (1)	2009-10 Proposed Budget (2)	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 899,878.0	$ 869,929.0	$ (29,949.0)	-3.33%
General Services	405,109.0	536,644.0	131,535.0	32.47%
Public Buildings	1,473,051.0	1,055,619.0	(417,432.0)	-28.34%
Total General	$ 2,778,038.0	$ 2,462,192.0	$ (315,846.0)	-11.37%
Public Protection				
Justice	$ 4,456,369.0	$ 4,423,298.0	$ (33,071.0)	-0.74%
Other Public Protection	197,283.0	178,813.0	(18,470.0)	-9.36%
Total Public Protection	$ 4,653,652.0	$ 4,602,111.0	$ (51,541.0)	-1.11%
Health and Sanitation	5,248,429.0	5,153,510.0	(94,919.0)	-1.81%
Public Assistance	5,126,974.0	5,457,957.0	330,983.0	6.46%
Recreation and Cultural Services	267,160.0	257,305.0	(9,855.0)	-3.69%
Insurance and Loss Reserve	73,812.0	54,465.0	(19,347.0)	-26.21%
Reserves/Designations	22,751.0	55,925.0	33,174.0	145.81%
Appropriation for Contingency	-	-	-	0.00%
Total Requirements	**$ 18,170,816.0**	**$ 18,043,465.0**	**$ (127,351.0)**	**-0.70%**
AVAILABLE FUNDS				
Property Taxes	$ 3,840,369.0	$ 3,813,964.0	$ (26,405.0)	-0.69%
Fund Balance	1,808,804.0	1,566,978.0	(241,826.0)	-13.37%
Cancelled Prior-Year Reserves	345,500.0	212,531.0	(132,969.0)	-38.49%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 498,823.0	$ 458,578.0	$ (40,245.0)	-8.07%
Homeowners' Exemption	20,500.0	20,500.0	-	0.00%
Public Assistance Subventions	1,555,257.0	1,542,436.0	(12,821.0)	-0.82%
Other Public Assistance	565,449.0	548,409.0	(17,040.0)	-3.01%
Public Protection	887,361.0	838,681.0	(48,680.0)	-5.49%
Health and Mental Health	913,481.0	870,964.0	(42,517.0)	-4.65%
Capital Projects	27,334.0	20,704.0	(6,630.0)	-24.26%
Other State Revenues	15,443.0	50,098.0	34,655.0	224.41%
Total State Revenues	$ 4,483,648.0	$ 4,350,370.0	$ (133,278.0)	-2.97%
Federal Revenues				
Public Assistance Subventions	$ 2,211,086.0	$ 2,513,553.0	$ 302,467.0	13.68%
Other Public Assistance	198,674.0	198,671.0	(3.0)	0.00%
Public Protection	147,556.0	144,865.0	(2,691.0)	-1.82%
Health and Mental Health	692,147.0	750,232.0	58,085.0	8.39%
Capital Projects	481.0	175.0	(306.0)	-63.62%
Other Federal Revenues	28,322.0	28,539.0	217.0	0.77%
Total Federal Revenues	$ 3,278,266.0	$ 3,636,035.0	$ 357,769.0	10.91%
Other Governmental Agencies	126,963.0	133,889.0	6,926.0	5.46%
Total Intergovenmental Revenues	$ 7,888,877.0	$ 8,120,294.0	$ 231,417.0	
Fines, Forfeitures and Penalties	217,469.0	222,097.0	4,628.0	2.13%
Licenses, Permits and Franchises	56,952.0	57,304.0	352.0	0.62%
Charges for Services	2,413,161.0	2,645,268.0	232,107.0	9.62%
Other Taxes	177,866.0	157,498.0	(20,368.0)	-11.45%
Use of Money and Property	160,022.0	106,355.0	(53,667.0)	-33.54%
Miscellaneous Revenues	473,670.0	403,424.0	(70,246.0)	-14.83%
Operating Contribution from General Fund	788,126.0	737,752.0	(50,374.0)	-6.39%
Total Available Funds	**$ 18,170,816.0**	**$ 18,043,465.0**	**$ (127,351.0)**	**-0.70%**

(1) Reflects the Final Adopted 2008-09 General County Budget approved by the Board of Supervisors on October 7, 2008.
(2) Reflects the 2009-10 Proposed General County Budget approved by the Board of Supervisors on April 21, 2009.

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

Function	General Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS			
General			
General Government	$ 899,878.0	$ -	$ 899,878.0
General Services	405,109.0	-	405,109.0
Public Buildings	1,473,051.0	-	1,473,051.0
Total General	$ 2,778,038.0	$ -	$ 2,778,038.0
Public Protection			
Justice	$ 4,456,369.0	$ -	$ 4,456,369.0
Other Public Protection	197,283.0	-	197,283.0
Total Public Protection	$ 4,653,652.0	$ -	$ 4,653,652.0
Health and Sanitation	$ 3,350,921.0	$ 1,897,508.0	$ 5,248,429.0
Public Assistance	5,126,974.0	-	5,126,974.0
Recreation and Cultural Services	267,160.0	-	267,160.0
Insurance and Loss Reserve	73,812.0	-	73,812.0
Reserves/Designations	22,751.0	-	22,751.0
Appropriation for Contingency	-	-	-
Total Requirements	**$ 16,273,308.0**	**$ 1,897,508.0**	**$ 18,170,816.0**
AVAILABLE FUNDS			
Property Taxes	$ 3,840,369.0	$ -	$ 3,840,369.0
Fund Balance	1,808,804.0	-	1,808,804.0
Cancelled Prior-Year Reserves	234,734.0	110,766.0	345,500.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 498,823.0	$ -	$ 498,823.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	1,555,257.0	-	1,555,257.0
Other Public Assistance	565,449.0	-	565,449.0
Public Protection	887,361.0	-	887,361.0
Health and Mental Health	872,547.0	40,934.0	913,481.0
Capital Projects	27,334.0	-	27,334.0
Other State Revenues	15,443.0	-	15,443.0
Total State Revenues	4,442,714.0	40,934.0	$ 4,483,648.0
Federal Revenues			
Public Assistance Subventions	$ 2,211,086.0	$ -	$ 2,211,086.0
Other Public Assistance	198,674.0	-	198,674.0
Public Protection	147,556.0	-	147,556.0
Health and Mental Health	684,579.0	7,568.0	692,147.0
Capital Projects	481.0	-	481.0
Other Federal Revenues	28,322.0	-	28,322.0
Total Federal Revenues	$ 3,270,698.0	$ 7,568.0	$ 3,278,266.0
Other Governmental Agencies	126,963.0	-	126,963.0
Total Intergovenmental Revenues	$ 7,840,375.0	$ 48,502.0	$ 7,888,877.0
Fines, Forfeitures and Penalties	217,469.0	-	217,469.0
Licenses, Permits and Franchises	56,826.0	126.0	56,952.0
Charges for Services	1,794,086.0	619,075.0	2,413,161.0
Other Taxes	177,866.0	-	177,866.0
Use of Money and Property	159,739.0	283.0	160,022.0
Miscellaneous Revenues	143,040.0	330,630.0	473,670.0
Operating Contribution from General Fund	-	788,126.0	788,126.0
Total Available Funds	**$ 16,273,308.0**	**$ 1,897,508.0**	**$ 18,170,816.0**

(1) Reflects the Final Adopted 2008-09 General County Budget approved by the Board of Supervisors on October 7, 2008.

COUNTY OF LOS ANGELES
PROPOSED 2009-10 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	$ 869,929.0	$ -	$ 869,929.0
General Services	536,644.0	-	536,644.0
Public Buildings	1,055,619.0	-	1,055,619.0
Total General	$ 2,462,192.0	$ -	$ 2,462,192.0
Public Protection			
Justice	$ 4,423,298.0	$ -	$ 4,423,298.0
Other Public Protection	178,813.0	-	178,813.0
Total Public Protection	$ 4,602,111.0	$ -	$ 4,602,111.0
Health and Sanitation	$ 3,322,793.0	$ 1,830,717.0	$ 5,153,510.0
Public Assistance	5,457,957.0	-	5,457,957.0
Recreation and Cultural Services	257,305.0	-	257,305.0
Insurance and Loss Reserve	54,465.0	-	54,465.0
Reserves/Designations	55,925.0	-	55,925.0
Appropriation for Contingency	-	-	-
Total Requirements	**$ 16,212,748.0**	**$ 1,830,717.0**	**$ 18,043,465.0**
AVAILABLE FUNDS			
Property Taxes	$ 3,813,964.0	$ -	$ 3,813,964.0
Fund Balance	1,566,978.0	-	1,566,978.0
Cancelled Prior-Year Reserves	212,531.0		212,531.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 458,578.0	$ -	$ 458,578.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	1,542,436.0	-	1,542,436.0
Other Public Assistance	548,409.0	-	548,409.0
Public Protection	838,681.0	-	838,681.0
Health and Mental Health	830,262.0	40,702.0	870,964.0
Capital Projects	20,704.0	-	20,704.0
Other State Revenues	50,098.0	-	50,098.0
Total State Revenues	4,309,668.0	40,702.0	4,350,370.0
Federal Revenues			
Public Assistance Subventions	$ 2,513,553.0	$ -	$ 2,513,553.0
Other Public Assistance	198,671.0	-	198,671.0
Public Protection	144,865.0	-	144,865.0
Health and Mental Health	747,722.0	2,510.0	750,232.0
Capital Projects	175.0	-	175.0
Other Federal Revenues	28,539.0	-	28,539.0
Total Federal Revenues	$ 3,633,525.0	$ 2,510.0	$ 3,636,035.0
Other Governmental Agencies	133,889.0	-	133,889.0
Total Intergovenmental Revenues	$ 8,077,082.0	$ 43,212.0	$ 8,120,294.0
Fines, Forfeitures and Penalties	222,097.0	-	222,097.0
Licenses, Permits and Franchises	57,178.0	126.0	57,304.0
Charges for Services	1,797,735.0	847,533.0	2,645,268.0
Other Taxes	157,498.0	-	157,498.0
Use of Money and Property	106,182.0	173.0	106,355.0
Miscellaneous Revenues	201,503.0	201,921.0	403,424.0
Operating Contribution from General Fund	-	737,752.0	737,752.0
Total Available Funds	**$ 16,212,748.0**	**$ 1,830,717.0**	**$ 18,043,465.0**

(1) Reflects the 2009-10 Proposed General County Budget approved by the Board of Supervisors on April 21, 2009.

FINANCIAL SUMMARY

PROPERTY TAX RATE, VALUATION AND LEVY

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

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

PAYMENT DATES AND LIENS

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

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

LARGEST TAXPAYERS

The twenty largest taxpayers in the County as shown on the Fiscal Year 2008-09 secured tax roll and the approximate amounts of their aggregate levies for all taxing jurisdictions within the County are shown below. Property owned by these twenty largest taxpayers had a full cash value of $34,580,025,552 which constitutes only 3.0% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2008-09
Southern California Edison Co.	$ 49,565,698
Maguire Thomas Partners	34,362,886
Douglas Emmett Realty Fund	30,951,752
BP West Coast Products	30,067,612
Chevron USA Inc.	27,831,704
Trizec LLC	21,536,814
Participants in Long Beach Unit	20,333,725
Exxon Mobil Corporation	19,248,754
Verizon California Inc.	17,534,079
Southern California Gas Company	17,475,445
Tishman Speyer Archstone Smith	17,364,205
AT&T California	17,283,393
Conocophillips Company	16,926,913
Universal Studios LLC	16,432,945
Valero Energy Corporation	12,097,533
Anheuser Busch Inc.	11,565,679
EQP/ERP	11,457,782
McDonnell Douglas Corporation	11,025,420
Kaiser Foundation	10,958,284
Macerich LLC	10,443,687
	$ 404,464,309

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

PROPERTY TAXATION AND COLLECTIONS

The table on the following page compares the assessed cash values, property tax levies and collections since 2004-05. For the Fiscal Year 2008-09, secured property tax collections are projected to be greater than $2.37 billion. As of April 20, 2009, the County had collected approximately 91.98% of its secured property tax levies, or $2.3 billion in total collections.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2004-05 THROUGH 2008-09

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 %
2004-05	709,671,759,735	1,738,123,054	1,697,194,166	97.65%
2005-06	783,342,364,874	1,901,915,833	1,852,878,570	97.42%
2006-07	872,103,795,877	2,139,425,148	2,059,971,381	96.29%
2007-08	953,468,123,997	2,348,085,882	2,232,305,540	95.07%
2008-09	1,020,346,376,948	2,499,407,303 [3]	2,374,436,938 [3]	95.00%

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

Source: Los Angeles County Auditor-Controller, Tax Division

REDEVELOPMENT AGENCIES

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

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

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for the Fiscal Years 2004-05 through 2008-09.

COMMUNITY REDEVELOPMENT AGENCY (CRA)
PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE INCREMENTS AND TAX ALLOCATIONS
FISCAL YEARS 2004-05 THROUGH 2008-09

Fiscal Year	Full Cash Value Increments [1]	Total Tax Allocations [2]
2004-05	$ 79,019,105,066	$ 801,448,742
2005-06	94,983,553,733	909,975,540
2006-07	111,226,063,567	1,039,226,436
2007-08	127,113,321,984	1,167,170,104
2008-09	142,705,432,962	1,302,056,335 [3]

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

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

CASH MANAGEMENT PROGRAM

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

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

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

All intrafund borrowings used for General Fund purposes have been repaid by the County in a timely manner. Furthermore, all notes issued in connection with the County's cash management program, with the exception of $500,000,000 in aggregate principal amount of 2008-09 Tax and Revenue Anticipation Notes (2008-09 Notes) issued on July 1, 2008 and due June 30, 2009, have been repaid on their respective maturity dates.

2008-09 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 13, 2008, the $500.0 million in 2008-09 Notes are general obligations of the County attributable to the 2008-09 fiscal year and are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys of the County.

The County pledged to deposit sufficient revenues during the 2008-09 fiscal year into a Repayment Fund to repay the 2008-09 Notes at maturity. Under the Resolution and Financing Certificate executed by the County Treasurer and Tax Collector, such deposits have been made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2008-09 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*

Deposit Date		Deposit Amount
December, 2008	$	155,000,000
January, 2009		135,000,000
February, 2009		50,000,000
March, 2009		40,000,000
April, 2009		134,958,333
Total	$	514,958,333

* Reflects a 3.0% coupon and $500 million in 2008-09 Notes.

The County has always fully satisfied its deposit obligations with respect to tax and revenue anticipation notes. The following table illustrates the Unrestricted General Fund Receipts collected on a cash flow basis since Fiscal Year 2003-04.

.

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

	2003-04	2004-05	2005-06	2006-07	2007-08	Estimated 2008-09
Property Taxes	$ 1,797,267	$ 2,599,369	$ 2,933,232	$ 3,426,681	$ 3,568,098	$ 3,869,304
Other Taxes	178,277	181,614	204,889	208,530	176,349	147,191
Licenses, Permits and Franchises	56,164	56,801	56,194	55,523	53,545	59,389
Fines, Forfeitures and Penalties	200,901	214,316	227,104	215,122	239,456	258,114
Investment and Rental Income	66,362	81,391	180,511	273,149	295,191	197,044
State In-Lieu Taxes	997,003	507,114	465,913	471,401	459,242	411,045
State Homeowner Exemptions	20,514	21,558	21,528	21,468	21,765	21,674
Charges for Current Services	1,245,540	1,243,492	1,314,525	1,474,540	1,516,390	1,663,628
Miscellaneous Revenue and Tobacco Settlement	190,564	245,851	251,722	257,391	302,248	265,179
TOTAL UNRESTRICTED RECEIPTS	$ 4,752,592	$ 5,151,506	$ 5,655,618	$ 6,403,805	$ 6,632,284	$ 6,892,568

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

Intrafund and Interfund Borrowing

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

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

Funds Available for Intrafund Borrowing

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

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

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

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

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

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

General Fund Cash Flow Statements

Set forth on the following pages are the final 2007-08 General Fund cash flow statement and the General Fund Cash Flow for 2008-09, with actual amounts through May 2009. The County forecasts/projects that the General Fund ending balance will be $875.9 million for the Fiscal Year 2008-09. These statements are shown on the pages immediately following the average daily balance tables.

COUNTY OF LOS ANGELES
FUNDS AVAILABLE FOR INTRAFUND BORROWING

2007-08: 12 MONTHS ACTUAL
2008-09: 10 MONTHS ACTUAL

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

	July 2007	August 2007	September 2007	October 2007	November 2007	December 2007
PROPERTY TAX GROUP						
Tax Collector's Trust Fund	$ 168,159	$ 151,430	$ 141,849	$ 452,072	$ 1,254,437	$ 1,992,142
Auditor Unapportioned Money	214,570	106,057	64,251	121,634	385,589	798,197
Unsecured Property Tax Fund	158,235	76,631	144,693	170,502	158,431	104,131
Miscellaneous Fees & Taxes	7,297	6,779	18,070	37,873	41,854	43,029
State Redemption Fund - TTC	44,149	69,219	64,458	66,165	76,435	63,838
Educ Rev Augmentation Fund	19,170	75,479	58,503	0	10,546	207,593
State Reimbursement Fund	0	0	0	0	469	9,849
Sales Tax Replacement Fund	0	1,631	14,759	25,353	26,039	49,806
VLF Replacement Fund	0	7,376	66,745	114,655	117,924	231,223
Rebate Fund	2,248	(8,596)	(15,494)	(13,789)	(14,325)	(13,671)
Subtotal	$ 613,828	$ 486,006	$ 557,834	$ 974,465	$ 2,057,399	$ 3,486,137
VARIOUS TRUST GROUP						
Departmental Trust Fund	$ 476,194	$ 492,246	$ 452,828	$ 467,907	$ 467,320	$ 402,289
Payroll Revolving Fund	123,329	104,305	105,104	103,550	103,530	107,525
Asset Dev't Implementation FD	36,084	24,772	24,672	24,814	25,219	25,246
Productivity Investment Fund	8,485	8,337	8,298	8,293	8,277	8,184
ACO Fund-Motor Vehicle/ISD	3,657	3,733	3,729	3,718	3,664	3,176
Civic Center Parking	(30)	34	132	124	225	113
Reporters Salary Fund	647	875	408	684	601	812
Cable TV Franchise Fund	6,752	6,893	7,114	7,139	7,433	7,558
Megaflex-Various	28,176	28,618	29,071	29,558	29,978	30,370
Subtotal	$ 683,294	$ 669,813	$ 631,356	$ 645,787	$ 646,247	$ 585,273
HOSPITAL GROUP						
Harbor/UCLA Medical Center	$ 1,228	$ 8,705	$ 1,761	$ 2,854	$ 649	$ (837)
Olive View Medical Center	(2,941)	(3,690)	2,222	1,573	(679)	703
LAC+USC Medical Center	(1,962)	6,416	351	2,045	(1,184)	(1,492)
Martin Luther King Jr., Hospital	1,458	245	778	4,256	(205)	760
High Desert Hospital	0	0	0	0	0	0
South/West Network Hospital	(190)	320	844	1,359	135	604
ACO-LAC+USC Med Equip Fund	113,394	113,631	112,249	112,413	112,929	112,658
Subtotal	$ 110,987	$ 125,627	$ 118,205	$ 124,500	$ 111,645	$ 112,396
GRAND TOTAL	**$ 1,408,109**	**$ 1,281,446**	**$ 1,307,395**	**$ 1,744,752**	**$ 2,815,291**	**$ 4,183,806**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2008	February 2008	March 2008	April 2008	May 2008	June 2008	
						PROPERTY TAX GROUP
$ 950,084	$ 500,354	$ 513,216	$ 1,215,200	$ 620,946	$ 199,147	**Tax Collector's Trust Fund**
352,649	381,979	363,832	699,410	447,845	383,124	**Auditor Unapportioned Money**
111,173	89,591	82,446	63,203	80,890	114,687	**Unsecured Property Tax Fund**
43,506	35,452	8,962	8,127	8,646	8,536	**Miscellaneous Fees & Taxes**
46,030	51,284	37,541	36,616	38,344	37,999	**State Redemption Fund - TTC**
33,848	6,110	2,297	230,498	24,139	(9,621)	**Educ Rev Augmentation Fund**
18,858	1,363	1,363	2,458	22,778	10,204	**State Reimbursement Fund**
96,369	25,923	37,446	46,374	81,703	134	**Sales Tax Replacement Fund**
453,189	117,373	172,304	214,862	384,079	638	**VLF Replacement Fund**
(12,693)	(12,662)	(10,653)	(12,211)	(14,181)	(7,123)	**Rebate Fund**
$ 2,093,013	$ 1,196,767	$ 1,208,754	$ 2,504,537	$ 1,695,189	$ 737,725	**Subtotal**
						VARIOUS TRUST GROUP
$ 418,889	$ 433,144	$ 437,943	$ 442,725	$ 451,353	$ 426,573	**Departmental Trust Fund**
114,890	116,475	109,041	106,607	117,613	147,382	**Payroll Revolving Fund**
25,260	25,439	25,543	30,281	31,539	31,684	**Asset Dev't Implementation FD**
8,087	10,879	10,266	10,169	10,194	10,075	**Productivity Investment Fund**
2,920	2,865	2,861	2,823	2,795	2,842	**ACO Fund-Motor Vehicle/ISD**
142	150	157	239	83	142	**Civic Center Parking**
861	902	840	892	812	794	**Reporters Salary Fund**
7,563	7,568	7,550	7,528	7,237	7,317	**Cable TV Franchise Fund**
30,810	31,262	31,805	32,281	32,748	33,361	**Megaflex-Various**
$ 609,422	$ 628,684	$ 626,006	$ 633,546	$ 654,374	$ 660,170	**Subtotal**
						HOSPITAL GROUP
$ (1,861)	$ 1,281	$ (1,556)	$ 1,858	$ 1,131	$ (861)	**Harbor/UCLA Medical Center**
(1,020)	582	(913)	2,499	1,792	(117)	**Olive View Medical Center**
(1,107)	226	(613)	482	1,993	606	**LAC + USC Medical Center**
(527)	(1,936)	(1,265)	146	821	(1,987)	**Martin Luther King Jr., Hospital**
0	0	0	0	0	0	**High Desert Hospital**
(1,581)	232	14	(81)	586	(1,577)	**South/West Network Hospital**
112,053	111,921	106,100	103,777	100,696	94,245	**ACO-LAC+USC Med Equip Fund**
$ 105,957	$ 112,306	$ 101,767	$ 108,681	$ 107,019	$ 90,309	**Subtotal**
$ 2,808,392	**$ 1,937,757**	**$ 1,936,527**	**$ 3,246,764**	**$ 2,456,582**	**$ 1,488,204**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
AVERAGE DAILY BALANCES: 2008-09
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2008	August 2008	September 2008	October 2008	November 2008	December 2008
PROPERTY TAX GROUP						
Tax Collector's Trust Fund	$ 126,564	$ 94,888	$ 76,340	$ 374,075	$ 967,048	$ 1,363,830
Auditor Unapportioned Money	337,661	107,989	193,737	299,503	799,532	1,395,624
Unsecured Property Tax Fund	175,693	179,464	145,318	178,610	150,532	102,906
Miscellaneous Fees & Taxes	7,859	17,150	36,317	24,785	10,373	9,187
State Redemption Fund - TTC	48,949	89,869	97,167	135,011	110,367	65,466
Educ Rev Augmentation Fund	13,621	9,079	17,982	0	12,927	330,022
State Reimbursement Fund	0	0	0	0	2,378	9,537
Sales Tax Replacement Fund	3,826	17,479	25,677	28,795	29,172	35,207
VLF Replacement Fund	18,238	83,325	122,403	137,267	139,334	172,441
Rebate Fund	(2,447)	(15,199)	(17,171)	(29,115)	(33,056)	(17,707)
Subtotal	$ 729,964	$ 584,044	$ 697,770	$ 1,148,931	$ 2,188,607	$ 3,466,513
VARIOUS TRUST GROUP						
Departmental Trust Fund	$ 420,229	$ 425,710	$ 407,662	$ 377,960	$ 391,306	$ 393,812
Payroll Revolving Fund	128,502	117,207	119,631	116,578	102,839	113,427
Asset Dev't Implementation FD	32,224	31,002	30,886	30,977	33,018	35,482
Productivity Investment Fund	9,856	11,529	11,501	11,510	11,363	10,962
ACO Fund-Motor Vehicle/ISD	2,842	2,889	2,921	2,717	2,434	2,415
Civic Center Parking	166	100	185	254	88	126
Reporters Salary Fund	1,001	1,020	734	829	645	800
Cable TV Franchise Fund	7,438	7,070	7,679	7,736	7,738	7,678
Megaflex-Various	33,835	34,340	34,819	35,207	35,707	36,216
Subtotal	$ 636,093	$ 630,867	$ 616,018	$ 583,768	$ 585,138	$ 600,918
HOSPITAL GROUP						
Harbor/UCLA Medical Center	$ 3,440	$ 2,163	$ 4,838	$ (1,111)	$ (2,747)	$ 660
Olive View Medical Center	(95)	978	(504)	1,211	831	(1,223)
LAC+USC Medical Center	(1,087)	13,972	(2,638)	(443)	5,180	(3,865)
Martin Luther King Jr., Hospital	333	(449)	2,958	171	468	(3,611)
High Desert Hospital	0	0	0	0	0	0
South/West Network Hospital	201	555	401	203	440	(77)
ACO-LAC+USC Med Equip Fund	81,018	75,186	68,163	56,436	50,425	44,464
Subtotal	$ 83,810	$ 92,405	$ 73,218	$ 56,467	$ 54,597	$ 36,348
GRAND TOTAL	**$ 1,449,867**	**$ 1,307,316**	**$ 1,387,006**	**$ 1,789,166**	**$ 2,828,342**	**$ 4,103,779**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2009	February 2009	March 2009	April 2009	Estimated May 2009	Estimated June 2009	
						PROPERTY TAX GROUP
$ 852,978	$ 448,333	$ 544,258	$ 1,190,274	$ 549,448	$ 173,207	**Tax Collector's Trust Fund**
564,782	493,314	392,192	1,407,112	396,279	333,220	**Auditor Unapportioned Money**
93,154	82,561	81,985	75,401	71,576	99,748	**Unsecured Property Tax Fund**
8,544	7,563	7,298	7,071	7,650	7,424	**Miscellaneous Fees & Taxes**
56,341	44,069	40,306	35,585	33,929	33,049	**State Redemption Fund - TTC**
851	15,494	568	68,442	21,360	0	**Educ Rev Augmentation Fund**
21,215	1,419	1,419	2,528	20,155	8,875	**State Reimbursement Fund**
106,918	24,829	32,067	60,627	72,295	117	**Sales Tax Replacement Fund**
565,848	115,507	155,217	311,895	339,855	555	**VLF Replacement Fund**
(20,750)	(22,034)	(21,027)	(24,895)	(12,548)	(6,195)	**Rebate Fund**
$ 2,249,881	$ 1,211,055	$ 1,234,283	$ 3,134,040	$ 1,500,000	$ 650,000	**Subtotal**
						VARIOUS TRUST GROUP
$ 416,005	$ 409,920	$ 407,761	$ 402,498	$ 413,849	$ 387,694	**Departmental Trust Fund**
119,751	137,664	143,560	119,254	107,840	133,949	**Payroll Revolving Fund**
35,638	35,657	35,679	35,900	28,918	28,796	**Asset Dev't Implementation FD**
10,738	10,586	10,383	10,238	9,347	9,157	**Productivity Investment Fund**
2,409	2,442	2,424	2,431	2,563	2,583	**ACO Fund-Motor Vehicle/ISD**
132	69	166	190	76	129	**Civic Center Parking**
735	895	1,017	1,019	745	722	**Reporters Salary Fund**
8,138	8,107	8,270	7,886	6,636	6,650	**Cable TV Franchise Fund**
36,844	37,501	38,110	38,594	30,026	30,320	**Megaflex-Various**
$ 630,390	$ 642,841	$ 647,370	$ 618,010	$ 600,000	$ 600,000	**Subtotal**
						HOSPITAL GROUP
$ 1,164	$ (165)	$ 1,649	$ 841	$ 1,000	$ -	**Harbor/UCLA Medical Center**
224	315	(2,314)	340	1,000	0	**Olive View Medical Center**
432	888	(468)	(953)	1,000	0	**LAC + USC Medical Center**
650	(1,027)	(659)	(211)	0	0	**Martin Luther King Jr., Hospital**
0	0	0	0	0	0	**High Desert Hospital**
489	(1,828)	(459)	60	0	0	**South/West Network Hospital**
36,831	31,915	28,264	11,878	10,000	10,000	**ACO-LAC+USC Med Equip Fund**
$ 39,790	$ 30,098	$ 26,013	$ 11,955	$ 13,000	$ 10,000	**Subtotal**
$ 2,920,061	**$ 1,883,994**	**$ 1,907,666**	**$ 3,764,005**	**$ 2,113,000**	**$ 1,260,000**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2007-08: 12 MONTHS ACTUAL
2008-09: 11 MONTHS ACTUAL

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

	July 2007	August 2007	September 2007	October 2007	November 20067	December 2007
BEGINNING BALANCE	$ 1,882,518	$ 1,310,827	$ 1,039,992	$ 693,820	$ 366,482	$ 143,446
RECEIPTS						
Property Taxes	$ 68,551	$ 88,141	$ -	$ -	$ 57,748	$ 924,312
Other Taxes	14,221	23,663	17,054	7,458	8,657	21,794
Licenses, Permits & Franchises	2,202	9,374	2,395	1,279	2,757	1,499
Fines, Forfeitures & Penalties	31,154	23,859	12,708	14,007	20,302	12,735
Investment and Rental Income	45,724	22,826	22,283	14,774	18,560	16,541
Intergovernmental Revenue	223,112	268,189	332,367	209,302	231,132	491,343
Charges for Current Services	130,349	104,891	101,687	87,422	96,261	147,889
Misc. Revenue & Tobacco Settlement	13,027	11,422	3,923	30,833	12,974	11,041
Transfers & Reimbursements	8,640	1,734	89,405	99,336	182,644	15,117
Welfare Advances	268,902	229,277	253,860	436,169	318,482	219,172
Other Receipts	122,723	41,985	3,816	3,217	14,909	10,373
Intrafund Transfers	0	0	0	0	0	0
TRANs Sold	500,000	0	0	0	0	0
TRANs Reserve	0	0	0	0	0	0
Total Receipts	$ 1,428,605	$ 825,361	$ 839,498	$ 903,797	$ 964,426	$ 1,871,816
DISBURSEMENTS						
Welfare Warrants	$ 182,454	$ 183,122	$ 219,800	$ 223,722	$ 219,002	$ 191,419
Salaries & Employee Benefits	1,234,188	376,356	515,923	509,751	490,498	535,410
Services & Supplies and Fixed Assets	412,704	318,421	261,414	272,934	322,459	303,988
Payments to Hospitals & Other Funds	170,950	218,297	188,533	224,728	155,503	218,543
TRANs Pledge Transfer	0	0	0	0	0	174,000
TRANs Repayment	0	0	0	0	0	0
Intrafund Transfer Repayment	0	0	0	0	0	0
Total Disbursements	$ 2,000,296	$ 1,096,196	$ 1,185,670	$ 1,231,135	$ 1,187,462	$ 1,423,360
ENDING BALANCE	$ 1,310,827	$ 1,039,992	$ 693,820	$ 366,482	$ 143,446	$ 591,902
TRANS Repayment Fund						
Beginning Balance	0	0	0	0	0	0
Receipts	0	0	0	0	0	174,000
Disbursements	0	0	0	0	0	0
Ending Balance	0	0	0	0	0	174,000

*Detail may not add due to rounding.

January 2008	February 2008	March 2008	April 2008	May 2008	June 2008	Total 2007-08
$ 591,902	$ 1,150,831	$ 1,130,552	$ 745,555	$ 1,158,020	$ 1,589,763	
$ 792,694	$ 161,522	$ 22,122	$ 700,992	$ 743,503	$ 8,513	$ 3,568,098
20,710	13,060	14,588	6,581	14,611	13,952	176,349
1,150	7,592	9,663	985	2,478	12,171	53,545
12,103	30,071	21,610	14,540	34,417	11,950	239,456
21,614	28,815	19,089	30,304	20,942	33,719	295,191
218,592	302,577	233,223	236,469	272,532	242,188	3,261,026
141,364	109,854	91,626	112,161	124,511	268,375	1,516,390
14,657	9,027	60,125	77,681	45,529	12,009	302,248
46,375	51,878	27,324	216,669	42,965	128,968	911,055
354,331	301,495	364,794	348,166	284,366	367,951	3,746,965
14,419	12,218	24,883	14,507	4,015	107,216	374,281
0	0	0	0	0	0	0
0	0	0	0	0	0	500,000
0	0	0	0	0	522,375	522,375
$ 1,638,009	$ 1,028,109	$ 889,047	$ 1,759,055	$ 1,589,869	$ 1,729,387	$ 15,466,979
$ 205,132	$ 210,622	$ 197,612	$ 212,040	$ 198,819	$ 182,406	$ 2,426,150
442,531	475,064	439,296	497,883	467,979	457,465	6,442,344
279,647	218,243	345,768	274,303	243,540	353,487	3,606,908
61,770	87,459	230,368	221,989	247,788	310,645	2,336,573
90,000	57,000	61,000	140,375	0	0	522,375
0	0	0	0	0	522,375	522,375
0	0	0	0	0	0	0
$ 1,079,080	$ 1,048,388	$ 1,274,044	$ 1,346,590	$ 1,158,126	$ 1,826,378	$ 15,856,725
$ 1,150,831	$ 1,130,552	$ 745,555	$ 1,158,020	$ 1,589,763	$ 1,492,772	
174,000	264,000	321,000	382,000	522,375	522,375	0
90,000	57,000	61,000	140,375	0	0	522,375
0	0	0	0	0	0	522,375
264,000	321,000	382,000	522,375	522,375	522,375	0

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2008-09
(in thousands of $)

	July 2008	August 2008	September 2008	October 2008	November 2008	December 2008
BEGINNING BALANCE	$ 1,492,772	$ 993,620	$ 499,949	$ 378,335	$ (128,888)	$ (372,232)
RECEIPTS						
Property Taxes	$ 90,367	$ 135,010	$ 275	$ -	$ 80,919	$ 982,916
Other Taxes	17,662	1,639	16,739	21,056	3,959	17,960
Licenses, Permits & Franchises	2,792	7,185	2,034	4,916	887	1,311
Fines, Forfeitures & Penalties	39,206	23,819	13,363	14,480	26,157	12,332
Investment and Rental Income	31,156	33,095	13,005	12,147	20,360	9,589
Intergovernmental Revenue	338,883	163,152	415,093	279,726	385,769	291,694
Charges for Current Services	159,853	110,418	58,249	92,404	115,209	184,708
Misc. Revenue & Tobacco Settlement	(1,932)	44,569	4,281	16,207	5,905	11,592
Transfers & Reimbursements	11,510	0	1,886	64,149	88,891	141,528
Welfare Advances	122,208	167,370	520,424	347,646	228,054	272,471
Other Receipts	177,098	8,529	4,549	7,066	4,515	35,540
Intrafund Transfers	0	0	0	0	0	0
TRANs Sold	500,000	0	0	0	0	6,787
TRANs Reserve	0	0	0	0	0	0
Total Receipts	$ 1,488,803	$ 694,786	$ 1,049,898	$ 859,797	$ 960,625	$ 1,968,428
DISBURSEMENTS						
Welfare Warrants	$ 182,490	$ 192,922	$ 185,187	$ 295,613	$ 194,202	$ 229,519
Salaries & Employee Benefits	1,145,884	557,899	553,453	551,248	552,289	515,466
Services & Supplies and Fixed Assets	426,372	333,922	302,389	335,170	265,419	393,017
Payments to Hospitals & Other Funds	233,209	103,714	130,483	184,989	192,059	273,895
TRANs Pledge Transfer	0	0	0	0	0	155,000
TRANs Repayment	0	0	0	0	0	0
Intrafund Transfer Repayment	0	0	0	0	0	0
Total Disbursements	$ 1,987,955	$ 1,188,457	$ 1,171,512	$ 1,367,020	$ 1,203,969	$ 1,566,897
ENDING BALANCE	$ 993,620	$ 499,949	$ 378,335	$ (128,888)	$ (372,232)	$ 29,299
TRANS Repayment Fund						
Beginning Balance	0	0	0	0	0	0
Receipts	0	0	0	0	0	155,000
Disbursements	0	0	0	0	0	0
Ending Balance	0	0	0	0	0	155,000

*Detail may not add due to rounding.

January 2009	February 2009	March 2009	April 2009	May 2009	Estimated June 2009	Estimated Total 2008 -09
$ 29,299	$ 557,595	$ 374,935	$ 177,162	$ 663,772	$ 1,243,173	
$ 831,109	$ 165,373	$ 8,546	$ 769,369	$ 796,345	$ 9,075	$ 3,869,304
6,290	5,310	29,759	11,185	5,927	9,705	147,191
1,357	3,989	13,250	9,816	2,002	9,850	59,389
12,550	31,298	13,307	22,098	39,004	10,500	258,114
13,916	15,744	9,058	10,325	11,788	16,861	197,044
247,587	257,952	202,504	231,765	442,421	196,186	3,452,732
79,637	112,746	286,861	127,489	202,409	133,645	1,663,628
5,498	17,506	23,311	117,434	8,298	12,510	265,179
166,254	55,430	9,847	264,158	64,513	229,706	1,097,872
449,023	203,640	408,080	374,408	286,115	298,389	3,677,828
8,966	72,652	26,181	6,731	47,648	33,315	432,790
0	0	0	0	0	0	0
0	0	0	0	0	0	506,787
0	0	0	0	0	514,958	514,958
$ 1,822,187	$ 941,640	$ 1,030,704	$ 1,944,778	$ 1,906,470	$ 1,474,700	$ 16,142,816
$ 205,570	$ 185,507	$ 221,779	$ 209,752	$ 215,415	$ 228,540	$ 2,546,496
507,077	503,642	468,836	501,821	476,382	498,355	6,832,352
265,802	251,835	335,767	277,690	265,536	305,713	3,758,632
180,442	133,316	162,095	333,947	369,736	294,399	2,592,284
135,000	50,000	40,000	134,958	0	0	514,958
0	0	0	0	0	514,958	514,958
0	0	0	0	0	0	0
$ 1,293,891	$ 1,124,300	$ 1,228,477	$ 1,458,168	$ 1,327,069	$ 1,841,965	$ 16,759,680
$ 557,595	$ 374,935	$ 177,162	$ 663,772	$ 1,243,173	$ 875,908	
155,000	290,000	340,000	380,000	514,958	514,958	0
135,000	50,000	40,000	134,958	0	0	514,958
0	0	0	0	0	514,958	514,958
290,000	340,000	380,000	514,958	514,958	0	0

COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of April 30, 2009 investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in Billions)
County of Los Angeles and Special Districts	$9.774
Schools and Community Colleges	10.478
Independent Public Agencies	2.245
Total	$22.497

Of these entities, the involuntary participants accounted for approximately 90.02% and all discretionary participants accounted for 9.98% 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 31, 2009, reaffirmed the following criteria and order of priority for selecting investments:

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

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated May 22, 2009, the April 30, 2009 book value of the Treasury Pool was approximately $22.497 billion and the corresponding market value was approximately $22.606 billion.

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

The following table identifies the types of securities held by the Treasury Pool as of April 30, 2009:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	42.92
Certificates of Deposit	18.29
Commercial Paper	34.58
Bankers Acceptances	0.00
Municipal Obligations	0.18
Corporate Notes & Deposit Notes	4.03
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.26

The Treasury Pool is highly liquid. As of April 30, 2009 approximately 48.94% of the investments mature within 60 days, with an average of 508.23 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. During Fiscal Year 2008-09, the Treasury Pool has not experienced a single investment loss. 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 also was unaffected by the September 2008 bankruptcy of Lehman Brothers and did not have any outstanding investments in Lehman Brothers during Fiscal Year 2008-09.

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, 2008, and the unqualified opinion of Macias Gini & O'Connell LLP are attached hereto as Appendix B. The County's Comprehensive Annual Financial Reports (CAFRs) since the fiscal year ended June 30, 1982 have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

The County's budget is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements. The 2008-09 County Budget has been adopted and included an available (unreserved and undesignated) fund balance of $1,808,804,000 as of June 30, 2008 for the General Fund.

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

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

- Under the budgetary basis, revenues (primarily intergovernmental) are recognized at the time

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

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

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

- In conjunction with the sale of Tobacco Bonds, the County sold a portion of its future tobacco settlement revenues. Under the budgetary basis, the bond proceeds are recognized as revenues. Under the modified accrual basis, the bond proceeds are recorded as a sale of future revenues and are being recognized over the duration of the sale agreement, in accordance with GASB Statement No. 48. This matter is also discussed in Note 10 to the 2007-08 CAFR, under the caption, "Tobacco Settlement Asset-Backed Bonds."

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

- In conjunction with implementing GASB 45, the County determined that certain assets were held by LACERA (the OPEB Agency) 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, 2008.

The following table provides a reconciliation of the General Fund's June 30, 2008 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 2003-04 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, 2008 (in thousands of $)

Actual Available (Unreserved and Undesignated) Fund Balance - Budgetary Basis	$	1,808,804
Adjustments:		
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP		106,239
Recognition of Assets held by LACERA for future OPEB benefits		111,695
Accrual of liabilities for accrued vacation and sick leave not required by GAAP		36,766
Change in revenue accruals related to encumbrances		(22,649)
Deferral of property tax receivables		(135,696)
Deferral of unearned investment income		(6,272)
Deferral of sale of tobacco settlement revenue		(272,797)
Change in fair value of Investments		(1,755)
Available (Unreserved and Undesignated) Fund Balance - GAAP Basis	$	1,624,335

COUNTY OF LOS ANGELES
BALANCE SHEET AT JUNE 30, 2004, 2005, 2006, 2007 and 2008.
GENERAL FUND-GAAP BASIS (in thousands of $)

	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008
ASSETS					
Pooled Cash and Investments	$ 1,767,764	$ 2,134,177	$ 2,506,016	$ 2,668,854	$ 2,343,525
Other Investments	7,116	6,594	6,502	6,400	6,236
Taxes Receivable	169,996	187,441	208,279	248,095	340,784
Other Receivables	979,784	1,102,712	1,285,684	1,357,683	1,804,965
Due from Other Funds	454,899	556,210	219,448	370,124	357,416
Advances to Other Funds	272,228	445,337	541,699	400,280	571,872
Inventories	29,843	39,713	42,562	42,561	43,906
Total Assets	$ 3,681,630	$ 4,472,184	$ 4,810,190	$ 5,093,997	$ 5,468,704
LIABILITIES					
Accounts Payable	$ 238,415	$ 241,753	$ 272,245	$ 300,087	$ 252,794
Accrued Payroll	314,676	328,578	350,421	392,779	472,007
Other Payables	218,132	62,092	67,912	86,055	151,700
Due to Other Funds	615,635	1,001,456	800,615	602,358	561,540
Deferred Revenue	216,796	259,897	275,198	338,714	380,322
Advances Payable	167,613	235,029	286,860	278,023	263,500
Third-Party Payor liability	22,636	16,650	18,661	15,537	12,401
Total Liabilities	$ 1,793,903	$ 2,145,455	$ 2,071,912	$ 2,013,553	$ 2,094,264
EQUITY					
Fund Balance (Deficit)					
Reserved	$ 350,565	$ 400,627	$ 422,055	$ 478,280	$ 597,466
Unreserved					
Designated	659,006	1,017,026	1,522,411	1,235,325	1,152,639
Undesignated	878,156	909,076	793,812	1,366,839	1,624,335
Total Unreserved	1,537,162	1,926,102	2,316,223	2,602,164	2,776,974
Total Equity	1,887,727	2,326,729	2,738,278	3,080,444	3,374,440
Total Liabilities and Equity	$ 3,681,630	$ 4,472,184	$ 4,810,190	$ 5,093,997	$ 5,468,704

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2004, 2005, 2006, 2007 and 2008.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND-GAAP BASIS FISCAL YEARS 2003-04 THROUGH 2007-08 (in thousands of $)

	2003-04	2004-05	2005-06	2006-07	2007-08
REVENUES:					
Taxes	$ 1,987,861	$ 2,816,095	$ 3,217,726	$ 3,572,932	$ 3,796,296
Licenses, Permits & Franchises	57,236	58,422	61,080	61,138	58,799
Fines, Forfeitures and Penalties	202,648	220,622	232,762	234,747	251,933
Use of Money and Property	62,919	103,863	226,005	294,511	280,803
Aid from Other Government	7,218,003	6,818,550	7,025,205	7,050,121	7,261,668
Charges for Services	1,221,951	1,272,536	1,357,380	1,467,608	1,695,004
Miscellaneous Revenues	255,183	207,201	211,059	189,636	282,818
TOTAL	$ 11,005,801	$ 11,497,289	$ 12,331,217	$ 12,870,693	$ 13,627,321
EXPENDITURES					
General	$ 657,184	$ 634,113	$ 751,214	$ 854,052	$ 919,534
Public Protection	3,095,417	3,239,152	3,473,835	3,855,819	4,222,644
Health and Sanitation	1,813,290	1,844,546	2,004,361	2,126,233	2,345,484
Public Assistance	4,203,618	4,257,038	4,333,920	4,410,224	4,619,225
Recreation and Cultural Services	170,171	172,338	197,749	217,221	231,584
Debt Service	239,648	256,826	285,640	294,301	308,207
Capital Outlay	28,312	7,329	22,533	818	97,270
Total	$ 10,207,640	$ 10,411,342	$ 11,069,252	$ 11,758,668	$ 12,743,948
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 798,161	$ 1,085,947	$ 1,261,965	$ 1,112,025	$ 883,373
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to) Other Funds-Net	$ (639,110)	$ (657,058)	$ (874,946)	$ (771,788)	$ (780,902)
Sales of Capital Assets	2,634	2,784	1,997	1,111	1,036
Capital Leases	28,312	7,329	22,533	818	97,270
OTHER FINANCING SOURCES (USES)-Net	$ (608,164)	$ (646,945)	$ (850,416)	$ (769,859)	$ (682,596)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	$ 189,997	$ 439,002	$ 411,549	$ 342,166	$ 200,777
Beginning Fund Balance	1,697,730	1,887,727	2,326,729	2,738,278	3,173,663
Residual Equity Transfers from (to) Other Funds-Net	0	0	0	0	0
Ending Fund Balance	$ 1,887,727	$ 2,326,729	$ 2,738,278	$ 3,080,444	$ 3,374,440

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2004, 2005, 2006, 2007 and 2008.

DEBT SUMMARY

INTRODUCTION

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

OUTSTANDING OBLIGATIONS

As of July 1, 2008, approximately $1.18 billion in intermediate and long-term obligations were outstanding. The General Fund is responsible for $445.9 million of the outstanding debt. State and federal subventions secured $95.3 million in outstanding obligations. Revenues from special districts, special funds, enterprise funds, and trust funds secured the remaining $638.9 million in outstanding obligations.

As of May 1, 2009, the General Fund was responsible for only $179.7 million of the $480.8 million in payments due in 2009-10 for intermediate and long-term obligations. The table below identifies the funding sources for the debt payments due in 2009-10.

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

2009-10 Payments (As of May 1, 2009)

Funding Source	2009-10 Payment
Total 2008-09 Payment Obligation	$480,778,916
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	116,451,559
Courthouse Construction Funds	32,545,578
Special Districts/Special Funds	36,852,887
Trial Court Trust Fund	18,410,755
State & Federal Subventions	96,861,870
Net 2009-10 General Fund Obligation	$179,656,266

Source: Los Angeles County Chief Executive Office

The County's outstanding General County intermediate and long-term debt declined to $981.9 million in principal as of May 1, 2009 reflecting debt issuance and payment activity during the fiscal year. An additional $500.0 million in Tax and Revenue Anticipation Notes, $40.0 million in Bond Anticipation Notes, and $205.5 million in Tax-Exempt Commercial Paper were also outstanding as of May 1, 2009. The following table summarizes the outstanding General County debt and note obligations.

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING PRINCIPAL

As of May 1, 2009 (in thousands)

Type of Obligation		Outstanding Principal
Total County		
Short-Term Obligations:		
Tax and Revenue Anticipation Notes		$ 500,000.0
Bond Anticipation Notes		40,000.0
Intermediate & Long-Term Obligations		
Tax-Exempt Commercial Paper		205,500.0
Pension Obligations	(1)	235,690.9
Lease Obligations		746,231.2
Total Outstanding Principal		$ 1,727,422.1

(1) Does not include $116.6 million in principal payments that were deposited with trustees in advance, but will not be disbursed to bondholders until June 30, 2009.

Source: Los Angeles County Chief Executive Office

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

SHORT-TERM OBLIGATIONS

Tax and Revenue Anticipation Notes

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

Pursuant to a resolution adopted by the Board of Supervisors on May 13, 2008, the County, on July 1, 2008, issued its 2008-09 Tax and Revenue Anticipation Notes in the principal amount of $500.0 million, and with a maturity date of June 30, 2009. The 2008-09 Notes are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during the 2008-09 fiscal year in amounts, and on dates specified in the Cash Management Section of this Appendix. Under the authorization for the 2008-09 Notes, the County retains the ability to issue up to an additional $500.0 million in 2008-09 Notes. The County does not intend to issue any additional 2008-09 Notes. Deposit obligations to the Repayment Fund for the 2008-09 Notes were satisfied in full as of April 20, 2009.

Bond Anticipation Notes

The County is currently utilizing the proceeds from the issuance of Bond Anticipation Notes ("BANs") to provide an interim source of funding for the acquisition of equipment on behalf of the County General Fund. The BANs are issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") and are purchased by the County Treasury Pool under terms and conditions established by the Board of Supervisors. The BANs are payable within three years of their initial issuance from the proceeds of long-term bonds or other available funds. Repayment is secured by lease agreements between the County and LAC-CAL and a pledge of the acquired equipment. As of May 1, 2009, $40.0 million in BANs remained outstanding. The County expects to pay in full these outstanding BANs with the proceeds of intermediate-term bonds to be issued by LAC-CAL on or about June 2010.

INTERMEDIATE AND LONG-TERM OBLIGATIONS

General Obligation Debt

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

Tax-Exempt Commercial Paper

The County has authorized a maximum of $335.0 million of tax-exempt commercial paper ("TECP") to finance and refinance construction costs on various capital projects. Repayment of the TECP is secured by an Irrevocable, Direct-Pay Letter of Credit issued by a consortium of three banks (WestLB AG, Bayerische Landesbank, and JPMorgan Chase Bank) and a sublease of twenty-six County-owned properties. The subleased properties have useful lives ranging from ten to forty-seven years and have been appraised at an aggregate value in excess of the $335.0 million of TECP authorized by the Board of Supervisors. The Letter of Credit is scheduled to expire on December 15, 2015. As of May 1, 2009, $205.5 million in TECP Notes are outstanding. The County maintains its TECP capacity to provide both interim funding for capital projects pending construction and long-term financing.

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. As of May 1, 2009, the County had approximately $352.3 million in outstanding bonds and certificates that were issued to finance the UAAL of its retirement system. Payment of approximately $116.6 million of these bonds and certificates was provided for in July 2008 by the County for those obligations maturing on June 30, 2009. The stated final maturity on the County's pension bonds and certificates is June 2011.

Lease Obligations

Since 1962, the County has financed its capital project and equipment replacement program through various lease arrangements with joint powers authorities and nonprofit corporations, which have issued lease revenue bonds or certificates of participation. As of May 1, 2009, approximately $723.2 million in principal remained outstanding on such obligations. The County's lease obligations are secured by revenues from various funding sources, including the General Fund, and are subject to annual appropriation. The County's 2008-09 Budget contains sufficient appropriations to fund its 2008-09 payment obligations. The County's Board of Supervisors has never failed to appropriate funds for such obligations, nor has the County abated payments on any lease-financed facility to date.

DEBT RATIOS

The ratio of the General Fund's outstanding debt to total assessed valuations decreased from 0.151% in 2007 to 0.136% in 2008. The following table provides the ratio of the General Fund's outstanding debt to total assessed valuation over the past ten years.

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

Year	Outstanding Principal (1)	Total Assessed Valuation	% of Principal to Valuation
1999	$4,147,139,371	$497,014,083,986	0.834%
2000	4,006,333,171	531,023,420,236	0.754%
2001	3,703,638,147	567,296,327,872	0.653%
2002	3,404,067,514	605,942,874,836	0.562%
2003	3,093,060,550	656,073,063,881	0.471%
2004	2,785,149,946	709,671,759,735	0.392%
2005	2,387,949,433	783,342,364,874	0.305%
2006	1,789,004,365	872,103,795,877	0.205%
2007	1,444,326,104	953,468,123,997	0.151%
2008	1,385,613,183	1,020,346,376,948	0.136%

Source: Los Angeles County Chief Executive Office and Auditor-Controller
1. Includes Tax Exempt Commercial Paper

DEBT SUMMARY TABLES

The tables on the following pages provide:

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

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

3. A detail of the 2008-09 payments on General County obligations by funding source and debt issue;

4. A detail of the principal outstanding in 2008-09 on General County debt issues by funding source and debt issue;

5. A summary of the outstanding principal, future payments and current year payments due on General County obligations as of May 1, 2009 ; and

6. The County's overlapping debt statement as of May 1, 2009.

REPORTS AS OF JULY 1, 2008

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL BY FUNDING SOURCE

ENTIRE CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL BY FUNDING SOURCE

REPORTS AS OF MAY 1, 2009

SUMMARY OF OUTSTANDING GENERAL COUNTY OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS
AS OF JULY 1, 2008

Fiscal Year	Pension Obligation Certificates	Other Bonds	Total Annual Debt Service
2008-09	$ 320,338,646	$ 132,033,159	$ 452,371,804
2009-10	358,165,000	122,613,916	480,778,916
2010-11	372,130,000	107,255,208	479,385,208
2011-12	-	101,438,026	101,438,026
2012-13	-	91,339,582	91,339,582
2013-14	-	92,176,678	92,176,677
2014-15	-	88,130,823	88,130,823
2015-16	-	70,608,481	70,608,481
2016-17	-	51,908,479	51,908,479
2017-18	-	40,415,028	40,415,028
2018-19	-	41,297,796	41,297,796
2019-20	-	42,193,494	42,193,494
2020-21	-	43,125,344	43,125,344
2021-22	-	44,105,663	44,105,663
2022-23	-	41,123,113	41,123,113
2023-24	-	16,943,875	16,943,875
2024-25	-	16,933,500	16,933,500
2025-26	-	16,929,000	16,929,000
2026-27	-	16,918,875	16,918,875
2027-28	-	16,906,750	16,906,750
2028-29	-	16,905,750	16,905,750
2029-30	-	16,893,613	16,893,613
2030-31	-	9,432,600	9,432,600
2031-32	-	9,431,488	9,431,488
2032-33	-	6,918,000	6,918,000
2033-34	-	6,918,750	6,918,750
2034-35	-	-	-
Total	$ 1,050,633,646	$ 1,260,896,988	$ 2,311,530,633

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS
AS OF JULY 1, 2008

Fiscal Year	Pension Obligation Certificates	Other Bonds	Total Outstanding Principal
2008-09	$ 352,255,398	$ 827,857,785	$ 1,180,113,184
2009-10	235,690,862	737,246,193	972,937,055
2010-11	118,486,192	653,195,838	771,682,030
2011-12	-	582,157,754	582,157,754
2012-13	-	514,567,758	514,567,758
2013-14	-	454,942,515	454,942,515
2014-15	-	392,542,430	392,542,430
2015-16	-	332,205,289	332,205,289
2016-17	-	287,863,098	287,863,098
2017-18	-	261,578,779	261,578,779
2018-19	-	246,838,152	246,838,152
2019-20	-	231,520,857	231,520,857
2020-21	-	215,603,886	215,603,886
2021-22	-	190,725,000	190,725,000
2022-23	-	155,450,000	155,450,000
2023-24	-	121,425,000	121,425,000
2024-25	-	110,200,000	110,200,000
2025-26	-	98,410,000	98,410,000
2026-27	-	86,020,000	86,020,000
2027-28	-	73,005,000	73,005,000
2028-29	-	59,335,000	59,335,000
2029-30	-	44,965,000	44,965,000
2030-31	-	29,895,000	29,895,000
2031-32	-	21,735,000	21,735,000
2032-33	-	13,170,000	13,170,000
2033-34	-	6,750,000	6,750,000
2034-35	-	-	-

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

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE (1)
AS OF JULY 1, 2008

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State/Federal Subvention	Total Annual Debt Service
2008-09	$ 172,432,955	$ 111,354,042	$ 31,972,781	$ 33,486,687	$ 16,466,367	$ 86,658,971	$ 452,371,804
2009-10	179,626,266	116,451,559	32,545,578	36,852,887	18,410,755	96,891,870	480,778,916
2010-11	172,909,180	117,608,782	30,988,835	38,080,088	19,128,598	100,669,724	479,385,208
2011-12	48,271,930	18,400,555	31,546,195	3,219,346	-	-	101,438,026
2012-13	45,246,913	17,098,045	25,708,978	3,285,646	-	-	91,339,582
2013-14	44,406,911	17,098,477	27,323,569	3,347,721	-	-	92,176,677
2014-15	42,083,109	16,118,727	26,513,278	3,415,709	-	-	88,130,823
2015-16	27,014,874	14,471,134	25,636,390	3,486,084	-	-	70,608,481
2016-17	20,801,284	5,684,932	21,867,430	3,554,834	-	-	51,908,479
2017-18	19,814,394	-	16,975,475	3,625,159	-	-	40,415,028
2018-19	20,624,681	-	16,976,475	3,696,640	-	-	41,297,796
2019-20	21,454,019	-	16,965,725	3,773,750	-	-	42,193,494
2020-21	22,321,744	-	16,957,350	3,846,250	-	-	43,125,344
2021-22	23,224,363	-	16,954,300	3,927,000	-	-	44,105,663
2022-23	24,171,488	-	16,951,625	-	-	-	41,123,113
2023-24	-	-	16,943,875	-	-	-	16,943,875
2024-25	-	-	16,933,500	-	-	-	16,933,500
2025-26	-	-	16,929,000	-	-	-	16,929,000
2026-27	-	-	16,918,875	-	-	-	16,918,875
2027-28	-	-	16,906,750	-	-	-	16,906,750
2028-29	-	-	16,905,750	-	-	-	16,905,750
2029-30	-	-	16,893,613	-	-	-	16,893,613
2030-31	-	-	9,432,600	-	-	-	9,432,600
2031-32	-	-	9,431,488	-	-	-	9,431,488
2032-33	-	-	6,918,000	-	-	-	6,918,000
2033-34	-	-	6,918,750	-	-	-	6,918,750
2034-35	-	-	-	-	-	-	-
Total	$ 884,404,109	$ 434,286,252	$ 507,016,184	$ 147,597,801	$ 54,005,721	$ 284,220,566	$ 2,311,530,633

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2008

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State/Federal Subvention	Total Outstanding Principal
2008-09	$ 445,855,567	$ 228,595,912	$ 323,940,886	$ 68,320,647	$ 18,106,984	$ 95,293,187	$ 1,180,113,184
2009-10	358,574,165	175,817,232	307,153,411	55,517,230	12,115,217	63,759,799	972,937,055
2010-11	275,074,820	126,679,761	289,019,920	42,763,744	6,090,546	32,053,240	771,682,030
2011-12	201,756,861	78,874,248	271,616,645	29,910,000	-	-	582,157,754
2012-13	169,884,292	63,799,178	252,834,288	28,050,000	-	-	514,567,758
2013-14	140,450,877	49,377,538	239,074,099	26,040,000	-	-	454,942,515
2014-15	111,373,618	34,279,455	223,014,358	23,875,000	-	-	392,542,430
2015-16	84,203,277	19,440,996	207,011,017	21,550,000	-	-	332,205,289
2016-17	72,115,806	5,556,353	191,140,939	19,050,000	-	-	287,863,098
2017-18	66,818,779	-	178,385,000	16,375,000	-	-	261,578,779
2018-19	63,298,152	-	170,020,000	13,520,000	-	-	246,838,152
2019-20	59,820,857	-	161,225,000	10,475,000	-	-	231,520,857
2020-21	56,388,886	-	151,990,000	7,225,000	-	-	215,603,886
2021-22	44,695,000	-	142,290,000	3,740,000	-	-	190,725,000
2022-23	23,340,000	-	132,110,000	-	-	-	155,450,000
2023-24	-	-	121,425,000	-	-	-	121,425,000
2024-25	-	-	110,200,000	-	-	-	110,200,000
2025-26	-	-	98,410,000	-	-	-	98,410,000
2026-27	-	-	86,020,000	-	-	-	86,020,000
2027-28	-	-	73,005,000	-	-	-	73,005,000
2028-29	-	-	59,335,000	-	-	-	59,335,000
2029-30	-	-	44,965,000	-	-	-	44,965,000
2030-31	-	-	29,895,000	-	-	-	29,895,000
2031-32	-	-	21,735,000	-	-	-	21,735,000
2032-33	-	-	13,170,000	-	-	-	13,170,000
2033-34	-	-	6,750,000	-	-	-	6,750,000
2034-35	-	-	-	-	-	-	-

Source: Los Angeles County Chief Executive Office
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, 2008

Title	Total Debt Service	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State / Federal Subvention
Long-Term Obligations							
Pension Obligation Certificates							
1994 Pension Ob Certs, Ser C: LACERA Funding	$ 275,835,000	$ 89,657,408	$ 71,494,777		$ 25,884,356	$ 14,178,747	$ 74,619,712
1994 Pension Ob Certs, Ser D: LACERA Funding	44,503,646	14,465,465	11,535,078		4,176,222	2,287,621	12,039,260
Total Pension Obligation Certificates	$ 320,338,645	$ 104,122,873	$ 83,029,854	$ 0	$ 30,060,578	$ 16,466,368	$ 86,658,972
Long-Term Capital Projects							
1992 Lease Rev Refg Bonds, 1992 Master Refg Proj:							
Civic Center Heating & Refridgeration Plant	$ 5,871,103	$ 5,871,103					
Downey Courthouse	976,823			$ 976,823			
Sheriffs Training Academy	818,903	818,903					
San Fernando Court	1,371,605			1,371,605			
Total 1992 Lease Rev Refg Bonds, 1992 Master Refg Proj	$ 9,038,433	$ 6,690,006	$ 0	$ 2,348,427	$ 0	$ 0	$ 0
1993 COPs: Disney Parking Project	$ 9,930,000	$ 9,930,000					
1998 Refg COPs: Disney Parking Project	3,075,023	3,075,023					
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	3,628,175			$ 3,628,175			
2002 Lease Rev Bonds Ser B:							
Downey Courhouse	320,365			320,365			
Sheriffs Training Academy	264,469	264,469					
San Fernando Court	442,967			442,967			
Total 2002 Lease Rev Bonds Ser B	$ 1,027,800	$ 264,469	$ 0	$ 763,331	$ 0	$ 0	$ 0
2005 Lease Rev Refg Bonds Ser A:							
Music Center Improvements	$ 774,203	$ 774,203					
Alhambra Courthouse	584,284			$ 584,284			
Burbank Courthouse	761,176			761,176			
Ameron Building (Sheriff Headquarters)	2,509,649	2,509,649					
Biscailuz Center	225,719	225,719					
Emergency Operations Center	1,966,130	1,966,130					
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	1,489,063		$ 1,489,063				
Martin Luther King Medical Center - Trauma Center	6,226,475		6,226,475				
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	106,851		106,851				
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	4,397,641		4,397,641				
Rancho Los Amigos Medical Center - Parking Structure	1,642,161		1,642,161				
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	686,216		686,216				
San Fernando Valley Juvenile Hall	977,366	977,366					
LAC/USC Medical Center Marengo Street Parking Garage	2,600,090		2,600,090				
LAX Area Courthouse	6,956,109			6,956,109			
San Fernando Valley Courthouse (Chatsworth)	5,498,703			5,498,703			
Harbor Med Center E.P.S.	1,253,804		1,253,804				
Total 2005 Lease Rev Refg Bonds Ser A	$ 38,655,638	$ 6,453,066	$ 18,402,300	$ 13,800,272	$ 0	$ 0	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	$ 3,036,934				$ 3,036,934		
2006 Lease Rev Refg Bonds Ser A:							
East Los Angeles Courthouse	$ 1,211,125			$ 1,211,125			
Lost Hills Sheriffs Station	1,012,500	$ 1,012,500					
Mira Loma Boy's Camp	3,063,063	3,063,063					
LAC/USC Intensive Care Unit	225,000		$ 225,000				
Martin Luther King, Jr. Medical Center Parking Structure	490,906		490,906				
Mid Valley Health Center	884,656		884,656				
Lynwood Regional Justice Center	10,511,675	10,511,675					
Men's Central Jail - Twin Towers	9,899,631	9,899,631					
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning	656,531	656,531					
Pitchess Honor Rancho: Medium Security - N Facility Sewer System	203,825	203,825					
Pitchess Honor Rancho: Medium Security - N Facility Water Treatment	800,088	800,088					
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	182,288	182,288					
Pitchess Honor Rancho: Vehicle Maintenance Facility	474,244	474,244					
Men's Central Jail Parking Structure	2,113,400	2,113,400					
Hutton Building - Registrar / Recorder Headquarters	2,633,100	2,633,100					
Pomona Municipal Courthouse	423,081			423,081			
Pitchess Honor Rancho Laundry Expansion	205,556	205,556					
Pitchess Honor Rancho Visitors Center	505,544	505,544					
Mira Loma Men's Medium Security Facility	364,556	364,556					
Temple City Sheriff Station	864,556	864,556					
Van Nuys Courthouse	2,882,025			2,882,025			
Public Library Headquarters	389,175				$ 389,175		
Total 2006 Lease Rev Refg Bonds Ser A	$ 39,996,525	$ 33,490,556	$ 1,600,563	$ 4,516,231	$ 389,175	$ 0	$ 0
2006 Lease Rev Refg Bonds Ser B:	$ 6,916,344			$ 6,916,344			
Total Long-Term Capital Projects	$ 115,304,872	$ 59,903,119	$ 20,002,863	$ 31,972,781	$ 3,426,109	$ 0	$ 0
Total Long-Term Obligations	$ 435,643,517	$ 164,025,993	$ 103,032,717	$ 31,972,781	$ 33,486,687	$ 16,466,368	$ 86,658,972
Intermediate-Term Obligations							
Equipment							
2006 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 5,903,300	$ 2,886,219	$ 3,017,081				
2008 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	10,824,988	5,520,743	5,304,245				
Total Equipment	$ 16,728,288	$ 8,406,962	$ 8,321,325	$ 0	$ 0	$ 0	$ 0
Total Intermediate-Term Obligations	$ 16,728,288	$ 8,406,962	$ 8,321,325	$ 0	$ 0	$ 0	$ 0
Total Obligations	$ 452,371,804	$ 172,432,955	$ 111,354,042	$ 31,972,781	$ 33,486,687	$ 16,466,368	$ 86,658,972

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, 2008

Title	Total Outstanding Principal	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State / Federal Subvention
Long-Term Obligations							
Pension Obligation Certificates							
1994 Pension Ob Certs, Ser C: LACERA Funding	$ 89,998,235	$ 29,253,026	$ 23,327,002		$ 8,445,434	$ 4,626,179	$ 24,346,592
1994 Pension Ob Certs, Ser D: LACERA Funding	262,257,163	85,244,068	67,975,483		24,610,212	13,480,805	70,946,595
Total Pension Obligation Certificates	$ 352,255,398	$ 114,497,095	$ 91,302,486	$ 0	$ 33,055,646	$ 18,106,984	$ 95,293,187
Long-Term Capital Projects							
1992 Lease Rev Refg Bonds, 1992 Master Refg Proj:							
Civic Center Heating & Refridgeration Plant	$ 11,070,000	$ 11,070,000					
Downey Courthouse	2,685,000			$ 2,685,000			
Sheriffs Training Academy	2,243,048	2,243,048					
San Fernando Court	3,756,952			3,756,952			
Total 1992 Lease Rev Refg Bonds, 1992 Master Refg Proj	$ 19,755,000	$ 13,313,048	$ 0	$ 6,441,952	$ 0	$ 0	$ 0
1993 COPs: Disney Parking Project	$ 41,532,785	$ 41,532,785					
1998 Refg COPs: Disney Parking Project	59,140,000	59,140,000					
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	13,020,000			$ 13,020,000			
2002 Lease Rev Bonds Ser B:							
Downey Courhouse	5,339,414			5,339,414			
Sheriffs Training Academy	4,407,809	4,407,809					
San Fernando Court	7,382,777			7,382,777			
Total 2002 Lease Rev Bonds Ser B	$ 17,130,000	$ 4,407,809	$ 0	$ 12,722,191	$ 0	$ 0	$ 0
2005 Lease Rev Refg Bonds Ser A:							
Music Center Improvements	$ 5,131,543	$ 5,131,543					
Alhambra Courthouse	3,064,003			$ 3,064,003			
Burbank Courthouse	5,048,464			5,048,464			
Ameron Building (Sheriff Headquarters)	13,154,434	13,154,434					
Biscailuz Center	1,170,280	1,170,280					
Emergency Operations Center	11,704,856	11,704,856					
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	8,869,652		$ 8,869,652				
Martin Luther King Medical Center - Trauma Center	45,189,516		45,189,516				
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	552,869		552,869				
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	29,201,834		29,201,834				
Rancho Los Amigos Medical Center - Parking Structure	10,899,901		10,899,901				
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	3,607,672		3,607,672				
San Fernando Valley Juvenile Hall	7,081,704	7,081,704					
LAC/USC Medical Center Marengo Street Parking Garage	17,266,046		17,266,046				
LAX Area Courthouse	84,435,656			84,435,656			
San Fernando Valley Courthouse (Chatsworth)	69,013,621			69,013,621			
Harbor Med Center E.P.S.	4,587,950		4,587,950				
Total 2005 Lease Rev Refg Bonds Ser A	$ 319,980,001	$ 38,242,817	$ 120,175,440	$ 161,561,744	$ 0	$ 0	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	$ 34,745,000				$ 34,745,000		
2006 Lease Rev Refg Bonds Ser A:							
East Los Angeles Courthouse	$ 8,640,000			$ 8,640,000			
Lost Hills Sheriffs Station	990,000	$ 990,000					
Mira Loma Boy's Camp	2,995,000	2,995,000					
LAC/USC Intensive Care Unit	220,000		$ 220,000				
Martin Luther King, Jr. Medical Center Parking Structure	480,000		480,000				
Mid Valley Health Center	865,000		865,000				
Lynwood Regional Justice Center	64,815,000	64,815,000					
Men's Central Jail - Twin Towers	61,195,000	61,195,000					
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning	1,730,000	1,730,000					
Pitchess Honor Rancho: Medium Security - N Facility Sewer System	530,000	530,000					
Pitchess Honor Rancho: Medium Security - N Facility Water Treatment	2,110,000	2,110,000					
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	485,000	485,000					
Pitchess Honor Rancho: Vehicle Maintenance Facility	1,245,000	1,245,000					
Men's Central Jail Parking Structure	5,575,000	5,575,000					
Hutton Building - Registrar / Recorder Headquarters	9,910,000	9,910,000					
Pomona Municipal Courthouse	1,590,000			1,590,000			
Pitchess Honor Rancho Laundry Expansion	770,000	770,000					
Pitchess Honor Rancho Visitors Center	1,905,000	1,905,000					
Mira Loma Men's Medium Security Facility	1,375,000	1,375,000					
Temple City Sheriff Station	3,265,000	3,265,000					
Van Nuys Courthouse	17,670,000			17,670,000			
Public Library Headquarters	520,000				$ 520,000		
Total 2006 Lease Rev Refg Bonds Ser A	$ 188,880,000	$ 158,895,000	$ 1,565,000	$ 27,900,000	$ 520,000	$ 0	$ 0
2006 Lease Rev Refg Bonds Ser B:	$ 102,295,000			$ 102,295,000			
Total Long-Term Capital Projects	$ 796,477,786	$ 315,531,459	$ 121,740,440	$ 323,940,887	$ 35,265,000	$ 0	$ 0
Total Long-Term Obligations	$ 1,148,733,184	$ 430,028,554	$ 213,042,926	$ 323,940,887	$ 68,320,646	$ 18,106,984	$ 95,293,187
Intermediate-Term Obligations							
Equipment							
2006 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 8,385,000	$ 4,099,563	$ 4,285,437				
2008 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	22,995,000	11,727,450	11,267,550				
Total Equipment	$ 31,380,000	$ 15,827,013	$ 15,552,987	$ 0	$ 0	$ 0	$ 0
Total Intermediate-Term Obligations	$ 31,380,000	$ 15,827,013	$ 15,552,987	$ 0	$ 0	$ 0	$ 0
Total Obligations	$ 1,180,113,184	$ 445,855,567	$ 228,595,913	$ 323,940,887	$ 68,320,646	$ 18,106,984	$ 95,293,187

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 May 1, 2009

Title	Outstanding Principal	Total Future Payments	2008-09 FY Payment Remaining
Long-Term Obligations			
Pension Obligation Certificates			
1994 Pension Obligation Bonds, Series C (Capital Appreciation Bonds)	$ 14,998,698 (1)	$ 61,460,000 (1)	$ 0 (1)
1994 Pension Obligation Bonds, Series D (Variable Rate Bonds)	220,692,163 (2)	668,835,000 (2)	0 (2)
Total Pension Obligation Certificates	$ 235,690,862	$ 730,295,000	$ 0
Long-Term Capital Projects			
1992 Lease Rev Refg Bonds, 1992 Master Refunding Project	$ 11,665,000	$ 12,556,165	$ 352,866
1993 COPs: Disney Parking Project	38,056,193	170,325,000	0
1998 Refg COPs: Disney Parking Project	58,865,000	93,898,928	0
2002 Lease Rev Bonds Series A - Edmund D. Edelman Court Project Refunding	9,970,000	10,880,000	0
2002 Lease Rev Bonds Series B - 2002 Master Refunding Project	17,130,000	22,955,700	513,900
2005 Lease Rev Refg Bonds Series A - 2005 Master Refunding Project	295,885,000	412,449,500	7,002,757
2005 Lease Rev Bonds Series A - 2005 Calabasas Landfill Project	34,745,000	47,695,798	2,263,467
2006 Lease Rev Refg Bonds Series A - 2006 Master Refunding Project	156,765,000	179,153,106	0
2006 Lease Rev Refg Bonds Series B - 2006 Master Refunding Project	100,090,000	172,960,822	0
Total Long-Term Capital Projects	$ 723,171,193	$ 1,122,875,019	$ 10,132,990
Total Long-Term Obligations	$ 958,862,055	$ 1,853,170,019	$ 10,132,990
Intermediate-Term Obligations			
Equipment			
2006 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 5,280,000	$ 5,453,600	$ 2,630,600
2008 Lease Rev Bonds Series A - LAC-CAL Equipment Program	17,780,000	18,549,681	5,250,881
Total Equipment	$ 23,060,000	$ 24,003,281	$ 7,881,481
Total Intermediate-Term Obligations	$ 23,060,000	$ 24,003,281	$ 7,881,481
Total Obligations	$ 981,922,055	$ 1,877,173,300	$ 18,014,471

COPs = Certificates of Participation

The Pension Obligation Certificates do not reflect principal and interest payment amounts remaining for FY 2008-09 that were deposited with the respective trustees in advance on July 15 or 30, 2008 as required by the individual Trust Agreements as follows:
(1) $74,999,537 in principal and $200,835,463 in interest
(2) $41,565,000 in principal and $2,938,646 in interest

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 MAY 1, 2009

Full Cash Value (2008-09): $946,052,766,658 (after deducting $142,993,081,648 redevelopment incremental valuation; including unitary utility valuation)

	Applicable %	Debt as of 5/1/09
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		
Los Angeles County Flood Control District	100.000 %	$ 84,705,000
Metropolitan Water District	46.799	137,319,966
Los Angeles Community College District	100.000	2,408,605,000
Other Community College Districts	Various (1)	1,510,072,657
Arcadia Unified School District	100.000	173,920,058
Beverly Hills Unified School District	100.000	198,769,540
Glendale Unified School District	100.000	137,880,000
Inglewood Unified School District	100.000	118,575,000
Long Beach Unified School District	100.000	315,155,606
Los Angeles Unified School District	100.000	8,046,220,000
Pasadena Unified School District	100.000	189,635,000
Pomona Unified School District	100.000	177,831,238
Other Unified School Districts	Various (1)	2,529,282,197
High School and School Districts	Various (1)	1,080,639,149
City of Los Angeles	100.000	1,298,085,000
City of Los Angeles Special Tax Lease Revenue Bonds	100.000	70,590,000
City of Industry	100.000	180,415,000
Other Cities	100.000	84,990,000
Special Districts	100.000	8,315,000
Community Facilities Districts	100.000	868,046,802
Los Angeles County Regional Park & Open Space Assessment District	100.000	246,875,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000	160,329,187
Los Angeles County Metropolitan Transportation Authority Benefit Assessment District Bonds	100.000	22,170,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$ 20,048,426,400
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		
Los Angeles County General Fund Obligations	**100.000 %**	**$ 937,336,195**
Los Angeles County Pension Obligations	**100.000**	**352,255,398**
Los Angeles County Office of Education Certificates of Participation	100.000	15,904,264
Community College District Certificates of Participation	Various (2)	82,798,138
Azusa Unified School District Certificates of Participation	100.000	67,560,000
Los Angeles Unified School District Certificates of Participation	100.000	484,576,710
Norwalk-La Mirada Unified School District Certificates of Participation	100.000	35,382,999
Pomona Unified School District Certificates of Participation	100.000	63,280,000
Other Unified School District Certificates of Participation	100.000	275,202,989
High School and School District General Fund Obligations	Various (2)	196,567,096
City of Beverly Hills General Fund Obligations	100.000	201,235,000
City of Los Angeles General Fund and Judgment Obligations	100.000	1,899,895,000
City of Long Beach General Fund Obligations	100.000	277,785,000
City of Long Beach Pension Obligations	100.000	77,095,000
City of Pasadena General Fund Obligations	100.000	381,294,972
City of Pasadena Pension Obligations	100.000	123,195,036
Other Cities' General Fund Obligations	100.000	1,249,326,599
Los Angeles County Sanitation Districts General Fund Obligations	100.000	359,424,393
Walnut Valley Water District General Fund Obligations	100.000	11,995,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 7,092,109,789
Less: School District self-supporting bonds		(82,473,820)
Cities' self-supporting bonds		(182,837,424)
Walnut Valley Water District General Fund Obligations		(11,995,000)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 6,814,803,545
GROSS COMBINED TOTAL DEBT		$ 27,140,536,189 (3)
NET COMBINED TOTAL DEBT		$ 26,863,229,945

(1) All 100%, or almost 100%, except for Antelope Valley Joint Union High School and Community College District, Fullerton Union High School District, Las Virgenes Joint Unified School District, North Orange County Joint Community College District, and the schools and special districts included in them.

(2) All 100%, or almost 100%, except for Fullerton Union High School District, Las Virgenes Joint Unified School District, Snowline Joint Unified School District, Victor Valley Joint Community College District, and the schools and special districts included in them.

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

RATIOS TO 2008-09 ASSESSED VALUATION	
Total Direct and Overlapping Tax and Assessment Debt	1.840 %
RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)	
Combined Gross Direct Debt ($1,289,591,593)	**0.140 %**
Gross Combined Total Debt	2.870 %
Net Combined Total Debt	2.840 %

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: $ 286,908

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 2008 Gross Product of $491 billion, Los Angeles County's economy is larger than that of 42 states and all but 22 countries. Los Angeles County serves as the central trade district for the western United States and controls nearly three-quarters of the Pacific Coast trade with Asia. It is a leader in the communications industry, has established itself as a leading financial center, and serves as the western headquarters for many national firms. The County's economy continued to expand in 2008, with an increase of 6.6% in Gross Product. This represents a notably higher growth rate compared to the state and regional economies. However, in 2009, a significantly lower growth rate is expected due to the severe economic downturn in the global economy.

Los Angeles County experienced a steady recovery in the job market with three consecutive years of lower unemployment rates from 2003-2006. The 2006 unemployment rate of 4.7% was the lowest in the County since 1988. An upward trend started in 2007, with a small increase in the unemployment rate to 5.0%, followed by a substantial increase to 7.2% in 2008. The unemployment rate is expected to climb higher in 2009 to a rate of 9.8%, with a projected loss of 89,000 additional jobs. However, this number may be partly offset by the following positive factors. In the November 2008 election, voters approved $15 billion in school district bond measures for the purpose of building new facilities and/or improving existing facilities for local schools and community colleges. Within the same election, County Measure R was approved. Effective July 1, 2009, Measure R will increase the County sales tax rate, with the additional revenue used to fund transportation projects throughout the County. The funding provided from these ballot measures, along with the federal stimulus package, is expected to provide a strong foundation for major public and private construction projects and the creation of new jobs.

In terms of its industrial base, diversity continues to be Los Angeles County's greatest strength, with wholesale & retail trade and manufacturing being the leading sectors. The Los Angeles Customs District ("LACD"), which includes the Los Angeles International Airport and the two main sea ports (Long Beach and Los Angeles), is the largest in the nation. Despite the challenging economic environment, the LACD realized a modest gain in the value of two-way trade from 2007, with a 2.5% increase in 2008 to $356.1 billion. Los Angeles is also considered the largest manufacturing center in the United States, with approximately 440,000 workers employed in the manufacturing sector in 2008.

Quality of Life

Higher Education

Los Angeles County is home to an extensive education system, with 112 colleges and university campuses, including UCLA; five state university campuses; 21 community colleges; prestigious private universities such as USC, Occidental and Claremont Colleges; religious-affiliated universities such as Pepperdine and Azusa Pacific; renowned technology schools such as the California Institute of Technology and the affiliated Jet Propulsion Laboratory; and specialized institutions such as 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 offering world-class museums, theaters, and music venues. The County is home to over 1,000 performing arts organizations and 150,000 working artists, creating one of the largest concentrations of arts activity in the United States.

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

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

Recreation

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

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

Population

The County of Los Angeles is the most populous county in the U.S. with over 10.4 million people estimated to be residing within its borders. The County's population makes it equivalent to the eighth largest state in the nation and accounts for approximately 27% of the total population of California. The demographic profile of the County indicates that 47% of the population is Hispanic; 29% white non-Hispanic; 14% Asian-Pacific Islander; 10%

African American; and 2% Multi-Race. The County is also home to the highest number of foreign–born residents in the nation and has the largest population of persons of Filipino, Guatemalan, Korean, Mexican, Salvadoran and Thai descent outside their native countries. It is estimated that 70% of the adult population has a high school diploma or higher, while 25% has a bachelor's degree or higher. Table B illustrates the recent historical growth of the County's population.

Employment

The major economic downturn, which started in late 2007, affected the entire nation and hit the County especially hard during the fourth quarter of 2008. After experiencing a cyclical low of 4.7% in 2006, the unemployment rate started to climb upward in 2007, and increased to 7.2% in 2008. For 2009, the unemployment rate is currently forecasted to reach an average of 9.8%. The rise in unemployment crossed several sectors in 2008, with significant job losses occurring in construction (-9,500), wholesale & retail trade (-8,800), manufacturing (-7,500), information (-7,000), and finance & insurance (-6,900). The total job loss of 43,000 was somewhat offset by job growth (+28,200) experienced in other areas. Some of the sectors of the economy that experienced job growth in 2008 were: health care & social assistance (+8,600 jobs), government (+6,100 jobs), leisure and hospitality (+5,500 jobs), educational services (+3,000 jobs), and, professional, scientific & technical services (+2,600 jobs). Table F details the County's non-agricultural employment numbers by sector since 2004.

Personal Income

Total personal income in Los Angeles County continued to grow in 2008, but at a much slower rate than in the past. The $398.1 billion earned in 2008 reflects a 1.7% increase from 2007. The County's total personal income in 2008 represents an estimated 25.6% of the total personal income generated in California. The sustained growth in personal income, which has increased by 22.0% since 2004, is expected to an end in 2009 with a projected decline of 2.3%. The Los Angeles Economic Development Corporation forecasts that personal income will regain momentum in 2010 with a projected increase of 0.9%. Table C provides a summary of the personal income levels in Los Angeles County since 2004.

Consumer Spending

Los Angeles County is a national leader in consumer spending. The County experienced a steady growth in taxable retail sales from 2004 to 2007, with an increase of 11.6% from the 2004 level. In 2008, the County generated $94.1 billion in retail sales, representing 25% of the total retail sales within California. This number reflects a slight decrease from the $96.6 billion of 2007, and is indicative of the current economic recession. Table D provides a summary of the recent growth of retail sales in Los Angeles County.

Industry

With a Gross Product of $491 billion in 2008, Los Angeles County is considered the leading center for business and commerce in the western United States. Its Gross Product represents approximately 26% of the total economic output in California and 3.4% of the Gross Domestic Product of the United States. The County's business environment is distinguished by its diversity and balance, and is recognized as a world leader in the high-technology, electronics, energy, communications, and entertainment industries. Table A provides summary information on the Gross Product of Los Angeles County.

Though its manufacturing sector suffered a 1.7% decrease in jobs from the prior year, Los Angeles County is still considered the largest major manufacturing center in the United States, with nearly 440,000 workers employed in 2008. The largest components of the manufacturing sector include apparel, fabricated metal products, computer and electronics, and transportation equipment.

International Trade

Due to its strategic location, broad transportation network and extensive cargo facilities, Los Angeles has positioned itself as the nation's busiest center of international commerce as measured by the dollar value of two-way trade. International trade has been a leading contributor to the solid economic growth of the region. The value of two-way trade in the LACD has increased by over 35% since 2004 to a record level of $356.1 billion in 2008. As a result of the severe downturn in the global economy, the growth of international trade is expected to end in 2009, with a projected decrease in two-way trade of 11% to $318.3 billion.

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. In November 2008, Los Angeles County voters approved Measure R (sales tax increase), which will provide funding for a projected $40 billion of transportation projects throughout the County over the next 30 years, and create an estimated 210,000 new construction jobs

Airports and Harbors

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

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

The Port of Los Angeles is one of the largest man-made harbors in the world. As measured by annual container volume, it ranks as the busiest container port in the United States, and the thirteenth busiest in the world. The port facilities cover over 7,500 acres and include 43 miles of waterfront. The port has 25 major cargo terminals, including facilities to handle automobiles, containers, dry bulk products and liquid bulk products For the calendar year 2008, the port handled nearly 170 million metric revenue tons of cargo and 7.9 million twenty-foot equivalent cargo container units, which represents a 6.0% decrease in container volume from 2007.

The Port of Long Beach is also among the world's busiest container ports, and ranks behind the Port of Los Angeles as the second busiest port in the nation, and the fifteenth busiest in the world. The port covers over 3,200 acres, with 35 miles of waterfront and 8 major container terminals. In calendar year 2008, the port moved approximately $140 billion in goods, welcomed 5,100 vessels, and handled over 6.5 million twenty-foot equivalent cargo container units. The latter figure represents a decrease of 11.3% from 2007 and is the direct result of the global economic downturn that has adversely impacted the volume of trade moving through both ports.

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 the growing volume of imports and exports and provide a faster and more efficient system for the transportation of cargo from the port complex to markets nationwide.

Metro System

The Metro System, a multi-modal and integrated passenger transportation system provides service to the greater Los Angeles area. The Metro System was designed to meet the travel needs of the area's diverse population centers through a variety of transportation alternatives that will be implemented over a 30-year period. The integrated Metro System is administered and operated by the Los Angeles County Metropolitan Transportation Authority ("MTA"). Formed in 1993 from the merger of the Southern California Rapid Transit District and the Los Angeles County Transportation Commission, the MTA is responsible for the planning, design, construction and operation of the public transportation system for Los Angeles County. The Fiscal Year 2008 operating budget for the MTA was $3.408 billion, which is primarily funded through voter approved State and local sales taxes, State gasoline taxes, and various Federal, State and local grants.

Visitor and Convention Business

Tens of millions of visitors travel to Southern California each year, providing a significant contribution to the County's economy. Los Angeles is one of the top travel destinations in the United States, and the second ranked destination for international visitors behind only New York, according to the International Trade Administration, Office of Travel and Tourism Industries. In 2007, the Los Angeles Convention and Visitors Bureau estimated that 25.9 million overnight visitors stayed in Los Angeles, with total visitor expenditures reaching a record high of $14.2 billion. The number of overnight visitors grew slightly in 2008 to 26 million, but is expected to decrease in 2009 to an estimated 24.9 million visitors.

Real Estate and Construction

After the median price of new and existing homes reached its peak in the third quarter of 2007, the residential housing market in Los Angeles County experienced a noticeable downturn in 2008, with all of the major indicators for the housing market showing significant deterioration. The final data for 2008 indicates that new and existing home sales, residential building permits and residential purchase lending have decreased by 13%, 31% and 42%, respectively, compared to 2007. According to the most recent semi-annual home price survey conducted by the Real Estate Research Council of Southern California, average home prices in Los Angeles County decreased by 19.2% from October 2007 to October 2008. In 2009, the number of residential building permits is expected to fall by 2.8%.

The significant decline in new home construction in Los Angeles County, combined with falling home prices in 2008, were major factors contributing to a 27% decrease in the inventory of unsold new housing. On the other hand, stricter refinance requirements and greater scrutiny by the banks of potential borrowers (a direct result of the current financial crisis) has led to a significant number of homeowners being in default on homes they can no longer afford as their mortgages "reset" at higher rates. At the close of 2008 notices of default recorded increased by 59% from the same period in 2007. An April 2009 report shows notices of default up by 37.6% in the first quarter of 2009 when compared to the first quarter of 2008.

The non-residential real estate sector struggled in 2008, with a decrease in new construction and developers experiencing higher vacancy rates. The total non-residential building valuation of $4.5 billion in 2008 represents a decrease of 5.3% from 2007. Construction lending also experienced a significant decrease of 49% to $3.5 billion over the same measurement period. Although there were major business expansions in Los Angeles (7.6 million square feet) during 2008, which would normally indicate growth, the rise in vacancy rates for both office and industrial markets (increases of 12.2% and 2.2%, respectively) are indicative of a struggling commercial real estate market.

Despite the severe downturn in the housing market, Los Angeles County has maintained a stable assessed valuation. This is due in part to the significant "stored value" in secured property as a result of Proposition 13. The County Assessor is projecting a net local property tax roll of $1.056 trillion for Fiscal Year 2009-10, which represents a 1.06% decrease in assessed valuation from 2008-09.

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 $)

	2004	2005	2006	2007	2008
Los Angeles County	$397,500	$418,700	$446,800	$460,900	$491,330
State of California	1,524,900	1,628,000	1,727,400	1,798,300	1,881,000
United States	11,734,300	12,455,800	13,244,600	13,794,200	14,334,030
Los Angeles County as a % of California	26.07%	25.72%	25.87%	25.63%	26.12%

Source: Los Angeles County Economic Development Corporation

TABLE B: POPULATION LEVELS

	2004	2005	2006	2007	2008
Los Angeles County	10,127,400	10,197,200	10,247,700	10,294,300	10,347,400
State of California	36,454,500	38,899,400	37,298,400	37,712,600	38,148,500 *
Los Angeles County as a % of California	27.78%	26.21%	27.47%	27.30%	27.12%

** Estimated*
Source: Los Angeles County Economic Development Corporation

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

	2004	2005	2006	2007	2008
Los Angeles County	$326,402	$346,423	$369,174	$391,400	$398,100
Orange County	125,798	135,588	143,949	147,500	151,600
Riverside and San Bernardino Counties	96,756	104,067	111,596	116,200	117,200
Ventura County	30,438	32,303	33,940	34,600	34,200
State of California	1,265,900	1,348,200	1,436,400	1,519,500	1,557,000 *
Los Angeles County as a % of California	25.78%	25.70%	25.70%	25.76%	25.57%

** Estimated*
Source: Los Angeles County Economic Development Corporation

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

	2004	2005	2006	2007	2008
Los Angeles County	$86,497	$92,271	$95,544	$96,552	$94,078
State of California	350,200	375,800	389,100	387,000	377,500 *
Los Angeles County as a % of California	24.70%	24.55%	24.56%	24.95%	24.92%

** Estimated*
Source: Los Angeles County Economic Development Corporation

TABLE E: UNEMPLOYMENT RATES

	2004	2005	2006	2007	2008
Los Angeles County	6.5%	5.3%	4.7%	5.0%	7.2%
State of California	6.2%	5.4%	4.9%	5.4%	7.2% *
United States	5.5%	5.1%	4.6%	4.6%	5.8%

** Estimated*
Source: Los Angeles County Economic Development Corporation

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

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2004	2005	2006	2007	2008
Wholesale & Retail Trade	620.5	633.7	649.0	653.2	644.4
Government	587.1	583.7	589.4	594.8	600.9
Manufacturing	483.6	471.7	461.7	447.2	439.7
Leisure & Hospitality	372.8	377.8	388.6	397.4	402.9
Health Care & Social Assistance	371.6	373.9	379.3	386.4	395.0
Professional, Scientific & Technical Services	237.7	250.9	264.0	273.1	275.7
Administrative & Support Services	253.6	257.7	271.9	273.5	272.1
Information	211.9	207.6	205.6	209.2	202.2
Transportation & Utilities	161.1	161.7	165.2	166.4	166.8
Finance & Insurance	165.0	166.2	169.0	165.5	158.6
Construction	140.2	148.7	157.5	157.2	147.7
Educational Services	95.4	97.4	99.4	101.9	104.9
Real Estate	76.7	77.8	79.8	79.5	78.7
Management of Enterprises	71.2	67.6	63.0	59.1	58.0
Other	148.5	148.0	149.2	151.5	153.5
Total	3,996.5	4,024.2	4,092.5	4,115.8	4,100.8

Source: Los Angeles County Economic Development Corporation

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

Type of Activity	2004	2005	2006	2007	2008
International Air Cargo (Tons)					
Los Angeles International Airport	1,048.4	1,098.8	1,088.0	1,114.2	970.1
As Percentage of Total Air Cargo	51.83%	53.63%	53.79%	55.41%	56.30%
Total Air Cargo (Tons)					
Los Angeles International Airport	2,022.9	2,048.8	2,022.7	2,010.8	1,723.0
Bob Hope Airport (Burbank)	45.0	48.0	52.2	48.7	38.9
Total	2,067.9	2,096.8	2,074.9	2,059.6	1,762.0
International Air Passengers					
Los Angeles International Airport	16,476.1	17,486.3	16,911.1	17,248.0	16,684.8
As Percentage of Total Passengers	27.14%	28.44%	27.70%	27.62%	27.89%
Total Air Passengers					
Los Angeles International Airport	60,704.6	61,489.4	61,041.1	62,438.6	59,815.6
Bob Hope Airport (Burbank)	4,916.8	5,512.6	5,689.3	5,921.3	5,331.4
Total	65,621.4	67,002.0	66,730.4	68,359.9	65,147.1
Container Volume (TEUs)					
Port of Los Angeles	7,321.4	7,484.6	8,469.9	8,355.0	7,850.0
Port of Long Beach	5,779.9	6,709.8	7,290.4	7,312.5	6,487.8
Total	13,101.3	14,194.4	15,760.2	15,667.5	14,337.8

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	2004	2005	2006	2007	2008
Los Angeles, CA	$261,800	$291,700	$326,500	$347,500	$356,100
New York, NY	244,400	267,200	294,700	323,600	353,600
Houston, TX	104,100	136,300	162,800	184,700	242,000
Detroit, MI	207,300	230,000	239,800	248,900	234,900
New Orleans, LA	113,000	127,400	149,900	172,700	214,200
Laredo, TX	130,300	138,700	156,000	166,400	173,300
Chicago, IL	94,900	108,400	120,800	132,900	153,600
Seattle, WA	86,500	100,100	119,100	132,400	130,100
San Francisco, CA	93,200	98,300	110,600	111,700	114,100
Savannah, GA	59,900	72,200	82,100	93,400	101,000

Source: Los Angeles County Economic Development Corporation

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

Port	2004	2005	2006	2007	2008
Los Angeles-Long Beach, CA	177,592	186,533	210,503	211,691	201,444
Tacoma, WA	30,739	34,193	32,516	33,753	34,698
Oakland, CA	24,683	27,831	28,597	29,449	28,411
Seattle, WA	23,977	29,515	28,692	29,514	26,728
Portland, OR	20,357	18,728	20,173	23,167	21,683
Kalama, WA	9,307	9,506	8,444	9,624	12,320
Vancouver, WA	5,021	4,101	5,441	6,173	5,903
San Diego, CA	4,704	5,307	6,705	6,548	5,561
Port Hueneme	3,413	4,042	4,603	3,971	3,571

Source: Los Angeles County Economic Development Corporation

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

Port	2004	2005	2006	2007	2008
Los Angeles-Long Beach, CA	13,101	14,195	15,760	15,667	14,338
New York, NY	4,478	4,785	5,086	5,299	5,265
Savannah, GA	1,663	1,902	2,160	2,604	2,616
Oakland, CA	2,048	2,274	2,392	2,388	2,236
Norfolk, VA	1,809	1,982	2,046	2,128	2,083
Seattle, WA	1,466	1,746	1,636	1,628	1,376
Houston, TX	1,091	1,231	1,295	1,416	1,371
Tacoma, WA	1,211	1,401	1,552	1,403	1,348
Charleston, SC	1,402	1,512	1,517	1,408	1,331

Source: Los Angeles County Economic Development Corporation

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

Indicator	2004	2005	2006	2007	2008
1. Construction Lending (in millions)	$ 6,237	$ 6,986	$ 8,435	$ 6,886	$ 3,520
2. Residential Purchase Lending (in millions)	$ 53,813	$ 62,485	$ 57,046	$ 38,388	$ 22,256
3. New & Existing Median Home Prices	$ 395,425	$ 469,045	$ 511,365	$ 532,281	$ 397,377
4. New & Existing Home Sales	137,471	132,535	109,212	74,917	65,033
5. Notices of Default Recorded	16,528	16,299	26,296	53,414	84,806
6. Unsold New Housing (at year-end)	628	1,115	3,630	4,273	3,117
7. Office Market Vacancy Rates	14.8%	11.2%	9.4%	9.7%	12.2%
8. Industrial Market Vacancy Rates	2.4%	2.0%	1.5%	1.5%	2.2%

Source: Real Estate Research Council of Southern California - 4th Quarter 2008 Report

TABLE L: BUILDING PERMITS AND VALUATIONS

	2004	2005	2006	2007	2008
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	11,752	11,911	10,097	7,509	3,529
b. Multi-Family	15,183	13,736	16,251	12,854	10,357
Total Residential Building Permits	26,935	25,647	26,348	20,363	13,886
Building Valuations					
2. Residential Building Valuations (in millions of $)					
a. Single Family	$2,924	$2,916	$2,561	$2,048	$1,137
b. Multi-Family	1,916	1,810	2,205	2,011	1,440
c. Alterations and Additions	1,728	1,962	1,982	1,898	1,415
Residential Building Valuations Subtotal	$6,568	$6,688	$6,747	$5,957	$3,992
3. Non-Residential Building Valuations (in millions of $)					
a. Office Buildings	$307	$233	$241	$716	$446
b. Retail Buildings	484	552	482	493	467
c. Hotels and Motels	63	93	119	343	256
d. Industrial Buildings	178	277	182	109	135
e. Alterations and Additions	1,404	1,669	1,694	2,005	2,154
f. Other	738	1,000	1,178	1,073	1,031
Non-Residential Building Valuations Subtotal	$3,174	$3,824	$3,896	$4,739	$4,489
Total Building Valuations (in millions)	$9,741	$10,512	$10,643	$10,696	$8,481

Source: Real Estate Research Council of Southern California

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

	Company	Industry	Headquarters	No. of Employees L.A. County	No. of Employees Total
1	Kaiser Permanente	Health Care Provider	Oakland, CA	32,784	154,512
2	Northrop Grumman Corp.	Aerospace/Defense Contractor	Los Angeles, CA	20,500	120,000
3	Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	16,510	153,650
4	Kroger Co.	Grocery Retailer	Cincinnati, OH	14,000	310,000
5	Vons	Grocery Retailer	Pleasanton, CA	13,603	207,000
6	University of Southern California	Education-Private University	Los Angeles, CA	12,604	12,604
7	Target Corp.	Retailer	Minneapolis, MN	12,441	352,000
8	Bank of America Corp.	Banking and Financial Services	Charlotte, NC	11,000	195,675
9	The Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	10,000	350,000
10	AT&T Inc.	Telecommunications	San Antonio, TX	9,770	303,670
11	Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	9,519	9,519
12	Wells Fargo	Diversified Financial Services	San Francisco, CA	8,956	166,502
13	California Institute of Technology	University and Jet Propulsion Lab	Pasadena, CA	8,580	8,580
14	Amgen Inc.	Biotechnology	Thousand Oaks, CA	8,259	20,300
15	Fedex Corp.	Delivery Services	Memphis, TN	7,975	N/A
16	ABM Industries, Inc.	Building Maint. & Engineering Srvs.	San Francisco, CA	7,530	75,000
17	Catholic Healthcare West	Hospitals	San Francisco, CA	7,460	47,063
18	Providence Health System	Health Care Provider	Seattle, WA	7,167	N/A
19	Edison International	Electric Utility	Rosemead, CA	7,158	17,464
20	Long Beach Memorial Medical Ctr.	Regional Hospital	Huntington Beach, CA	5,340	N/A
21	Washington Mutual Inc.	Banking and Financial Services	Seattle, WA	5,100	50,000
22	Sempra Energy	Energy Services/Electric Utility	San Diego, CA	4,678	13,206
23	Lockheed Martin Corp.	Advanced Technology Manufacturer	Betsheda, MD	4,500	14,000
24	Adventist Health	Hospitals	Roseville, CA	4,365	18,050
25	Childrens Hospital Los Angeles	Hospital	Los Angeles, CA	3,818	3,818

N/A - Not Available
Source: Los Angeles Business Journal: "The Lists 2008" (data as of August 2007)

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX B

COUNTY OF LOS ANGELES FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES

CALIFORNIA

COUNTY OF LOS ANGELES
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
TABLE OF CONTENTS

Page

Independent Auditor's Report B-1
Management's Discussion and Analysis (Required Supplementary Information-Unaudited) .. B-3
Basic Financial Statements:
Government-wide Financial Statements:
Statement of Net Assets B-25
Statement of Activities B-26
Fund Financial Statements:
Balance Sheet - Governmental Funds B-28
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets B-30
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds B-32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities B-34
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis:
General Fund B-35
Fire Protection District B-36
Flood Control District B-37
Public Library B-38
Regional Park and Open Space District B-39
Statement of Net Assets - Proprietary Funds B-40
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds B-42
Statement of Cash Flows - Proprietary Funds B-44
Statement of Fiduciary Net Assets - Fiduciary Funds B-48
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds B-49
Notes to the Basic Financial Statements B-50
Required Supplementary Information-Unaudited:
Schedule of Funding Progress - Pension Plan B-104
Schedule of Funding Progress - Other Post Employment Benefits B-105

COUNTY OF LOS ANGELES

CALIFORNIA

MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

2175 N. California Boulevard, Suite 645
Walnut Creek, CA 94596
925.274.0190

515 S. Figueroa Street, Suite 325
Los Angeles, CA 90071
213.286.6400

402 West Broadway, Suite 400
San Diego, CA 92101
619.573.1112

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, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Community Development Commission (CDC) and the Los Angeles County Employees Retirement Association (LACERA), which represent the following percentages of the assets, net assets or fund balances, and revenues/additions of the following opinion units:

Opinion Unit	Assets	Net assets or fund balance	Revenues/ Additions
Governmental Activities	1%	2%	1%
Business-type Activities	4%	7%	11%
Aggregate Remaining Fund Information	70%	71%	1%

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2008, 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 Note 2 to the basic financial statements, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 50, *Pension Disclosures – An Amendment of GASB Statements No. 25 and 27,* for the year ended June 30, 2008. The provisions of GASB Statement No. 45 required the County to restate beginning fund balances/net assets as of July 1, 2007, and is discussed in detail in Note 2 to the basic financial statements.

The management's discussion and analysis on pages 3 through 21 and the schedules of funding progress on pages 102 and 103 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

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

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
December 15, 2008

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of financial activities for the fiscal year ended June 30, 2008. We recommend that this information be used in conjunction with additional information contained in the letter of transmittal.

Financial Highlights

At the end of the current year, the net assets (total assets less total liabilities) of the County were positive $17.313 billion. However, net assets are classified into three categories and the unrestricted component is negative $773 million. See further discussion on page B-7.

During the current year, the County's net assets decreased by a total of $462 million. Net assets related to governmental activities decreased by $314 million, while net assets related to business-type activities decreased by $148 million. The County implemented Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45). GASB 45 had a material effect on the County's changes in net assets during the current year. 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 $3.374 billion. The amount of unreserved fund balance was $2.777 billion. Of the unreserved total, $1.153 billion was designated.

The County's capital asset balances were $17.525 billion at year-end and increased by $267 million during the year.

During the current year, the County's total long-term debt decreased by $191 million. Bond maturities of $566 million exceeded the $375 million of newly issued and accreted long-term debt.

Overview of the Basic Financial Statements

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS-Continued

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits 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 $17.313 billion at the close of the most recent fiscal year.

Summary of Net Assets
As of June 30, 2008 and 2007
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	$ 8,052,812	$ 7,517,376	$ 994,087	$ 854,182	$ 9,046,899	$ 8,371,558
Capital assets	15,074,565	14,929,975	2,450,785	2,328,116	17,525,350	17,258,091
Total assets	23,127,377	22,447,351	3,444,872	3,182,298	26,572,249	25,629,649
Current and other liabilities	1,377,389	1,321,963	218,966	198,490	1,596,355	1,520,453
Long-term liabilities	6,179,573	5,684,764	1,483,193	1,247,234	7,662,766	6,931,998
Total liabilities	7,556,962	7,006,727	1,702,159	1,445,724	9,259,121	8,452,451
Net assets:						
Invested in capital assets, net of related debt	13,913,070	14,192,494	2,259,617	2,190,999	16,172,687	16,383,493
Restricted net assets	1,605,763	1,443,083	307,985	186,266	1,913,748	1,629,349
Unrestricted net assets (deficit)	51,582	(194,953)	(824,889)	(640,691)	(773,307)	(835,644)
Total net assets	15,570,415	15,440,624	1,742,713	1,736,574	17,313,128	17,177,198
Total liabilities and net assets	$ 23,127,377	$ 22,447,351	$ 3,444,872	$ 3,182,298	$ 26,572,249	$ 25,629,649

Significant changes in assets and liabilities included the following:

Current and Other Assets

Current and other assets increased for governmental activities by $535 million. The major changes were associated with health and mental health services program receivables ($323 million) and other postemployment benefits (OPEB) related receivables ($120 million). Various other changes comprised the remaining increase of $92 million. The County's newly established managed care rate supplement provided increased receivables of $129 million. Mental health program receivables (primarily from federal and State sources) grew by $106 and Mental Health Services Act (Proposition 63) receivables increased by $88 million as certain collections were received shortly after year-end in the current year. OPEB related receivables were recognized in the current year for the first time in conjunction with implementing GASB 45, as discussed in Note 2 to the basic financial statements.

Long-Term Liabilities

Long-term liabilities increased by $495 million for governmental activities and by $236 million for business-type activities. Newly established liabilities for OPEB, net of reductions to previously recorded liabilities as discussed in Note 2 to the basic financial statements, significantly increased the County's long-term liabilities. Specific adjustments related to OPEB and other changes in long-term liabilities are discussed and referenced in Notes 2 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 ($16.173 billion) represents its investment in capital assets (i.e., land, structures and improvements, infrastructure, 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 $1.914 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)

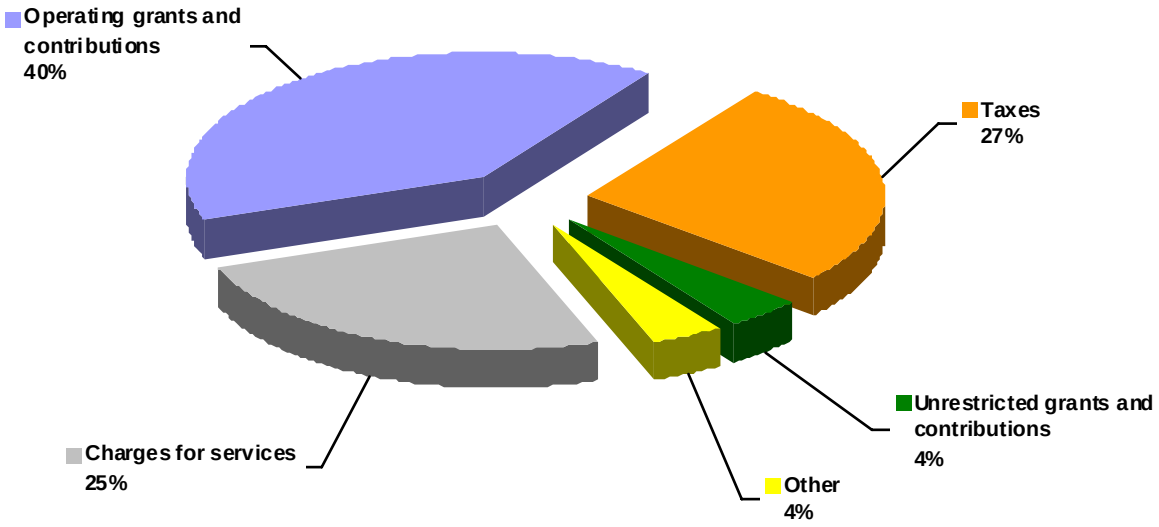
The County's total unrestricted net assets are negative $773 million. This amount consisted of a positive balance for governmental activities ($52 million) and a negative balance for business-type activities ($825 million). The deficits related to business-type activities are primarily due to unfunded liabilities related to workers' compensation, accrued vacation and sick leave, litigation and self-insurance claims, medical malpractice, and third party payors. As discussed in Notes 2 and 8 to the basic financial statements, the County implemented provisions of GASB 45 and unfunded other postemployment benefit (OPEB) liabilities of $1.234 billion arose during the current year, of which $214 million pertained to business-type activities. The ongoing financial losses incurred by the County's healthcare business activities have limited the opportunities to accumulate reserves or incremental funding to address long-term accounting liabilities.

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

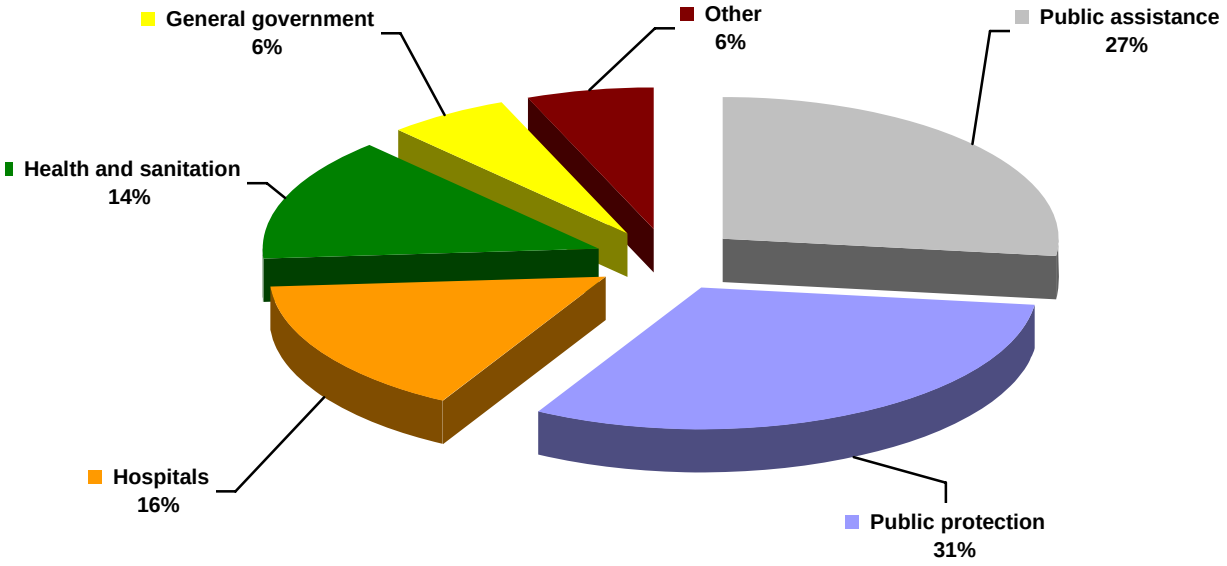
Summary of Changes in Net Assets
For the Years Ended June 30, 2008 and 2007
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	$ 2,738,552	$ 2,396,868	$ 1,806,747	$ 1,957,979	$ 4,545,299	$ 4,354,847
Operating grants and contributions	7,113,135	6,980,549	263,471	304,720	7,376,606	7,285,269
Capital grants and contributions	184,502	25,135	2,897	12,992	187,399	38,127
General revenues:						
Taxes	5,034,399	4,688,595	4,405	3,782	5,038,804	4,692,377
Unrestricted grants and contributions	778,936	761,705	37	35	778,973	761,740
Investment earnings	324,132	335,851	14,073	18,043	338,205	353,894
Miscellaneous	229,810	259,357	24,950	50,443	254,760	309,800
Total revenues	16,403,466	15,448,060	2,116,580	2,347,994	18,520,046	17,796,054
Expenses:						
General government	1,171,448	807,155			1,171,448	807,155
Public protection	5,799,593	4,872,413			5,799,593	4,872,413
Public ways and facilities	299,304	282,827			299,304	282,827
Health and sanitation	2,638,135	2,223,695			2,638,135	2,223,695
Public assistance	5,061,367	4,539,458			5,061,367	4,539,458
Education	112,035	99,136			112,035	99,136
Recreation and cultural services	290,669	266,967			290,669	266,967
Interest on long-term debt	191,551	239,608			191,551	239,608
Hospitals			3,092,682	2,894,493	3,092,682	2,894,493
Aviation			4,182	5,761	4,182	5,761
Waterworks			74,810	97,504	74,810	97,504
Community Development Commission			246,195	211,077	246,195	211,077
Total expenses	15,564,102	13,331,259	3,417,869	3,208,835	18,981,971	16,540,094
Excess (deficiency) before transfers and special item	839,364	2,116,801	(1,301,289)	(860,841)	(461,925)	1,255,960
Transfers	(1,152,946)	(1,049,213)	1,152,946	1,049,213		
Special item		267,473				267,473
Changes in net assets	(313,582)	1,335,061	(148,343)	188,372	(461,925)	1,523,433
Net assets – beginning, as restated	15,883,997	14,105,563	1,891,056	1,548,202	17,775,053	15,653,765
Net assets – ending	$ 15,570,415	$ 15,440,624	$ 1,742,713	$ 1,736,574	$ 17,313,128	$ 17,177,198

REVENUES BY SOURCE – ALL ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008



EXPENSES BY TYPE – ALL ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008



As discussed in Note 2 to the basic financial statements, the County restated beginning net asset balances in conjunction with implementing GASB 45. The beginning net assets were increased from the amounts previously reported for governmental and business-type activities by $443 million and $154 million, respectively. During the current year, net assets decreased for both governmental activities ($314 million) and business-type activities ($148 million). Following are specific major factors that resulted in the net asset changes.

Governmental Activities

Revenues from governmental activities grew by $955 million (6.2%) over the prior year. The most significant changes in revenue were experienced in the following areas:

- Taxes, the County's largest general revenue source, were $346 million higher than the previous year. The additional growth in tax revenues was concentrated in property taxes ($372 million). However, documentary transfer taxes decreased by $31 million as real estate transfer activity declined during the current year. The continued property tax growth was attributable to the early lien date (January 1, 2007), which preceded the start of the fiscal year by six months. This gap, combined with the stabilizing effect of Proposition 13, enabled the County to continue to experience growth in this area. The net increase in other taxes was $5 million in comparison to the prior year.

- Program revenues recognized from charges for services increased by $342 million. The largest source of this increase ($189 million) was associated with health and sanitation programs. The County successfully concluded a multi-year effort to secure an agreement with the State to provide supplemental funding to Medi-Cal managed care capitation rates. The supplemental funding resulted in a $140 million increase in current year revenues, of which $56 million was attributable to FY 2006-2007 services. In addition, charges for public protection services (primarily law enforcement) were $84 million higher than the previous year as charges were adjusted due to cost increases. Charges for various other governmental services increased by $69 million compared to the prior year.

Expenses related to governmental activities increased by $2.233 billion during the current year. As discussed in Note 8 to the basic financial statements, the County began to measure OPEB costs in accordance with GASB 45 during the current year. The County continued to fund OPEB costs on a pay-as-you go basis and there are newly recognized OPEB obligations of $1.234 billion in the current year for all activities. Of this amount, $1.020 billion was related to governmental activities. The following table summarizes total increased expenses by category, the amount related to other postemployment benefit costs, and changes related to all other expenses (in thousands):

Governmental Activities-Continued

Expense Category	Increase in Total Expenses	Expense Increase Related to OPEB Accruals	Increase (Decrease) in All Other Expenses
General Government	$ 364,293	$ 141,422	$ 222,871
Public Protection	927,180	446,845	480,335
Health and Sanitation	414,440	117,491	296,949
Public Assistance	521,909	286,448	235,461
All other areas	5,021	27,774	(22,753)
Total	$ 2,232,843	$ 1,019,980	$ 1,212,863

Excluding accrued OPEB obligations, expenses increased by $1.213 billion. The largest increase was related to the public protection category, which grew by $480 million. Of this amount, salaries and employee benefits increased by $402 million, primarily due to previously negotiated increases that became effective in the current year. Other factors that contributed to the increase were expanded medical services for inmates, additional staffing for jails and patrol of unincorporated areas, and additional positions to improve various operational areas of the Probation Department.

Health and sanitation expenses (excluding accrued OPEB costs) increased by nearly $300 million. Major factors contributing to this variance included higher salary and benefit costs ($71 million), a newly established managed care intergovernmental transfer expense ($65 million), and increases in contracted mental health services ($62 million).

Business-type Activities

Revenues from business-type activities decreased in comparison to the prior year by $231 million (9.9%). The most significant change was in the area of charges for services, which decreased by $151 million. The County's business-type healthcare activities experienced a $134 million reduction in charges for services. This decrease was consistent with the downturn in average daily hospital census, from 1,415 in the prior year to 1,317 in the current year. The reduced revenues and census figures were concentrated at the Martin L. King facility. This facility was converted from a full service hospital to a multi-service ambulatory care center, thereby eliminating inpatient services in August 2007. This change coincided with the net decrease in average daily census as noted above.

Expenses related to business-type activities increased from the previous year by $209 million. The increased expenses were principally related to the Hospitals, where expenses were higher by $198 million. The recognition of accrued OPEB costs (as previously discussed for governmental activities) increased Hospital expenses by $214 million. Therefore, despite negotiated salary and employee benefit increases, expenses were very comparable to the prior year as cost increases were offset by the downsizing of the Martin Luther King Jr. facility.

Financial Analysis of the County's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined total fund balances of $6.003 billion, an increase of $348 million in comparison with the prior year. Of the total fund balance, $1.532 billion is reserved to indicate the extent that funds have been committed or are otherwise unavailable for spending. An additional $1.725 billion has been designated and set aside for intended spending purposes as indicated in the financial statements. The remaining $2.746 billion of the balances are unreserved and undesignated.

Revenues from all governmental funds for the current year were $16.273 billion, an increase of $1.035 billion (6.8%) from the previous year. Expenditures for all governmental funds in the current year were $14.880 billion, an increase of $1.031 billion (7.4%) from the previous year. In addition, other financing uses exceeded other financing sources by $1.045 billion as compared to $1.028 billion 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 increased by $201 million (6.3%). At the end of the current fiscal year, the General Fund's total fund balance was $3.374 billion. Of this amount, $597 million was reserved and therefore unavailable for spending. Of the unreserved total of $2.777 billion, $1.153 billion has been designated (earmarked) and the remaining $1.624 billion is considered both unreserved and undesignated.

General Fund revenues during the current year were $13.627 billion, an increase of $757 million (5.9%) from the previous year. General Fund expenditures during the current year were $12.744 billion, an increase of $985 million (8.4%) from the previous year. Other financing sources/uses-net was negative $683 million in the current year as compared to negative $770 million in the prior year.

Governmental Funds-Continued

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by $223 million (6.3%). Of this net increase, property taxes increased by $254 million. However, documentary transfer taxes decreased by $31 million as real estate activity declined during the current year. As previously mentioned, property tax revenues were not immediately impacted by the downturn in the housing market and provisions of Proposition 13 are also a stabilizing factor when housing prices decrease.

- Intergovernmental revenues from federal sources increased by $249 million. Of this amount, $209 million was related to public assistance programs operated by the Departments of Public Social Service and Children and Family Services. The increased revenues were driven by higher levels of reimbursable expenditures. There was also a shift in funding sources for certain programs, whereby federal revenues provided funding for costs that were previously reimbursed from State revenues.

- Revenues from charges for services increased by $227 million. The largest source of this increase ($140 million) was associated with the County's managed care program. An additional increase ($35 million) was recognized in the Sheriff's Department and was related to recoveries of increased salaries and benefits from contracting agencies. The remaining increase in this revenue category ($52 million) was recognized from a variety of programs that charge for services.

- Current expenditures increased by $875 million (7.6%), and there were increases in all functional areas. The most significant increase was in the area of public protection, where expenditures were higher by $367 million. Of this amount, salaries and employee benefits increased by $331 million. These costs were notably higher in the Sheriff's Department ($222 million) and Probation Department ($48 million), and were largely due to negotiated salary and benefit increases, as there was limited program expansion in these areas. Expenditures also increased in the areas of health and sanitation ($219 million) and public assistance ($209 million).

The Fire Protection District reported a year-end fund balance of $170 million, which represented an increase of $23 million from the previous year. Revenues increased by $40 million, of which $31 million was attributable to property taxes and the remaining increase was associated with a variety of other revenues. Expenditures were higher by $22 million, of which $19 million was related to salaries and benefits. Transfers out were $15 million lower than the previous year as there were reduced transfers made to capital projects funds for future facilities' needs.

The Flood Control District reported a year-end fund balance of $162 million, which was $14 million higher than the previous year. Revenues and expenditures were mostly unchanged from the prior year, with each decreasing approximately $3 million or 1.1% and 1.5%, respectively.

Governmental Funds-Continued

The Public Library Fund reported a year-end fund balance of $29 million, which was $8 million higher than the previous year. The principal factors associated with the fund balance growth were higher property tax revenues and "transfers in," which increased by $4 million and $6 million, respectively.

The Regional Park and Open Space District reported a year-end fund balance of $286 million, which was $25 million higher than the previous year. Current year revenues ($93 million) were similar to the previous year ($91 million) while expenditures declined by $9 million.

Proprietary Funds

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

The County's principal proprietary funds 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 the current year to a multi-service ambulatory care center. Each of these 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 $76 million for M. L. King Ambulatory Care Center to $501 million for the LAC+USC Medical Center. The total subsidy amount was $1.001 billion 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 $883 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 each of the current and prior years, the Measure B Fund provided $147 million of transfers to the Hospitals.

The Waterworks Funds reported year-end net assets of $895 million, a $2 million reduction from the previous year. However, the District's cash and investment position improved in the current year by $7 million.

General Fund Budgetary Highlights

The accompanying basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Budgetary Basis for the County's General Fund. The County's budgetary basis of accounting is discussed in Notes 1 and 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 increase of $102 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	$ 14,877	$ 3,842,971	$ 3,826,908	$ (16,063)
Intergovernmental revenues	65,800	7,855,542	7,243,478	(612,064)
Charges for services	13,820	1,758,279	1,695,004	(63,275)
All other revenues	124,586	654,505	899,843	245,338
Other sources and transfers	13,630	493,733	307,274	(186,459)
Total	$ 232,713	$14,605,030	$13,972,507	$(632,523)

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources approximated $233 million. The most significant changes occurred in the following areas:

- Estimated revenues from intergovernmental sources were increased by $66 million. The increase was primarily associated with additional revenues from Homeland Security grant funds ($43 million). The remaining $23 million was related to additional funding that was targeted to the Sheriff's Department, social service programs and services for children and families.

- The increase of $125 million related to "all other revenues" was mostly attributable to tobacco settlement revenues of $105 million. The County's policy is to budget tobacco settlement revenues after they have been received. Estimated revenues from investment income were increased by $14 million as a result of higher than anticipated investment yield and miscellaneous revenue increases accounted for the remaining $6 million.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $633 million, or 4.3%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues and "other sources and transfers" and was partially offset by "all other revenues" which exceeded the amount budgeted.

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

- Actual intergovernmental revenues were $612 million lower than the amount budgeted. Social service programs, including children and family services, accounted for approximately $188 million of this variance, which was mostly attributable to lower than anticipated caseloads and reimbursable social service related expenditures. Approximately $187 million (mostly federal assistance) was associated with mental health services, due to lower than expected reimbursable costs. An additional $164 million pertained to anticipated reimbursement of capital improvement, disaster recovery and homeland security projects and programs that were not completed prior to year-end. The remaining variance of $73 million was related to a variety of other programs that received intergovernmental revenues.

- The actual amount of "other sources and transfers" was $186 million lower than the amount budgeted. Of this amount, "transfers in" totaling $117 million were assumed in the budget for capital improvements and extraordinary building maintenance projects which did not incur expected costs. 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 $52 million lower than budgeted. There were various other sources and transfers that comprised the remaining variance of $17 million.

- The amount budgeted for "all other revenues" was exceeded by $245 million. Investment income exceeded the amount budgeted by $103 million as the yield on investments was higher than anticipated. Miscellaneous revenues were $94 million higher than budget, half of which was related to health and mental health services and the remainder from various sources. Revenues from property tax penalties exceeded the budgeted amount by approximately $46 million and the remaining variance of $2 million was generated by diverse revenue sources.

Budgetary Summary - Expenditures/Other Financing Uses

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

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive
General government	$ 62,645	$ 1,363,585	$ 912,999	$ 450,586
Public protection	94,808	4,575,551	4,414,810	160,741
Health and sanitation	(19,114)	2,693,857	2,469,110	224,747
Public assistance	31,598	5,016,098	4,739,945	276,153
All other expenditures	(56,059)	1,624,864	436,851	1,188,013
Transfers out	63,653	1,088,103	1,064,589	23,514
Contingencies	302	302		302
Reserves/designations-net	54,880	(50,973)	(168,244)	117,271
Total	$ 232,713	$ 16,311,387	$ 13,870,060	$2,441,327

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations, reserves and designations were approximately $233 million. As discussed below, the most significant changes occurred in the following areas:

- Appropriations were increased for the public protection category by approximately $95 million. Funding was added to the Emergency Preparedness and Response budget ($44 million) and the Sheriff's Department ($33 million). The source of the additional funding was primarily grant revenues that were added to the original budget. The remaining $18 million consisted of a variety of supplemental allocations.

- Appropriations for "transfers out" were increased by $64 million. Of this amount, General Fund operating subsidies to the Hospital Funds were increased by $46 million (from $946 million originally budgeted to $992 million). The remaining $18 million increase was related to various transfers to Special Revenue Funds.

- Overall appropriations were increased for the general government category by $63 million. The most significant factor associated with this net change was an increase of $65 million to the Judgment and Damages budget unit for estimated settlement payments.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were $2.441 billion lower (approximately 15%) than the final total budget of $16.311 billion. Although there were budgetary savings in all categories, following are the functional areas that recognized the largest variations from the final budget:

- The category referred to as "all other expenditures" reflected actual spending of $1.188 billion less than the budgeted amount. Nearly all ($1.177 billion) 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 $451 million less than the amount budgeted. Of this amount, $265 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations, central non-departmental appropriations, and extraordinary maintenance and repairs. The remaining $186 million was spread across virtually every department comprising general government and was mostly related to savings in the areas of salaries and services and supplies.

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

- Actual public assistance expenditures were $276 million lower than the final budget. Of this amount, $236 million was concentrated in social service, children, and family programs. Administrative costs were lower than anticipated due to vacant positions, hiring delays, and delays in implementing certain programs. As information became available during the year regarding potential cuts in State funded programs, there was a corresponding slowdown in hiring. The remaining variance amount of $40 million was related to other public assistance programs.

- Overall expenditures for the health and sanitation category were $225 million less than the budgeted amount. Appropriations related to mental health services exceeded actual expenditures by $167 million, primarily due to less than anticipated costs for services and supplies and to a lesser extent, salary savings. The remaining variance of $58 million was associated with a variety of health care programs administered by the Departments of Health Services and Public Health Services.

Capital Assets

The County's capital assets for its governmental and business type activities as of June 30, 2008 were $17.525 billion (net of depreciation). Capital assets include land, easements, buildings and improvements, equipment, and infrastructure. The major infrastructure network elements are roads, sewers, water, flood control, and aviation.

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was $267 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	$ 7,262,068	$ 7,240,287	21,781
Buildings and improvements	3,059,365	3,044,116	15,249
Infrastructure	5,197,564	5,291,789	(94,225)
Equipment	437,770	370,197	67,573
Construction-in-progress	1,568,583	1,311,702	256,881
Total	$17,525,350	$17,258,091	$ 267,259

The County's most significant capital asset activity during the current year was concentrated in the area of construction-in-progress. For governmental activities, there were additions of approximately $78 million to flood and road infrastructure projects that remained in progress. For business-type activities, the new LAC+USC Medical Center neared completion and its capitalized costs during the current year approximated $70 million and its outstanding contractual commitments as of June 30, 2008 approximated $21 million. The Harbor/UCLA Medical Center Surgery/Emergency Replacement Project continued to progress and its capitalized costs during the current year were $30 million.

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	$ 1,942,453	$ 1,848,630	$ 93,823
Pension Bonds Payable	900,824	1,185,197	(284,373)
Total	$ 2,843,277	$ 3,033,827	$(190,550)

During the current year, the County's liabilities for long-term debt decreased by $191 million, or 6.3%. Specific changes related to governmental and business-type activities are presented in Note 10 to the basic financial statements. During the current year, significant long-term debt transactions were as follows:

- Refunding bonds totaling $94 million, along with other funding sources, were used to advance refund outstanding bond principal of $127 million.

- New debt of $50 million was issued to finance the acquisition of equipment. Equipment debt totaling $53 million was redeemed during the year in accordance with maturity schedules.

- New debt of $203 million was issued to finance the construction of various hospital improvements.

- Pension bonds totaling $284 million were redeemed during the year.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling $500 million in tax and revenue anticipation notes which reached maturity on June 30, 2008, and by periodic borrowing from available trust funds.

Bond Ratings

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

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

During the current year, the County's Equipment/Non-Essential Leases were upgraded by Moody's from A3 to A2. All other bond ratings were maintained at the same level as the previous year.

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2008-2009 Budget on June 17, 2008. The Budget was adopted based on estimated fund balances that would be available at the end of 2007-2008. The Board updated the Budget on October 7, 2008 to reflect final 2007-2008 fund balances and other pertinent financial information. For the County's General Fund, the 2008-2009 Budget, as updated in October 2008, utilized $1.809 billion of available fund balance, which exceeded the previously estimated fund balance of $1.419 billion. Of the additional fund balance of $390 million, $155 million was used to carryover lapsed appropriations and $48 million was appropriated for one-time purchases of a critical nature. The remaining surplus of $187 million was set aside to manage potential State funding reductions and the impact of the ongoing economic downturn.

The County's economic outlook mirrors the rest of the nation as it faces the challenges of a recessionary environment. The County's new homebuilding and resale housing market has been, and continues to be, in decline. The resale housing market presents the biggest risk to the County, which could have a negative impact on property tax revenues. For the year ended June 30, 2008, property tax revenues represented 27.5% of total revenues recognized from governmental activities. These revenues are the County's single most important source of funding and are vital to programs which rely on discretionary funding sources. County management is closely monitoring changes in assessed property values and adjusting revenue estimates as new information becomes available. For 2008-2009, a five-percent (5%) growth assumption was used for property tax revenues, down from the nine-percent (9%) growth factor that was used in 2007-2008.

As a result of growth limits on assessed values imposed by Proposition 13, there is a significant amount of home value appreciation that occurred over the last five years that has not been reflected on the property tax rolls. This increase will likely help offset any future valuation reductions. Unless the housing decline extends for several years or becomes more severe, the County's property tax base is not likely to be materially affected.

The County's financial outlook is also affected by ongoing and severe budget problems at the State level. The State Legislative Analyst's Office (LAO) has estimated that the State's budget deficit will be approximately $8.4 billion by the end of 2008-2009. The deficit is attributable to the deteriorating economy which has affected the State's three major revenue sources, the personal income tax, sales and use taxes, and the corporate income tax. For 2009-2010, the LAO forecasts a worsening situation, with an additional annual deficit estimated at $19.4 billion. Many County programs receive substantial State funding and the County is likely to be confronted with program curtailments and increased local funding requirements. The County is highly dependent upon cash receipts from the State and is closely monitoring the State's liquidity and ability to make timely cash remittances to the County.

As indicated in the Statement of Changes in Fiduciary Net Assets, the Pension Trust Fund incurred a net investment loss of $1.426 billion in the current year. The Required Supplementary Information (unaudited) section of this report indicates a funded ratio of 93.8% as of June 30, 2007, which is the most recently completed actuarial valuation. It is estimated that the June 30, 2008 actuarial valuation will indicate a funded ratio of approximately 95%. The Pension Trust Fund has significant ongoing exposure to the equity markets, has incurred additional investment losses since June 30, 2008, and the financial markets remain highly volatile. Such losses, combined with investment performance for the remainder of the 2008-2009 fiscal year, will be actuarially measured as of June 30, 2009 and their impact on future County contribution rates will be determined at that time, in conjunction with the three year smoothed method.

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, 2008 (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)	$ 3,552,235	$ 189,627	$ 3,741,862	$ 875,166
Other (Note 1)	975,706	91,001	1,066,707	
Total pooled cash and investments	4,527,941	280,628	4,808,569	875,166
Other investments (Note 5)	330,038	55,495	385,533	
Taxes receivable	443,224	915	444,139	
Accounts receivable - net		773,485	773,485	
Interest receivable	29,739	980	30,719	3,272
Other receivables	2,120,735	53,944	2,174,679	41,391
Internal balances (Note 14)	389,818	(389,818)		
Inventories	97,008	23,248	120,256	
Restricted assets (Note 5)	5,420	157,376	162,796	
Net pension obligation (Note 7)	108,889	37,834	146,723	
Capital assets: (Notes 6 and 9)				
Capital assets, not being depreciated	7,594,368	1,236,283	8,830,651	2,039
Capital assets, net of accumulated depreciation	7,480,197	1,214,502	8,694,699	11,809
Total capital assets	15,074,565	2,450,785	17,525,350	13,848
TOTAL ASSETS	23,127,377	3,444,872	26,572,249	933,677
LIABILITIES				
Accounts payable	329,879	80,176	410,055	32,440
Accrued payroll	550,630	114,754	665,384	
Other payables	158,263	11,561	169,824	
Accrued interest payable	15,388	659	16,047	
Unearned revenue (Note 7)	50,947	3,972	54,919	1,174
Advances payable	272,282	7,844	280,126	
Noncurrent liabilities: (Note 10)				
Due within one year	895,435	430,705	1,326,140	63
Due in more than one year	5,284,138	1,052,488	6,336,626	208
TOTAL LIABILITIES	7,556,962	1,702,159	9,259,121	33,885
NET ASSETS				
Invested in capital assets, net of related debt (Notes 6 and 10)	13,913,070	2,259,617	16,172,687	13,848
Restricted for:				
Capital projects	121,251		121,251	
Debt service	587	255,295	255,882	
Permanent trust	3,455		3,455	
Special purpose	1,480,470	52,690	1,533,160	885,944
Unrestricted (deficit)	51,582	(824,889)	(773,307)	
TOTAL NET ASSETS	$ 15,570,415	$ 1,742,713	$ 17,313,128	$ 899,792

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, 2008 (in thousands)

FUNCTIONS	EXPENSES	PROGRAM REVENUE: CHARGES FOR SERVICES	PROGRAM REVENUE: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUE: CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	$ 1,171,448	$ 445,948	$ 42,829	$ 81,523
Public protection	5,799,593	1,273,710	1,147,407	12,806
Public ways and facilities	299,304	39,767	159,602	88,773
Health and sanitation	2,638,135	708,097	1,521,459	1,400
Public assistance	5,061,367	61,568	4,238,169	
Education	112,035	3,098	1,675	
Recreation and cultural services	290,669	206,364	1,994	
Interest on long-term debt	191,551			
Total governmental activities	15,564,102	2,738,552	7,113,135	184,502
Business-type activities:				
Hospitals	3,092,682	1,730,231	54,922	
Aviation	4,182	3,030	314	1,484
Waterworks	74,810	61,514	50	1,413
Community Development Commission	246,195	11,972	208,185	
Total business-type activities	3,417,869	1,806,747	263,471	2,897
Total primary government	$ 18,981,971	$ 4,545,299	$ 7,376,606	$ 187,399
COMPONENT UNIT -				
First 5 LA	$ 139,587	$	$ 143,428	$

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

TRANSFERS - NET

Total general revenues and transfers

CHANGE IN NET ASSETS

NET ASSETS, JULY 1, 2007, as restated (Note 2)

NET ASSETS, JUNE 30, 2008

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
PRIMARY GOVERNMENT			COMPONENT UNIT	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 LA	FUNCTIONS
				PRIMARY GOVERNMENT:
				Governmental activities:
$ (601,148)	$	$ (601,148)		General government
(3,365,670)		(3,365,670)		Public protection
(11,162)		(11,162)		Public ways and facilities
(407,179)		(407,179)		Health and sanitation
(761,630)		(761,630)		Public assistance
(107,262)		(107,262)		Education
(82,311)		(82,311)		Recreation and cultural services
(191,551)		(191,551)		Interest on long-term debt
(5,527,913)		(5,527,913)		Total governmental activities
				Business-type activities:
	(1,307,529)	(1,307,529)		Hospitals
	646	646		Aviation
	(11,833)	(11,833)		Waterworks
	(26,038)	(26,038)		Community Development Commission
	(1,344,754)	(1,344,754)		Total business-type activities
(5,527,913)	(1,344,754)	(6,872,667)		Total primary government
				COMPONENT UNIT -
			$ 3,841	Total - First 5 LA
				GENERAL REVENUES:
				Taxes:
4,514,909	4,405	4,519,314		Property taxes
65,583		65,583		Utility users taxes
255,580		255,580		Voter approved taxes
56,439		56,439		Documentary transfer taxes
62,935		62,935		Other taxes
78,953		78,953		Sales and use taxes, levied by the State
778,936	37	778,973		Grants and contributions not restricted to special programs
324,132	14,073	338,205	34,996	Investment earnings
229,810	24,950	254,760	468	Miscellaneous
(1,152,946)	1,152,946			TRANSFERS - NET
5,214,331	1,196,411	6,410,742	35,464	Total general revenues and transfers
(313,582)	(148,343)	(461,925)	39,305	CHANGE IN NET ASSETS
15,883,997	1,891,056	17,775,053	860,487	NET ASSETS, JULY 1, 2007, as restated (Note 2)
$ 15,570,415	$ 1,742,713	$ 17,313,128	$ 899,792	NET ASSETS, JUNE 30, 2008

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
ASSETS:				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	$ 1,494,243	121,353	145,474	27,929
Other (Note 1)	849,282	42,043	11,445	4,110
Total pooled cash and investments	2,343,525	163,396	156,919	32,039
Other investments (Notes 4 and 5)	6,236			120
Taxes receivable	320,281	70,407	19,855	9,217
Interest receivable	20,503	618	735	160
Other receivables	1,804,965	39,034	5,860	1,347
Due from other funds (Note 14)	357,416	6,441	24,906	1,993
Advances to other funds (Note 14)	571,872		6,213	
Inventories	43,906	6,797		1,066
TOTAL ASSETS	$ 5,468,704	286,693	214,488	45,942
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 252,794	5,780	9,996	2,408
Accrued payroll	472,007	49,779		4,918
Other payables	151,700	2,118		375
Due to other funds (Note 14)	561,540	7,662	22,154	2,393
Deferred revenue (Note 7)	380,322	51,317	20,439	6,757
Advances payable	263,500			
Third party payor liability (Notes 10 and 13)	12,401			
TOTAL LIABILITIES	2,094,264	116,656	52,589	16,851
FUND BALANCES:				
Reserved for:				
Encumbrances	532,752	16,629	112,849	8,675
Inventories	43,906	6,797		1,066
Housing programs				
Debt service				
Endowments and annuities				
Assets unavailable for appropriation	20,808	25	12,011	15
Unreserved, designated for:				
Budget uncertainties	292,113	49,500		
Program expansion	302,763	25,423		5,379
Health services	242,408			
Capital projects	315,355	51,222	13,314	
Special revenue funds - program expansion				
Unreserved, undesignated, reported in:				
General fund	1,624,335			
Special revenue funds		20,441	23,725	13,956
Capital projects funds				
TOTAL FUND BALANCES	3,374,440	170,037	161,899	29,091
TOTAL LIABILITIES AND FUND BALANCES	$ 5,468,704	286,693	214,488	45,942

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)
$ 283,342	1,420,830		$ 3,493,171	Operating (Note 1)
3,728	56,769		967,377	Other (Note 1)
287,070	1,477,599		4,460,548	Total pooled cash and investments
	585,059	(269,995)	321,420	Other investments (Notes 4 and 5)
3,868	19,596		443,224	Taxes receivable
1,387	6,077		29,480	Interest receivable
4,839	205,845		2,061,890	Other receivables
323	361,496		752,575	Due from other funds (Note 14)
	11,034		589,119	Advances to other funds (Note 14)
	37,563		89,332	Inventories
$ 297,487	2,704,269	(269,995)	$ 8,747,588	TOTAL ASSETS
				LIABILITIES AND FUND BALANCES
				LIABILITIES:
$ 936	53,715		$ 325,629	Accounts payable
	481		527,185	Accrued payroll
464	1,866		156,523	Other payables
4,073	347,071		944,893	Due to other funds (Note 14)
6,009	41,318		506,162	Deferred revenue (Note 7)
	7,327		270,827	Advances payable
	877		13,278	Third party payor liability (Notes 10 and 13)
11,482	452,655		2,744,497	TOTAL LIABILITIES
				FUND BALANCES:
				Reserved for:
84,450	161,872		917,227	Encumbrances
	37,563		89,332	Inventories
	1,167		1,167	Housing programs
	717,083	(269,995)	447,088	Debt service
	3,455		3,455	Endowments and annuities
	41,167		74,026	Assets unavailable for appropriation
				Unreserved, designated for:
	43,097		384,710	Budget uncertainties
39,489			373,054	Program expansion
			242,408	Health services
	70,000		449,891	Capital projects
	275,287		275,287	Special revenue funds - program expansion
				Unreserved, undesignated, reported in:
			1,624,335	General fund
162,066	710,825		931,013	Special revenue funds
	190,098		190,098	Capital projects funds
286,005	2,251,614	(269,995)	6,003,091	TOTAL FUND BALANCES
$ 297,487	2,704,269	(269,995)	$ 8,747,588	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, 2008 (in thousands)

Fund balances - total governmental funds (page B-29)			$ 6,003,091
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not reported in governmental funds:			
Land & Easements	$	7,015,260	
Construction-in-progress		579,108	
Buildings and improvements - net		2,659,802	
Equipment - net		274,157	
Infrastructure - net		4,470,576	14,998,903
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	$	324,998	
Long-term receivables		183,881	508,879
The net pension obligation (an asset) pertaining to governmental fund types is not recorded in governmental fund statements.			101,589
Accrued interest payable is not recognized in governmental funds.			(15,279)
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)	$	(1,575,458)	
Pension bonds payable		(623,720)	
Capital lease obligations		(173,309)	
Accrued vacation/sick leave		(709,855)	
Workers' compensation		(1,745,246)	
Litigation/self-insurance		(139,640)	
OPEB obligation		(974,336)	(5,941,564)
Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net assets.			(85,204)
Net assets of governmental activities (page B-25)			$ 15,570,415

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, 2008 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
REVENUES:				
Taxes	$ 3,796,296	611,359	93,153	71,007
Licenses, permits and franchises	58,799	12,592	741	
Fines, forfeitures and penalties	251,933	4,415	1,429	638
Revenue from use of money and property:				
Investment income (Note 5)	223,591	2,685	6,610	980
Rents and concessions (Note 9)	56,614	90	7,428	12
Royalties	598		369	
Intergovernmental revenues:				
Federal	2,944,622	1,455	6,086	162
State	4,207,046	16,982	3,396	2,055
Other	110,000	30,955	4,747	1,358
Charges for services	1,695,004	181,586	118,798	2,366
Miscellaneous	282,818	273	1,420	614
TOTAL REVENUES	13,627,321	862,392	244,177	79,192
EXPENDITURES:				
Current:				
General government	919,534			
Public protection	4,222,644	807,151	211,267	
Public ways and facilities				
Health and sanitation	2,345,484			
Public assistance	4,619,225			
Education				105,385
Recreation and cultural services	231,584			
Debt service:				
Principal	101,931	8,489		1,130
Interest and other charges	186,647	7,896		1,616
Capital leases	19,629			
Capital outlay	97,270			898
TOTAL EXPENDITURES	12,743,948	823,536	211,267	109,029
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	883,373	38,856	32,910	(29,837)
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 14)	342,906		244	41,660
Transfers out (Note 14)	(1,123,808)	(16,488)	(19,048)	(4,798)
Issuance of debt (Note 10)				
Refunding bonds issued (Note 10)				
Payment to refunded bonds escrow agent (Note 10)				
Capital leases (Note 9)	97,270			898
Sales of capital assets	1,036	158	175	3
TOTAL OTHER FINANCING SOURCES (USES)	(682,596)	(16,330)	(18,629)	37,763
NET CHANGE IN FUND BALANCES	200,777	22,526	14,281	7,926
FUND BALANCE, JULY 1, 2007, as restated (Note 2)	3,173,663	147,511	147,618	21,165
FUND BALANCE, JUNE 30, 2008	$ 3,374,440	170,037	161,899	29,091

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:
$	251,678		$ 4,823,493	Taxes
	7,379		79,511	Licenses, permits and franchises
805	81,915		341,135	Fines, forfeitures and penalties
				Revenue from use of money and property:
13,112	88,282	(12,189)	323,071	Investment income (Note 5)
	14,226		78,370	Rents and concessions (Note 9)
	11		978	Royalties
				Intergovernmental revenues:
	197,427		3,149,752	Federal
	392,485		4,621,964	State
	23,345		170,405	Other
78,613	164,928		2,241,295	Charges for services
	157,520		442,645	Miscellaneous
92,530	1,379,196	(12,189)	16,272,619	TOTAL REVENUES
				EXPENDITURES:
				Current:
	15,107		934,641	General government
	87,861		5,328,923	Public protection
	318,468		318,468	Public ways and facilities
	116,911		2,462,395	Health and sanitation
	151,368		4,770,593	Public assistance
	299		105,684	Education
32,944	7,500		272,028	Recreation and cultural services
				Debt service:
	142,977	(34,240)	220,287	Principal
	75,284	(12,189)	259,254	Interest and other charges
			19,629	Capital leases
	89,922		188,090	Capital outlay
32,944	1,005,697	(46,429)	14,879,992	TOTAL EXPENDITURES
59,586	373,499	34,240	1,392,627	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES):
423	217,119		602,352	Transfers in (Note 14)
(35,216)	(553,327)		(1,752,685)	Transfers out (Note 14)
	3,000		3,000	Issuance of debt (Note 10)
	94,315		94,315	Refunding bonds issued (Note 10)
	(94,315)		(94,315)	Payment to refunded bonds escrow agent (Note 10)
			98,168	Capital leases (Note 9)
	2,727		4,099	Sales of capital assets
(34,793)	(330,481)		(1,045,066)	TOTAL OTHER FINANCING SOURCES (USES)
24,793	43,018	34,240	347,561	NET CHANGE IN FUND BALANCES
261,212	2,208,596	(304,235)	5,655,530	FUND BALANCE, JULY 1, 2007, as restated (Note 2)
$ 286,005	2,251,614	(269,995)	$ 6,003,091	FUND BALANCE, JUNE 30, 2008

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, 2008 (in thousands)

Net change in fund balances - total governmental funds (page B-33)		$ 347,561
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	$ 356,061	
Less - current year depreciation expense	(338,817)	17,244
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.		(3,341)
Contribution of capital assets is not recognized in the governmental funds.		25,481
Revenue timing differences result in more revenue in government-wide statements.		69,138
Issuance of long-term debt along with any bond premium provides revenue in the governmental funds, but increases long-term liabilities in the statement of net assets.		(3,000)
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	$ 108,075	
General obligation bonds	373	
Certificates of participation	69,961	
Assessment bonds	34,240	
Other long term notes and loans	25,638	238,287
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	$ 62,691	
Change in litigation/self-insurance	(60,227)	
Change in accrued vacation/sick leave	(47,495)	
Change in OPEB liability	(974,336)	
Change in third party payor liability	400	
Change in accrued interest payable	3,150	
Change in accretion of tobacco settlement bonds	(19,554)	
Change in accretion of pension bonds	88,826	(946,545)
The change in the net pension obligation (an asset) is not recognized in governmental funds.		(20,577)
The portion of internal service funds that is reported with governmental activities.		(37,830)
Change in net assets of governmental activities (page B-27)		$ (313,582)

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, 2008 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 3,828,094	3,842,971	3,826,908	(16,063)
Licenses, permits and franchises	56,880	60,924	58,799	(2,125)
Fines, forfeitures and penalties	206,047	206,124	251,933	45,809
Revenue from use of money and property:				
Investment income	100,625	114,727	217,378	102,651
Rents and concessions	51,693	52,243	56,614	4,371
Royalties	156	156	598	442
Intergovernmental revenues:				
Federal	3,128,513	3,173,676	2,948,385	(225,291)
State	4,568,927	4,588,722	4,189,202	(399,520)
Other	92,302	93,144	105,891	12,747
Charges for services	1,744,459	1,758,279	1,695,004	(63,275)
Miscellaneous	114,518	220,331	314,521	94,190
TOTAL REVENUES	13,892,214	14,111,297	13,665,233	(446,064)
EXPENDITURES:				
Current:				
General government	1,300,940	1,363,585	912,999	(450,586)
Public protection	4,480,743	4,575,551	4,414,810	(160,741)
Health and sanitation	2,712,971	2,693,857	2,469,110	(224,747)
Public assistance	4,984,500	5,016,098	4,739,945	(276,153)
Recreation and cultural services	249,014	250,844	240,237	(10,607)
Debt Service-				
Interest	18,365	18,365	18,365	
Capital Outlay	1,413,544	1,355,655	178,249	(1,177,406)
TOTAL EXPENDITURES	15,160,077	15,273,955	12,973,715	(2,300,240)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,267,863)	(1,162,658)	691,518	1,854,176
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	676	676	1,036	360
Transfers in	479,427	493,057	306,238	(186,819)
Transfers out	(1,024,450)	(1,088,103)	(1,064,589)	23,514
Appropriation for contingencies		(302)		302
Changes in reserves and designations	105,853	50,973	168,244	117,271
OTHER FINANCING SOURCES (USES) - NET	(438,494)	(543,699)	(589,071)	(45,372)
NET CHANGE IN FUND BALANCE	(1,706,357)	(1,706,357)	102,447	1,808,804
FUND BALANCE, JULY 1, 2007 (Note 15)	1,706,357	1,706,357	1,706,357	
FUND BALANCE, JUNE 30, 2008 (Note 15)	$		1,808,804	1,808,804

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, 2008 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 611,230	618,757	618,757	
Licenses, permits and franchises	8,252	8,252	12,592	4,340
Fines, forfeitures and penalties	2,655	2,655	4,415	1,760
Revenue from use of money and property:				
Investment income	1,000	1,870	2,442	572
Rents and concessions	86	86	90	4
Intergovernmental revenues:				
Federal	11,892	12,592	1,455	(11,137)
State	15,586	17,122	16,982	(140)
Other	28,291	28,291	30,955	2,664
Charges for services	165,615	181,994	181,586	(408)
Miscellaneous	628	628	273	(355)
TOTAL REVENUES	845,235	872,247	869,547	(2,700)
EXPENDITURES:				
Current-Public protection:				
Salaries and employee benefits	709,669	734,519	718,220	(16,299)
Services and supplies	112,610	116,354	98,470	(17,884)
Other charges	960	960	882	(78)
Capital assets	15,996	18,099	8,357	(9,742)
TOTAL EXPENDITURES	839,235	869,932	825,929	(44,003)
EXCESS OF REVENUES OVER EXPENDITURES	6,000	2,315	43,618	41,303
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	103	103	158	55
Transfers in	43	43		(43)
Transfers out	(10,951)	(15,951)	(15,951)	
Changes in reserves and designations	(51,822)	(43,137)	(41,104)	2,033
OTHER FINANCING SOURCES (USES) - NET	(62,627)	(58,942)	(56,897)	2,045
NET CHANGE IN FUND BALANCE	(56,627)	(56,627)	(13,279)	43,348
FUND BALANCE, JULY 1, 2007 (Note 15)	56,627	56,627	56,627	
FUND BALANCE, JUNE 30, 2008 (Note 15)	$		43,348	43,348

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, 2008 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 93,125	94,451	94,451	
Licenses, permits and franchises	1,176	1,176	741	(435)
Fines, forfeitures and penalties	1,200	1,200	1,429	229
Revenue from use of money and property:				
Investment income	5,421	5,808	6,538	730
Rents and concessions	8,633	8,633	7,428	(1,205)
Royalties	200	200	369	169
Intergovernmental revenues:				
Federal	5,119	5,119	6,086	967
State	3,055	3,096	3,396	300
Other	2,300	5,300	4,747	(553)
Charges for services	113,449	113,449	119,275	5,826
Miscellaneous	1,165	1,165	728	(437)
TOTAL REVENUES	234,843	239,597	245,188	5,591
EXPENDITURES:				
Current-Public protection:				
Services and supplies	239,013	219,860	210,961	(8,899)
Other charges	19,871	20,121	19,613	(508)
Capital assets	160	160	116	(44)
Capital Outlay	4,325	27,118	21,712	(5,406)
TOTAL EXPENDITURES	263,369	267,259	252,402	(14,857)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(28,526)	(27,662)	(7,214)	20,448
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	921	921	175	(746)
Transfers in			244	244
Transfers out	(1,330)	(1,790)	(23)	1,767
Long-term debt proceeds			692	692
Appropriation for contingencies		726		(726)
Changes in reserves and designations	12,630	11,500	21,226	9,726
OTHER FINANCING SOURCES (USES) - NET	12,221	11,357	22,314	10,957
NET CHANGE IN FUND BALANCE	(16,305)	(16,305)	15,100	31,405
FUND BALANCE, JULY 1, 2007 (Note 15)	16,305	16,305	16,305	
FUND BALANCE, JUNE 30, 2008 (Note 15)	$		31,405	31,405

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, 2008 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 73,489	73,489	71,918	(1,571)
Fines, forfeitures and penalties			638	638
Revenue from use of money and property:				
Investment income	180	180	922	742
Rents and concessions	15	15	12	(3)
Intergovernmental revenues:				
Federal			162	162
State	2,054	2,054	2,055	1
Other	1,360	1,360	1,358	(2)
Charges for services	2,112	2,112	2,366	254
Miscellaneous	1,088	1,088	614	(474)
TOTAL REVENUES	80,298	80,298	80,045	(253)
EXPENDITURES:				
Current-Education:				
Salaries and employee benefits	78,935	78,935	70,580	(8,355)
Services and supplies	45,998	51,309	38,291	(13,018)
Other charges	752	752	604	(148)
Capital assets	695	1,564	1,216	(348)
TOTAL EXPENDITURES	126,380	132,560	110,691	(21,869)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(46,082)	(52,262)	(30,646)	21,616
OTHER FINANCING SOURCES (USES):				
Sales of capital assets			3	3
Transfers in	41,644	47,853	41,660	(6,193)
Transfers out	(4,376)	(4,405)	(4,401)	4
Changes in reserves and designations	(1,981)	(1,981)	(785)	1,196
OTHER FINANCING SOURCES (USES) - NET	35,287	41,467	36,477	(4,990)
NET CHANGE IN FUND BALANCE	(10,795)	(10,795)	5,831	16,626
FUND BALANCE, JULY 1, 2007 (Note 15)	10,795	10,795	10,795	
FUND BALANCE, JUNE 30, 2008 (Note 15)	$		16,626	16,626

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, 2008 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Fines, forfeitures and penalties	$ 1,202	1,202	805	(397)
Revenue from use of money and property-				
Investment income	12,530	12,530	13,349	819
Charges for services	78,038	78,038	78,562	524
TOTAL REVENUES	91,770	91,770	92,716	946
EXPENDITURES:				
Current-Recreation and cultural services:				
Services and supplies	4,994	5,350	3,884	(1,466)
Other charges	191,109	191,109	42,466	(148,643)
TOTAL EXPENDITURES	196,103	196,459	46,350	(150,109)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(104,333)	(104,689)	46,366	151,055
OTHER FINANCING SOURCES (USES):				
Transfers in	98,618	98,974	83,140	(15,834)
Transfers out	(131,365)	(131,365)	(117,933)	13,432
Appropriation for contingencies	(3,301)	(3,301)		3,301
Changes in reserves and designations	22,217	22,217	32,740	10,523
OTHER FINANCING SOURCES (USES) - NET	(13,831)	(13,475)	(2,053)	11,422
NET CHANGE IN FUND BALANCE	(118,164)	(118,164)	44,313	162,477
FUND BALANCE, JULY 1, 2007 (Note 15)	119,700	119,700	119,700	
FUND BALANCE, JUNE 30, 2008 (Note 15)	$ 1,536	1,536	164,013	162,477

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, 2008 (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)	$ 614	477	89,644	316	230
Other (Note 1)	18,655	17,846	41,332	8,764	3,495
Total pooled cash and investments	19,269	18,323	130,976	9,080	3,725
Other investments (Note 5)					
Taxes receivable					
Accounts receivable - net (Note 13)	129,592	126,221	255,939	180,785	65,355
Interest receivable	2		533	1	1
Other receivables	10,778	10,289	24,485	4,766	3,627
Due from other funds (Note 14)	47,403	56,131	192,968	19,648	20,740
Advances to other funds (Note 14)					
Inventories	3,370	4,162	12,296	2,013	1,407
Total current assets	210,414	215,126	617,197	216,293	94,855
Noncurrent assets:					
Restricted assets (Note 5)	39,509	31,345	74,935	1,090	7,314
Net pension obligation (Note 7)	5,979	5,188	15,700	6,663	4,304
Capital assets: (Notes 6 and 9)					
Land and easements	1,001	15,171	18,183	2,277	217
Buildings and improvements	77,672	152,939	163,685	194,951	187,179
Equipment	37,887	28,050	115,021	48,771	11,864
Infrastructure					
Construction in progress	51,078	1,954	896,740		6,550
Less accumulated depreciation	(72,805)	(100,937)	(194,214)	(139,696)	(99,986)
Total capital assets - net	94,833	97,177	999,415	106,303	105,824
Total noncurrent assets	140,321	133,710	1,090,050	114,056	117,442
TOTAL ASSETS	350,735	348,836	1,707,247	330,349	212,297
LIABILITIES					
Current liabilities:					
Accounts payable	11,587	10,781	41,513	4,951	3,756
Accrued payroll	27,497	20,263	49,976	7,738	9,280
Other payables	2,110	1,770	3,243	1,745	1,000
Accrued interest payable	89		85	206	219
Due to other funds (Note 14)	18,591	45,451	64,410	21,872	6,632
Advances from other funds (Note 14)	96,862	71,315	199,678	146,920	53,508
Advances Payable			7,844		
Unearned revenue (Note 7)	391	339	1,735	436	282
Current portion of long-term liabilities (Note 10)	102,869	64,436	190,990	39,321	25,701
Total current liabilities	259,996	214,355	559,474	223,189	100,378
Noncurrent liabilities:					
Accrued vacation and sick leave (Note 10)	28,680	19,432	49,269	8,336	9,898
Bonds and notes payable (Note 10)	9,655		14,202	38,746	35,614
Pension bonds payable (Notes 7 and 10)	24,729	21,455	64,930	27,557	17,801
Capital lease obligations (Notes 9 and 10)					143
Workers' compensation (Notes 10 and 17)	27,324	27,982	124,641	61,556	22,190
Litigation and self-insurance (Notes 10 and 17)	12,062	4,424	52,292	13,958	190
OPEB obligation (Notes 8 and 10)	41,378	36,490	88,279	16,681	16,863
Third party payor liability (Notes 10 and 13)	16,029	10,573	80,723	5,054	8,079
Total noncurrent liabilities	159,857	120,356	474,336	171,888	110,778
TOTAL LIABILITIES	419,853	334,711	1,033,810	395,077	211,156
NET ASSETS					
Invested in capital assets, net of related debt (Notes 6 and 10)	51,620	95,575	947,800	66,283	68,934
Restricted:					
Debt service	39,420	31,345	74,850	884	7,095
Special purpose					
Unrestricted (deficit)	(160,158)	(112,795)	(349,213)	(131,895)	(74,888)
TOTAL NET ASSETS (DEFICIT) (Note 3)	$ (69,118)	14,125	673,437	(64,728)	1,141

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)
$ 91,792	4,448	$ 187,521	$ 61,170	Operating (Note 1)
893	6	90,991	8,339	Other (Note 1)
92,685	4,454	278,512	69,509	Total pooled cash and investments
	55,495	55,495	8,618	Other investments (Note 5)
915		915		Taxes receivable
		757,892		Accounts receivable - net (Note 13)
426	3	966	273	Interest receivable
8,892	6,700	69,537	5,759	Other receivables
2,469	48	339,407	59,358	Due from other funds (Note 14)
1,164		1,164		Advances to other funds (Note 14)
		23,248	7,676	Inventories
106,551	66,700	1,527,136	151,193	Total current assets
				Noncurrent assets:
		154,193	8,603	Restricted assets (Note 5)
		37,834	7,300	Net pension obligation (Note 7)
				Capital assets: (Notes 6 and 9)
10,799	199,160	246,808		Land and easements
117,000	177,225	1,070,651	1,734	Buildings and improvements
481	3,105	245,179	207,477	Equipment
1,095,023	39,720	1,134,743		Infrastructure
31,465	1,688	989,475		Construction in progress
(457,749)	(185,504)	(1,250,891)	(118,729)	Less accumulated depreciation
797,019	235,394	2,435,965	90,482	Total capital assets - net
797,019	235,394	2,627,992	106,385	Total noncurrent assets
903,570	302,094	4,155,128	257,578	TOTAL ASSETS
				LIABILITIES
				Current liabilities:
2,520	3,995	79,103	6,778	Accounts payable
		114,754	23,445	Accrued payroll
	1,693	11,561	1,740	Other payables
		599	169	Accrued interest payable
5,022	162	162,140	44,307	Due to other funds (Note 14)
		568,283	22,000	Advances from other funds (Note 14)
		7,844		Advances Payable
475	314	3,972	578	Unearned revenue (Note 7)
93	1,443	424,853	43,798	Current portion of long-term liabilities (Note 10)
8,110	7,607	1,373,109	142,815	Total current liabilities
				Noncurrent liabilities:
	204	115,819	36,540	Accrued vacation and sick leave (Note 10)
86	3,674	101,977	30,565	Bonds and notes payable (Note 10)
		156,472	30,191	Pension bonds payable (Notes 7 and 10)
		143		Capital lease obligations (Notes 9 and 10)
		263,693	56,898	Workers' compensation (Notes 10 and 17)
		82,926	1,341	Litigation and self-insurance (Notes 10 and 17)
		199,691	42,559	OPEB obligation (Notes 8 and 10)
		120,458		Third party payor liability (Notes 10 and 13)
86	3,878	1,041,179	198,094	Total noncurrent liabilities
8,196	11,485	2,414,288	340,909	TOTAL LIABILITIES
				NET ASSETS
796,915	230,891	2,258,018	54,690	Invested in capital assets, net of related debt (Notes 6 and 10)
				Restricted:
98,459	2,968	255,021	729	Debt service
	52,690	52,690	2,920	Special purpose
	4,060	(824,889)	(141,670)	Unrestricted (deficit)
$ 895,374	290,609	1,740,840	$ (83,331)	TOTAL NET ASSETS (DEFICIT) (Note 3)
		1,873		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ 1,742,713		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, 2008 (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)	$ 385,281	323,861	711,346	195,379	110,009
Rentals					
Charges for services					
Other	16,382	13,588	45,979	2,122	4,907
TOTAL OPERATING REVENUES	401,663	337,449	757,325	197,501	114,916
OPERATING EXPENSES:					
Salaries and employee benefits	390,251	294,515	740,286	133,005	140,169
Services and supplies	102,380	87,449	202,501	47,825	25,943
Other professional services	113,359	112,146	283,659	77,933	31,400
Depreciation and amortization (Note 6)	4,692	5,004	9,896	4,948	2,799
Medical malpractice	4,091	5,895	11,282	2,388	187
Rent	3,477	2,569	8,504	2,358	1,540
TOTAL OPERATING EXPENSES	618,250	507,578	1,256,128	268,457	202,038
OPERATING LOSS	(216,587)	(170,129)	(498,803)	(70,956)	(87,122)
NONOPERATING REVENUES (EXPENSES):					
Taxes					
Interest income	591	473	5,815	372	284
Interest expense	(6,536)	(4,460)	(14,357)	(8,893)	(6,840)
Intergovernmental transfers expense (Note 13)	(40,247)	(38,143)	(104,100)	(8,051)	(9,118)
Intergovernmental revenues:					
State					
Federal					
TOTAL NONOPERATING REVENUES (EXPENSES)	(46,192)	(42,130)	(112,642)	(16,572)	(15,674)
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(262,779)	(212,259)	(611,445)	(87,528)	(102,796)
Capital contributions					
Transfers in (Note 14)	217,485	190,937	605,142	82,951	90,683
Transfers out (Note 14)	(732)	(451)	(31,191)	(507)	(23)
CHANGE IN NET ASSETS	(46,026)	(21,773)	(37,494)	(5,084)	(12,136)
TOTAL NET ASSETS (DEFICIT), JULY 1, 2007, as restated (Note 2)	(23,092)	35,898	710,931	(59,644)	13,277
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2008	$ (69,118)	14,125	673,437	(64,728)	1,141

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:
$		$ 1,725,876	$	Net patient service revenues (Note 13)
	14,622	14,622	22,705	Rentals
61,514	379	61,893	409,450	Charges for services
982	504	84,464		Other
62,496	15,505	1,886,855	432,155	TOTAL OPERATING REVENUES
				OPERATING EXPENSES:
		1,698,226	354,241	Salaries and employee benefits
47,403	247,045	760,546	66,070	Services and supplies
2,017	254	620,768	13,119	Other professional services
25,379	2,805	55,523	27,796	Depreciation and amortization (Note 6)
		23,843		Medical malpractice
		18,448		Rent
74,799	250,104	3,177,354	461,226	TOTAL OPERATING EXPENSES
(12,303)	(234,599)	(1,290,499)	(29,071)	OPERATING LOSS
				NONOPERATING REVENUES (EXPENSES):
4,405		4,405		Taxes
4,304	2,234	14,073	1,331	Interest income
(11)	(272)	(41,369)	(7,317)	Interest expense
		(199,659)		Intergovernmental transfers expense (Note 13)
				Intergovernmental revenues:
87	25	112		State
	209,454	209,454	621	Federal
8,785	211,441	(12,984)	(5,365)	TOTAL NONOPERATING REVENUES (EXPENSES)
(3,518)	(23,158)	(1,303,483)	(34,436)	LOSS BEFORE CONTRIBUTIONS AND TRANSFERS
1,413		1,413		Capital contributions
21	350	1,187,569	196	Transfers in (Note 14)
		(32,904)	(4,528)	Transfers out (Note 14)
(2,084)	(22,808)	(147,405)	(38,768)	CHANGE IN NET ASSETS
897,458	313,417		(44,563)	TOTAL NET ASSETS (DEFICIT), JULY 1, 2007, as restated (Note 2)
$ 895,374	290,609		$ (83,331)	TOTAL NET ASSETS (DEFICIT), JUNE 30, 2008
		(938)		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ (148,343)		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, 2008 (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	$ 376,700	281,825	747,263	119,890	125,344
Rentals received					
Cash received from charges for services					
Other operating revenues	16,397	13,609	45,986	2,123	4,909
Cash received for services provided to other funds	17,218	17,862	26,527	7,575	369
Cash paid for salaries and employee benefits	(349,286)	(264,541)	(669,104)	(143,600)	(123,069)
Cash paid for services and supplies	(79,058)	(63,081)	(171,283)	(16,480)	(8,062)
Other operating expenses	(120,227)	(116,531)	(303,888)	(84,404)	(32,968)
Cash paid for services from other funds	(36,023)	(32,916)	(105,278)	(40,538)	(17,518)
Net cash provided by (required for) operating activities	(174,279)	(163,773)	(429,777)	(155,434)	(50,995)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash advances received from other funds	161,827	132,889	362,464	216,945	61,843
Cash advances paid/returned to other funds	(140,853)	(99,522)	(318,100)	(121,079)	(79,265)
Interest paid on pension bonds	(3,964)	(3,438)	(10,404)	(4,416)	(2,853)
Interest paid on advances	(1,213)	(578)	(2,696)	(2,204)	(1,504)
Intergovernmental transfers	(40,247)	(38,143)	(104,100)	(8,051)	(9,118)
Intergovernmental receipts					
Transfers in	217,485	190,937	605,142	82,951	90,683
Transfers out	(732)	(451)	(31,191)	(507)	(23)
Net cash provided by (required for) noncapital financing activities	192,303	181,694	501,115	163,639	59,763
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from taxes					
Proceeds from bonds and notes	69,500	31,700	94,300	1,000	6,500
Interest paid on capital borrowing	(1,481)	(494)	(1,373)	(2,555)	(2,783)
Principal payments on bonds and notes	(1,637)	(10,025)	(1,554)	(3,786)	(4,022)
Principal payments on capital leases					(125)
Acquisition and construction of capital assets	(39,599)	(9,644)	(106,319)	(824)	(925)
Net cash provided by (required for) capital and related financing activities	26,783	11,537	(14,946)	(6,165)	(1,355)
CASH FLOWS FROM INVESTING ACTIVITIES - Interest income received	308	233	5,637	50	75
Net increase (decrease) in cash and cash equivalents	45,115	29,691	62,029	2,090	7,488
Cash and cash equivalents, July 1, 2007	13,663	19,977	143,882	8,080	3,551
Cash and cash equivalents, June 30, 2008	$ 58,778	49,668	205,911	10,170	11,039

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:
$		$ 1,651,022	$	Cash received from patient services
	14,322	14,322	22,631	Rentals received
61,104		61,104	426,670	Cash received from charges for services
982	504	84,510		Other operating revenues
		69,551		Cash received for services provided to other funds
	285	(1,549,315)	(320,055)	Cash paid for salaries and employee benefits
(46,982)	(246,509)	(631,455)	(53,473)	Cash paid for services and supplies
(1,942)	(254)	(660,214)	(13,119)	Other operating expenses
		(232,273)		Cash paid for services from other funds
13,162	(231,652)	(1,192,748)	62,654	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:
		935,968		Cash advances received from other funds
		(758,819)		Cash advances paid/returned to other funds
		(25,075)	(4,840)	Interest paid on pension bonds
		(8,195)		Interest paid on advances
		(199,659)		Intergovernmental transfers
87	209,479	209,566	621	Intergovernmental receipts
21	350	1,187,569	196	Transfers in
		(32,904)	(4,528)	Transfers out
108	209,829	1,308,451	(8,551)	Net cash provided by (required for) noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:
4,221		4,221		Proceeds from taxes
	6	203,006	50,360	Proceeds from bonds and notes
(11)	(272)	(8,969)	(3,168)	Interest paid on capital borrowing
(17)	(710)	(21,751)	(53,245)	Principal payments on bonds and notes
		(125)	(145)	Principal payments on capital leases
(15,160)	(1,947)	(174,418)	(33,383)	Acquisition and construction of capital assets
(10,967)	(2,923)	1,964	(39,581)	Net cash provided by (required for) capital and related financing activities
4,521	2,241	13,065	1,056	CASH FLOWS FROM INVESTING ACTIVITIES - Interest income received
6,824	(22,505)	130,732	15,578	Net increase (decrease) in cash and cash equivalents
85,861	82,454	357,468	71,152	Cash and cash equivalents, July 1, 2007
$ 92,685	59,949	$ 488,200	$ 86,730	Cash and cash equivalents, June 30, 2008

Continued…

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008 (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	$ (216,587)	(170,129)	(498,803)	(70,956)	(87,122)
Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:					
Depreciation and amortization	4,692	5,004	9,896	4,948	2,799
Other charges - net	1,849	2,916	(6,606)	(1,180)	(166)
(Increase) decrease in:					
Accounts receivable - net	(14,659)	(49,706)	(71,576)	(62,394)	11,505
Interest receivable					
Other receivables	(1,583)	(165)	(2,212)	2,091	(542)
Due from other funds	22,279	15,389	82,085	4,759	(841)
Inventories	490	(76)	743	1,268	(214)
Net pension obligation	1,211	1,050	3,180	1,349	872
Increase (decrease) in:					
Accounts payable	1,226	291	2,304	(4,782)	1,393
Accrued payroll	4,954	3,123	7,994	(5,457)	1,922
Other payables	199	160	266	74	75
Accrued vacation and sick leave	3,702	(4,546)	3,892	(4,853)	7,177
Due to other funds	(14,850)	(10,938)	(68,459)	(6,810)	(205)
Unearned revenue			(2,446)		
Pension bonds payable	(11,588)	(10,053)	(30,431)	(12,914)	(8,341)
Workers' compensation liability	(2,392)	875	(8,512)	(4,359)	(2,766)
Litigation and self-insurance liability	700	4,382	(443)	(1,375)	159
OPEB obligation	44,378	39,136	94,679	17,890	18,085
Third party payor liability	1,700	9,514	54,672	(12,733)	5,215
TOTAL ADJUSTMENTS	42,308	6,356	69,026	(84,478)	36,127
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ (174,279)	(163,773)	(429,777)	(155,434)	(50,995)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:					
Pooled cash and investments	$ 19,269	18,323	130,976	9,080	3,725
Other investments					
Restricted assets	39,509	31,345	74,935	1,090	7,314
TOTAL	$ 58,778	49,668	205,911	10,170	11,039

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:
$ (12,303)	(234,599)	$ (1,290,499)	$ (29,071)	Operating loss
				Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:
25,379	2,805	55,523	27,796	Depreciation and amortization
	509	(2,678)	141	Other charges - net
				(Increase) decrease in:
		(186,830)		Accounts receivable - net
			41	Interest receivable
(45)	(1,843)	(4,299)	(916)	Other receivables
(700)	10	122,981	17,152	Due from other funds
		2,211	274	Inventories
		7,662	1,478	Net pension obligation
				Increase (decrease) in:
1,480	1,324	3,236	965	Accounts payable
		12,536	3,456	Accrued payroll
	(7)	767	159	Other payables
	285	5,657	1,513	Accrued vacation and sick leave
(1,059)	(142)	(102,463)	11,204	Due to other funds
335	6	(2,105)	(57)	Unearned revenue
		(73,327)	(14,145)	Pension bonds payable
		(17,154)	(2,980)	Workers' compensation liability
75		3,498		Litigation and self-insurance liability
		214,168	45,644	OPEB obligation
		58,368		Third party payor liability
25,465	2,947	97,751	91,725	TOTAL ADJUSTMENTS
$ 13,162	(231,652)	$ (1,192,748)	$ 62,654	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:
$ 92,685	4,454	$ 278,512	$ 69,509	Pooled cash and investments
	55,495	55,495	8,618	Other investments
		154,193	8,603	Restricted assets
$ 92,685	59,949	$ 488,200	$ 86,730	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 5)	$ 86,438	$ 13,284,552	$ 1,261,788
Other investments: (Note 5)		474,638	43,927
Stocks	19,285,947		
Bonds	11,296,770		
Short-term investments	741,505		
Commodities	638,575		
Real estate	3,996,568		
Mortgages	260,913		
Alternative assets	3,296,714		
Cash collateral on loaned securities	2,322,698		
Taxes receivable			310,536
Interest receivable	132,306	129,447	2,498
Other receivables	849,578		
TOTAL ASSETS	42,908,012	13,888,637	$ 1,618,749
LIABILITIES			
Accounts payable	1,799,138		
Other payables (Note 5)	2,384,203		
Due to other governments			1,618,749
TOTAL LIABILITIES	4,183,341		$ 1,618,749
NET ASSETS			
Held in trust for pension benefits and investment trust participants	$ 38,724,671	$ 13,888,637	

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, 2008 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS
ADDITIONS:		
Contributions:		
Pension trust contributions:		
Employer	$ 788,029	$
Member	414,752	
Contributions to investment trust funds		40,191,455
Total contributions	1,202,781	40,191,455
Investment earnings:		
Investment income	4,929,295	584,425
Net decrease in the fair value of investments	(6,258,819)	
Securities lending income (Note 5)	122,531	
Total investment earnings (losses)	(1,206,993)	584,425
Less - Investment expenses:		
Expense from investing activities	114,183	
Expense from securities lending activities (Note 5)	104,941	
Total net investment expense	219,124	
Net investment earnings (losses)	(1,426,117)	584,425
Miscellaneous	1,767	
NET INCREASE (DECREASE) IN ADDITIONS	(221,569)	40,775,880
DEDUCTIONS:		
Salaries and employee benefits	33,626	
Services and supplies	14,597	
Benefit payments	1,887,684	
Distribution from investment trust funds		39,869,092
Miscellaneous	25,959	
TOTAL DEDUCTIONS	1,961,866	39,869,092
CHANGE IN NET ASSETS	(2,183,435)	906,788
NET ASSETS HELD IN TRUST, JULY 1, 2007	40,908,106	12,981,849
NET ASSETS HELD IN TRUST, JUNE 30, 2008	$ 38,724,671	$ 13,888,637

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Blended Component Units

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

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

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

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

Discretely Presented Component Unit

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Unit-Continued

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

Component Unit Financial Statements

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

Government-wide Financial Statements

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

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

Net assets are classified into the following three categories: 1) invested in capital assets, net of related debt; 2) restricted and 3) unrestricted. Net assets are reported as restricted 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, 2008, the restricted net assets balances were $1.606 billion and $308 million for governmental activities and business-type activities, respectively. For governmental activities, $92 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

The County reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

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, began the 2007-08 fiscal year providing general adult medical, surgical and low-risk obstetrical and gynecological care with a basic emergency room. Upon the loss of the hospital's licensing/accreditation on August 25, 2007, inpatient and emergency services were closed and the facility was re-organized as MLK-MACC. The MLK-MACC provides urgent care services, comprehensive outpatient services, including, primary, specialty and subspecialty services in surgery, medicine, pediatrics, obstetrics, HIV/AIDS, and dental services.

Rancho Los Amigos National Rehabilitation Center

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

Waterworks Funds

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

The following fund types have also been reported:

Internal Service Funds

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

Fiduciary Fund Types

Pension Trust Fund

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

Investment Trust Funds

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

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

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

Budgetary Data

In accordance with the provisions of Sections 29000-29144 of the Government Code of the State of California (Government Code), commonly known as the County Budget Act, the County prepares and adopts a budget on or before August 30 for each fiscal year. Budgets are adopted for the major governmental funds and certain nonmajor governmental funds on a basis of accounting which is different from generally accepted accounting principles (GAAP). Annual budgets were not adopted for the 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 $24 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, 2008. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control.

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

Note 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 2007-2008 assessed valuation of the County of Los Angeles exceeded $1 trillion for the first time and approximated $1,010 billion.

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 11,242 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:

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2008 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 offset with a corresponding reservation of fund balance because these amounts are not available for appropriation and expenditure.

Of the amounts reported as inventories in the governmental activities, $37,563,000 represents land held for resale by the CDC. The CDC records land held for resale at the lower of cost or estimated net realizable value.

Capital Assets

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

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

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

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

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

Advances Payable

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

Vacation and Sick Leave Benefits

Vacation pay benefits accrue to employees ranging from 10 to 20 days per year depending on years of service 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 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Long-term-Debt-Continued

In the governmental funds financial statements, bond premiums, discounts, and issuance costs, are recognized in the period issued. Bond proceeds are reported as other financing sources net of the applicable premium or discount. 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 statement of the related fund.

Cash Flows

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

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.

2. ACCOUNTING CHANGES AND RESTATEMENT OF FUND BALANCES/NET ASSETS

As discussed below, the County implemented the following GASB Statements in the 2007-2008 fiscal year:

Governmental Accounting Standards Board Statement No. 45

For the fiscal year ended June 30, 2008, the County implemented GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.” This Statement establishes standards for the measurement, recognition, and display of other post employment benefits (OPEB) expenses/expenditures and related liabilities (assets), note disclosures and required supplementary information (RSI). This matter is further discussed in Note 8.

Long-Term Disability Benefits

The County provides long-term disability benefits (LTD benefits) that were determined to be within the definition of OPEB. Prior to GASB 45, the County had recognized liabilities for LTD benefits in the government-wide financial statements and the proprietary funds. These amounts were classified as Litigation and Self-Insurance liabilities. Although the previously recorded liability amounts were actuarially determined, they were not in compliance with provisions of GASB 45. Effective July 1, 2007, the County began to measure LTD benefits in accordance with GASB 45, which provides for the prospective measurement of such expenses. Previously recorded LTD benefit liabilities have been removed and beginning fund balances have been restated (increased) as indicated at the end of this Note.

2. ACCOUNTING CHANGES AND RESTATEMENT OF FUND BALANCES/NET ASSETS-Continued

Governmental Accounting Standards Board Statement No. 45-Continued

Employer Assets Held by OPEB Administrator

In conjunction with implementing GASB 45, the County determined that certain assets were held by LACERA (the OPEB administrator) in an OPEB Agency Fund. These amounts were held on behalf of the County and earmarked for future OPEB benefit payments. However, the County has not yet established an OPEB trust (or equivalent arrangement) and GASB 45 requires that such amounts be recorded as employer assets. Effective July 1, 2007, the County has recognized assets (Other Receivables) in all applicable funds to reflect the OPEB related amount held by LACERA. Accordingly, beginning fund balances have been restated (increased) as indicated at the end of this Note.

Governmental Accounting Standards Board Statement No. 50

GASB Statement No. 50, "Pension Disclosures," amends Statements 25 and 27 to more closely align the financial reporting requirements for pensions with those for OPEB. GASB Statement No. 50 did not have an impact on the County's financial statements, but required additional and rearranged disclosures in Note 7.

Restatement of Fund Balances/Net Assets

In order to meet the guidelines presented in GASB Statement 45, the County restated beginning balances to reflect the removal of the long-term disability (LTD) liabilities, as previously presented. Additionally, the County restated beginning balances to reflect the inclusion of LACERA's OPEB Agency Fund. The effects of the changes are as follows (in thousands):

	Fund Balance /Net Assets July 1, 2007 as previously reported	Effect of Removal of LTD Liabilities	Effect of LACERA OPEB Agency Fund	Fund Balance /Net Assets July 1, 2007 as restated
Government-wide:				
Governmental activities	$ 15,440,624	$ 338,959	$ 104,414	$ 15,883,997
Business-type activities	1,736,574	132,558	21,924	1,891,056
Governmental funds:				
Major Governmental funds:				
General Fund	3,080,444		93,219	3,173,663
Fire Protection District	141,941		5,570	147,511
Public Library	20,213		952	21,165
Internal Service Fund-Public Works	(79,791)	20,859	4,673	(54,259)
Proprietary funds:				
Major enterprise funds:				
Harbor/UCLA Medical Center	(47,974)	20,339	4,543	(23,092)
Olive View/UCLA Medical Center	12,695	19,197	4,006	35,898
LAC+USC Medical Center	651,917	49,322	9,692	710,931
Martin Luther King Jr./ Ambulatory Care Center	(92,358)	30,882	1,832	(59,644)
Rancho Los Amigos National Rehab Center	(1,392)	12,818	1,851	13,277

3. NET ASSET DEFICITS

The following funds had net asset deficits at June 30, 2008 (in thousands):

	Accumulated Deficit
Enterprise Funds:	
Harbor/UCLA Medical Center	$ 69,118
M. L. King, Jr. Ambulatory Care Center	64,728
Internal Service Fund-	
Public Works	91,811

The Enterprise and Internal Service Funds' deficits result primarily from the recognition of certain liabilities including accrued vacation and sick leave, 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, 2008, the governmental fund financial statements reflect an investment asset (referred to as "Other Investments") held by the JPAs of $269,995,000 that has been recorded in the Nonmajor Governmental Funds. The governmental fund financial statements do not reflect a liability for the related bonds payable ($269,995,000), 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.

4. ELIMINATIONS-Continued

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 ($269,995,000) and investment earnings and interest expense ($12,189,000 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 $269,995,000 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, 2008 (in thousands):

			Restricted Assets		
	Pooled Cash and Investments	Other Investments	Pooled Cash and Investments	Other Investments	Total
Governmental Funds	$ 4,460,548	$ 321,420			$ 4,781,968
Proprietary Funds	348,021	64,113	$ 25,194	$ 137,602	574,930
Fiduciary Funds (excluding Pension Trust Fund)	14,546,340	518,565			15,064,905
Pension Trust Fund	86,438	41,839,690			41,926,128
Component Unit	875,166				875,166
Total	$ 20,316,513	$ 42,743,788	$ 25,194	$ 137,602	$ 63,223,097

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, 2008, the carrying amount of the County's deposits was $97,696,000 and the balance per various financial institutions was $96,817,000. County's deposits are not exposed to custodial credit risk since all its deposits are either covered by federal depository insurance or collateralized with securities held by the County or its agent in the County's name, in accordance with California Government Code Section 53652.

At June 30, 2008, the carrying amount of Pension Trust Fund deposits was $44,087,000. 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.

5. CASH AND INVESTMENTS-Continued

Investments

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

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

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

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

The interest rate risk, foreign currency risk, credit risk, concentration of credit risk, and custodial credit risk related to Pension Trust Fund investments are different than the corresponding risk on investments held by the County Treasurer. Detailed deposit and investment risk disclosures are included in Note G of LACERA's Report on Audited Financial Statements for the year ended June 30, 2008.

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-one percent (81%) of the Treasurer's external investment pool consists of these involuntary participants. Voluntary participants in the County's external investment pool include the Sanitation Districts, Metropolitan Transportation Authority, the South Coast Air Quality Management District and other special districts with independent governing boards. The deposits held for both involuntary and voluntary entities are included in the External Pooled Investment Trust Fund. Certain specific investments have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's investment pool and is reported in the Specific Investment Trust Fund. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer must follow.

5. CASH AND INVESTMENTS-Continued

Investments-Continued

County pooled and other investments (excluding Pension Trust Fund other investments) at June 30, 2008 (in thousands) are as follows:

	Fair Value
U.S. Government securities	$ 7,744,671
Negotiable certificates of deposit	4,349,618
Commercial paper	7,089,527
Corporate and deposit notes	1,314,561
Municipal bonds	5,370
Los Angeles County securities	190,404
Guaranteed investment contracts	251,437
Investment in money market funds	227,022
Investment in State and local agency investment funds	112,235
1st and 2nd mortgages	866
Total	$ 21,285,711

Pension Trust Fund investments are reported in the basic financial statements at fair value at June 30, 2008 (in thousands) and are as follows:

	Fair Value
Domestic and international equity	$ 21,564,558
Fixed income	12,038,275
Real estate	3,996,568
Private equity	3,296,714
Commodities	638,575
Mortgages	260,913
Total	$ 41,795,603

The Pension Trust Fund also had deposits with the Los Angeles County Treasury Pool at June 30, 2008 totaling $86,438,000. The Pension Trust Fund portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of the total investment portfolio.

The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2008 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.

5. CASH AND INVESTMENTS-Continued

Investments-Continued

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

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
U. S. Government securities	$7,356,400	$7,371,943	2.41% - 9.25%	7/3/08 - 5/29/13	3.87
Negotiable certificates of deposit	4,339,502	4,340,612	2.40% - 3.058%	7/3/08 - 8/21/09	0.13
Commercial paper	7,061,349	7,062,687	2.30% - 3.00%	7/1/08 - 9/2/08	0.04
Corporate and deposit notes	1,314,332	1,318,842	2.20% - 5.20%	7/1/08 - 1/21/11	0.82
Los Angeles County securities	190,404	190,404	2.35% - 4.66%	6/30/10 - 12/1/37	25.90
Money market mutual funds	518	518	0.25%	7/1/08	
Deposits	79,202	79,202			
	$20,341,707	$20,364,208			1.75

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 $	112,235	112,238			0.5
Commercial paper	28,178	28,178	4.21%	8/20/08	0.14
Corporate and deposit notes	229	230	5.33%	8/3/09	1.09
Mortgage trust deeds	866	866	4.50% - 5.50%	8/1/12 - 4/1/17	6.25
Municipal bonds	5,370	5,370	5.00%	9/2/21	13.15
Negotiable certificates of deposit	10,116	10,000	5.05%	3/16/09	0.71
Guaranteed investment contracts	251,437	251,437	4.65% - 4.87%	1/6/09 - 3/15/10	1.42
U.S. agency securities	282,170	280,424	3.63% - 5.59%	7/18/08 - 6/10/13	1.03
U.S. treasury bonds	430	315	7.25% - 11.25%	2/15/15 - 5/15/16	6.96
U.S. treasury notes	61,744	60,507	3.25% - 4.88%	8/15/08 - 7/31/11	0.79
U.S. treasury bills	43,927	43,577	2.05% - 2.09%	8/14/08 -12/11/08	0.29
Money market mutual funds	226,504	226,504	0.35%	7/1/08	
Deposits	18,494	18,494			
	$ 1,041,700	$1,038,140			

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The government code limits most investment maturities to five years, with the exception of commercial paper and bankers' acceptances which are limited to 270 days and 180 days, respectively. The County Treasurer manages equity and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding all investments to maturity. The County's investment guidelines limit the weighted average maturity of its portfolios to less than 18 months. Of the Pooled Cash and Investments and Other Investments at June 30, 2008, more than 58% have a maturity of six months or less. Of the remainder, less than 40% have a maturity of more than one year.

5. CASH AND INVESTMENTS-Continued

Interest Rate Risk-Continued

As of June 30, 2008, variable-rate notes comprised 5.61% of the Treasury Pool and Other Investment portfolios. The notes are tied to one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable-rate coupon resets back to the market rate on a periodic basis. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset.

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank, except for Bond Anticipation Notes, certain long-term debt proceeds issued by Los Angeles County entities, investment in the State's Local Area Investment Fund, and mortgage trust deeds which are held in the County Treasurer's vault. Securities are not held in broker accounts. At June 30, 2008, the County's external investment pools and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

Credit Risk and Concentration of Credit Risk

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

The County's investment policy establishes minimum acceptable credit ratings for investments from any two nationally recognized statistical rating organizations. For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's) while an issuer of long-term debt shall be rated no less than an "A." At June 30, 2008, 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.

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 $575 million, approximately 2.7% of the investment pool's daily investment balance. For commercial paper, the highest issuer limit was $750 million, or 3.5% of the investment pool's daily investment balance.

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, 2008:

	S & P	Moody's	% of Portfolio
Pooled Cash and Investments:			
Commercial paper	A-1	P-1	34.85%
Corporate and deposit notes	A-1+	P-1	6.49%
Los Angeles County securities	A	A2	0.94%
Negotiable certificates of deposit	A-1	P-1	21.41%
U.S. Government securities	AAA	Aaa	36.31%
Money market mutual funds	AAAm	Aaa	0.00%
			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	10.97%
Commercial paper	A-1+	P-1	2.75%
Corporate and deposit notes	A-1+	P-1	0.02%
Mortgage trust deeds	AA	Aa3	0.08%
Municipal bonds	AA	Aa3	0.53%
Negotiable certificates of deposit	A-1+	P-1	0.99%
Guaranteed investment contracts	Not rated	Not rated	24.57%
U.S. agency securities	AAA	Aaa	27.58%
U.S. treasury securities	AAA	Aaa	10.37%
Money market mutual funds	AAAm	Aaa	22.14%
			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, 2008 was 4.62%.

A separate financial report is not issued for the external investment pool. The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2008 (in thousands):

Statement of Net Assets	
Net assets held in trust for all pool participants	$ 20,341,707
Equity of internal pool participants	$ 6,940,990
Equity of external pool participants	13,400,717
Total equity	$ 20,341,707
Statement of Changes in Net Assets	
Net assets at July 1, 2007	$ 18,010,933
Net change in investments by pool participants	2,330,774
Net assets at June 30, 2008	$ 20,341,707

The unrealized loss on investments held in the Treasurer's Pool was $22,501,000 as of June 30, 2008. This amount takes into account all changes in fair value (including purchases, sales and redemptions) that occurred during the year.

Reverse Repurchase Agreements

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

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

5. CASH AND INVESTMENTS-Continued

Derivatives

The California Government Code permits the County Treasurer to purchase floating rate notes, that is, any instruments that have a coupon interest rate that is adjusted periodically due to changes in a base or benchmark rate. The County's investment guidelines limit the amount of floating rate notes to 10% of the Los Angeles County Treasury Pool portfolio and prohibit the purchase of inverse floating rate notes and hybrid or complex structured investments. As of June 30, 2008, there were approximately $1,137,950,000 in floating rate notes.

LACERA utilizes forward currency contracts to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. At June 30, 2008, forward currency contracts receivable and payable totaled $146,108,000 and $146,262,000, respectively.

Securities Lending Transactions

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

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

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

At year end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2008, 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, 2008. Securities on loan at year-end, which include stocks and government and corporate bonds, are maintained in LACERA's financial records. A corresponding liability is recorded for the fair value of the invested cash collateral received.

As of June 30, 2008, the fair value of securities on loan was $2.25 billion. The value of the cash collateral received for those securities was $2.32 billion and there was no non-cash collateral. Securities lending assets (Other Investments) and liabilities (Other Payables) of $2.3 billion are recorded in the Pension Trust Fund. Pension Trust Fund income, net of expenses, from securities lending was $17.6 million for the year ended June 30, 2008.

For the year ended June 30, 2008, the Los Angeles County Treasury Pool did not enter into any securities lending transactions.

5. CASH AND INVESTMENTS-Continued

Summary of Deposits and Investments

Following is a summary of the carrying amount of deposits and investments at June 30, 2008 (in thousands):

	County	Pension Trust Fund	Total
Deposits	$ 97,696	$ 44,087	$ 141,783
Investments	21,285,711	41,795,603	63,081,341
	$ 21,383,407	$ 41,839,690	$ 63,223,097

6. CAPITAL ASSETS

Capital assets activity of the primary government for the year ended June 30, 2008 is as follows (in thousands):

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental Activities				
Capital assets, not depreciated:				
Land	$ 2,339,457	12,487	(1,246)	$ 2,350,698
Easements	4,655,380	9,187	(5)	4,664,562
Construction in progress-buildings and improvements	224,014	88,856	(57,603)	255,267
Construction in progress-infrastructure	214,828	165,838	(56,825)	323,841
Subtotal	7,433,679	276,368	(115,679)	7,594,368
Capital assets, depreciated:				
Buildings and improvements	3,963,481	101,640	(19,791)	4,045,330
Equipment	978,264	151,695	(37,086)	1,092,873
Infrastructure	6,958,759	93,699	(4)	7,052,454
Subtotal	11,900,504	347,034	(56,881)	12,190,657
Less accumulated depreciation for:				
Buildings and improvements	(1,328,529)	(72,424)	16,492	(1,384,461)
Equipment	(657,160)	(123,267)	36,306	(744,121)
Infrastructure	(2,418,519)	(163,360)	1	(2,581,878)
Subtotal	(4,404,208)	(359,051)	52,799	(4,710,460)
Total capital assets, being depreciated, net	7,496,296	(12,017)	(4,082)	7,480,197
Governmental activities capital assets, net	$14,929,975	264,351	(119,761)	15,074,565
Business-type Activities				
Capital assets, not depreciated:				
Land	$ 216,328		(55)	$ 216,273
Easements	29,122	1,413		30,535
Construction in progress-buildings and improvements	857,957	100,818	(140)	958,635
Construction in progress-infrastructure	14,903	16,289	(352)	30,840
Subtotal	1,118,310	118,520	(547)	1,236,283

6. CAPITAL ASSETS-Continued

Business-type Activities-Continued

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets, being depreciated:				
Buildings and improvements	1,071,044	440	(833)	1,070,651
Equipment	223,024	68,528	(17,618)	273,934
Infrastructure	1,135,018	334	(609)	1,134,743
Subtotal	2,429,086	69,302	(19,060)	2,479,328
Less accumulated depreciation for:				
Buildings and improvements	(661,880)	(10,999)	724	(672,155)
Equipment	(173,931)	(27,074)	16,089	(184,916)
Infrastructure	(383,469)	(24,373)	87	(407,755)
Subtotal	(1,219,280)	(62,446)	16,900	(1,264,826)
Total capital assets, being depreciated, net	1,209,806	6,856	(2,160)	1,214,502
Business-type activities capital assets, net	$ 2,328,116	125,376	(2,707)	$ 2,450,785
Total Capital Assets, net	$17,258,091	$389,727	$(122,468)	$17,525,350

Depreciation Expense

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

Governmental activities:	
General government	$ 32,064
Public protection	177,575
Public ways and facilities	84,677
Health and sanitation	14,700
Public assistance	7,616
Education	1,839
Recreation and cultural services	19,707
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	20,873
Total depreciation expense, governmental activities	$ 359,051
Business-type activities:	
Hospitals	$ 27,339
Aviation	1,680
Waterworks	25,379
Community Development Commission	1,125
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	6,923
Total depreciation expense, business-type activities	$ 62,446

6. CAPITAL ASSETS-Continued

Discretely Presented Component Unit

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2008 was as follows (in thousands):

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets, not depreciated-				
Land	$ 2,039	$	$	$ 2,039
Capital assets, depreciated:				
Buildings and improvements	16,874	416		17,290
Equipment	1,213	456		1,669
Subtotal	18,087	872		18,959
Less accumulated depreciation for:				
Buildings and improvements	(5,876)	(239)		(6,115)
Equipment	(698)	(337)		(1,035)
Subtotal	(6,574)	(576)		(7,150)
Total capital assets being depreciated, net	11,513	296		11,809
Component unit capital assets, net	$ 13,552	$ 296	$	$ 13,848

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.

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.

7. PENSION PLAN-Continued

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 2007-2008:

	A	B	C	D	E
General Members	18.14%	11.44%	11.14%	11.33%	11.29%
Safety Members	26.89%	20.93%			

The rates were determined by the actuarial valuation performed as of June 30, 2006 and are the same as those used to calculate the annual required contribution (ARC).

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

During 2007-2008, 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 2007-2008, computed in accordance with GASB 27, as amended by GASB 50, were as follows (in thousands):

Annual required contribution (ARC):	
County	$ 827,789
Non County entities	122
Total ARC	827,911
Interest on net pension obligation (asset)	(13,674)
Adjustment to ARC	44,110
Annual pension cost	858,347
Contributions made:	
County	827,789
Non County entities	841
Total contributions	828,630
Cost in excess of contributions	29,717
Net pension obligation (asset), July 1, 2007	(176,440)
Net pension obligation (asset), June 30, 2008	$ (146,723)

Trend Information (in thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2006	$ 822,468	82.3%	$ (267,485)
June 30, 2007	842,896	89.2%	(176,440)
June 30, 2008	858,347	96.5%	(146,723)

7. PENSION PLAN-Continued

Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the funded ratio was determined to be 93.8%. The actuarial value of assets was $37 billion, and the actuarial accrued liability (AAL) was $39.5 billion, resulting in an unfunded AAL of $2.5 billion. The covered payroll was $5.6 billion and the ratio of the unfunded AAL to the covered payroll was 43.8%.

The schedule of funding process, presented as 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 three-year smoothed method based on the difference between the expected market value and the actual market value of assets as of the valuation date.

The County contribution rate (effective for the 2007-2008 fiscal year) was equal to 2.24% of payroll (using the level percentage of payroll amortization method, over a 30-year open period) plus the normal cost rate of 10.16%, for a total rate of 12.40% of payroll.

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

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

Pension Obligation Bonds and Certificates

During 1994-95 the County sold approximately $1,965,230,000 in par value pension bonds and utilized the proceeds to fund LACERA. A portion of the bonds ($1,365,230,000) were fixed rate. The remaining $600,000,000 were variable rate bonds, which were restructured into fixed rate bonds during 1995-96. In conjunction with the 1994-95 issuance of the pension bonds, the County entered into debt service advance agreements. Under the agreements, the County received $79,022,000 in exchange for future interest that the County would have earned on deposits with the trustee between the time the County is required to pay debt service payments to the trustee and the time the trustee pays the bondholders. These proceeds have been recorded as unearned revenue on the government-wide statements and deferred revenue on the fund-based statements, and are being amortized over the life of the bonds on the basis of annual debt service requirements. As of June 30, 2008, the unamortized balance was $9,604,000.

7. PENSION PLAN-Continued

Pension Obligation Bonds and Certificates-Continued

For the year ended June 30, 2008, the combined principal and interest payments for both the bonds and certificates were $295,292,000 and $86,323,000, respectively. For governmental activities, the total debt service was $283,213,000. For business-type activities, the total debt service was $ 98,402,000. At June 30, 2008, the total outstanding principal on both bonds and certificates was $900,824,000, including accretions of $548,569,000 on deep discount bonds. The bonds have interest rates varying from 7.07% to 9.19%.

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

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2009	$ 86,771	$151,001	$ 29,793	$ 52,773
2010	86,851	178,557	30,354	62,403
2011	87,801	187,956	30,685	65,688
Total	261,423	$517,514	90,832	$180,864
Accretions	407,116		141,453	
Total Pension Bonds Payable	$ 668,539		$ 232,285	

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

As discussed in Note 2, the County implemented GASB Statement No. 45 for the fiscal year ended June 30, 2008. GASB 45 establishes financial reporting standards designed to measure, recognize, and display OPEB costs.

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.

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Funding Policy

In 1996-1997, the County entered into an agreement with LACERA to establish an Internal Revenue Code Section 401(h) Account to use in connection with the County's payment of retiree health care costs. Section 401(h) permits the establishment of a separate account (a "401(h) Account") to fund retiree healthcare benefits, and limits contributions to the 401(h) Account to 25% of aggregate contributions to LACERA. This agreement also permits the use of LACERA excess earnings reserves to reduce the County's funding requirements for these benefits.

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 2007-2008 fiscal year, the County made payments to LACERA totaling $352 million for retiree health care benefits. Included in this amount was $9 million paid through the 401(h) Account, $29.6 million for Medicare Part B reimbursements and $6.1 million in death benefits. Additionally, $34.9 million was paid by member participants. The County also made payments of $29 million for long-term disability benefits.

Annual OPEB Cost and Net OPEB Obligation (including Long-Term Disability)

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 following table shows the ARC, the amount actually contributed and the net OPEB Obligation (in thousands):

Annual OPEB required contribution (ARC)	$ 1,615,272
Annual OPEB cost (expense)	1,615,272
Less: Contributions made (pay-as-you-go)	(381,124)
Cost in excess of contributions	1,234,148
Net OPEB obligation, July 1, 2007	0
Net OPEB obligation, June 30, 2008	$ 1,234,148

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Annual OPEB Cost and Net OPEB Obligation (including Long-Term Disability)-Continued

Trend Information (in thousands)

Fiscal Year Ended	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2008	$ 1,615,272	23.6%	$ 1,234,148

Funded Status and Funding Progress

As of July 1, 2006, 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 $20.3 billion, resulting in an unfunded AAL of $20.3 billion. The covered payroll was $5.2 billion and the ratio of the unfunded AAL to the covered payroll was 389.98%.

As of July 1, 2007, the most recent actuarial valuation date for OPEB long-term disability benefits, the funded ratio was 0%. The actuarial value of assets was zero. The actuarial accrued liability (AAL) was $929.3 million, resulting in an unfunded AAL of $929.3 million. The covered payroll was $5.6 billion and the ratio of the unfunded AAL to the covered payroll was 16.55%.

The schedules of funding progress are presented as RSI following the notes to the financial statements. These RSI schedules are to present multi-year trend information. However, there is no data available prior to the above indicated first valuations.

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. 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 salary increases of 4.01% to 9.98%. The total expected increase in salary is the increase due to promotions and longevity, adjusted for an assumed 3.75% per annum increase in the general wage level of the membership. An actuarial asset valuation was not performed. Finally, the firms used the level percentage of projected payroll over a rolling (open) 30 year amortization period.

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Actuarial Methods and Assumptions-Continued

The healthcare cost trend initial and ultimate rates are as follows:

		Initial Year	Ultimate
Healthcare Cost Trend Rates (Initial and Ultimate Rates)	LACERA Medical Under 65	6.50%	5.00%
	LACERA Medical Over 65	15.00%	5.25%
	Firefighters Local 1014 (all)	11.50%	5.00%
	Part B Premiums	11.50%	5.00%
	Dental (all)	7.20%	3.00%

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, 2008 (in thousands):

Year Ending June 30	Governmental Activities
2009	$ 79,052
2010	57,451
2011	42,423
2012	30,811
2013	23,721
2014-2018	46,350
2019-2023	8,602
2024-2028	6
Total	$ 288,416

Rent expenditures related to operating leases were $ 80,944,000 for the year ended June 30, 2008.

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, 2008 (in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2009	$ 32,785	$ 145
2010	27,736	147
2011	21,606	
2012	18,330	
2013	18,235	
2014-2018	74,614	
2019-2023	68,940	
2024-2028	69,190	

9. LEASES-Continued

Capital Leases-Continued

Year Ending June 30	Governmental Activities	Business-type Activities
2029-2033	58,501	
2034-2038	32,239	
Total	$ 422,176	$ 292
Less: Amount representing interest	248,807	19
Present value of future minimum lease payments	$ 173,369	$ 273

The following is a schedule of property under capital leases by major classes at June 30, 2008 (in thousands):

	Governmental Activities	Business-type Activities
Land	$ 17,279	$
Buildings and improvements	191,263	1,200
Equipment	71,207	393
Accumulated depreciation	(80,147)	(958)
Total	$ 199,602	$ 635

Future rent revenues to be received from noncancelable subleases are $1,345,000 as of June 30, 2008.

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 89 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 27 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 59 years and are accounted for in the General Fund.

9. LEASES-Continued

Leases of County-Owned Property-Continued

The land carrying value of the Asset Development Project ground leases and the Marina del Rey Project area leases is $429,493,000. 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, 2008 (in thousands):

Year Ending June 30	Governmental Activities
2009	$ 38,233
2010	38,614
2011	38,585
2012	37,842
2013	35,770
Thereafter	1,294,335
Total	$ 1,483,379

The following is a schedule of rental income for these operating leases for the year ended June 30, 2008 (in thousands):

	Governmental Activities
Minimum rentals	$ 38,437
Contingent rentals	23,542
Total	$ 61,979

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.

10. LONG-TERM OBLIGATIONS-Continued

A summary of bonds, notes and loans payable recorded within governmental activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2008
Los Angeles County Flood Control District Refunding Bonds 2.5% to 5.0%	$ 143,195	$ 81,035
Los Angeles County Flood Control District Revenue Bonds 4.0% to 4.12%	20,540	18,175
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3.0% to 5.25%	275,535	289,156
Community Development Commission (CDC) Notes Payable, 2.31% to 7.91%	69,295	45,856
NPC Bond Anticipation Notes, 2.35% to 4.658%	9,450	9,450
NPC Bonds 3.0% to 4.0%	34,042	19,769
Marina del Rey Loans Payable, 4.5% to 4.7%	23,500	20,705
Public Buildings Certificates of Participation, 2.8% to 7.75%	944,106	757,055
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds 5.25% to 6.65%	319,827	363,476
Total	$ 1,839,490	$ 1,604,677

A summary of bonds and notes payable recorded within business-type activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2008
NPC Bond Anticipation Notes, 2.35% to 4.658%	$ 5,550	$ 5,550
NPC Bonds 3.0% to 4.0%	19,993	11,611
Public Buildings Certificates of Participation, 2.8% to 7.0%	140,064	110,507
Commercial Paper,1.35% to 1.9%	205,500	205,500
Waterworks District Bonds, 3.3% to 8.0%	280	104
Community Development Commission Mortgage Notes, 0.00% to 7.3%	11,395	4,504
Total	$ 382,782	$ 337,776

10. LONG-TERM OBLIGATIONS-Continued

General Obligation Bonds

The Flood Control District issued general obligation bonds to finance flood control projects. These bonds fully matured in November, 2007.

Waterworks Districts issued general obligation bonds to finance water system projects. Revenue for retirement of such bonds is provided from ad valorem taxes on property within the jurisdiction of the governmental unit issuing the bonds. Principal and interest requirements on general obligation long-term debt Los Angeles County (LAC) Waterworks District bonds are as follows (in thousands):

Year Ending June 30	Business-type Activities Principal	Business-type Activities Interest
2009	$ 18	$ 9
2010	19	7
2011	21	6
2012	22	3
2013	24	1
Total	$ 104	$ 26

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 proceeds of annual assessments levied on parcels within the District's boundaries.

Principal and interest requirements on assessment bonds are as follows (in thousands):

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2009	$ 23,120	$ 12,822
2010	24,215	11,692
2011	25,375	10,514
2012	26,560	9,270
2013	27,855	7,925
2014-2018	116,295	18,922
2019-2023	26,575	1,391
Subtotal	269,995	$ 72,536
Add: Unamortized Bond Premiums	19,161	
Total Assessment Bonds	$ 289,156	

10. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation-Continued

The County has issued certificates of participation (COPs) through various financing entities that have been established by, and are component units of, the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed. Principal and interest requirements on COPs (LAC Flood Control District Refunding bonds and Revenue bonds, NPC bonds, and Public Buildings COPs for Governmental Activities and NPC bonds and Public Buildings COPs for Business-type activities) are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2009	$ 87,794	$ 38,728	$ 17,322	$ 7,270
2010	83,399	35,998	15,747	6,549
2011	72,244	33,611	14,609	5,873
2012	71,026	31,096	13,165	5,236
2013	64,440	28,889	12,610	4,488
2014-2018	177,607	126,104	41,297	12,076
2019-2023	131,563	87,776		
2024-2028	64,910	22,718		
2029-2033	52,585	6,997		
2034-2038	6,750	169		
Subtotal	812,318	$ 412,086	114,750	$ 41,492
Accretions	72,826			
Unamortized Bond Premiums	28,875		7,368	
Unamortized Loss	(37,985)			
Total Certificates of Participation	$ 876,034		$ 122,118	

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 sales agreement. Residuals through 2011 were expected to be approximately $140,632,000. The total TSRs sold, based on the projected payment schedule in the Master Settlement Agreement and adjusted for historical trends, was estimated to be $1,438,000,000. The estimated present value of the TSRs sold, net of the expected residuals and assuming a 5.7% interest rate at the time of the sale, was $309,230,000. In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Bonds, neither the California County Tobacco Securitization Agency, the County nor the LACSC has any liability to make up any such shortfall.

10. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds-Continued

Principal and interest requirements (in thousands) for the Tobacco Settlement Asset-Backed bonds, which do not begin until 2011, are as follows:

Year Ending June 30	Governmental Activities Principal	Interest
2011	$	$ 21,197
2012		21,197
2013		21,197
2014-2018		105,987
2019-2023	60,280	97,864
2024-2028	46,370	85,681
2029-2033		69,311
2034-2038	62,196	60,224
2039-2043	53,157	38,738
2044-2048	97,824	16,173
Subtotal	319,827	$ 537,569
Accretions	43,649	
Total Tobacco Settlement Asset-Backed Bonds	$ 363,476	

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 2007-2008 fiscal year, LACCAL issued additional BANS in the amount of $25,000,000.

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 2007-08 fiscal year, CDC issued additional notes payable in the amount of $3,000,000 as reflected in the governmental activities.

Marina del Rey loans were obtained from the California Department of Boating and Waterways for the restoration and renovation of the marina seawall. The loans are secured by Marina del Rey lease revenue and by Los Angeles County Music Center parking revenues.

10. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Commercial Paper-Continued

Tax-exempt commercial paper notes (TECP) are issued by the County to pay for the construction costs for the various hospital construction projects. Repayment of the TECP is secured by a letter of credit and a sublease of twenty-one County-owned properties. Pursuant to the underlying leases, the County is able to amortize the remaining TECP over the useful life of the underlying assets. The term of individual commercial paper notes may not exceed 270 days. During the 2007-2008 fiscal year, the County issued additional TECP in the amount of $203,000,000.

Principal and interest requirements on CDC Notes payable, NPC BANS, and Marina del Rey Loans payable for Governmental Activities and NPC BANS, Commercial paper, and CDC Mortgage notes for Business-type Activities are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2009	$ 2,736	$ 3,310	$ 206,331	$ 98
2010	12,529	3,296	5,905	45
2011	3,232	3,144	350	13
2012	3,895	2,965		
2013	4,009	2,759		
2014-2018	19,755	10,690	974	
2019-2023	17,982	5,294		
2024-2028	10,395	1,514		
2029-2033	1,478	67		
Indeterminate maturity			1,994	
Total	$ 76,011	$ 33,039	$ 215,554	$ 156

Summary-All Future Principal, Interest and Accretions

The following summarizes total future principal and interest requirements for the various debt issues referenced above (in thousands):

	Governmental Activities		Business-type Activities	
Debt Type	Principal	Interest	Principal	Interest
General Obligation Bonds	$	$	$ 104	$ 26
Assessment Bonds	269,995	72,536		
Certificates of Participation	812,318	412,086	114,750	41,492
Tobacco Settlement Asset-Backed Bonds	319,827	537,569		
Notes, Loans, and Commercial Paper	76,011	33,039	215,554	156
Subtotal	1,478,151	$1,055,230	330,408	$ 41,674
Add: Accretions	116,475			
Unamortized Bond Premiums	48,036		7,368	
Less: Unamortized Loss on Advance Refunding of Debt	(37,985)			
Total Bonds and Notes Payable	$ 1,604,677		$ 337,776	

10. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions-Continued

Long-term liabilities recorded in the Government-wide Statement of Net Assets include accreted interest on zero coupon bonds, unamortized bond premiums, and unamortized losses on advance debt refundings.

Advance Refunding of Debt

On July 5, 2007, the County issued $94,315,000 of Regional Park and Open Space District lease revenue refunding bonds, maturing on various dates between 2007 and 2019. These bonds, with an average rate of 3.76%, were issued to refund the outstanding principal amount of $126,520,000 of bonds issued in 1997, with an average interest rate of 5.29%.

U.S. Government securities were purchased and deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the refunded bonds were considered to be defeased and the liabilities for those bonds were removed from the Government-Wide Statement of Net Assets – Governmental Activities. Specific disclosures related to the refunding issue are as follows (in thousands):

Proceeds of refunding bonds issued	$ 94,315
Prior years' bond reserves and/or premiums	23,876
County equity contribution	13,020
Deposit to escrow	$ 131,211
Future years' aggregate debt service payment reduction	$ 16,449
Present value savings (economic gain)	$ 6,465

For the advance refunding transaction, the carrying amount of the refunded debt was less than the reacquisition price. This difference was $4,691,000. This amount has been reported as a reduction of the amount of outstanding debt in the basic financial statements.

Bonds Defeased in Prior Years

In prior years, various debt obligations, consisting of bonds and certificates of participation, were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related liabilities for the defeased bonds are not reflected in the County's financial position. At June 30, 2008, the amount of outstanding bonds and certificates of participation considered defeased was $241,895,000. 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, 2008 (in thousands):

	Balance July 1, 2007	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2008	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 1,688,286	$ 153,658	$ 237,267	$ 1,604,677	$ 120,401
Pension bonds payable (Note 7)	879,585		211,046	668,539	218,197
Capital lease obligations (Note 9)	98,450	98,168	23,249	173,369	15,537
Accrued vacation and sick leave	700,200	94,482	45,474	749,208	42,859
Workers' compensation liability (Note 17)	1,875,134	208,106	273,777	1,809,463	308,156
Litigation and self-insurance liability, as restated (Note 17)	86,582	92,182	37,705	141,059	108,056
OPEB obligation (Note 8)		1,019,980		1,019,980	68,951
Third party payor liability	17,568	1,850	6,140	13,278	13,278
Total governmental activities	$ 5,345,805	$1,668,426	$ 834,658	$ 6,179,573	$ 895,435
Business-type activities:					
Bonds and notes payable	$ 160,344	221,639	44,207	337,776	224,490
Pension bonds payable (Note 7)	305,612		73,327	232,285	75,813
Capital lease obligations (Note 9)	398		125	273	130
Accrued vacation and sick leave	119,151	15,669	10,012	124,808	8,989
Workers' compensation liability (Note 17)	328,119	23,373	40,527	310,965	47,272
Litigation and self-insurance liability, as restated (Note 17)	102,832	22,173	18,675	106,330	23,404
OPEB obligation (Note 8)		214,168		214,168	14,477
Third party payor liability (Note 13)	98,220	82,065	23,697	156,588	36,130
Total business-type activities	$ 1,114,676	$ 579,087	$ 210,570	$ 1,483,193	$ 430,705

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 2007-2008, thereby increasing liabilities for Bonds and Notes Payable by $21,783,000 for governmental activities. Amounts accreted for Pension Bonds in previous years were paid during 2007-2008 thereby decreasing liabilities for Pension Bonds Payable for governmental and business-type activities by $95,207,000 and $33,079,000, 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 2, 2007, the County issued $500,000,000 short-term Tax and Revenue Anticipation Notes at an effective interest rate of 3.62%. 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 2007. The notes matured and were redeemed on June 30, 2008.

12. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2008, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $82,800,000 and limited obligation improvement bonds totaling $11,645,000. The bonds were issued to finance the cost of various construction activities and infrastructure improvements which have a regional or direct benefit to the related property owners.

The bonds do not constitute an indebtedness of the County and are payable solely from special taxes and benefit assessments collected from property owners within the districts. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County and neither the full faith and credit of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

The County functions as an agent for the districts and bondholders. Debt service transactions related to the various bond issues are reported in the agency funds. Construction activities are reported in the Improvement Districts' Capital Projects Fund. Revenues have been recorded (proceeds from property owners) to reflect the bond proceeds issued for capital improvements.

Residential Mortgage Revenue Bonds

Residential Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single family residences in the County. The purpose of this program is to provide low interest rate home mortgage loans to persons who are unable to qualify for conventional mortgages at market rates. Multi-Family Mortgage Revenue Bonds have been issued to provide permanent financing for apartment projects located in the County to be partially occupied by persons of low or moderate income. The amount of Mortgage Revenue Bonds outstanding as of June 30, 2008, was $723,704,000.

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, 2008, the amount of industrial development and other conduit bonds outstanding was $14,080,000.

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 Hospital / Uninsured Care Demonstration Project

The Medicaid Demonstration Project, which was a sub-state waiver, included the Supplemental Project Pool (SPP) program and the Federally Reimbursable Ambulatory Care Service Costs. This sub-state waiver was terminated on June 30, 2005. A new Statewide Project, the California's Medi-Cal Hospital / Uninsured Care Demonstration Project, was implemented on July 1, 2005. This Demonstration Project and the associated changes to various State Plan Amendments either modified and/or replaced the Medi-Cal Fee For Services, SB 855 and SB 1255 payment funding systems.

The Demonstration Project was negotiated between the State of California's Department of Health Services (SDHS) and the federal Centers for Medicare and Medicaid Services (CMS), and covers the period from July 1, 2005 to June 30, 2010. The implementing State legislation (SB 1100) was enacted by the Legislature in September 2005. The five-year Demonstration Project applies to payments Statewide (which currently includes 21 public hospitals, including all University of California owned hospitals, identified as Designated Public Hospitals, and private and non-designated public safety net hospitals that serve large numbers of Medi-Cal patients).

The Medicaid Demonstration Project restructures inpatient hospital fee-for-service (FFS) payments and Disproportionate Share Hospital (DSH) payments, as well as the financing method by which the State draws down federal matching funds. Under the old system, public hospitals negotiated and received inpatient FFS contract per diem payments and supplemental contract payments (SB 1255) under the Medi-Cal Selective Provider Contract Program, and received DSH funds pursuant to a statutory formula (SB 855). The non-federal share of the inpatient FFS per diems was funded with State general funds, while the non-federal share of the supplemental contract payments and DSH payments was provided in the form of intergovernmental transfers (IGTs) of funds made by the public entities that operated public hospitals.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Hospital / Uninsured Care Demonstration Project-Continued

Under the Demonstration Project, payments for the public hospitals are comprised of: 1) FFS cost-based reimbursement for inpatient hospital services; 2) DSH payments and 3) distribution from a newly created pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP), which was capped Statewide at $586 million for FY 2007-08. The non-federal share of these three types of payments will be provided by the public hospitals rather than the State, primarily through certified public expenditures (CPE) whereby the hospital would expend its local funding for services to draw down the federal financial participation (FFP), currently provided at a 50% match. For the inpatient hospital cost-based reimbursement, each hospital will provide its own CPE and receive all of the resulting federal match. For the DSH and SNCP distributions, the CPEs of all the public hospitals will be used in the aggregate to draw down the federal match. It is therefore possible for one hospital to receive the federal match that results from another hospital's CPE. In this situation, the first hospital is referred to as a "recipient" hospital, while the second is referred to as a "donor" hospital. A recipient hospital is required to "retain" the FFP amounts resulting from donated CPEs.

The Demonstration Project restricts the amount of IGTs that may be used for DSH payments. A hospital's IGT may be used to draw federal DSH funding, but only with respect to DSH payments made to that hospital, and the gross amount of such IGT funded payments (non-federal plus federal match) may not exceed 75% of the hospital's uncompensated care costs to ensure compliance with the OBRA 1993 hospital-specific DSH limit. The gross IGT funded DSH payment must be "retained" by the hospital.

The County of Los Angeles provides funding for the State's share of the Demonstration Project by transferring funds to the State. These transferred funds, referred to as 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 health care expenses.

The County recognizes the supplemental funding received for each hospital as net patient services revenue as reflected in the Statement of Revenues, Expenses, and Changes in Net Assets. The IGT payments are reflected as non-operating expenses by each Hospital in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. For the year ended June 30, 2008, the estimated cost of the IGTs and the related estimated revenues are as follows (in thousands):

Program	Intergovernmental Transfers Expense	Revenues
Medicaid Demonstration Project	$199,659	$808,358

Baseline Payments

The Demonstration Project prioritizes payments so that, to the extent possible, total payments to hospitals are at a minimum "baseline" level. For public hospitals, the baseline level is determined and satisfied on a hospital-specific basis. The baseline for the 2007-08 program year is established at each hospital's total net Medi-Cal inpatient payments for 2006-07. The State DHS estimates the aggregate baseline funding for the Statewide designated public hospitals to be $2.258 billion.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Baseline Payments-Continued

The estimated FY 2007-08 baseline for Los Angeles County hospitals is as follows (in thousands):

Hospital Name	Baseline Amount
LAC+USC Medical Center	$ 360,349
Harbor-UCLA Medical Center	175,827
MLK, Jr.-Harbor Hospital	15,813
Rancho Los Amigos National Rehabilitation Center	82,624
Olive View -UCLA Medical Center	113,381
Total	$ 747,994

The three funding components that will be utilized to meet each hospital's baseline level are as follows:

1) Medi-Cal inpatient FFS cost-based reimbursement: The FFP which is paid to the hospital represents approximately half of the facility-specific costs or CPE. The hospital's amounts will fluctuate based on the number of facility-specific Medi-Cal patients served and the facility-specific cost-computations that will be adjusted on an interim and final basis.

2) DSH funds: These payments are made to hospitals to take into account the uncompensated costs of care delivered to the uninsured, undocumented immigrants, shortfalls between Medi-Cal psychiatric and Medi-Cal managed care payments. The non-federal share of these funds will be a combination of CPEs for these services and IGTs that are subject to interim and final cost settlement. There is an annual fixed allotment of federal DSH funds. The waiver allocates almost all of these funds to public hospitals. (The State DHS estimates the aggregate value of federal DSH funds for the Statewide designated public hospitals to be $1.025 billion as of June 30, 2008.)

3) SNCP Distributions: These federal payments are made to public hospitals and clinics for uncompensated care delivered to uninsured patients and for certain designated non-hospital costs, such as drugs and supplies for the uninsured. The non-federal share of these funds will be based on CPEs for these services.

Stabilization Payments

Payments to private and non-designated public DSH hospitals that exceed the aggregate baseline are considered stabilization funds and are included in the allocation among all waiver hospitals based on State law. Stabilization is distributed to the Designated Public Hospitals from the SNCP. The non-federal share of these funds will be based on CPEs for related services.

SB 1100 requires the California Department of Health Services (CDHS) to finalize the calculation of stabilization funding for each hospital and pay that amount by April 1 following the project year. This determination will be based on cost estimates and specified adjustments. Under State law, the stabilization payments determined through this process shall not be modified for any reason other than mathematical errors or mathematical omissions on the part of the State of California.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Reported CPEs Subject to Audit

All CPEs reported by each hospital will be subject to State and federal audit and final reconciliation. If at the end of the final reconciliation process, it is determined that a hospital's claimed CPEs resulted in an overpayment of federal funds to the State, the hospital may be required to return the overpayment whether or not they received the federal matching funds.

South Los Angeles Medical Services Preservation Fund

On October 12, 2007, State Senate Bill (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) and will help defray the County's costs for treating uninsured patients in the South Los Angeles area. The estimated amount of the funds identified to MLK-MACC for FY 2007-08 is $87.7 million for 10.5 months.

SB 474 also requires the County to make intergovernmental transfers 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 $4.385 million is recorded as health care expenditures in the County's General Fund.

Other Medi-Cal Programs

Cost Based Reimbursement Clinics (CBRC)

A State Plan Amendment to extend CBRC funding has been approved by the federal government. The Amendment is effective July 1, 2005 through June 30, 2010. CBRC reimburses at 100 percent of reasonable costs for Medi-Cal outpatient services provided to Medi-Cal beneficiaries at hospital-based clinics, Multi-Ambulatory Care Centers (MACC) and health centers (excluding clinics that provide predominately public health services).

Cost Report Settlements

Medi-Cal field audits for FY 2004-05 have been completed and audit reports have been issued for all hospitals and health centers with the exception of Martin Luther King, Jr. MACC (MLK), formerly known as MLK-Harbor Hospital, and Rancho Los Amigos National Rehabilitation Center (Rancho). FY 2005-06 Medi-Cal audits are in progress.

The hospitals have various outstanding appeals pertaining to Medi-Cal audit settlements. The FYs 2002-03 and 2003-04 informal level appeals for Medi-Cal have been resolved and $3.5 million will be paid to the County as a result of the resolution of those appeals.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Supplement

In October 2006, the State submitted a proposal to the CMS to allow supplements to the Medi-Cal managed care capitation rates. The County and the State continued to work with CMS and finally obtained approval for the supplements on April 10, 2008. The term of the State agreement will be for the period of October 1, 2006 through September 30, 2008 and expires on December 31, 2008. The County does not receive managed care payments directly from the State; rather, the State contracts with L.A. Care which then subcontracts for services with various provider networks, including DHS' Community Health Plan. The estimated aggregate gross payment for FYs 2006-07 and 2007-08 is $129.475 million. An estimated IGT expenditure of $64.75 million was recorded as health care expenditures in the County's General Fund.

Revenues from the various Medi-Cal programs (FFS, DSH, SNCP, CBRC, AB 915, SB 1732, and Managed Care) represent approximately 78% of the hospitals' patient care revenue for the year ended June 30, 2008.

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.

Medicare audits have been completed at all hospitals and notices of program reimbursement have been received for all hospitals through FY 2000-01. For FYs 2001-02 and 2002-03, Medicare audits have been completed for all hospitals except for LAC+USC Medical Center (LAC+USC). For FY 2003-04, the audits for MLK, Rancho, and Olive View-UCLA Medical Center (OV/UCLA) have been completed and the notices of program reimbursement have been issued. The audits for LAC+USC and Harbor/UCLA Medical Center (H/UCLA) have not been scheduled for FY 2003-04.

For FYs 2004-05 through 2005-06, the audits for MLK and OV/UCLA have been completed and notices of program reimbursement have been issued. Rancho audits are in progress. The audits for LAC+USC and H/UCLA have not been scheduled.

For FY 2006-07, the audit for Rancho has been completed and the notice of program reimbursement has been issued. The audits for LAC+USC, H/UCLA, MLK, and OV/UCLA have not been scheduled.

Revenues from the Medicare program represent approximately 8% of patient care revenue for the year ended June 30, 2008.

Other Program Revenues

Proposition 99 imposes an additional State excise tax on cigarettes and other tobacco products. The increased taxes on tobacco products generate additional revenues for health care, research, health education, and public resources. State Assembly Bill 75 (AB 75) allocates these revenues to health care providers based upon their share of the financial burden for providing care to persons who are uninsured or otherwise unable to pay for care. The County's share of the AB 75 California Healthcare for the Indigent Program (CHIP) revenues for the year ended June 30, 2008 was $9.9 million.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Program Revenues-Continued

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.

Accounts Receivable-net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts for the year ended June 30, 2008 (in thousands):

	H/UCLA	OV/UCLA	LAC+USC	MLK/H	Rancho	Total
Accounts receivable	$ 561,552	298,403	852,741	196,388	192,493	$2,101,577
Less: Allowance for uncollectible amounts	431,960	172,182	596,802	15,603	127,138	1,343,685
Accounts Receivable - net	$ 129,592	126,221	255,939	180,785	65,355	$ 757,892

Charity Care

Charity care includes those uncollectible amounts, for which the patient is unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigence standard has been established and under which the patient qualifies. Inability to pay may be determined through one of the Department's Reduced Cost Health Care plans, through other eligibility plans utilized by the Department, by the Treasurer-Tax Collector, or by an outside collection agency. Determinations of charity care may be made prior to, at the time of service, or any time thereafter.

The total amount of such charity care provided by the hospitals for the fiscal year ended June 30, 2008, based on established rates, is as follows (in thousands):

Charges forgone	$1,298,794
Less: Federal and State subventions	9,939
Net charges forgone	$1,288,855

Litigation Regarding Reduction in Health Services

In March 2003, two lawsuits were filed in Federal District Court against the County challenging health care reductions approved by the Board. The lawsuits challenged the closure of Rancho Los Amigos National Rehabilitation Center as well as the reduction of the 100 beds at LAC+USC Medical Center. On August 9, 2005, the Board of Supervisors approved a negotiated settlement with the plaintiffs. The Federal District Court approved the Rancho settlement on December 19, 2005, and the LAC+USC settlement on March 10, 2006. These settlement agreements allow for the phased reduction of beds at LAC+USC contingent upon meeting established milestone reductions in patients' average length of stay. Specifically, DHS was able to reduce 25 beds immediately, with additional decreases tied to achieving and maintaining milestone reductions for prescribed periods of time. The settlement also calls for DHS to continue to operate Rancho, although at a reduced size with only core rehabilitation services, for a three-year period through March 9, 2009, while the County simultaneously seeks an entity to take over hospital operations.

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, 2008.

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, 2008 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 2,265
	Flood Control District	4,289
	Public Library	2,135
	Regional Park and Open Space District	4,073
	Internal Service Funds	8,059
	Waterworks Enterprise Funds	24
	Harbor-UCLA Medical Center	14,675
	Olive View-UCLA Medical Center	38,402
	LAC+USC Medical Center	31,991
	M.L. King Ambulatory Care Center	18,969
	Rancho Los Amigos Nat'l Rehab Center	5,249
	Nonmajor Enterprise Funds	14
	Nonmajor Governmental Funds	227,271
		357,416
Fire Protection District	General Fund	3,303
	Internal Service Funds	4
	LAC+USC Medical Center	6
	Nonmajor Governmental Funds	3,128
		6,441
Flood Control District	General Fund	3,554
	Internal Service Funds	19,250
	Nonmajor Enterprise Funds	1
	Nonmajor Governmental Funds	2,101
		24,906
Public Library	General Fund	1,343
	Nonmajor Governmental Funds	650
		1,993
Regional Park and Open Space Dist	General Fund	323

14. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Internal Service Funds	General Fund	11,224
	Fire Protection District	75
	Flood Control District	17,628
	Public Library	4
	Waterworks Enterprise Funds	4,988
	Harbor-UCLA Medical Center	2
	M.L. King Ambulatory Care Center	14
	Rancho Los Amigos Nat'l Rehab Center	45
	Nonmajor Enterprise Funds	144
	Nonmajor Governmental Funds	25,234
		59,358
Waterworks Enterprise Funds	General Fund	2
	Internal Service Funds	2,467
		2,469
Harbor-UCLA Medical Center	General Fund	25,178
	Fire Protection District	29
	Olive View-UCLA Medical Center	3,666
	LAC+USC Medical Center	9,851
	M.L. King Ambulatory Care Center	708
	Rancho Los Amigos Nat'l Rehab Center	26
	Nonmajor Governmental Funds	7,945
		47,403
Olive View-UCLA Medical Center	General Fund	44,634
	Fire Protection District	98
	Harbor-UCLA Medical Center	21
	LAC+USC Medical Center	27
	M.L. King Ambulatory Care Center	24
	Rancho Los Amigos Nat'l Rehab Center	15
	Nonmajor Governmental Funds	11,312
		56,131
LAC+USC Medical Center	General Fund	128,870
	Fire Protection District	129
	Harbor-UCLA Medical Center	3,859
	Olive View-UCLA Medical Center	3,323
	M.L. King Ambulatory Care Center	2,109
	Rancho Los Amigos Nat'l Rehab Center	1,297
	Nonmajor Governmental Funds	53,381
		192,968
M.L. King Ambulatory Care Center	General Fund	10,152
	Harbor-UCLA Medical Center	34
	Olive View-UCLA Medical Center	60
	LAC+USC Medical Center	9,402
		19,648

14. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Rancho Los Amigos Nat'l Rehab Center	General Fund	7,493
	Fire Protection District	66
	LAC+USC Medical Center	13,133
	M.L. King Ambulatory Care Center	48
		20,740
Nonmajor Enterprise Funds	Internal Service Funds	48
Nonmajor Governmental Funds	General Fund	325,464
	Fire Protection District	5,000
	Flood Control District	237
	Public Library	254
	Internal Service Funds	14,479
	Waterworks Enterprise Funds	10
	Nonmajor Enterprise Funds	3
	Nonmajor Governmental Funds	16,049
		361,496
Total Interfund Receivables/Payables		$ 1,151,340

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, 2008 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Public Library	$ 41,391
	Internal Service Funds	14
	Harbor-UCLA Medical Center	181,834
	Olive View-UCLA Medical Center	165,183
	LAC+USC Medical Center	501,220
	M.L. King Ambulatory Care Center	75,599
	Rancho Los Amigos Nat'l Rehab Center	77,591
	Nonmajor Governmental Funds	80,976
		1,123,808
Fire Protection District	Nonmajor Governmental Funds	16,488

14. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Flood Control District	Internal Service Funds	23
	Nonmajor Governmental Funds	19,025
		19,048
Public Library	General Fund	3,876
	Nonmajor Governmental Funds	922
		4,798
Regional Park and Open Space District	Nonmajor Governmental Funds	35,216
Internal Service Funds	General Fund	3,903
	Waterworks Enterprise Funds	21
	Nonmajor Governmental Funds	604
		4,528
Harbor-UCLA Medical Center	Nonmajor Governmental Funds	732
Olive View-UCLA Medical Center	Nonmajor Governmental Funds	451
LAC+USC Medical Center	Harbor-UCLA Medical Center	9,749
	M.L. King Ambulatory Care Center	7,352
	Rancho Los Amigos Nat'l Rehab Center	13,092
	Nonmajor Governmental Funds	998
		31,191
M.L. King Ambulatory Care Center	Nonmajor Governmental Funds	507
Rancho Los Amigos Nat'l Rehab Center	Nonmajor Governmental Funds	23
Nonmajor Governmental Funds	General Fund	335,127
	Flood Control District	244
	Public Library	269
	Regional Park and Open Space District	423
	Internal Service Funds	159
	Harbor-UCLA Medical Center	25,902
	Olive View-UCLA Medical Center	25,754
	LAC+USC Medical Center	103,922
	Nonmajor Enterprise Funds	350
	Nonmajor Governmental Funds	61,177
		553,327
Total Interfund Transfers		$1,790,117

14. INTERFUND TRANSACTIONS-Continued

Short-term Advances

The General Fund makes short-term advances to assist the Hospital Funds in meeting their cash flow requirements. The General Fund, along with other funds that receive services from the Public Works Internal Service Fund, makes short-term advances to ensure sufficient cash is available to fund operations.

Advances from/to other funds at June 30, 2008 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Internal Service Funds	$ 3,589
	Harbor-UCLA Medical Center	96,862
	Olive View-UCLA Medical Center	71,315
	LAC+USC Medical Center	199,678
	M.L. King Ambulatory Care Center	146,920
	Rancho Los Amigos Nat'l Rehab Center	53,508
		571,872
Flood Control District	Internal Service Funds	6,213
Waterworks Enterprise Funds	Internal Service Funds	1,164
Nonmajor Governmental Funds	Internal Service Funds	11,034
Total Short-term Advances		$ 590,283

15. BUDGETARY ACCOUNTING CHANGES/RECONCILIATION BETWEEN THE BUDGETARY BASIS AND GAAP

The County's Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual on Budgetary Basis for the major governmental funds has been prepared on the budgetary basis of accounting, which is different from GAAP.

The amounts presented for the governmental fund statements are based on the modified accrual basis of accounting and differ from the amounts presented on a budgetary basis of accounting. The major areas of difference are as follows:

- For budgetary purposes, 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.

15. BUDGETARY ACCOUNTING CHANGES/RECONCILIATION BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

- 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.

- In conjunction with the sale of pension obligation bonds in 1994-95, the County sold the right to future investment income on debt service deposits. Under the budgetary basis, the proceeds were included in 1994-95 revenues. Under the modified accrual basis, the proceeds were recorded as deferred revenue (unearned) and are being amortized over the life of the bonds. This matter is also discussed in Note 7.

- 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, 2008. This matter is also discussed in Note 2.

15. BUDGETARY ACCOUNTING CHANGES/RECONCILIATION BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

The following schedule is a reconciliation of the budgetary and GAAP fund balances for the major governmental funds (in thousands):

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District
Fund balance - budgetary basis	$ 1,808,804	$ 43,348	$ 31,405	$ 16,626	$ 164,013
Reserves and designations	1,750,106	150,411	138,174	15,136	123,939
Subtotal	3,558,910	193,759	169,579	31,762	287,952
Adjustments:					
Accrual of estimated liability for litigation and self-insurance claims	106,239	(1,001)		(62)	
Accrual of vacation and sick leave benefits	36,766				
Deferral of unearned investment income	(6,272)	(309)		(69)	
Deferral of sale of tobacco settlement revenue	(272,797)				
Change in revenue accruals	(48,406)	(22,412)	(7,680)	(2,540)	(1,947)
Subtotal	(184,470)	(23,722)	(7,680)	(2,671)	(1,947)
Fund balance - GAAP basis	$ 3,374,440	$ 170,037	$ 161,899	$ 29,091	$ 286,005

16. OTHER COMMITMENTS

Construction Commitments

At June 30, 2008, the LAC+USC Medical Center Hospital Enterprise Fund had contractual commitments of approximately $20,638,000 to provide for the construction of the LAC+USC Medical Center replacement facility. The construction is currently being financed by commercial paper and a grant from the Federal Emergency Management Agency. There were also contractual commitments of approximately $4,041,000 for various hospital construction projects that were financed by commercial paper.

LACERA Capital Commitments

At June 30, 2008, LACERA had outstanding capital commitments to various investment managers, approximating $2,470,000,000. Subsequent to June 30, 2008, LACERA funded $229,000,000 of these capital commitments.

16. OTHER COMMITMENTS-Continued

Investment Purchase Commitments

At June 30, 2008, the County had open trade commitments with various brokers to purchase investments approximating $2,400,000 with settlement dates subsequent to year end. These investment transactions had not been recorded as of June 30, 2008, since the County neither takes delivery of the securities nor earns interest on the investments until the settlement date. By July 1, 2008, the County had purchased such investments.

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 2006-2007 or 2007-2008.

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, 2008 were approximately $2.120 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2008. Approximately $171,599,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2008, the County's best estimate of these liabilities is $2.368 billion. As discussed in Note 2, the County restated beginning balances to reflect the removal of the LTD disability liability in accordance with GASB 45. Changes in the reported liability since July 1, 2006 resulted from the following (in thousands):

	Beginning of Fiscal Year Liability, as restated	Current Year Claims and Changes In Estimates	Claim Payments	Balance At Fiscal Year-End
2006-2007				
Workers' Compensation	$ 2,370,702	$ 143,593	$(311,042)	$ 2,203,253
Other	722,420	24,458	(85,947)	660,931
Total 2006-2007	$ 3,093,122	$ 168,051	$(396,989)	$ 2,864,184
2007-2008				
Workers' Compensation	$ 2,203,253	$ 231,480	$(314,305)	$ 2,120,428
Other (as restated, July 1, 2007)	189,414	114,355	(56,380)	247,389
Total 2007-2008	$ 2,392,667	$ 345,835	$(370,685)	$ 2,367,817

17. RISK MANAGEMENT-Continued

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $539.8 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. PROPOSITIONS 218 AND 62

In November 1996, the voters approved the "Right To Vote on Taxes Act" (Proposition 218) which limits the County's ability to levy general and special taxes without voter approval and property related benefit assessments without property owner approval. In September 1998, the Board of Supervisors approved ordinance amendments to bring the County's general purpose taxes into conformance with Proposition 218.

In September 1995, the California Supreme Court upheld the constitutionality of Proposition 62, which requires voter approval of all new local taxes. Taxes imposed without voter approval after the 1986 effective date of Proposition 62 may be invalidated. The Court did not provide clarification about whether the decision would apply only prospectively to all new taxes or retrospectively to all taxes since the effective date of the Proposition.

A class action lawsuit was filed against the County, contending the County's utility taxes do not meet the requirements of Proposition 62 and are therefore invalid. Discussions have taken place with the plaintiffs and on July 1, 2008, the Board authorized a settlement of the lawsuit. The monetary provisions of the settlement are estimated at $65 million and liabilities of this amount have been recognized in the government-wide financial statements (governmental activities). As discussed in Note 19 (Unincorporated Los Angeles County Utility Users' Tax), the County placed a measure on the November 4, 2008 ballot in conjunction with the settlement. County management believes there is no additional material exposure for this matter.

19. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 1, 2008, the County issued $500,000,000 in 2008-09 TRANS which will mature on June 30, 2009. The TRANS are collateralized by taxes and other revenues attributable to the 2008-09 fiscal year and were issued in the form of Fixed Rate Notes at an effective interest rate of 1.58%.

Capital Asset Leasing Corporation Bond Anticipation Notes

On both September 4, 2008 and October 31, 2008, the Corporation issued a $5,000,000 Bond Anticipation Note each with an initial interest rate of 1.97% and 0.612% 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, 2011. Proceeds of the notes are being used to purchase equipment. The notes are to be paid from the proceeds of lease revenue bonds.

19. SUBSEQUENT EVENTS-Continued

Unincorporated Los Angeles County Utility User Tax

On November 4, 2008, the voters approved the Unincorporated Los Angeles County Utility Users' Tax Continuation Measure (Measure U) to validate and reduce the Los Angeles County's existing utility users' tax from 5 percent to 4.5 percent. The funds will be used to continue funding the essential services, including sheriff's deputies, parks, libraries, street repairs, and other general fund services. The adoption of this measure prospectively addresses the validity of taxes that are collectible for FY 2008-2009. As discussed in Note 18, there is a pending lawsuit that addresses the collection of taxes prior to the adoption of this measure. The lawsuit is expected to be settled in March, 2009.

Recent Financial Market Events

While there have been numerous fluctuations in the financial markets in the past several months, the County Treasurer's Pool has not sustained material negative effects.

Subsequent to June 30, 2008, Pension Trust Fund investments managed by LACERA experienced material reductions in investment values due to the downturn in the financial markets. As of October 31, 2008, LACERA's investment portfolio, excluding securities lending collateral, had declined by an estimated $6.91 billion in value to $32.6 billion (unaudited). The most significant decline was in the domestic and international public equity portfolios. These portfolios declined $5.96 billion, or 31%, during this period. LACERA's stand-alone audited financial report (see Note O to the financial statements) discusses specific market events which impacted LACERA's investment portfolios subsequent to June 30, 2008.

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)
06/30/05	$ 29,497,485	$ 34,375,949	$ 4,878,464	85.8%	$ 4,982,084	97.9%
06/30/06	32,819,725	36,258,929	3,439,204	90.5%	5,205,804	66.1%
06/30/07	37,041,832	39,502,456	2,460,624	93.8%	5,615,736	43.8%

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)
Schedule of Funding Progress-Other Post Employment Benefits
(Dollar amounts in thousands)

Retiree Health Care(1)

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)
July 1, 2006	$ 0	$ 20,301,800	$ 20,301,800	0%	$ 5,205,804	389.98%

Long-Term Disability(1)

July 1, 2007	$ 0	$ 929,265	$ 929,265	0%	$ 5,615,736	16.55%

(1) There is no data available prior to this first valuation.

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

COUNTY OF LOS ANGELES

CALIFORNIA

PROPOSED FORM OF BOND COUNSEL OPINION

July 1, 2009

Board of Supervisors
County of Los Angeles
500 West Temple Street
Los Angeles, California 90012

Re: $1,300,000,000 County of Los Angeles 2009-10
Tax and Revenue Anticipation Notes

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the County of Los Angeles, California (the "Issuer") of $1,300,000,000 aggregate principal amount of notes designated "2009-10 Tax and Revenue Anticipation Notes" (the "Notes"). The Notes are issued under Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858 inclusive (the "Act") and pursuant to a resolution adopted by the Issuer on May 12, 2009 (the "Resolution") and a Financing Certificate of the Treasurer and Tax Collector of the Issuer entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2009-10 Tax and Revenue Anticipation Notes" (the "Financing Certificate") dated as of the date hereof. Pursuant to the terms of the Resolution and the Financing Certificate, the Issuer has pledged certain amounts to the repayment of the principal amount of the Notes and the interest thereon. Except as otherwise indicated, capitalized terms used in this opinion and defined in the Financing Certificate will have the meanings given in the Financing Certificate.

As bond counsel, we have examined copies, certified to us as being true and complete copies, of the proceedings of the Issuer for the authorization and issuance of the Notes. In this connection we have also examined such certificates of public officials and officers of the Issuer as we have considered necessary for the purposes of this opinion.

We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The Financing Certificate has been duly authorized, executed and delivered by the Issuer and constitutes the legally valid and binding obligation of the Issuer, enforceable in accordance with its terms.

2. The Notes have been duly authorized and issued and constitute legally valid and binding obligations of the Issuer, enforceable in accordance with their terms and the terms of the Resolution and the Financing Certificate.

3. The Notes are payable solely from certain taxes, income, revenues, cash receipts and other moneys of the Issuer for the fiscal year ending June 30, 2010 and lawfully available for the payment of the Notes and the interest thereon and are secured by a pledge of certain moneys specified in the Resolution and the Financing Certificate.

4. The Resolution has been duly authorized by the Issuer and constitutes the legally valid and binding obligation of the Issuer, enforceable in accordance with its terms. The Notes are entitled to the benefits of the Resolution and the Financing Certificate.

5. Under existing statutes, regulations, rulings and court decisions, interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, the Notes are not "private activity bonds" within the meaning of Section 141(a) of the Code and, therefore, the interest on the Notes is not a specific item of tax preference for purposes of the Code's alternative minimum tax provisions. Interest on the Notes received by a corporation will also be excluded from adjusted current earnings for purposes of computing such corporation's alternative minimum tax liability.

6. The interest on the Notes is exempt from personal income taxes of the State of California under present state law.

The opinions set forth in paragraphs 1, 2, 3 and 4 above are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws) and (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law. We express no opinion as to any provision in the Resolution, the Financing Certificate or the Notes with respect to the priority of any pledge or security interest, or as to any provision therein purporting to provide for indemnification by the Issuer of others.

In rendering the opinion in paragraph 5 above, we are relying upon representations and covenants of the Issuer in the Resolution, the Financing Certificate and in the Issuer's Tax and Nonarbitrage Certificate of even date herewith concerning the investment and use of Note proceeds and the rebate to the federal government of certain earnings thereon. In addition, we have assumed that all such representations are true and correct and that the Issuer will comply with such covenants (including the covenant that rebate payments due the federal government, if any, will be timely made). We express no opinion with respect to the exclusion of the interest on the Notes from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the Issuer should fail to comply with any of such covenants (including the covenant that rebate payments due the federal government, if any, will be timely made), unless such failure to comply is based on our advice or opinion. Except as stated above, we express no opinion as to any federal tax consequences of the ownership of, receipt of interest on, or disposition of the Notes.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes.

We call attention to the fact that the opinions expressed herein may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

COUNTY OF LOS ANGELES

CALIFORNIA

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix D concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's Book-Entry system has been obtained from DTC and the County and the Paying Agent take no responsibility for the completeness or accuracy thereof. The County and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the County of Los Angeles 2009-10 Tax and Revenue Anticipation Notes, Series A (the "Notes"), (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix D. The current "Rules" applicable to DTC are on file with the U.S. Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial

Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Payments of principal of, premium, if any, and interest evidenced by the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE COUNTY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF NOTES FOR PREPAYMENT.

The County, the Paying Agent and the Underwriters cannot or do not give any assurances that DTC, the DTC Participants or others will distribute payments of principal or interest on the Notes paid to DTC or its nominee as the registered owner, or will distribute any notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The County, the Paying Agent and the Underwriters are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Notes or an error or delay relating thereto.

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

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, security certificates will be printed and delivered to DTC.

[THIS PAGE INTENTIONALLY LEFT BLANK]

COUNTY OF LOS ANGELES

CALIFORNIA